



Welcome





Innovate
UK

Future Economy Investor Partnerships: Investor Selection Feb 2023

Applicant briefing

Date: 28th February 2023

The webinar will start at 14:00.

- We are currently on mute, whilst waiting for more people to join
- We will conduct a sound check before the briefing starts
- Please ensure that you are dialled in, either by computer or phone, so that you can hear the briefing.
- If you have any audio issues, please dial in from a fixed line.
- The briefing will be recorded and available for you

Agenda

- Welcome and introductions

- Nigel Walker
- Bruce Colley
- Lydia Weir-Blankenstein

- Part 1

Background, scope and delivery of the investor partnerships programme

- Part 2

Applying through the Innovation Funding Service, application questions

- Part 3

Submitting your application, assessment and investor selection



Introduction to Innovate UK and UKRI



Innovate
UK



UK Research and Innovation

We work with the government to invest over £7 billion a year in research and innovation by partnering with academia and industry to make the impossible, possible. Through the UK's nine leading academic and industrial funding councils, we create **knowledge with impact**.



**UK Research
and Innovation**

Innovate UK

- We are the UK's innovation agency
- We support business-led innovation in all sectors, technologies and UK regions
- A key delivery body of the Government's Innovation Strategy

Our Mission

To help UK businesses grow through the development and commercialisation of new products, processes, and services, supported by an outstanding innovation ecosystem that is agile, inclusive, and easy to navigate.



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Innovation Strategy



Plan for Action



Our Priorities

Strategic Themes



Future
Economy



Growth
at Scale



Global
Opportunities



Innovation
Ecosystem



Government
Levers

Strong Foundations



Science &
Research
Strengths



Design
Expertise



Societal Impact
& Responsible
Innovation



Innovation
Talent & Skills



Equality
Diversity &
Inclusion



Place &
Levelling Up



Strategic Theme **Growth at Scale**

- Growing, innovating businesses are key to a strong, sustainable, and competitive UK economy
- The UK ranks 3rd in the world for start-ups, but only 13th for scaling businesses
- We will strengthen our ability to help businesses to grow and scale. We will think beyond projects and novel products to increase focus on the company and its growth journey

Global Market Access

Supporting SMEs to enter the supply chains of the future

Prepare for Growth

Developing leadership and commercial skills, IP, business models, and use of standards

Growth Capital and Resources

Increasing investment through Loans, Investor Partnerships, British Business Bank, etc.

Innovate UK EDGE

Providing businesses with bespoke innovation and growth support services



Strategic Theme Future Economy

- The future economy will be very different as we improve the quality of life for all, protect the environment and conserve Earth's resources
- To help UK business realise the opportunities, we will deliver ambitious and purpose-driven programmes in 4 areas:



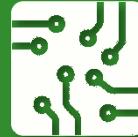
Net Zero

Innovations in energy, transport, agriculture, buildings, manufacturing and more



Health & Wellbeing

Innovation in diagnostics, medicines and novel therapies, connected health, diet and more



Technologies

Developing 7 technology families to help solve the world's biggest problems and grow the UK economy



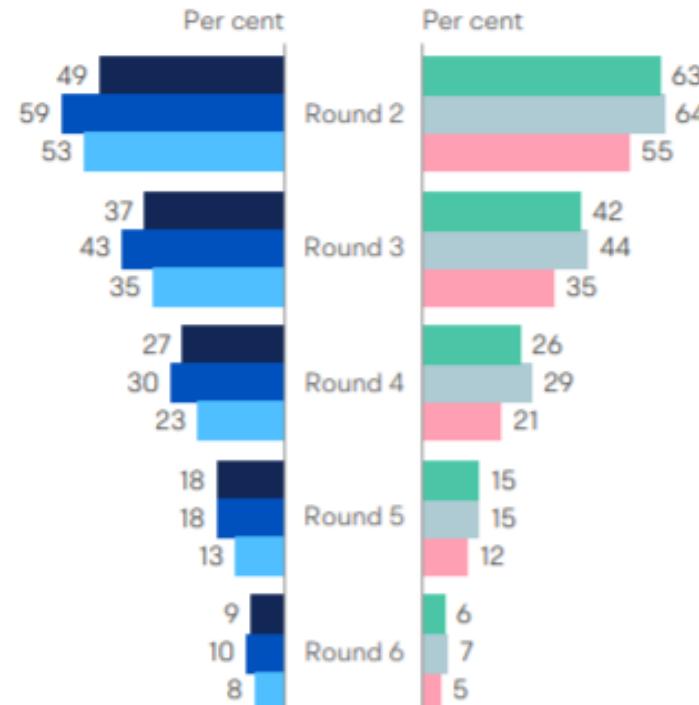
Foresight

Horizon scanning to enable an agile and intelligent respond to disruptive, emerging technologies

The ‘capitalisation challenge’

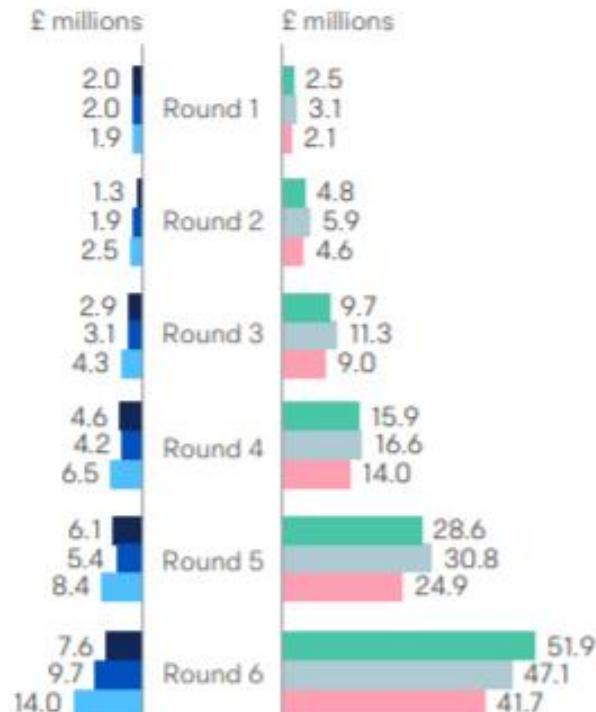
Proportion of companies raising first VC round in 2012-13 raising subsequent rounds

