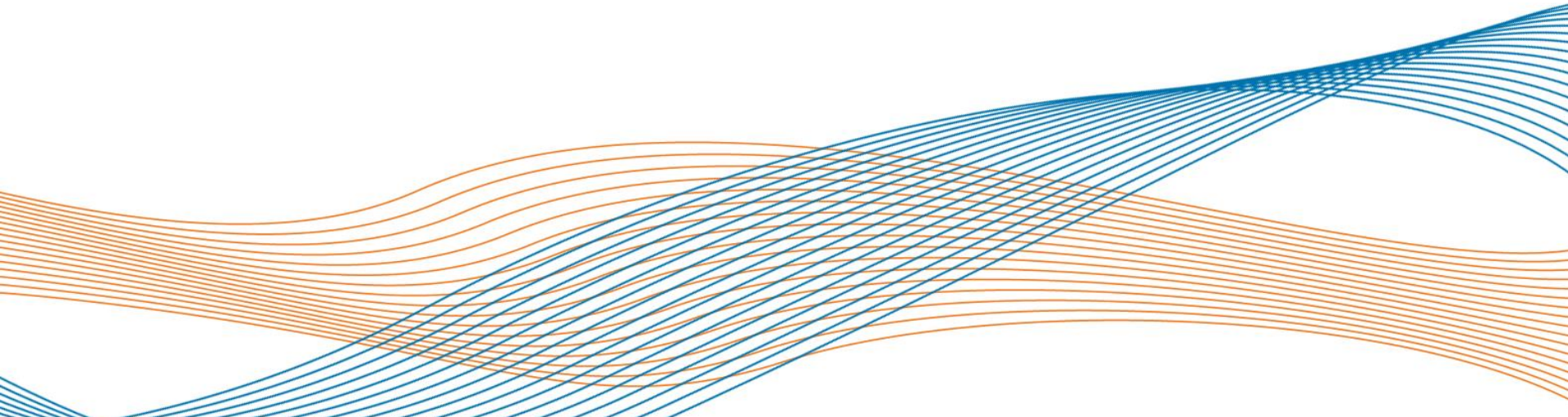




# Social Enterprise Seminar: Finance for Growth Deal Management

Rod Schwartz, CEO and Founder of ClearlySo  
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**23<sup>rd</sup> November 2015**



# Topics I will cover today

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- 1. Introduction to ClearlySo**
- 2. Deal Case Studies**
- 3. Tips for Entrepreneurs**

