

SOCIAL INVESTMENT

Trends, concepts and best practice

Madeleine Gabriel, UnLtd, February 2013

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GOALS

What will the presentation cover?

- What is social investment?
- The UK social investment market currently
- Emerging trends and future possibilities
- Investor goals and motivations
- Social entrepreneurs: lessons and strategies
- Questions for you



THE LANDSCAPE

A brief and broad overview of social investment

BACKGROUND

Why do we need social investment?

- Market forces, charity and the state alone can't solve all our social problems
 - Social sector organisations are under-capitalised
 - Better use of financial resources: can be recycled
 - Market opportunity
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BACKGROUND

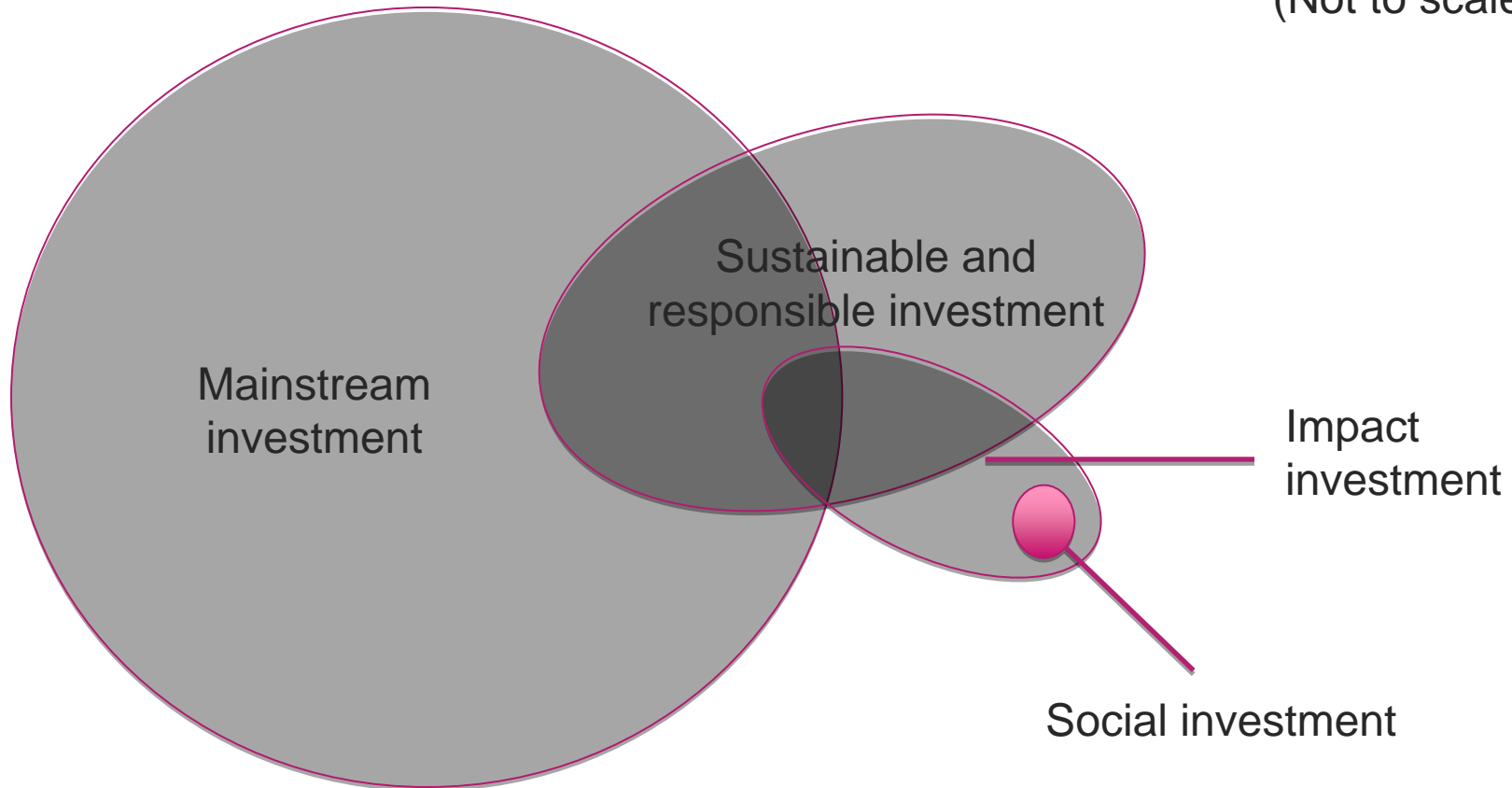
What is social investment?