Source: PitchBook



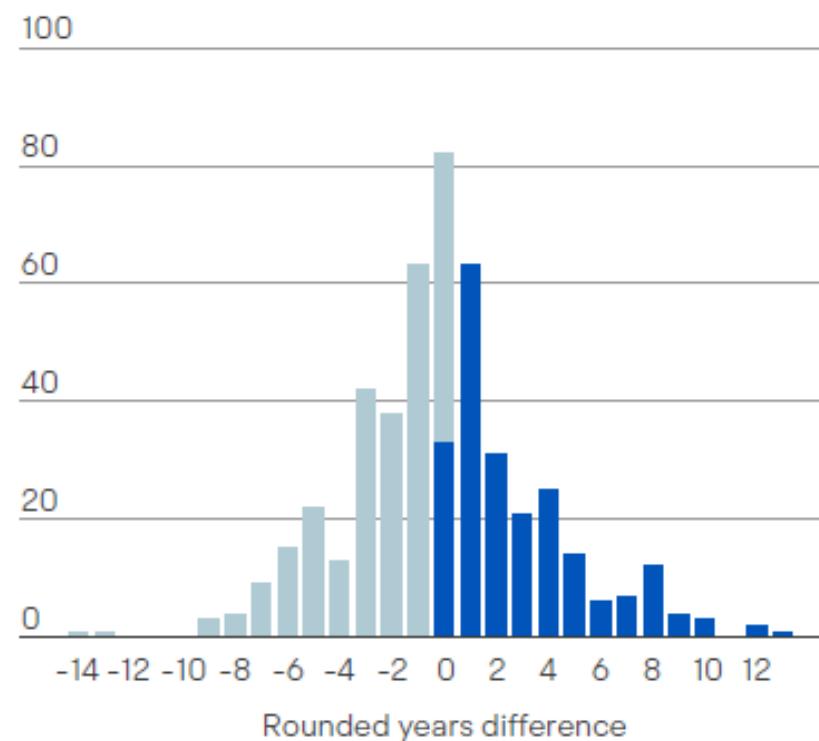
Average deal sizes of companies raising first VC round in 2012-13 by subsequent VC round number

Source: PitchBook



Matched Innovate UK / British Business Bank companies in the Bank’s Equity portfolio

Number of companies

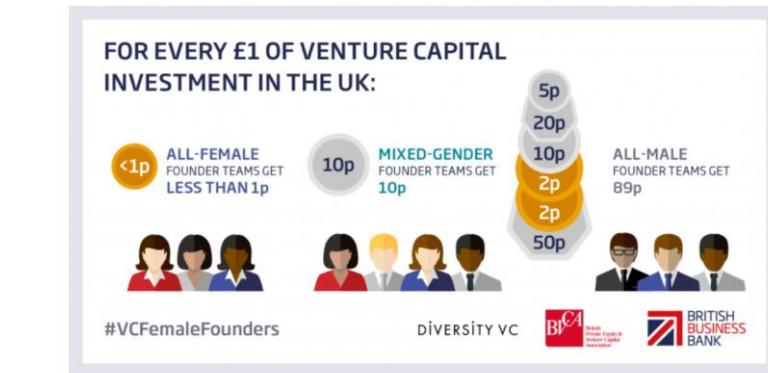
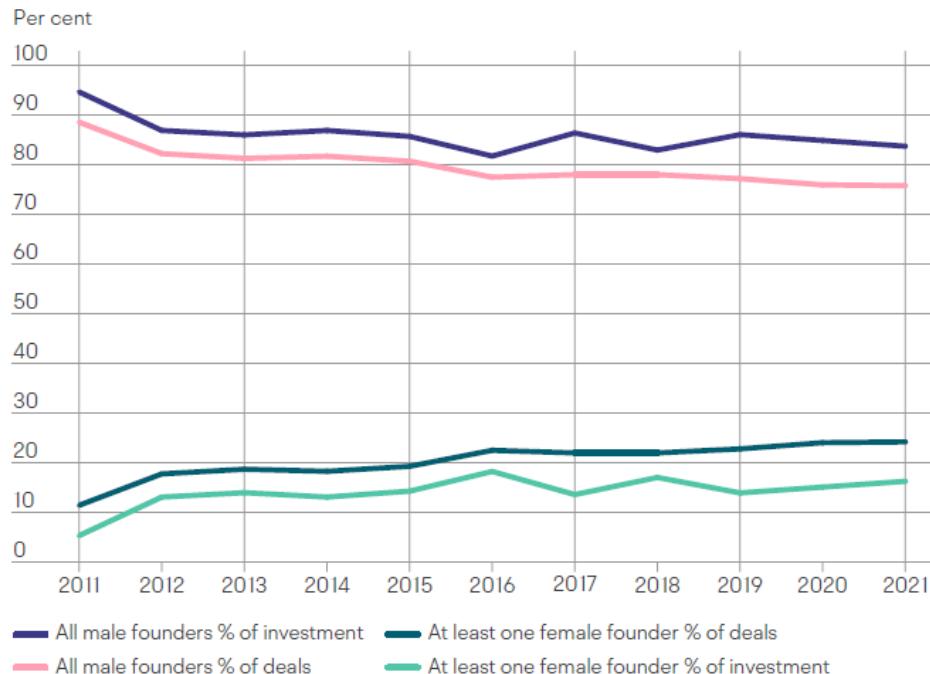


Legend:
█ Company received funding from the Bank after their Innovate UK award started
█ Company received funding from the Bank before their Innovate UK award started

The ‘inclusion challenge’

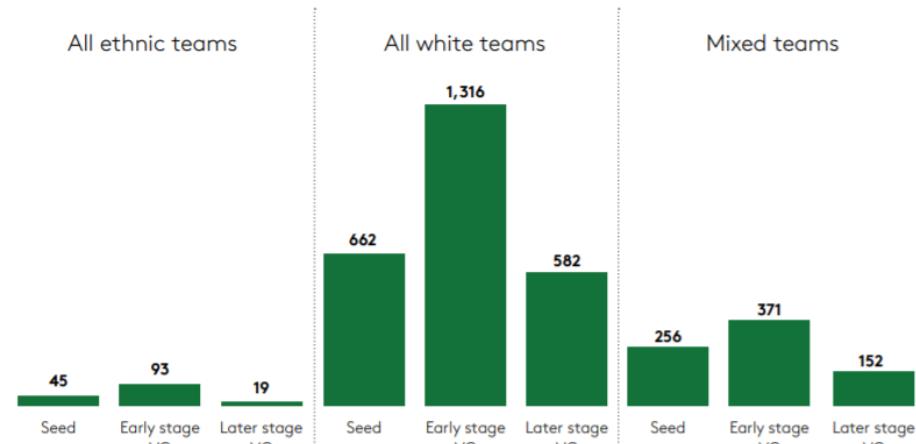
Proportion of equity deals and investment received by all-male teams and teams with at least one female founder (combining all-female and mixed gender teams)

Source: British Business Bank analysis of Beauhurst data

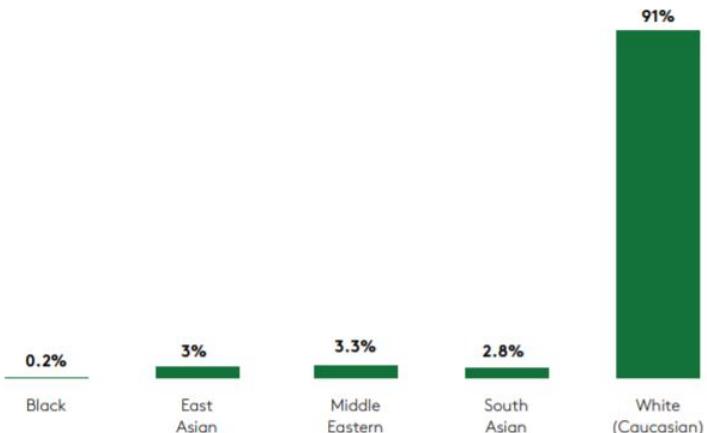


Access to VC funding by ethnicity

Total number of founders that raised venture capital funding between 2009 and 2019 by ethnicity



