

DBT Advanced Manufacturing Scale-up Fund

Introduction

The Department for Business and Trade (DBT) is proposing a Fund to assist advanced manufacturing firms to access financing in order to scale their businesses.

DBT is seeking evidence from advanced manufacturing firms and investors on the challenges faced in accessing / providing scale-up financing, and views to inform the design of a Fund to support scaling finance. Europe Economics (www.europe-economics.com) is undertaking this research on behalf of DBT and DESNZ (the Department for Energy Security and Net Zero).

Scope of the Research

The following definitions inform the scope of the research.

Advanced manufacturing: High value-added products and processes that integrate specialised scientific knowledge and technology into manufacturing, making use of skilled labour. This covers activities that:

- Manufacture a physical object;
- Manufacture a novel product or use a novel process to manufacture;
- Involve significant R&D investment;
- Introduce a pre-commercial or under-commercialised version of a technology.

Subsectors in scope of this definition include, but are not limited to:

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| • Additive manufacturing | • In-space manufacturing |
| • Advanced materials | • Industrial batteries |
| • Aerospace | • Photonics |
| • Analytics machinery and equipment | • Renewable energy generation devices |
| • Autonomous vehicles | • Robotics |
| • Electric vehicles | • Sensors |
| • Equipment for advanced manufacturing | • Semiconductors |

Scale-up: Firms that are seeking growth capital to finance Series B+ funding rounds.

The Proposed Fund

A proposed government, externally managed investment fund, with blended finance elements. The specific design and delivery approach of the fund are to be informed by DBT research.

- The proposed fund would include blended finance elements, combining government funds (around 20 per cent) and private investors (venture capital and institutional investors). To encourage private participation, the fund would take a subordinate position within the investment structure, accepting a lower priority in the event of financial returns or losses.
- Delivered through two proposed channels. An **equity element**, where the government's equity stake, alongside lower priority for returns and losses, lowers the risk for private investors, encouraging them to provide the rest.
- A **debt element**, where manufacturers borrow funds and repay with interest. The government can offer partial guarantees (e.g., first-loss cover), and/or subsidised interest rates, making lenders more willing to extend larger loans to scale-ups, with lower interest repayment rates compared to the private market

Holborn Gate, 330 High Holborn, London WC1V 7QH.

TEL: (+44) (0) 20 38629252 • E-MAIL: enquiries@europe-economics.com • www.europe-economics.com

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