Entrepreneurs





Entrepreneurs

Investors



Entrepreneurs

ClearlySo

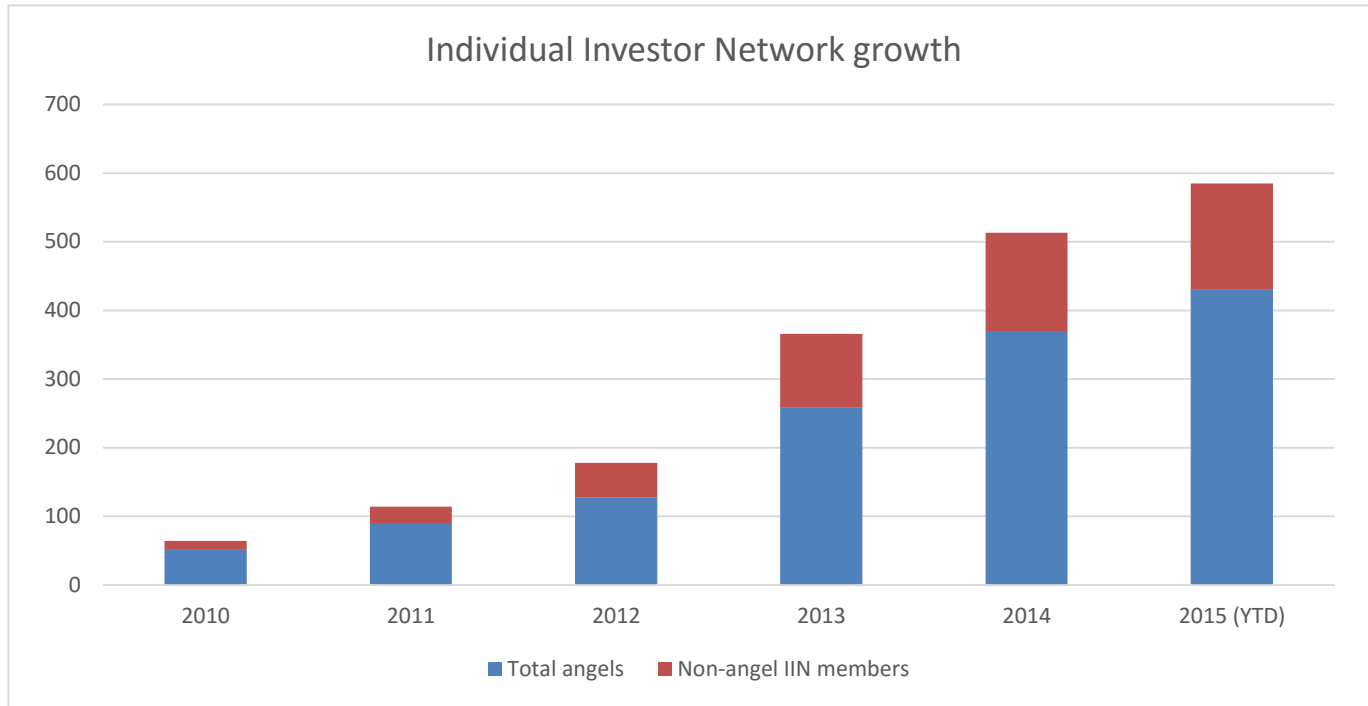
Investors





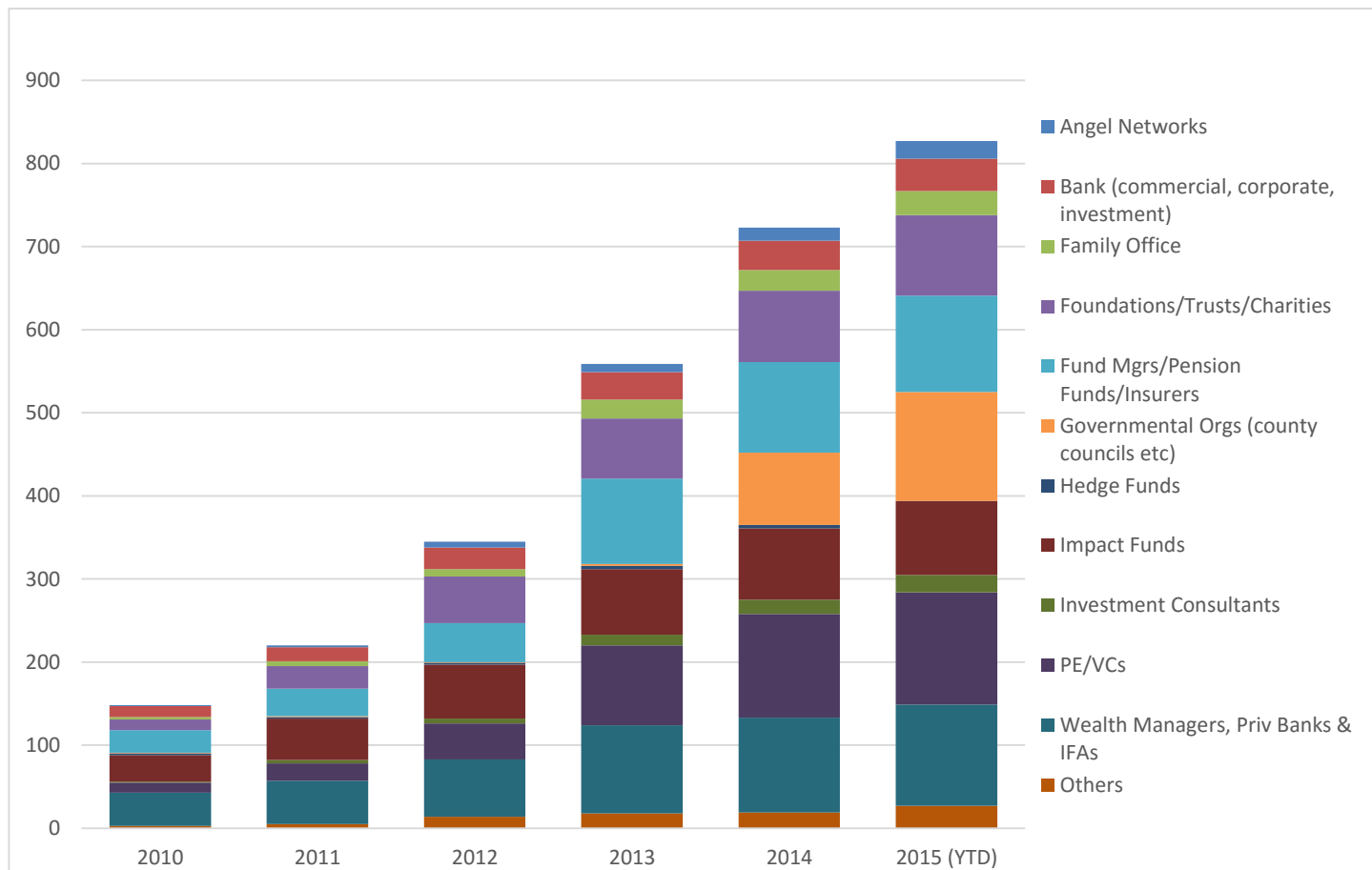


# Our individual investor network



Year	2010	2011	2012	2013	2014	2015
Clearly Social Angels	-	-	20	27	34	36
Individual Investor Network (IIN)	64	114	178	366	513	585
Total Network	64	114	198	393	547	621

# Our institutional investor network



Year	2010	2011	2012	2013	2014	2015
Total Institutional Network	144	216	341	556	721	820