Share of overall funding by ethnicity



Scope



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Investor Partnerships: accelerating investment

Addressing challenge of innovative SMEs
that need:

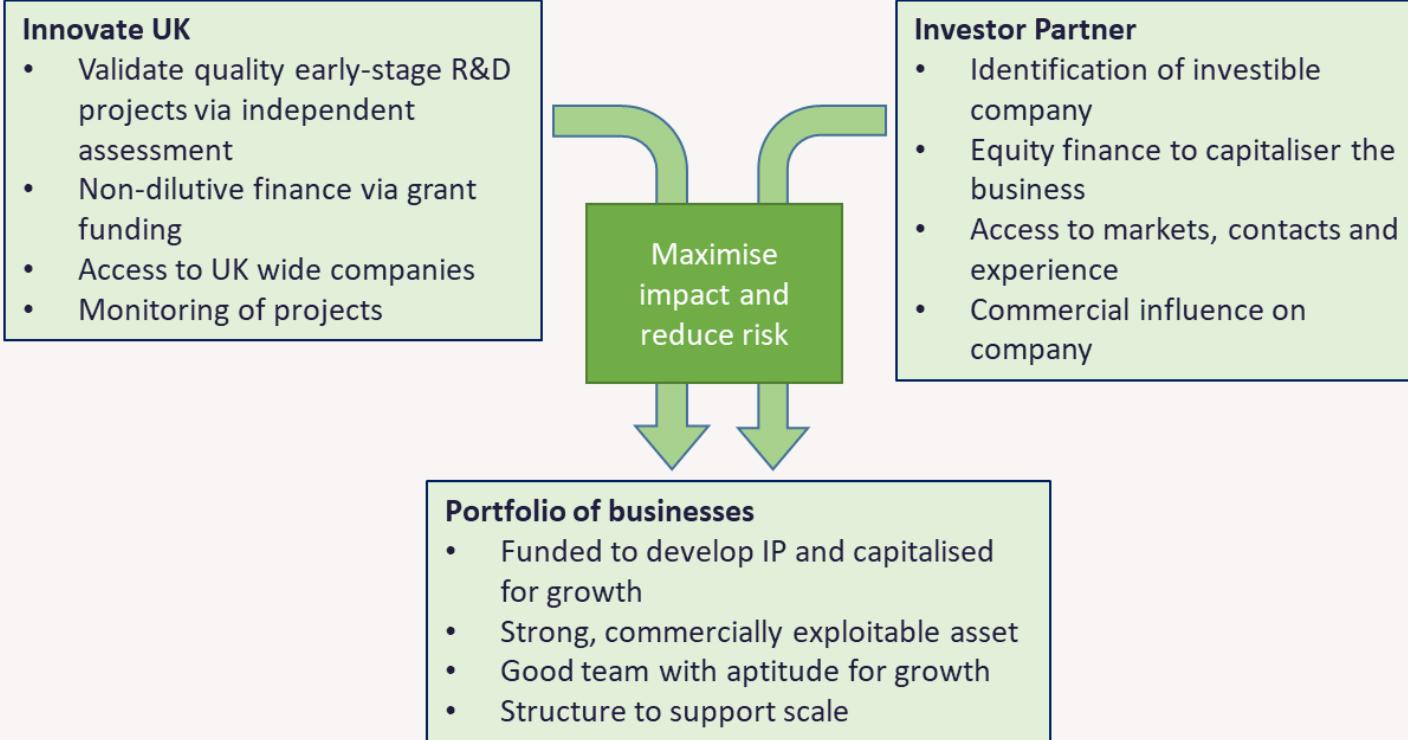
- support for innovation and
- access to capital

Bringing together:

- grant funding
- innovative R&D projects in future economy areas
- aligned VC and Angel equity investment

Delivering:

- accelerated investment (11x to date)
- growth at scale through innovation



Investor partnerships between 2017 and 2025:

- £85.5m budgets to date + £80m future commitment
- £53.7m grants committed
- £31.5m grants deployed
- 183 SMEs supported
- £145m aligned investment (>2.5x)
- 31 lead investor partners
- £444m in follow-on funding (>8x)

Summary

- Up to £80m of grant funding to businesses over next 3 years
- Aligned investment of at least £100m led by our investor partners, with expectation of over £400m follow-on investment
- Supporting companies with R&D projects aligned to our future economy focus areas ([Innovate UK Plan for Action](#))
- Supporting early stage R&D projects with sizes from £100k to £1m and later stage projects up to £2m
- Regular SME funding rounds starting in March 2023 and running until summer 2024
- We expect full commitment of grant funding by summer 2024

Specific themes

Net Zero

- capital intensive technologies
- power – particularly offshore wind, civil nuclear, hydrogen, carbon capture and storage, and whole systems integration
- heating and retrofit
- mobility
- resource efficiency for materials and manufacturing
- critical circular materials
- battery technologies for transport and energy storage (Faraday Challenge)

Next generation digital technologies

- projects within the creative industries which are underpinned by innovative digital technology as well as sustainable innovations, such as circular fashion (Creative Catalyst)
- adoption of artificial intelligence and machine learning technologies in targeted industries (Bridge AI)



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Health and Wellbeing

- innovative solutions to health and healthcare challenges (Biomedical Catalyst)
- advancing life-changing cancer therapeutics, focused on immunotherapies and paediatric oncology (Cancer Therapeutics)
- the application of extended reality for digital mental health, including immersive content that could be delivered as a digital mental health therapeutic in formal healthcare settings (Mindset)
- novel low-emission food production systems*

Knows No Limit

- innovations from diverse founders or senior decision-makers that are from under-represented groups and are role models
- innovations outside of the future economy theme areas, including those that support under-served communities and groups

* Specific funding opportunity

A great idea can come from anyone

Investment in innovation KNOWS NO LIMITS!

- The greatest asset we have in the UK is the incredible and diverse talent available.
- Currently, there is a lack of diversity and underrepresentation for private investment in innovative businesses in the UK.
- There is a huge economic opportunity to breaking down the barriers to access finance:
 - Ethnic minority businesses contributed a staggering **£25 billion** to the UK economy
 - Advancing female entrepreneurship represents a **£250 billion** opportunity for the UK economy
- Diversity in businesses contributes to enhanced performance and commercial success.
- **We want to unlock the power of untapped talent and businesses through the launch of No Limits.**



What can you do to maximise the opportunity of this untapped potential?

Lets work together!