“Social investment is the provision of finance with the objective of achieving specific social returns and the expectation of receiving at least the initial investment back.” - Allia

- Financial return: 0% through to market rate
 - Social/societal impact
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IN CONTEXT: Where social investment fits

(Not to scale!)



Adapted from 'Investor Perspectives on Social Enterprise Financing', City of London Corporation, 2011

WHAT & HOW: Financial mechanisms & funding needs

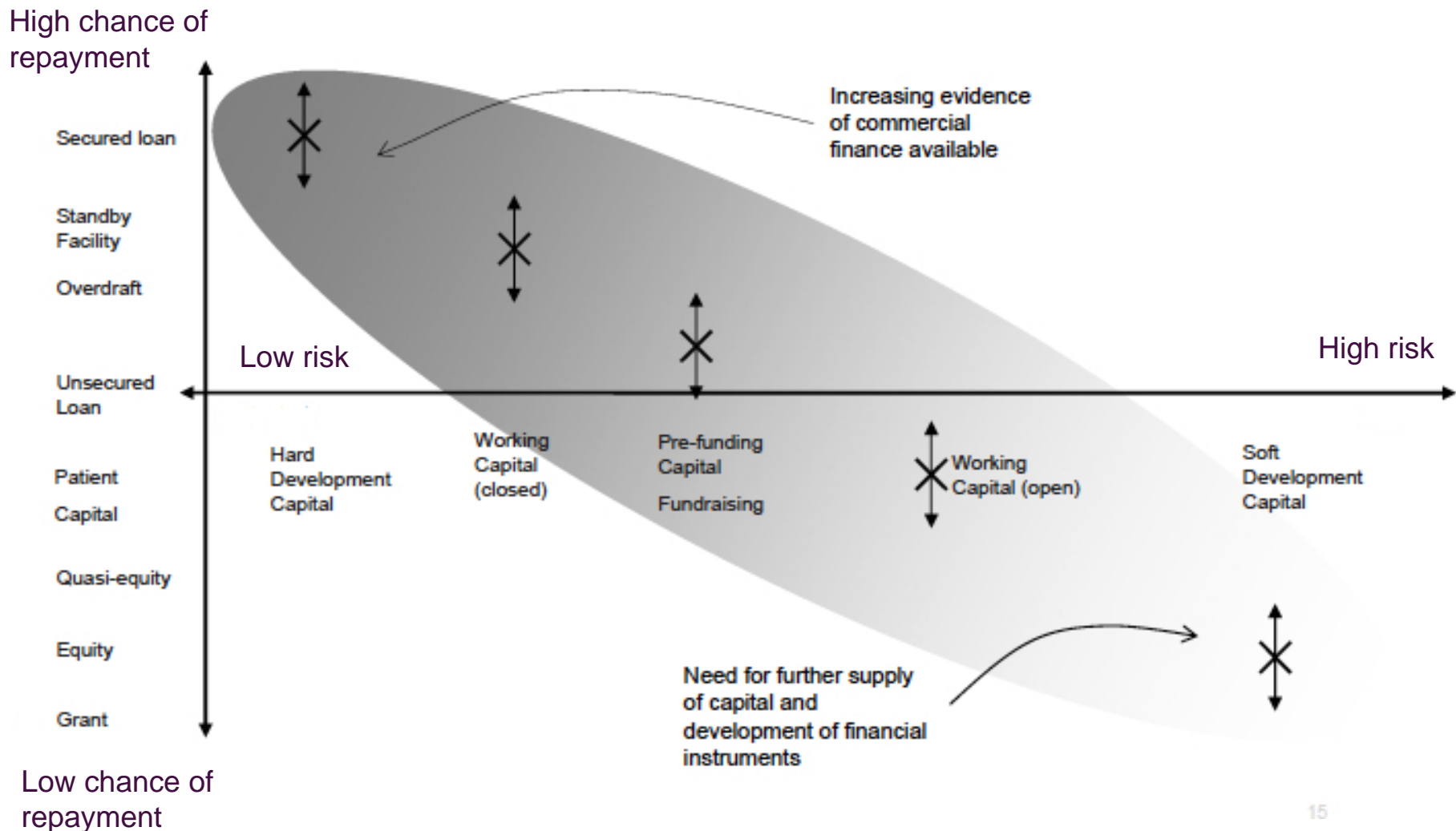
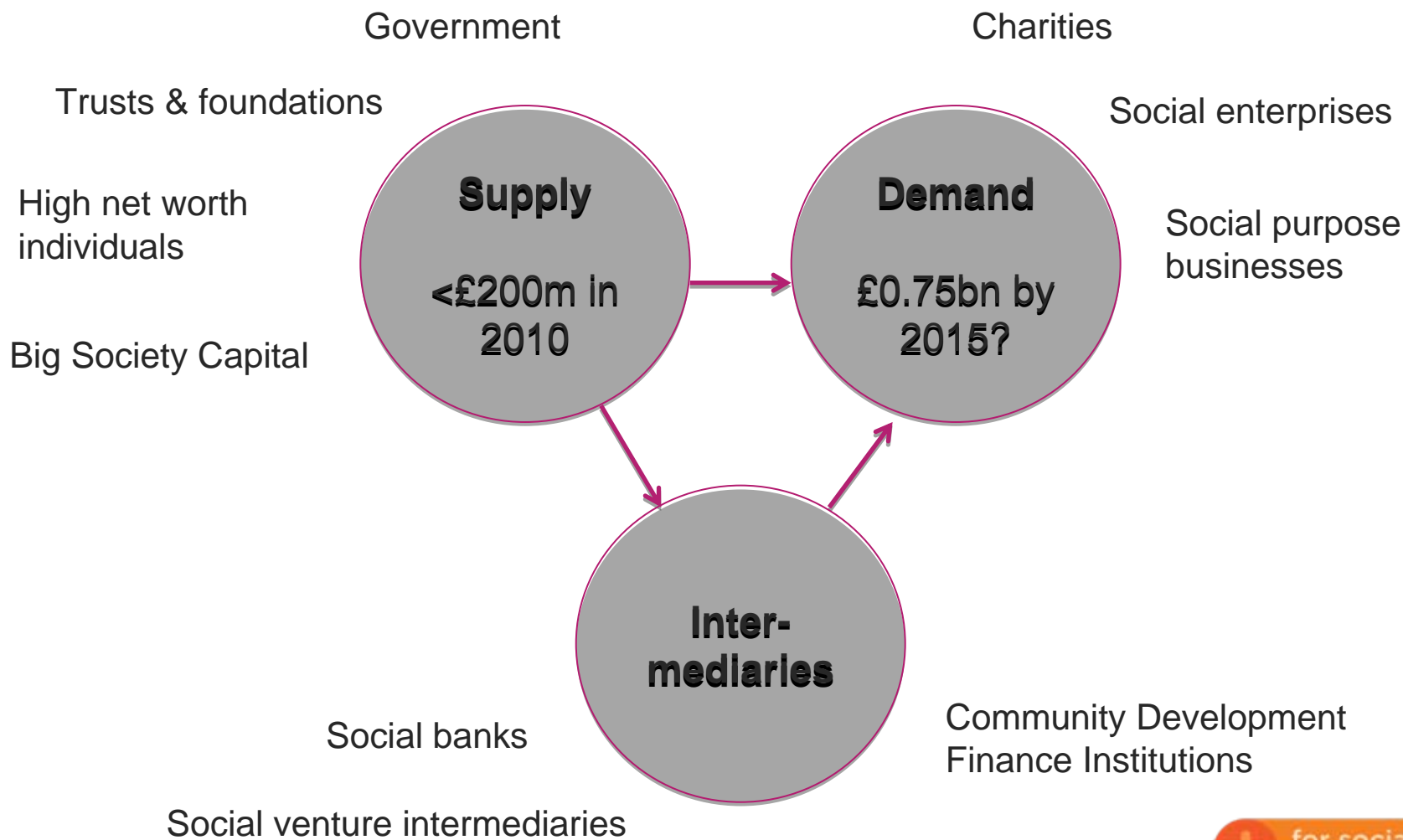