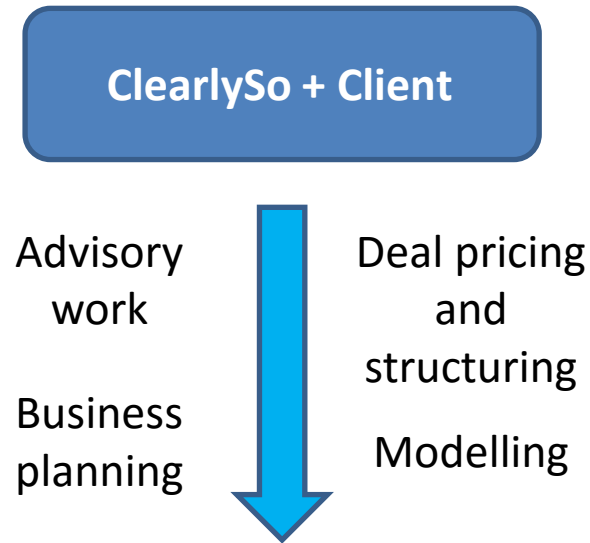
# Deal management process

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ClearlySo + Client

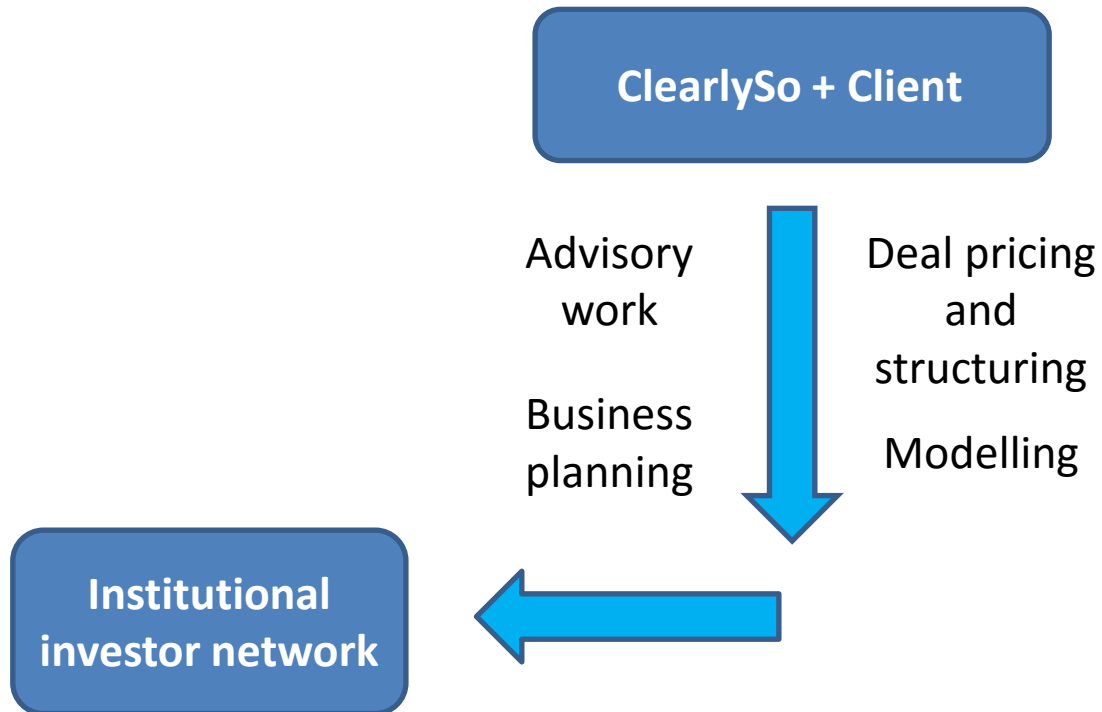
# Deal management process

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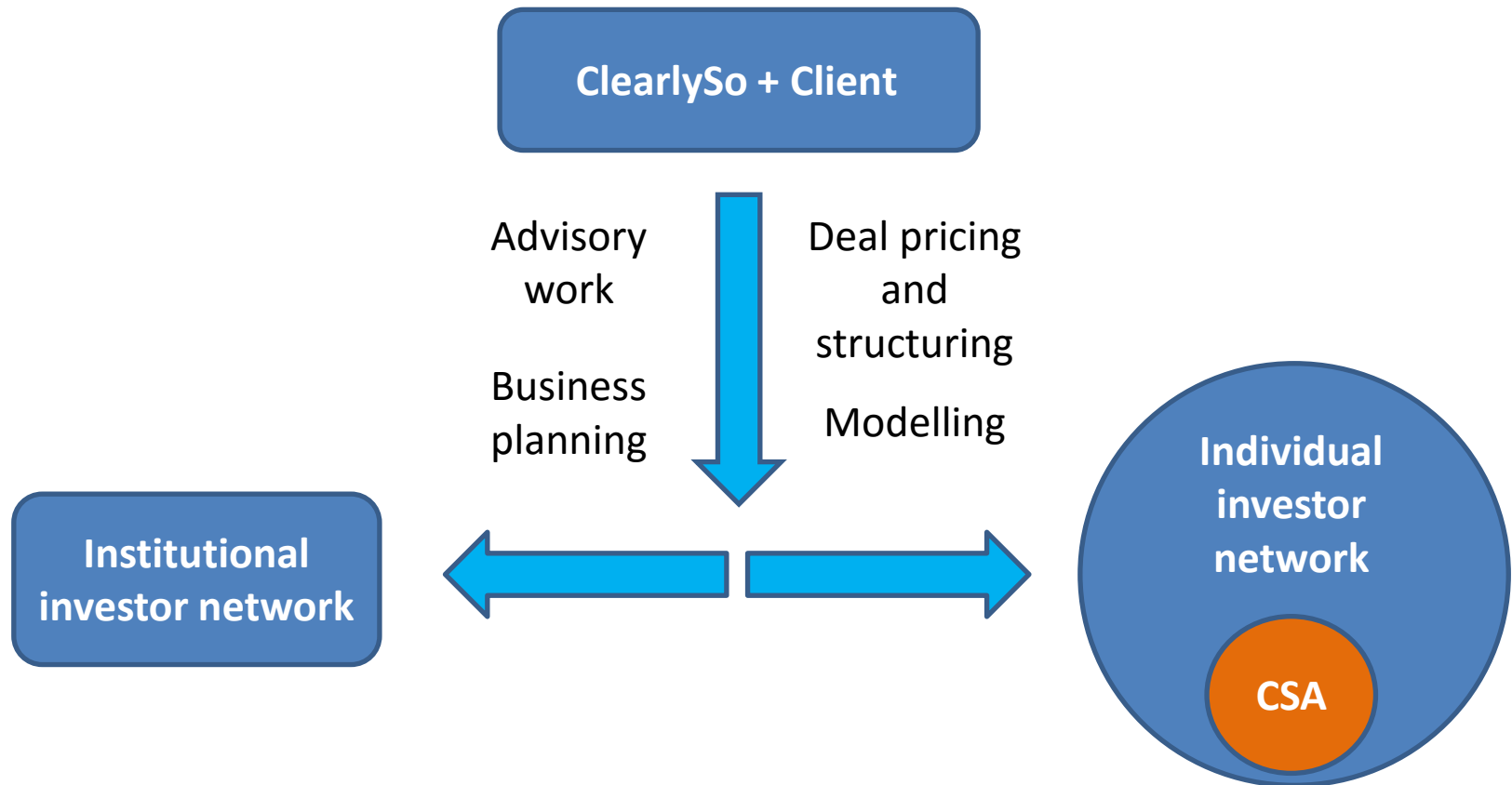
# Deal management process

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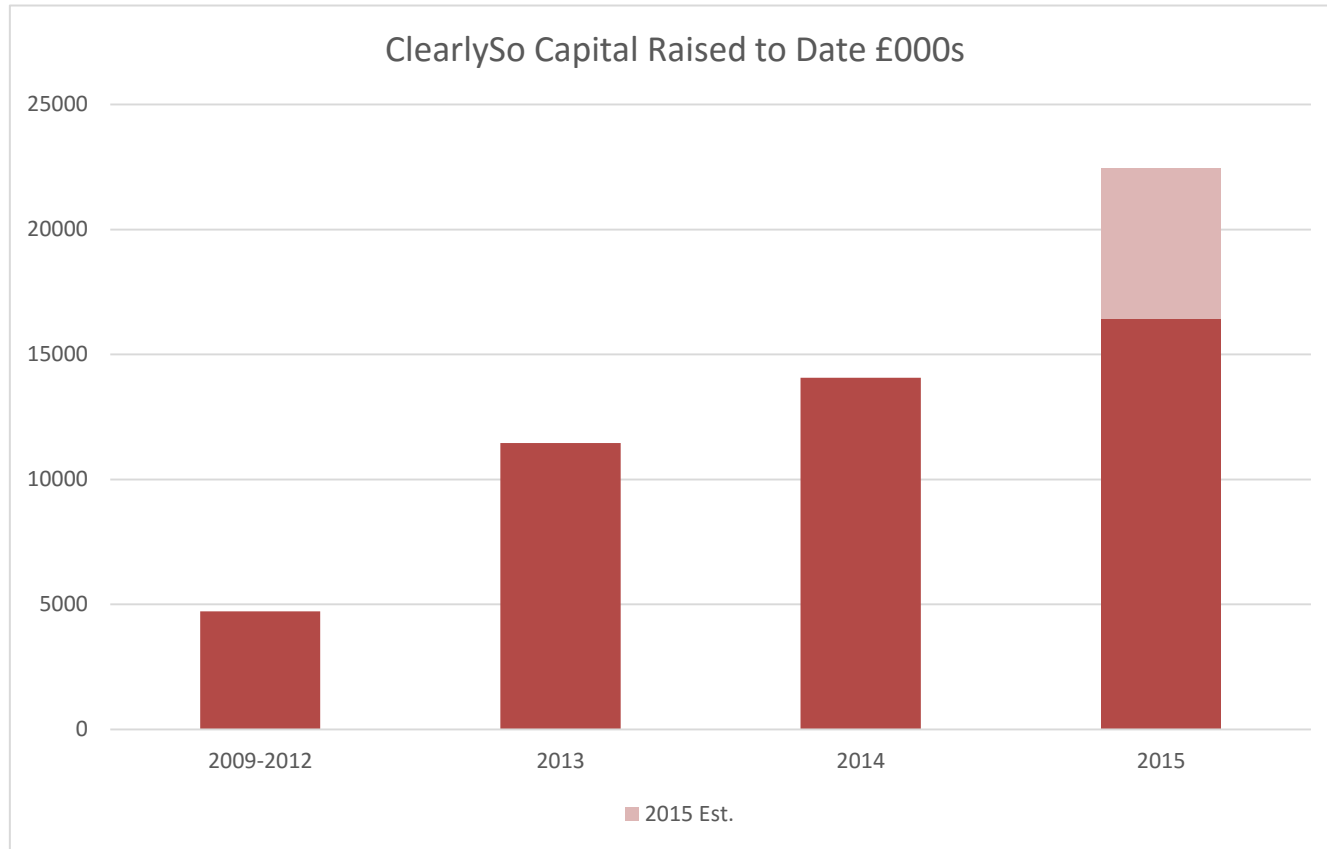