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Investor partners



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Investor partners

Application through the Innovation Funding Service to demonstrate:

- **credibility** as an investor – strategy and track record
- **capacity** for investment – overall and in relation to the programme
- **capability** as an investor – approach and team
- **commitment** – strategic alignment with the programme and how it will be impacted by being part of the programme
- your approach to **equality, diversity and inclusion**
- **financial standing** – information on financial position, assets under management and regulatory status

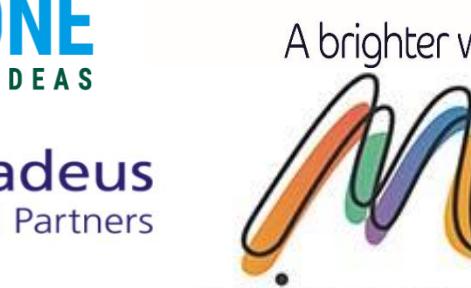
Assessment and financial due diligence, depending on prior engagement and ‘accreditation’ through investment from BBB or similar

Investor selection panel will decide whether to onboard as an investor partner, which may include an interview

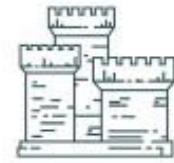
Application process open 20th February to 29th March 2023

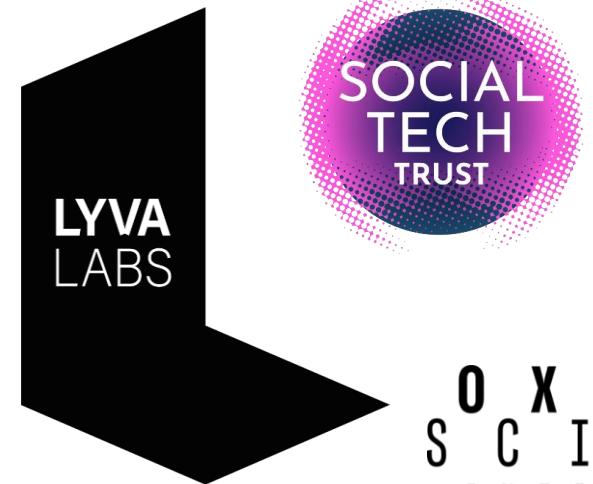


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O X F O R D
S C I E N C E
E N T E R P R I S E S



ASCENSION



AlbionVC



SOSV



startcodon A small chemical structure icon consisting of a hexagon with lines extending from its vertices.

CLarendon
Fund
Managers
Foresight
FOR A SMARTER FUTURE



Investor partners

What sort of investors do we partner with?

- Venture capital
- Corporate VC
- UK-based... International... Regional
- Specialists, deep tech, sector specific and generalist
- Financial investors, strategic investors, impact investors, charities

What sort of investments do they make?

- Equity
- Quasi-equity (convertible loan notes)

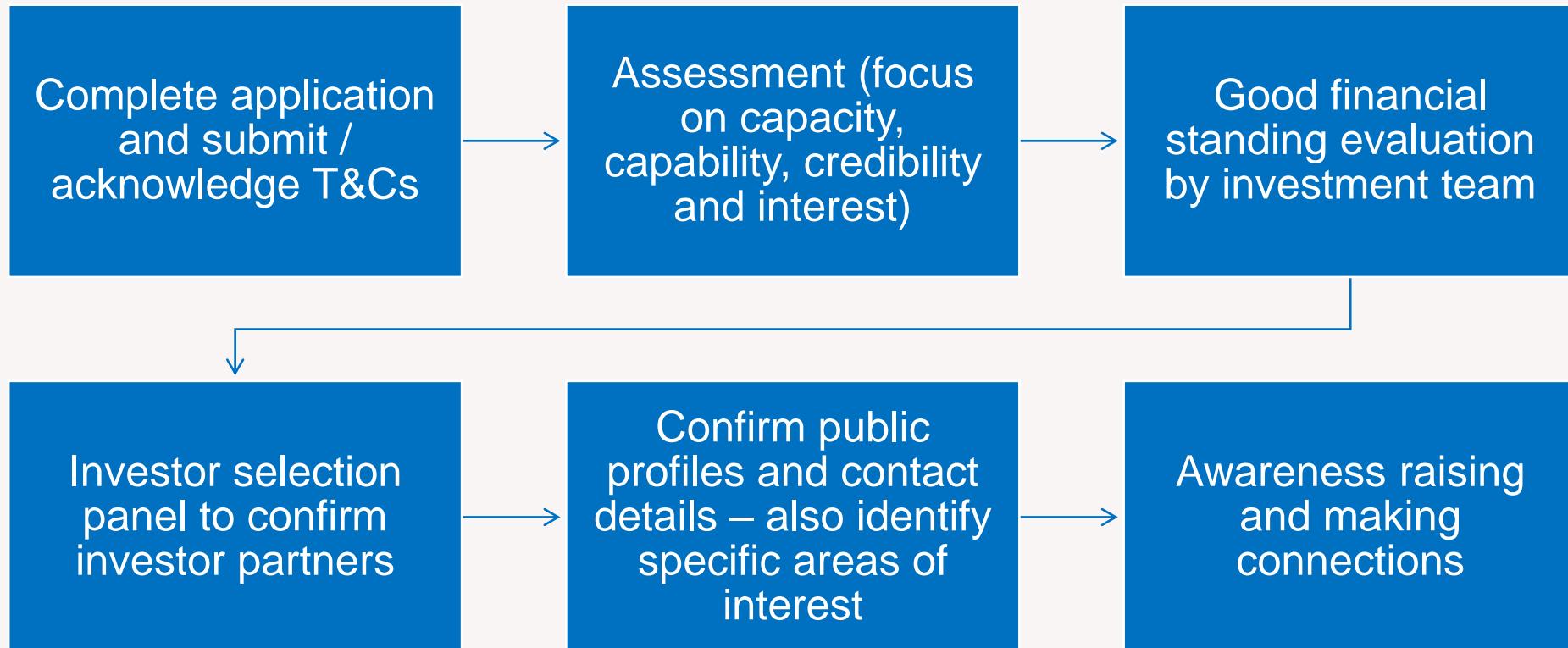
What sort of stage of investment?

