

PANDEMIC STABILISATION AND RECOVERY FUND

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CONTACT ISIF AT PSRF@ISIF.IE



Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta
National Treasury Management Agency

Ciste Inneistíochta Straitéisí d'Éirinn
Ireland Strategic Investment Fund

PSRF FAQ

1 Size and Strategy

1.1 How does this new fund tie in with the existing ISIF – you have 5 key investment themes so does each new investment have to fit in with one of them?

- No, an investment from the PSRF does not need to align to the Priority Themes, the PSRF is a sub-portfolio of the ISIF and will consider all medium and large-scale enterprises which are significant employers, and which have been negatively and materially impacted by the pandemic.

1.2 Does ISIF still have a 'double bottom line'?

- Yes, the statutory mandate for the fund is unchanged. ISIF investments will be made on a commercial basis to enable eligible businesses to stabilise and position themselves for recovery.

1.3 Will you be supporting your existing indirect fund relationships from this new fund?

- ISIF will continue to support its existing investees in line with its investment criteria and statutory mandate.

1.4 If demand is strong could ISIF go beyond €2 billion fund?

- We do not currently anticipate going beyond the €2bn allocation to the PSRF. However, it should be noted that ISIF will endeavour to secure support from existing investors, banks and co-investors where possible, which will all serve to increase the multiplier of capital availability to qualifying enterprises.

1.5 Will ISIF's existing investment commitments affect the amount of the fund going forward?

- Any commitments made in respect of existing investments have been ring-fenced in the current portfolio - the €2bn allocation to the PSRF is in addition to ISIF's existing undrawn commitments.

1.6 What will happen to existing ISIF investments?

- ISIF will continue to support its existing investments and has been engaging actively with all its investees since the start of the COVID-19 crisis to understand how each has been affected and to provide support as required.

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2 Eligible businesses

2.1 You reference eligible companies will have been materially impacted - can you provide more specific guidance on this in terms of revenue / profit impact?

- A material impact should be significant to the business of the potential investee and this will be assessed on a case-by-case basis.

2.2 Is there any guidance around what negatively and materially impacted means - Are there any specific % impact on revenue / profits, like other bodies have guided? And is there a range of support to be granted (min and max amounts)?

- Given that the PSRF will potentially invest in any qualifying enterprise, in any sector of the economy, we expect to encounter a broad range of situations, all with their own unique challenges. As such, we have not issued guidance on the level of negative impact for a qualifying company. In each case, however, it should be clear that the enterprise has been materially impacted by the COVID 19 pandemic, that the enterprise was viable pre-COVID, and that it is expected to return to viability and contribute to the Irish economy. Further, it should also be clear that ISIF investment, either alone or with co-investment, will be critical to supporting the enterprise in its return to financial viability. Investment sizes are anticipated to be in the range €10m and upwards.

2.3 Are non-Irish registered companies eligible - perhaps Irish operations of foreign companies or MNC's that otherwise meet the criteria?

- Yes, if it is clear that ISIF capital will result in tangible economic impact in Ireland in line with the ISIF statutory mandate.

2.4 How will ISIF determine if a business is viable, given the current situation?

- Businesses must have proven business models that were viable and profitable prior to the impact of COVID-19 and must be assessed to have a viable long-term future.
- To enable its assessment of investee viability, ISIF has published on its website the initial information it will require – including business description, corporate structure, product / service description, customer and markets data, financial information, and plan for recovery (including how it proposes to utilise ISIF's investment).
- ISIF's investment process will recognise and accommodate the exceptional circumstances caused by COVID-19, however enterprises will need to provide sufficient information to facilitate an accelerated commercial assessment.

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3 Financial instruments

3.1 The Government announcement mentioned equity, debt and hybrid instruments – how will you decide the shape of each investment and for how long are you prepared to invest in a single business?

- This will be on a case-by-case basis. ISIF is not a one size fits all fund and we can customise our investments to make sure that they're right for the business we're investing in.
- What makes ISIF different and so effective in a situation like this is that we can have a long-term time horizon. A lot of investors want to exit within 3 years or some other fixed time horizon whereas we can be more patient if that's what's right in a particular case.
- It's important to stress that we are nonetheless a commercial investor with a double bottom line mandate - we are investing in the future of each business with the expectation of an appropriate investment return.