# Deal management process

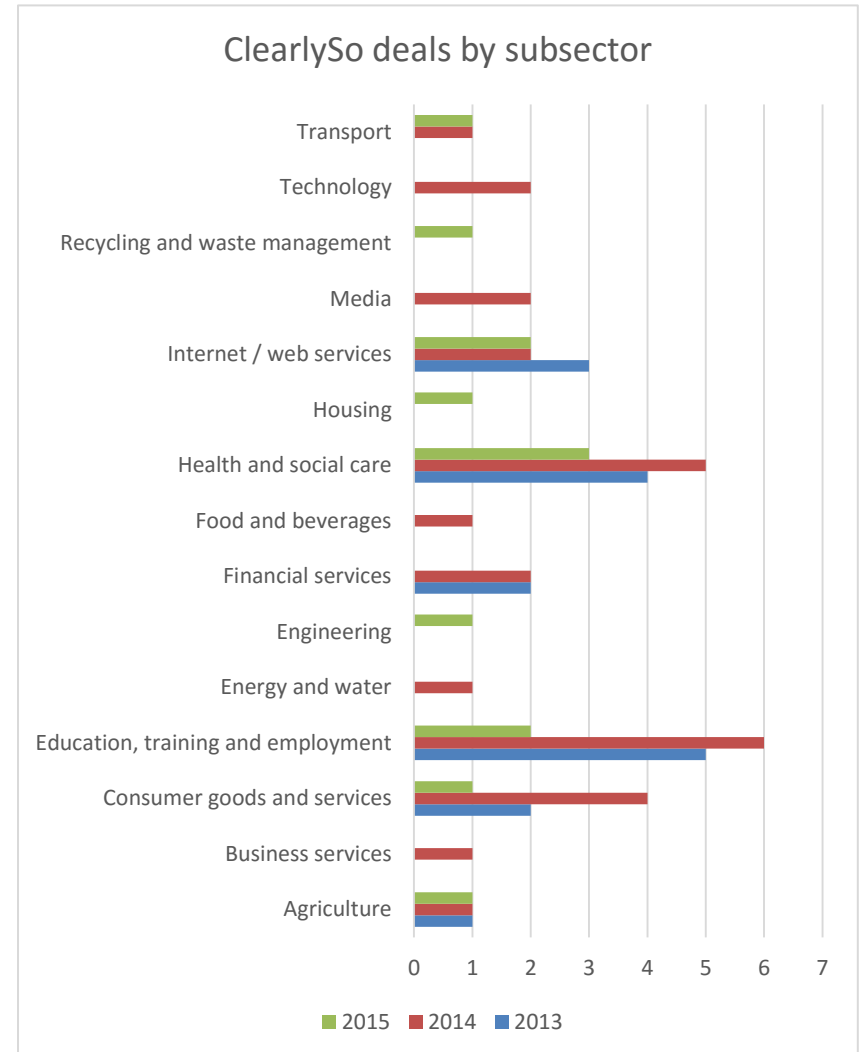


# Capital Raised



# Our impact business network

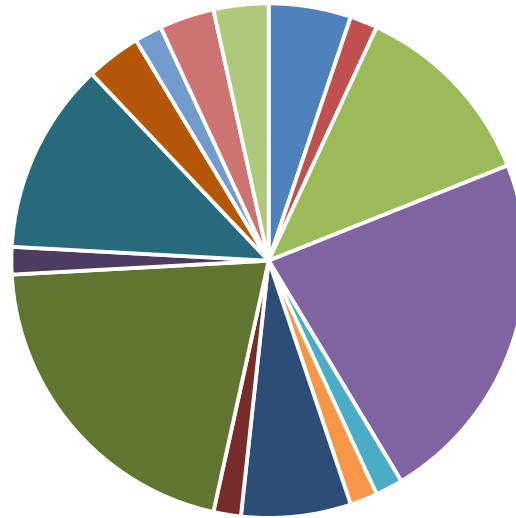
Network by Industry	Number of Organisations
Automobiles and parts	16
Business services	471
Carbon offsetting and trading	26
Charitable services and fundraising	147
Chemicals	10
Clothing and retail	102
Construction	70
Consumer goods and services	215
Eating and drinking places	46
Education	385
Energy and water	183
Financial services	169
Food and beverage	272
<b>Total Network</b>	<b>3840</b>