- Seed / post seed
- Pre-series A / Series A
- Leading or significant role in syndicate

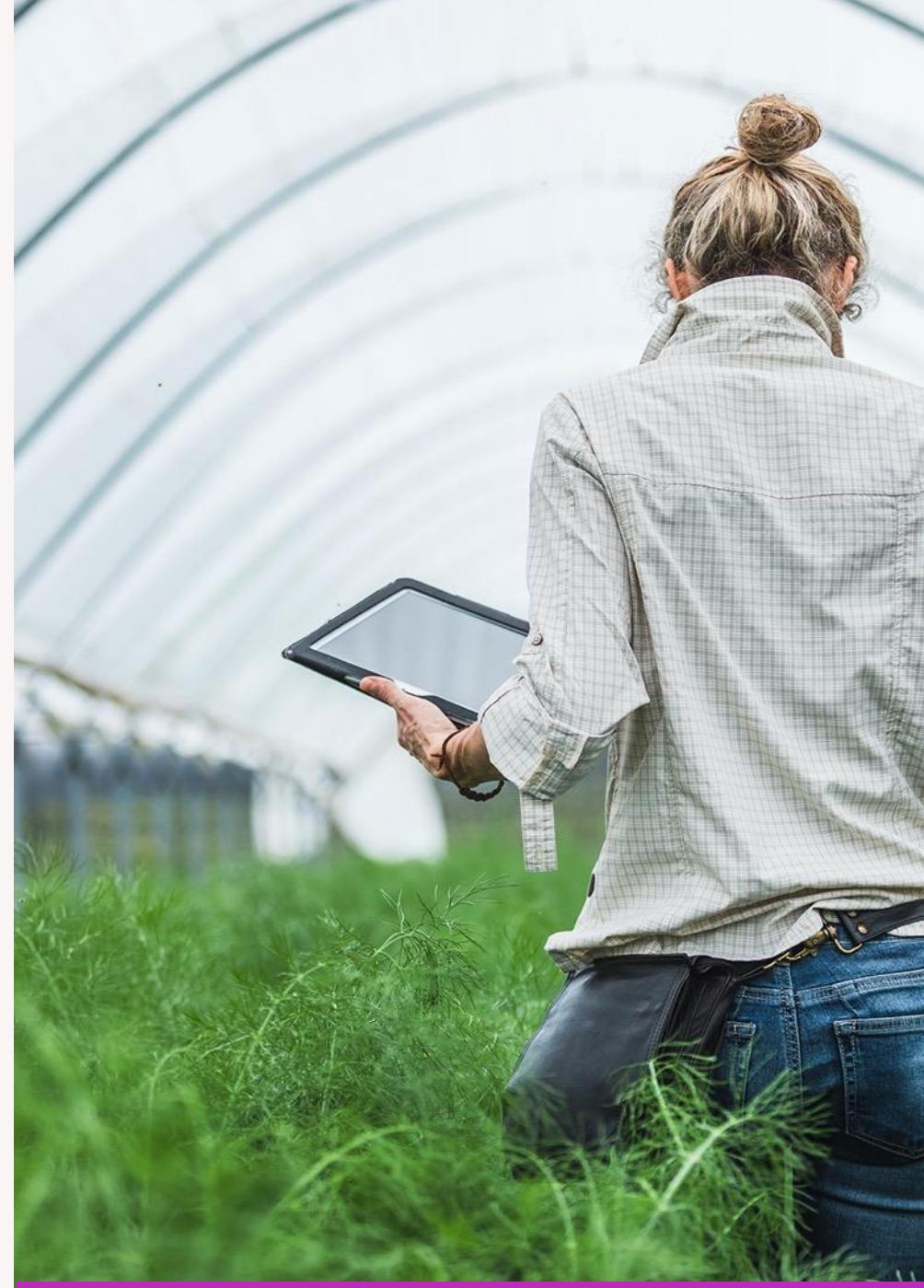
“Angel investor partners”

- An organisation that can represent angels
- Brings investment capacity from one or more angel groups
- Manages the alignment in our process with the SME
- We may cover appropriate costs directly related to administration in this partnership programme

Investor selection process



SME funding opportunities

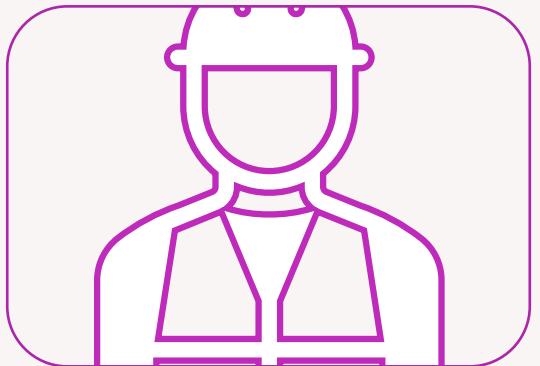


SME Projects - eligibility and funding

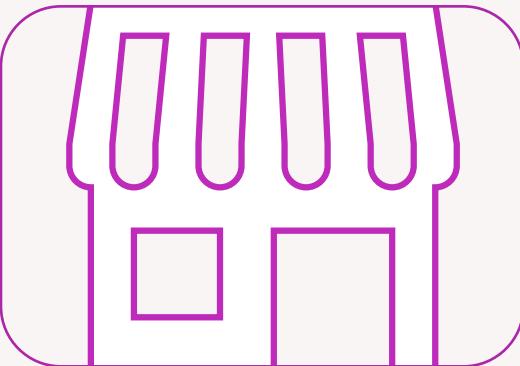
Research category	Project size	Grant available (as a % of total project costs)	Project duration	Aligned investment
Feasibility study	£50K to £300K	70%	6 to 12 months	The investment must be at least equal to the grant funding
Industrial research	£100K to £1M	70%	6 to 24 months	The investment must be at least equal to the grant funding
Experimental development	£250K to £2M*	45%	12 to 24 months	The investment must be at least twice the grant funding

[Research category definitions](#)

