Note on Wellcome's Programme Related Investment

Wellcome aims to improve health by helping great ideas thrive. Wellcome does this in various ways including supporting researchers, taking on global health challenges and campaigning for better science.

At Wellcome we have different mechanisms to support research and meet our objectives. When funding research in academia and not for profit institutions, we use grants. When funding companies to carry out research we use Programme Related Investments, also referred to as PRIs.

What is a Programme Related Investment

PRIs (also known as Social Investments) are a funding approach permitted under the Charities Act 2011*. In short, a PRI is made when funds or property are used by a charity with the aim of furthering its charitable purpose, but where there is also an expectation of some financial return to the charity.

A PRI allows charities to support their mission in situations where grant funding is not possible. For example, if the funded activity is likely to lead to a significant private benefit. For Wellcome, this type of investment allows flexibility in relation to the types of activity we can support and enables us to fund later stage projects involving technologies or products which are intended for commercialisation.

Types of Programme Related Investment

When funding via a PRI, we primarily use a Convertible Loan or a Revenue Share mechanism.

Convertible Loan

The company draws down funding over a period of time to support a defined project which aligns with our strategy. Following an agreed period, usually at least three years, Wellcome can, at our discretion, either convert the loan into shares or request repayment of the original loan along with interest.

We typically choose to convert the loan (the principal sum, excluding interest) into shares in the company when the company is fundraising, because it provides a valuation of what the shares are worth. Our agreement gives us a 20% discount on the price of the shares at the time we convert. We may convert the loan in stages or even convert a part of the loan and seek repayment for the remainder.

When we instead seek repayment, we typically offer a degree of flexibility. We appreciate that the young companies we tend to fund often don't have the cash available to repay the loan until their technology reaches the market, needing it instead for continued product development. There would be no mission benefit if the company was put into financial difficulty by repaying our loan and consequently had to delay getting its product to the market or even went out of business. However, if a company is diverting from the area of research originally funded, we may need to end our involvement and call in the loan.

Revenue Share

We provide the funding and then, when the company starts generating income from the funded product (for instance, through licensing fees or product sales), we participate in the profits. This form of funding is often used with mature companies, especially ones which are publicly listed on a stock exchange and for which the regulatory burden of managing and reporting a convertible loan may be prohibitive.

*Social Investments https://www.gov.uk/government/publications/charities-and-investment-matters-a-guide-for-trustees-cc14/charities-and-investment-matters-a-guide-for-trustees#socialinvestment