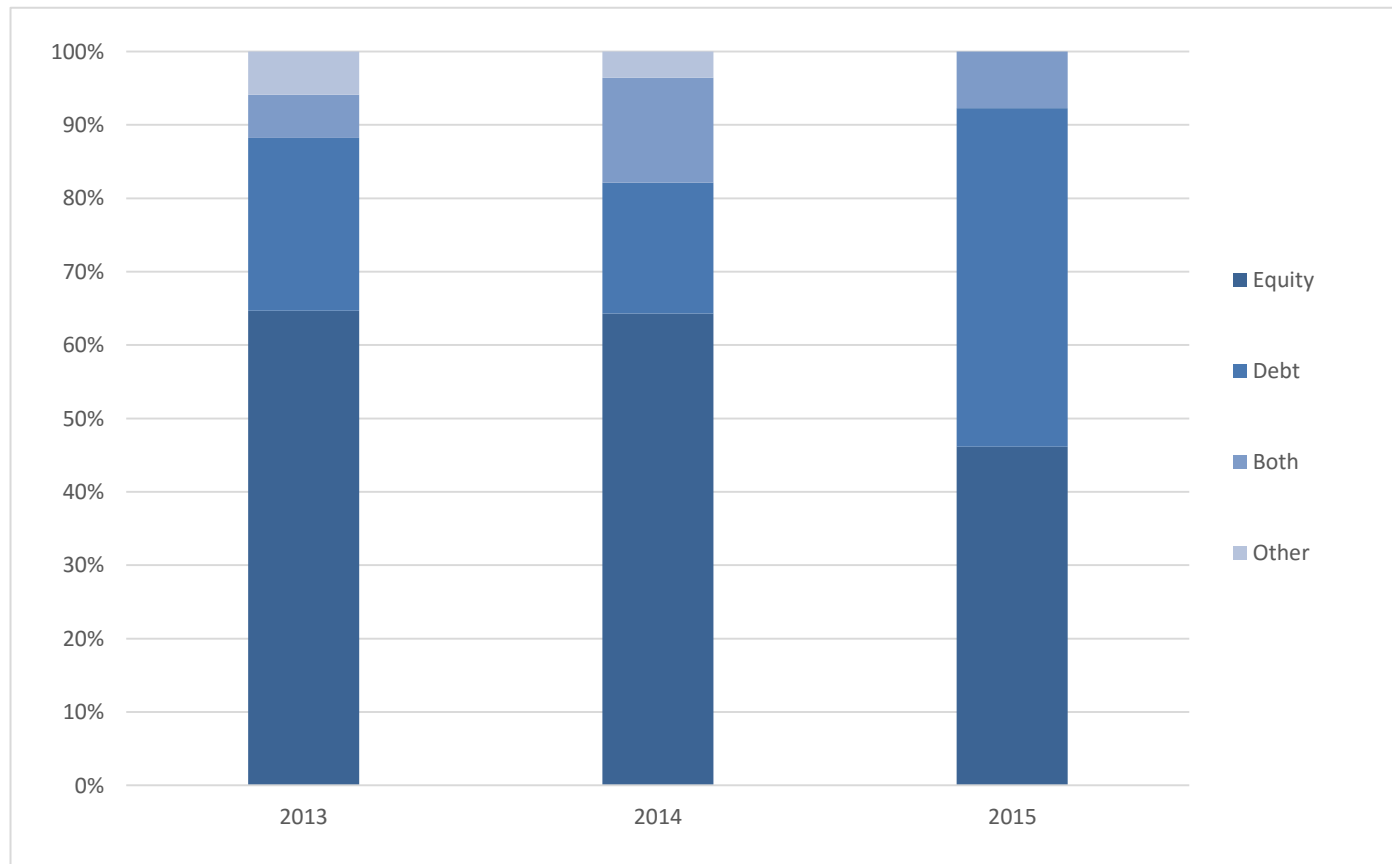
# Our impact business network

Deals by subsector



- Agriculture
- Business services
- Consumer goods and services
- Education, training and employment
- Energy and water
- Engineering
- Financial services
- Food and beverages
- Health and social care
- Housing
- Internet / web services
- Media
- Recycling and waste management
- Technology
- Transport

# Types of finance



# IMPACT INVESTING CASE STUDIES





Deal closed date: September 2014  
*Retail, consumer products,  
international, emerging markets*

## Adjustable focus glasses enabling clear vision across developed countries and emerging markets solving access to optometrist care



### Business Model

- E-commerce sales of adjustable focus reading glasses in developed countries, shipping from UK warehouse to UK & EU and the US warehouse to USA & Canada
- Sells and distributes the same adjustable focus glasses through NGO/charity partners such as Peace Corps Volunteers and Project Dharma (India) in emerging markets. Working on distribution project basis in countries such as India, Morocco, Ghana, Fiji & Tonga

### Social Impact

- Lack of accessible distribution, medical consultation and trained optometrists in developing countries
- Clear vision enables better access to employment and education, helping people to secure their livelihoods
- Studies suggest glasses have the potential to increase monthly income by 20% and productivity by 35%. It is estimated the global economic impact of lack of glasses at \$202bn (WHO)

- Eyejusters also supports employment in distribution and sales in developing countries

### Investment raised

- **A Clearly Social Angel investor supporting the business to scale, introduced Eyejusters to the CSA group**
- **Secured a £360k equity investment from one angel in the ClearlySo investor network**



## Business Model

- EPC provides office, meeting, conference, event, and retail space to social change organisations.
- They own 17 and manage 7 centres with a £26.5m current portfolio valuation.
- EPC aim to acquire properties at good value, develop them cost effectively to a high standard, offer them for very competitive rents and manage them well to secure high occupancy.

## Social Impact

- EPC currently provide workspace and support services to some 1,000 social change organisations, indirectly improving the lives of tens of thousands of beneficiaries.
- Their modern cost effective workspaces are designed to encourage collaboration and cooperation among tenants.
- 80% of their tenants report that being in an Ethical Property Centre helps them better achieve their objectives.

## Investment Sought

- **EPC are looking to raise approximately £3.5m of equity to fund the acquisition of up to 3 buildings and to expand into growth markets such as Bristol, Manchester and Cardiff.**
- **Ethical Property engaged ClearlySo on an advisory mandate followed by support for this and future capital raises, up to circa. £40m.**



### Business Model

- Founded in 1984 by a variety of trade unions and the Co-op Bank, it focuses solely on commercial clients generating social impact—charities, social enterprises, local authorities and CDFIs.
- Clients highly value its excellent service and the ethical ethos of the bank resonates strongly with its core market—it is well-regarded by clients.

### Social Impact

- UTB focus solely upon the social economy opportunity (broadly defined).
- UTB has no individual retail customers and serves UK organisations which generate social impact.
- Target Markets and Clients include: Community Development Finance Institutions (CDFIs) ; Charities; Community Renewables; Registered Social Landlords (RSLs).

### Investment Sought

- **UTB engaged ClearlySo on a strategic assignment to advise them on certain matters including their growth plans for the Social Economy.**
- **ClearlySo was asked to assist UTB in seeking capital to fund loan growth and replace some capital of existing investors. The total fund raise could be £10-15m.**



# Remploy

Putting ability first

August 2014  
Employment  
Services

**UK Leader in helping disabled or disadvantaged people into employment**  
Remploy management engaged ClearlySo to seek a values-aligned partner to achieve their growth and social impact ambitions



## Business Model

- Remploy's mission is to transform the lives of disabled people and those experiencing complex barriers to work by providing sustainable employment opportunities.
- Remploy works with over 2,500 employers who wish to employ disabled people in their organisations
- Over 400,000 people with a disability actively looking for employment
- Our services include: recruitment and retention; vocational rehabilitation; job placement; in work support; and capability building.