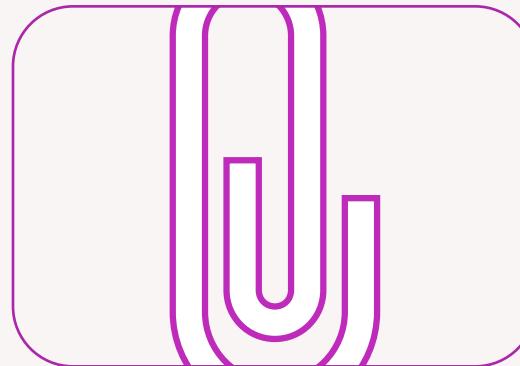
Project Cost Categories



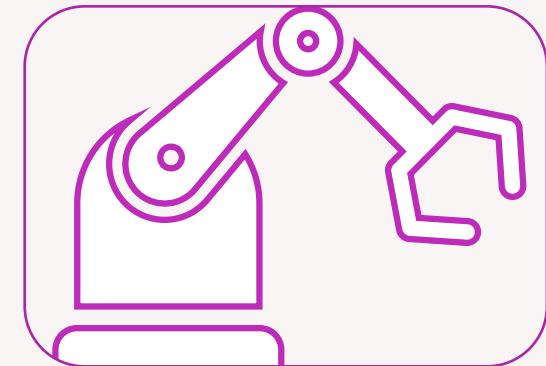
Labour



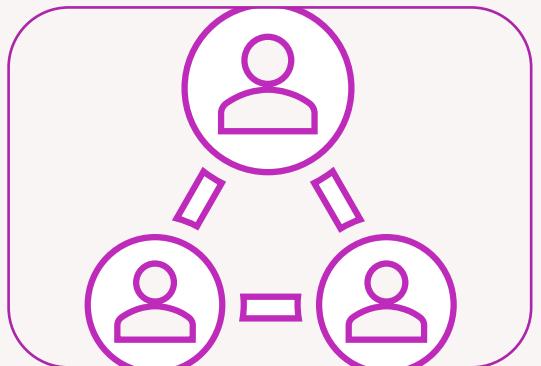
Overheads



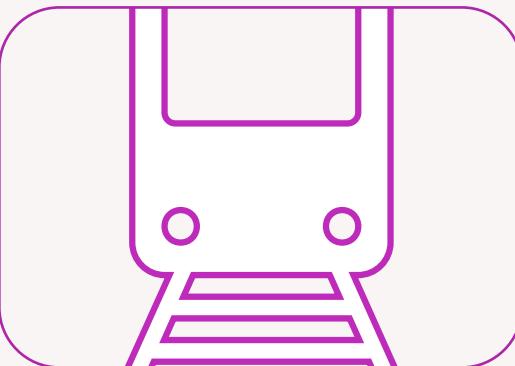
Materials



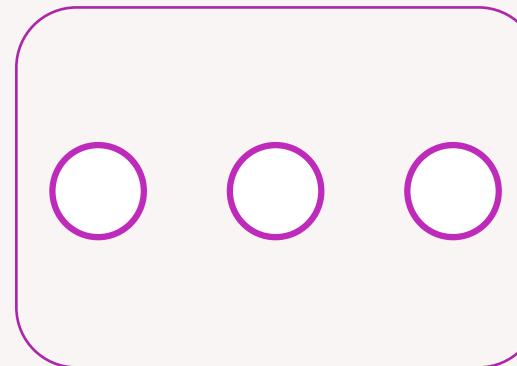
Equipment
Usage



Subcontractors



Travel &
Subsistence



Other

Expression of interest

We want SMEs to engage with investors before submitting a project application

This will help ensure that the project is eligible and in scope and that the business has a reasonable likelihood of securing investment

Investor partner to submit expression of interest:

- Outline R&D project description from SME
- Fit with Future Economy scope and specific areas of focus
- Project costs and grant request (based on category of R&D)
- Amount of investment sought
- Expected investment structure / role of investor partner
- Additionality of investment
- Traction in investment process

Funding decisions

What are we looking for:

- a high quality application within our future economy focus areas
- confirmation that the grant award is accelerating the investment (additionality)
- likelihood of the investment completing (traction)

The additionality and traction are determined principally from the information provided in the expression of interest. This information is confirmed with the investor prior to the funding decision.

Applications below the innovation project quality threshold will not go to funders panel.

Funding decisions will be made on a portfolio basis

We would normally expect a deal to complete within 3 months of the funders panel.

Additionality and traction

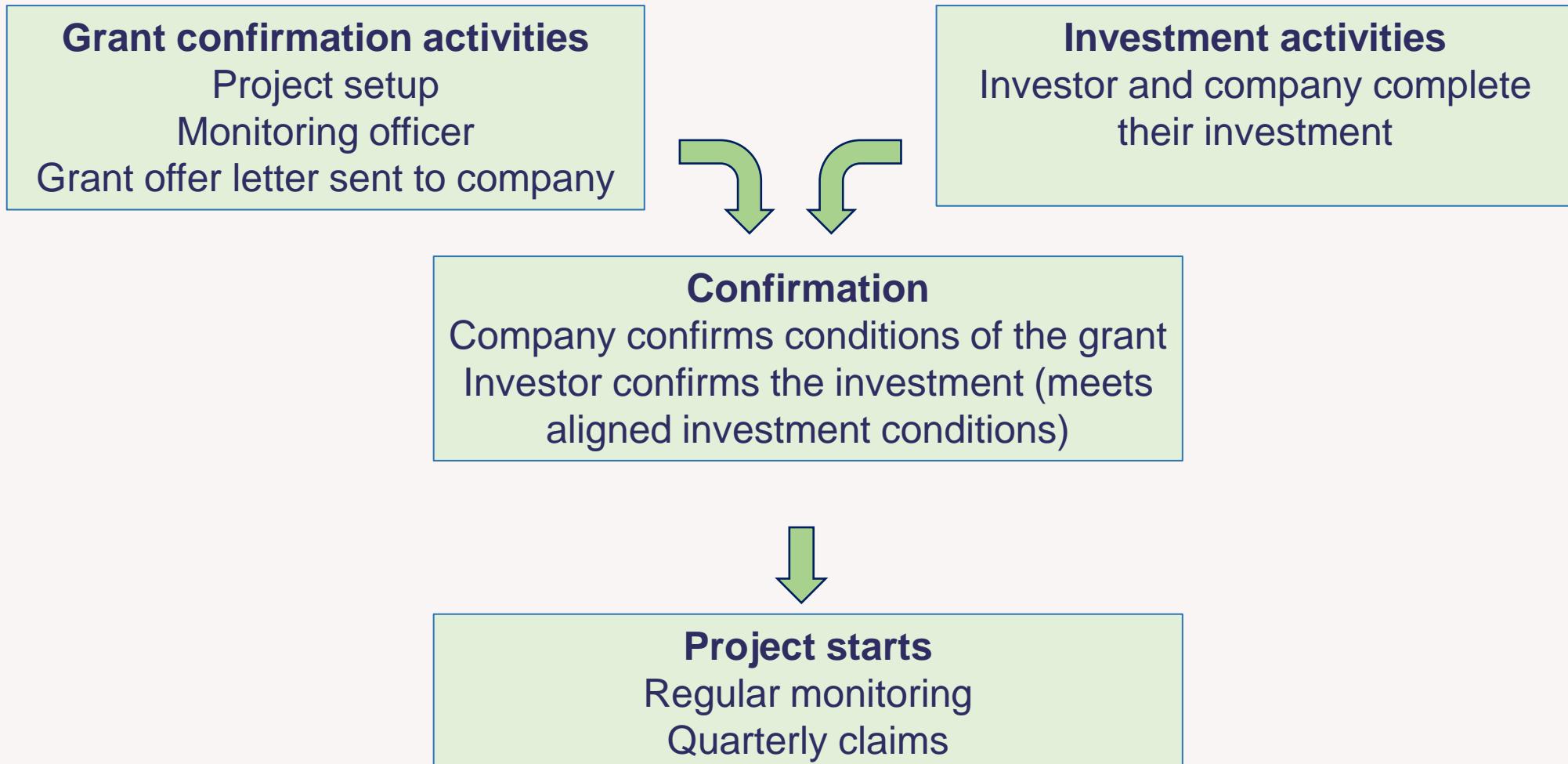
Additionality factors

- Investment amount vs grant
- Existing portfolio company
- Proportion of investment from investor partner
- Diversity
- Region
- Alignment to specified areas of focus

