

Business Today

€175m State fund to aid business

Venture capital pool could grow to €1.5bn if international players get involved

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The Government has initiated its largest ever venture capital investment with the launch of a €175 million fund through Enterprise Ireland.

It is estimated that the fund could grow to at least €1 billion through the injection of private-sector funds. This could rise to €1.5 billion if international venture capitalists get involved, according to Enterprise Ireland's projections.

The funds will be dedicated to start-up, early-stage and development-stage businesses across a range of sectors.

Announcing the investment yesterday, the Minister for Enterprise, Trade and Employment, Michéal Martin, said lack of early-stage finance consistently emerged as a gap in the market for innovative start-up firms.

"The investment of €175 million announced today will be a vital contributor to the development of a more robust, commer-

cially-viable and sustainable seed and venture capital industry in Ireland," the Minister said.

The existence of a vibrant and sustainable venture capital industry in the Republic was "vital" for the commercialisation of research, he added.

"The level of high-potential start-up companies securing venture capital investment is an important indicator of the future growth and success of early-stage companies supported by Enterprise Ireland," said Mr Martin.

Frank Ryan, chief executive of Enterprise Ireland, said his organisation's objective was to maintain the development of the venture capital industry by creating both liquidity and competition in the marketplace.

"Increasing the number of new high-growth, export-focused businesses is a key objective for Enterprise Ireland," Mr Ryan said.

The next step in the launch of the fund will come over the next few weeks when Enterprise Ireland will advertise in national

newspapers for private-sector partners.

Typically, funds supplied by the Government are matched at least three to one in this type of structure.

Enterprise Ireland's last such launch, under the National Development Plan, saw a Government commitment of €95 million being expanded to €400 million with the help of private-sector funds.

Bodies participating on that occasion included AIB, Enterprise Equity, Delta and Seroba.

As well as putting cash into Enterprise Ireland client companies and then taking a stake in them, these organisations will usually supply management expertise, support and access to their contacts. In return, they will probably insist on board membership.

Venture capitalists typically look to realise their investment within five years, either through flotation or sale. Such relationships are best-suited to companies looking for more than €100,000 in expansion funds.