## Social Impact

- Over the last 15 years we have led the way in supporting disabled people directly into mainstream employment
- C.18,000 people are placed every year
- 100,000 disabled people into work by 2015
- Over 60 branch offices across the UK
- 800+ employees

## Investment Sought

- **ClearlySo worked intimately with the Government and Remploy and secured mandates from two different potential purchasers of Remploy**
- **ClearlySo assembled the opportunity and managed the negotiations between Remploy, a consortium of charities and a stand alone national charity.**



### Business Model

- Framework Housing Association (Framework) provides accommodation; street outreach; drug, alcohol and mental health support; training and employment services, and support for people at risk of homelessness.
- Its pathway of services is built around a network of more than 800 units of emergency and supported move-on accommodation

### Social Impact

- The case for move-on accommodation is clear: people who leave emergency hostels for good quality homes are less likely to become homeless again, improving outcomes for individuals and communities and reducing costs to the NHS, police and justice system.
- With an average length of stay of one year, the units also free up much-needed space in emergency accommodation for the many people requiring intensive support.

### Investment Sought

- **The total funding requirement for 150 move-on units is forecast at £13.8m**
- **Framework engaged ClearlySo on an advisory and fundraising mandate to develop up to 150 additional move-on accommodation units, initially seeking c.£5m**
- **ClearlySo managed to raise £5.75m in the first raise for Framework through its institutional investor network**



November 2015  
Community  
Transport

**HTC Group is one of the UK's largest high social-impact enterprises providing bus services now across the UK and Channel Islands**



### Business Model

- HCT Group is one of the UK's largest and most established social enterprises, having grown more than a hundredfold since 1993, from a local community transport operator to an award-winning passenger transport operator with 13 depots across the UK.
- Since last securing investment in 2010, revenues have grown 15% annually and the cumulative five year social impact targets were met by 2014. With a steady stream of contract and acquisition opportunities, reflecting HCT Group's position as a small operator in the wider transport market yet one of the largest national operators in Local Authority and Community Transport

### Social Impact

- In a traditional business, decisions on investment and business strategy are driven by return on capital. At HCT Group, the key criteria is *impact* for capital, revenue and management resources invested.
- This is achieved through a robust social impact measurement and reporting process and an operating and governance model that ensures alignment between commercial and social impact objectives.

### Investment Sought


- **HCT Group initially engaged ClearlySo on an advisory and capital raising mandate in 2010**
- **ClearlySo helped HCT raise £4.2m from four different investors, one half of which was a pioneering quasi-equity instrument**
- **Currently, ClearlySo is working with HCT on a subsequent and much larger capital raise, which will be in the range of £8-10m from several impact and mainstream institutional investors, with Bridges ventures securing an exit from its 2010 investment**



# Tips for entrepreneurs

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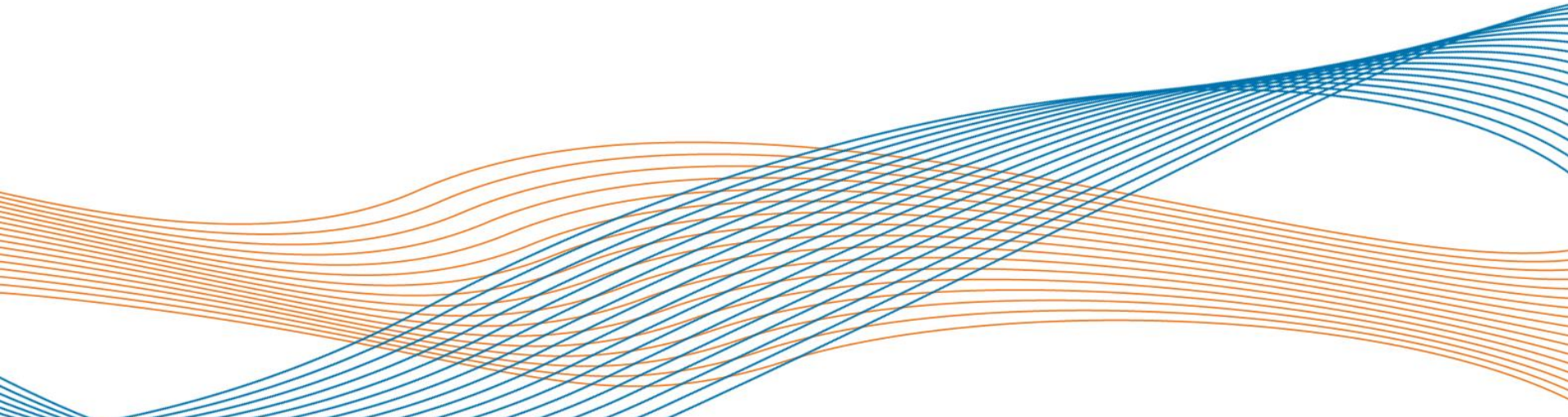
## Top 5 tips that we give to entrepreneurs would be:

- Take your board very seriously – do not under-invest in it!
  - Let the project drive structure – Not the other way around!
  - You can save money by raising it yourself, but.....
  - Measure social impact sensibly and efficiently
  - Exploit the advantages of being values driven
- 