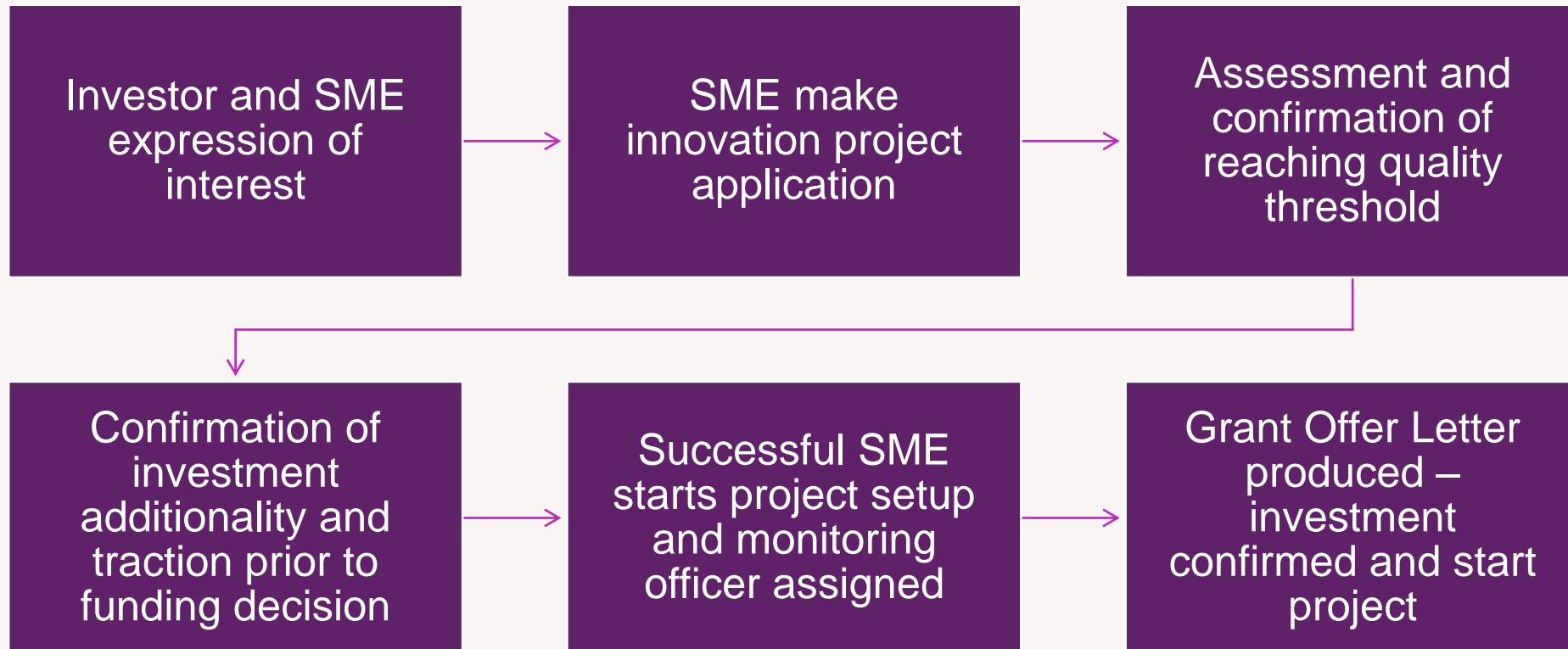
Traction factors

- Stage of completion
- Level of commitment
- Level of support
- Number of investors involved

Investment confirmation and project start



SME application process





Applying through the Innovation Funding Service (IFS)

Search for a funding competition and review criteria

Innovation competitions

Filter competitions

1 competition

Keywords

investor

Innovation area

Any

Update results

[Future Economy Investor Partnerships: Investor Selection Feb 2023](#)

Investors can apply to partner with Innovate UK to invest in innovative SMEs aligned with grant funding.

Eligibility

To be considered as an investor partner you must:

- be an investor
- demonstrate that you are credible, have capacity for investment and have the capability to be an Innovate UK investor partner
- confirm an interest in investing in businesses innovating in one or more of the future economy areas described in the [Innovate UK plan for action](#)
- demonstrate your good financial standing

Open now

Opened: 20 February 2023

Closes: 29 March 2023

Funding competition

Future Economy Investor Partnerships: Investor Selection Feb 2023

Investors can apply to partner with Innovate UK to invest in innovative SMEs aligned with grant funding.

Competition opens: Monday 20 February 2023

Competition closes: Wednesday 29 March 2023 12:00pm

[Start new application](#)

Or [sign in](#) to continue an existing application.

Summary

Eligibility

Scope

Dates

How to apply

Supporting information

Description

Innovate UK is inviting investors to partner with us. Together we will support growth in UK [micro, small and medium-sized enterprises](#) (SMEs) by aligning Innovate UK's grant funding for R&D projects alongside your investment.

There is no Innovate UK funding awarded to applicant investors. Grant funding will be awarded by Innovate UK to applicant companies (SMEs) to cover a proportion of eligible project costs alongside your aligned investment from or led by one or more investor partners. The investment will typically be in the form of equity but may include other forms of funding, such as convertible loans.

We aim to create a broad "pool" of investor partners to invest in SMEs innovating across the [future economy investor partnership programme](#) and at all stages of business growth. The investor partnership programme will cover the breadth of the future economy, as described in [Innovate UK's plan for action](#), in particular:



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Lead Applicant: create an account

The lead applicant must create an account:

UK registered businesses

Use Companies House lookup as it speeds up our checks by providing your company number. You are unable to enter this at a later date.

This screenshot shows the 'Create your account' page for UK registered businesses. The page title is 'Your organisation'. It includes a note that the organisation must be UK based to receive funding from Innovate UK. A 'Business' section allows users to find their organisation on Companies House by entering a name or registration number ('nomensa') and searching. Below this is a 'Companies House search results' section showing a single result: 'NOMENSA LTD' with details: '04214477 - Incorporated on 10 May 2001' and '13 Queen Square, Bristol, BS1 4NT'.

This screenshot shows the 'Please sign in or create an account' page. It has two main sections: 'Used this service before?' (with a 'Sign in' button) and 'New to this service?' (with a 'Create account' button). Below these is the 'Innovation Funding Service Sign in' form. It requires an 'Email address' (placeholder: 'Please enter your email address.') and a 'Password' (placeholder: 'Please enter your password.'), with a 'Show' link next to the password field. A collapsed sidebar contains links for help: 'Need help signing in or creating an account?', 'My email and/or password isn't working', and 'Forgotten your password?'. The 'Forgotten your password?' link is circled in purple.



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Investor Details

- **Application Team** – You can invite colleagues from your own organisation to help you complete your application
- **Application Details** – Enter the name of your investment firm (or equivalent), the date when you would be able to make your first investment and the period (up to 2 years) during which you wish to be an investor partner
- **Equality, Diversity and Inclusion survey** – You must complete the survey about your investment firm through the link as part of your application
- **Investor Summary** – Short summary of your organisation, how you invest, your regulatory status, your investment approach, the types of businesses you invest in and the size of your typical investments
- **Public Description** – Provide a description that we can use to promote you as an investor partner and enable SMEs to contact you. SMEs will be encouraged to identify and contact suitable investors from the pool during their application process

Application Questions

Application Form		Appendix
Question 1	Your financial standing (not scored)	Yes – mandatory
Question 2	Your approach to equality, diversity and inclusion (not scored)	Yes - optional
Question 2	Your credibility as an investor	Yes – optional
Question 3	Your capacity for investment	Yes – optional
Question 4	Your capability as an investor partner	Yes – optional
Question 5	Your alignment to the future economy investor partnership programme	Yes – optional

Detailed guidance available on IFS

Terms and conditions

You are agreeing to these by submitting your application.