3.2 Is there a typical example of an investment that you might make? e.g. size of investment etc.

- ISIF will consider investments in enterprises in all sectors of the economy where our investment criteria are met.
- ISIF will be flexible in terms of the requirements of the business ranging from an injection of equity, preferred structures, junior, mezzanine and senior debt. Given that eligible businesses will be medium to large in scale we anticipate the minimum investment size will be €10 million.
- The tenor of investments are likely to be > 3 years given a general expectation that economic recovery will be phased and may extend out to the medium term.

3.3 You mentioned flexibility and ability to invest across the capital structure. Assuming the intention will be to try and deploy capital reasonably quickly where feasible, and therefore is equity likely to be more difficult? Could you envisage a preferred equity instrument with a rolling Payment in Kind (PIK)?

- In many situations, speed of response will be very important, and the current situation will pose challenges in valuation of the equity in a company. In such cases, preferred equity or convertible loans could well present an appropriate mechanism to provide the company with funds on a timely basis.

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3.4 Will ISIF consider non amortising debt instruments?

- ISIF will endeavour to be flexible and to find solutions that work in each individual case. If the specifics of the situation support such an approach, ISIF could consider non-amortising debt.
- ISIF will seek to strike a balance between – on the one hand not over-burdening a business with challenging repayment profiles, and on the other hand ensuring the debt product offered remains commercial. Whilst ISIF can also be flexible on the tenor of the loan, any non-amortising debt will need to be structured and priced commercially and according to market norms.

3.5 How will ISIF approach existing debt instruments in businesses from a security perspective?

- ISIF will work proactively with existing lenders regarding any financing provided by ISIF.
- The specifics of the particular situation and the instrument that ISIF can provide will determine the nature of security required.
- ISIF can consider super senior, pari passu senior or junior/mezzanine debt, subject to appropriate pricing and risk/return metrics.

3.6 How will ISIF assess senior debt leverage?

- Whilst there are sectoral norms for senior debt levels, ultimately the key to any leverage multiple is the business' current and projected cashflow, its ability to repay and its capacity to absorb shocks.
- It is critical that the business is not overleveraged and put under financial stress and any senior and/ or subordinated debt should be sized accordingly.

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4 Origination and execution

4.1 How do you propose to deploy €2bn into the Irish medium and large cap sector?

- ISIF was established 5 years ago to make commercial investments that stimulate economic activity and employment in Ireland, and the fund has played a pivotal role in helping the Irish economy recover from that financial crisis. Fast forwarding to today, we again find ourselves in the grip of an economic crisis that ISIF is well positioned to respond to. The PSRF will target investments (debt, equity or hybrid instruments) into medium or large scale businesses that meet our investment criteria, in any sector of the economy. Origination of qualifying transactions will happen through our extensive network, and through direct applications to ISIF.

4.2 Can you comment on the expected decision making timeline i.e. from receipt of a proposal to committing capital? What timeframe do you expect to turn around application to completion of investment?

- ISIF will endeavour to move at the pace required by each situation. ISIF will put significant resources into early assessment of each situation, to ensure that any information requirements are identified early, and in the event that we are not investing in a business, that such business is informed as soon as possible.

4.3 How quickly would you like to deploy the majority of the available funds?

- No time horizon for deployment has been set – the PSRF will deploy funds as long as qualifying opportunities present themselves.

4.4 How long will it take to get an investment/funding approved and how long before Funds will be received?

- This is very dependent on the complexity of the relevant situation and the quality of information provided by the relevant business. We anticipate some of the businesses looking for ISIF support may be in distress, which would add to the complexity of making an investment.

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5 Economic Impact

5.1 ISIF previously focused on job creation. This time around the focus is more likely to be on job retention. Presumably that is acknowledged?

- Yes, that is acknowledged, although ISIF will of course look to support eligible businesses that are assessed to have the potential to grow in a post-COVID economy.

6 Co-investment

6.1 I understand for certain sectors such as med-tech for example, it is ISIF's preference to invest alongside a co-investor with sector expertise, will there be a requirement for co-investors with this fund?

- ISIF will always seek co-investment where possible. In particular, where existing investors have capital resources, ISIF will expect meaningful participation from them alongside any ISIF investment.