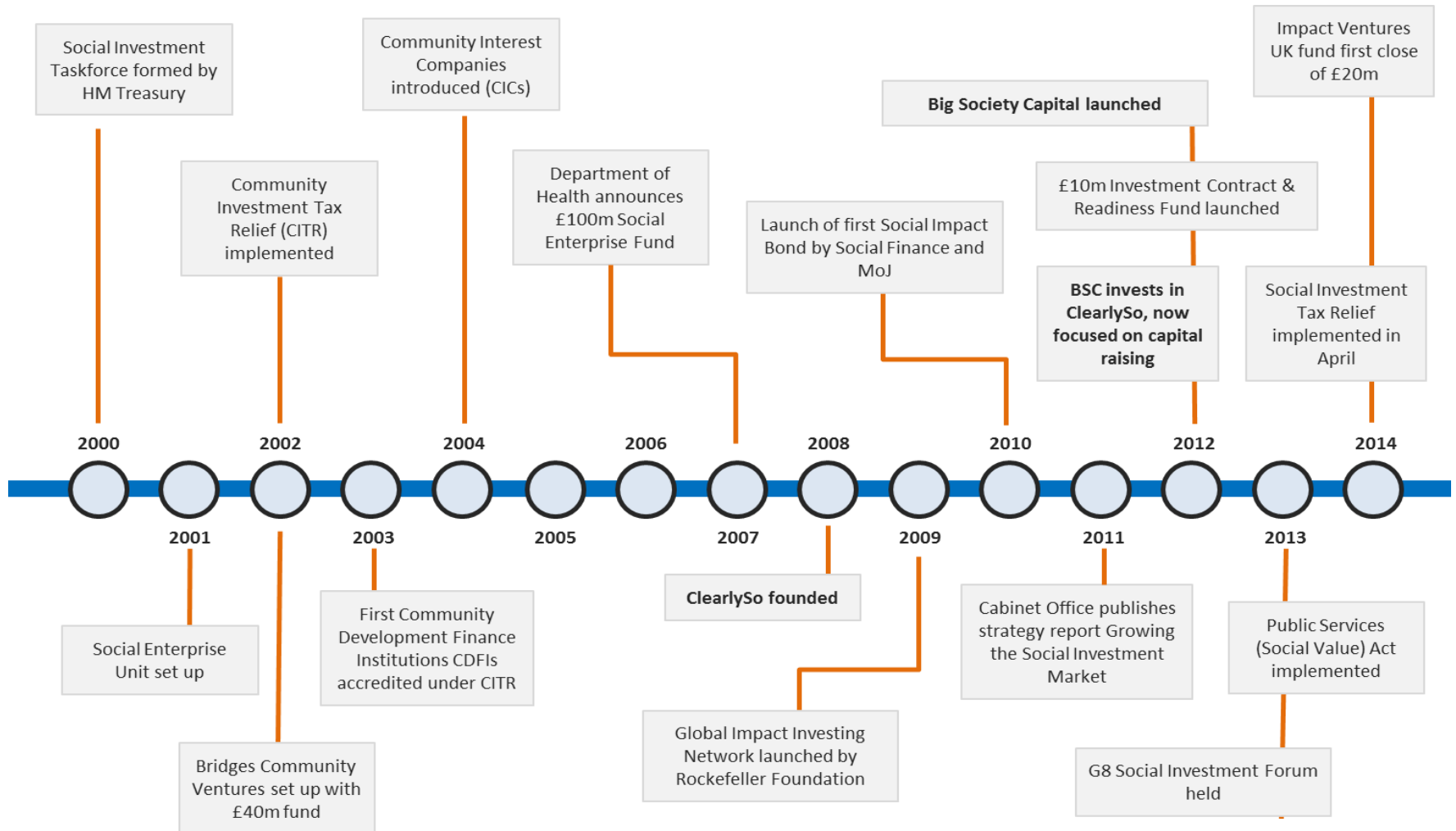
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# APPENDICES

# Timeline: Impact investment in the UK





# Impact investing: a definition

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Impact investing means investing into a company and expecting social / environmental impact as well as financial return.

In contrast to socially responsible investing (SRI), which screens for negative impacts, it actively seeks out businesses creating positive social change.





### Breezie

Breezie provides software allowing the digitally excluded to access the Internet simply and easily, supporting health and wellbeing.



### Psychology Online

PsychologyOnline delivers online psychological therapy, which is faster, and more flexible than conventional methods.



### Time for Medicine

Using web & mobile tech to facilitate remote medical diagnosis and management, they reduce patient hospital referrals.



### Fluency

Fluency provides technology training and upskilling to help young unemployed people get back into work.



### Playmob

PlayMob connects causes with virtual online gaming through in-app purchases that donate to the charity or organisation.



### Exosect

Exosect develops food protection solutions that protect the environment and food and water supply chains.



### Insane Logic

Insane Logic provides educational software and tools to help those with speech and learning difficulties to communicate.



### Brain in Hand

Brain in Hand uses mobile phone technology to help users, including those with Autistic Spectrum Disorders, achieve goals and independence.



### Fair Finance

Fair Finance helps the financially excluded access finance at affordable rates, offering microfinance, advice and support.



### Eyejusters

Through providing self-adjustable eyeglasses to people in the developing world, this company ensures they can see clearly.



### Commonplace

Commonplace uses crowdsourced data from local communities to influence regeneration and planning projects.



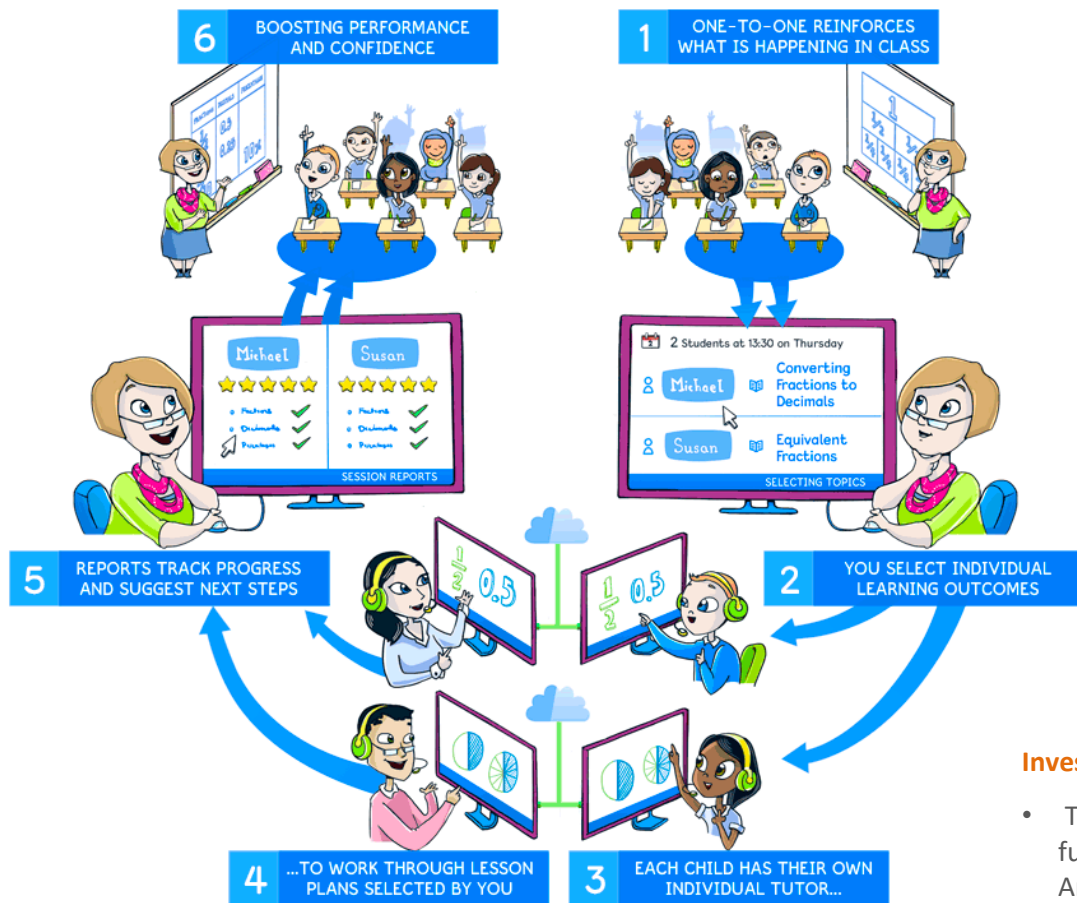
### Third Space Learning

Third Space work with primary schools to help raise numeracy standards with targeted one-to-one intervention programmes for disadvantaged pupils.