[Investor Partnerships terms and conditions](#)



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Application Questions

- **Your financial standing** – Provide information about your financial position, your assets under management, your regulatory status and any investment from public funds (e.g. British Business Bank).
- **Your approach to equality, diversity and inclusion** - Describe how you encourage diversity within your management team and portfolio companies
- **Your credibility as an investor** – Describe your investment strategy, how you add value to your portfolio companies, how you encourage equality, diversity and inclusion and how you deliver growth.
- **Your capacity for investment** – Describe the size and deployment of your investment capital and the capital available for aligned and follow-on investment relating to this investor partnership programme.
- **Your capability as an investor** – Describe your approach to investing, decision making and governance. Provide details of your team. Describe your approach to managing your portfolio.
- **Your alignment to the future economy investor partnerships programme** – Explain how your investment strategy and portfolio align with the Innovate UK plan for action and future economy scope. Describe how your investment strategy may change as a result of the investor partnership programme. Describe the future economy areas that are of particular interest to you.

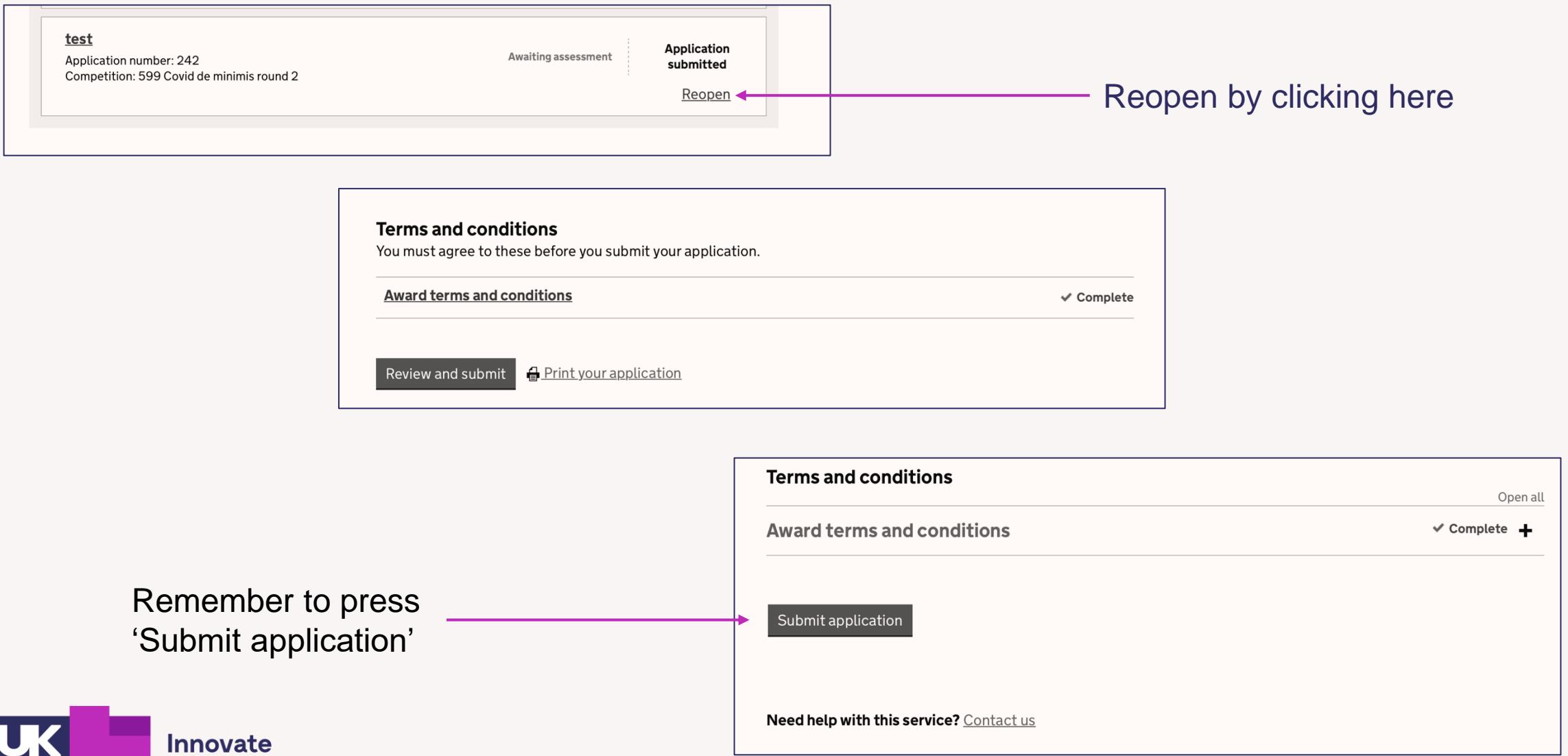
Submitting your application



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Editing a submitted application



Assessment and investor selection



Our assessment and investor selection process

All investor selection decisions are made by an investor selection panel. The panel is made up of senior members of our investment and future economy teams, with an independent chair. Independent expert members may be invited where appropriate.

Application questions from new investor partners will be independently assessed by assessors drawn from a pool of experts with investment experience and expertise.

The financial standing of all applicants will be evaluated by our investment team. We will take account of investment received from public sector organisations (e.g. British Business Bank) as an indicator of previous due diligence.

Assessors are unable to contact you regarding your application content. Therefore, your application should contain:

- a justification for your alignment with the investor partnership programme
- clear and concise answers
- the right amount of information
- no assumptions

We recommend you review the competition brief and guidance for help.

Interviews

The investor selection panel may invite you to interview. This will be to seek clarification to enable the panel to make a selection decision.

We will inform you:

- how the interview will be arranged (typically virtually for convenience)
- how many people may attend the interview
- how long your presentation should last (typically 10 minutes)
- how long a Q&A session, led by members of the panel, will last (typically 20 minutes)
- how you should provide presentations and presenters' names ahead of the interview

Q&A



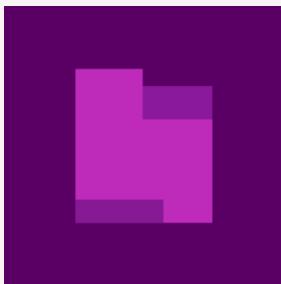
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Contact

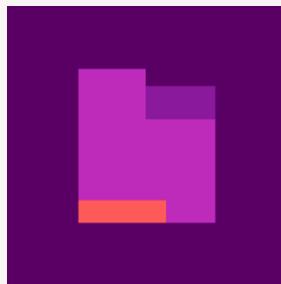
Customer Support Services

0300 321 4357 (Monday - Friday 9-5pm)

support@iuk.ukri.org



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ukri.org/councils/innovate-uk



Innovate UK KTN
ktn-uk.co.uk



Innovate UK EDGE
innovateukedge.ukri.org



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Thank You



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