Diagram: CAF Venturesome

THE MARKET: Key players in UK social investment



THE MARKET

Challenges and opportunities

- Mismatch between supply and demand:
 - Lack of a 'pipeline' of investable propositions
 - Gaps in finance at start-up stage
- Still 'niche'
 - Low awareness amongst mainstream investors
 - Few examples of deals and exits
 - Not clear how to value social returns



INNOVATIONS

Recent and emerging initiatives

- Wholesale bank: Big Society Capital
 - New products and investment vehicles – e.g. Social Impact Bonds
 - Expanding investor base: retail, angels, peer-to-peer
 - Investment readiness support
 - Common impact measurement initiatives
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IN PRACTICE

UnLtd's experience in working with
social entrepreneurs and investors

EXAMPLES

Big Venture Challenge investment deals closed

Squease	REDS10	Blue Sky	LEYF	Beyond Youth	Sweet Project
					
£120k Equity Angel	£150k Equity Angel	£50k Loan Institution	£50k Loan Institution	£50k Loan Institution	£80k Loan Institution
					
£50k Loan Angel	£200k Equity Angel	£50k Equity Institution	£50k Equity Angel	£50k Equity Angel	£200k Equity Institution
Patient Choice	Spacehive	MyChoicePad	B4Box	PKB	MyKindaCrowd

LESSONS

What do investors look for?

- Impressive entrepreneur and team
- Strong business proposition
- Risk mitigation



LESSONS

What do investors look for?

Angel investors

- Financial return
- Offer of equity
- Sector interest

Institutional social investors

- Social return
- Track record

“[What am I looking for?]....I would say 60% on it’s a good thing, the model for others and it should succeed and the rest I want a return on my capital.”

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- Angel investor

LESSONS

Seeking investment

- Network
- Find a champion
- Speak the language
- Be clear why you need investment
- Recognise it will take up time

“The investment stuff was definitely the most challenging part of the entire process of setting up this company.”

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- Big Venture Challenge Award Winner

LESSONS

Be ready for the game to change!

- Opportunities
- Expertise
- Profile

“It means we can compete with the big players now... It’s raised our profile. We’re more likely to be considered for the big contracts.”

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- Big Venture Challenge Award Winner

STRATEGIES

Find the right investor

“It became unclear whether this was genuinely about social impact or about business and making money... I found that very difficult.”

“We’ve decided to... carry out our assessment of the investors with the same scrutiny that they want to carry out of us .”

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- Big Venture Challenge Award Winners

STRATEGIES

Finding ways to protect social mission

- Legal form
 - Golden shares
 - Statement of social mission in articles of association/social charter
 - Impact measurement
 - Making the social impact central to your value proposition
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OVER TO YOU

Reflections, questions, comments

- What are your experiences in working with investors?
 - Would you consider social investment as part of your financing mix?
 - What might the risks be, and how would you manage them?
 - More info: www.unltd.org.uk
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