## Investees: Growth Stage

### Key social / environmental impacts include:

- Education (including early years)
- Health and mental health
- Social care
- Housing, property and regeneration
- Employment and skills
- Environment and energy
- Financial inclusion
- International development



### Business Model

- Technology platform connects global numeracy specialists to students from disadvantaged backgrounds in schools across the UK for one-to-one maths tuition
- Schools purchase programmes for individual students, and all sessions take place in school, in addition to normal maths lessons, accelerating what the children are learning in class.
- Launched in September 2013, Third Space was used in over 70 schools across 30 Local Authorities before seeking investment

### Social Impact

- It offers low-cost tuition to disadvantaged students lagging behind in maths, and is highly scalable
- The Education Endowment Foundation are funding a 2-year Randomised Control Trial to fund 600 pupils through the programme, tracking attainment of socially disadvantaged students at risk of failure.

### Investment Raised

- Third Space worked with ClearlySo as part of a £750k funding round, including £200k from Clearly Social Angels, and later raised £1.5m Series A funding.



### Business Model

- Private company, limited by shares
- Flagship product My Choice Pad: award-winning app using symbols and sign language
- Freemium model including 'Pro' version, training, and in-app purchases; customers include individuals & education / healthcare /special needs establishments

### Social Impact

- Improved language and communication skills empower individuals
- 1 in 10 UK children start school with language / communication difficulties: products help the communicate
- Products provide opportunities for assessment and therapeutic interventions

### Investment raised

- Raised over £250k equity investment, including £150k from Clearly Social Angels
- £100k match-funding secured from Big Lottery, via Unltd
- Investment used to: grow the business team, build the product portfolio and prepare for international expansion



# Investees: Institutional (£1m - £20m)



*Key institutional investments are in housing / property, communities and regeneration, employment and skills. health and social care, education and environment*



London  
**Early Years**  
Foundation

May 2014  
*Education,  
children, inequality*

**LEYF has 26 community nurseries across London and is expanding**  
They engaged ClearlySo on an advisory and introductory mandate to support their move towards social investment



### Business Model

- Their hybrid business model draws on elements of commercial franchising and B2B selling – profitable nurseries in affluent areas cross-subsidise those in low-income neighbourhoods
- The investment will be used to scale their social impact by allowing them to reach greater numbers of children across London.
- This model generates income to reinvest in their social objectives as well as support for scale.

### Social Impact

46% of the children attending its nurseries do so through free or subsidised places; it sends over £500k annually supporting disadvantaged children.

They facilitate social cohesion by bringing children from all backgrounds together and supports family wellbeing through high-quality education that increases the child's readiness for school and enables parents to return to work.

### Investment raised

- Raised £1.25m debt from Big Issue Invest and Bridges Ventures, with the deal closing in May 2014
- Engaged ClearlySo on advisory mandate through the ICRF, followed by support for a capital raise
- ClearlySo supported them to structure the debt deal, advised on negotiations, business plans and financial model, and introduced them to institutional and individual investors

# SOCIAL INVESTMENT TAX RELIEF (SITR)

**£1m**

the amount each investor can invest per year that is eligible for the relief

**£275k**

previous maximum SITR eligible investment per organisation over a rolling three year period

**£15m**

April '15 new maximum for SITR investment per organisation over multiple years

**30%**

income tax relief on the amount invested



For UK tax paying individual investors who are not employees or paid directors of the investee company

Charity ♦ CIC ♦ BenCom

**< 500** employees in the company

assets owned by the company **< £15m**



# RISKS AND RETURNS IN IMPACT INVESTMENT

54%



I am targeting competitive, market-rate returns in my impact investments

Generating financial return is essential in my impact investment priorities

80%



JP Morgan's Spotlight on the Market report from 2014 found that significant proportions of impact investors are expecting market-rate returns



90% showed sustainability standards lowered the cost of capital

A 2014 Oxford University meta-study by Clark, Gordon, Feiner and Viehs assessed sustainable investments



80% found positive relationships w/ stock performance & sustainability practices

In March 2015, Morgan Stanley released a Sustainable Reality report that assessed sustainable investment performance

10.2k open-end mutual funds

2.9k separately managed accounts

} Analysed over 7 years

The majority of sustainable funds were found to have lower volatility than the median of the traditional funds

Sustainable equity funds met or exceeded the median return of traditional equity funds for 64% of the time periods examined



# BRIDGES VENTURES: SPECTRUM OF CAPITAL

	Traditional	Responsible	Sustainable	Thematic	Impact-first	Philanthropy
	Competitive returns					
	ESG risk management					
		ESG opportunities				
			High-impact solutions			
	<i>Finance-only</i>	<i>The New Paradigm</i>				<i>Impact-only</i>
<b>Focus</b>	Limited or no focus on ESG factors of underlying investments	Focus on ESG risks ranging from a wide consideration of ESG factors to negative screening of harmful products	Focus on ESG opportunities, through investment selection, portfolio management and shareholder advocacy	Focus on one or a cluster of issue areas where social or environmental need creates a commercial growth opportunity for market-rate or market-beating returns	Focus on one or a cluster of issue areas where social or environmental need requires some financial trade-off	Focus on one or a cluster of issue areas where social or environmental need requires 100% financial trade-off
<b>Examples</b>	<ul style="list-style-type: none"> <li>PE firm integrating ESG risks into investment analysis</li> <li>Ethically-screened investment fund</li> </ul>	<ul style="list-style-type: none"> <li>"Best-in-class" SRI fund</li> <li>Long-only public equity fund using deep integration of ESG to create additional value</li> </ul>	<ul style="list-style-type: none"> <li>Clean energy mutual fund</li> <li>Emerging markets healthcare fund</li> <li>Microfinance structured debt fund</li> </ul>	<ul style="list-style-type: none"> <li>Fund providing debt or equity to social enterprises and/or trading charities</li> </ul>		

# 3D INVESTING: A NEW PARADIGM

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