



LGT Venture Philanthropy

Impact Ventures UK

E3M Seminar Programme: Finance for SE Growth

November 4th

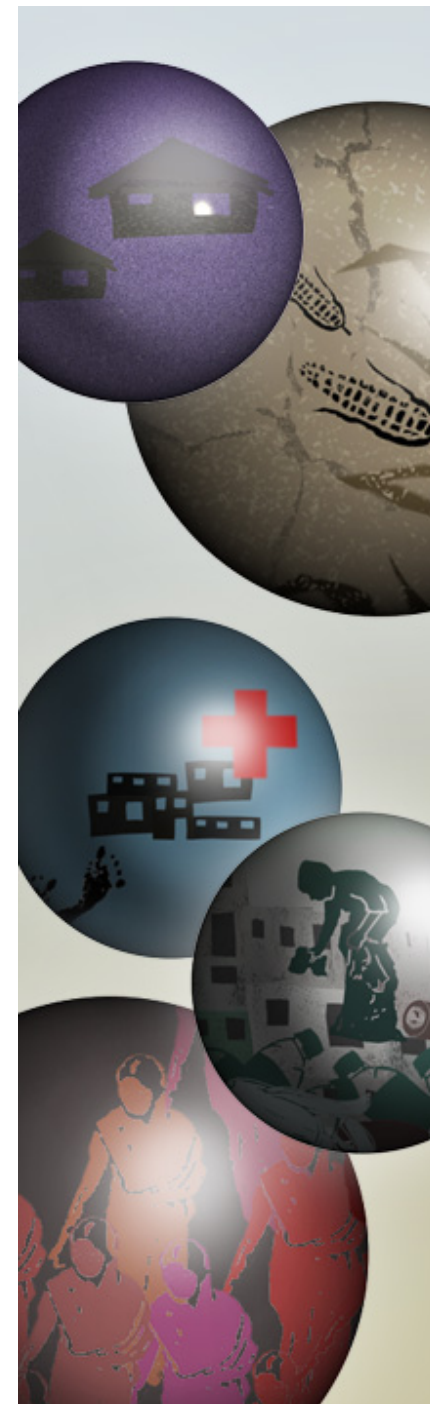


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in association with founding partner



BERENBERG
PARTNERSHIP SINCE 1590



Impact first growth capital fund investing in UK companies

- First close at **£20.8m** , December 2013
- Big Society Capital is a **cornerstone investor** with £10m 
- LGT Venture Philanthropy is the investment manager with a commitment of £2m 
- First round investors include  Anton Jurgens Fonds *Act social, think business*  Waltham Forest 
- EIF has committed £7.5m towards final close with BSC, LGT VP, and DB increasing commitments to £15m, £3m, and £1m
- **First investment** February 2014 
- **Second investment** April 2014 
- **Third investment** in August 2014 
- **Fourth investment** in September 2014 
- Strategic partnerships in place  LGT VP ICats  THE UNIVERSITY OF NORTHAMPTON  WAVELENGTH
CONNECTING VISIONARY COMPANIES  GP BULLHOUND
- Awards: LGT VP - “Best Impact Investor”, TBLI, 2013 + Berenberg - IVUK “Product Innovation Award”, PAM, 2014
- Investment team is currently five people, likely to expand to eight within the next year  TBLI CONFERENCE™  PAM
Private Asset Managers
AWARDS



We invest in social and charitable ventures with:

Strong social impact:

- We are an impact first investor. Prospective companies must have a clear social mission, addressing key social challenges in the UK.
- Sector agnostic but targeting organisations serving the most disadvantaged individuals.
- We work with each company to pre agree and forecast a number of social KPIs. We ask investee companies to collect and report on these metrics regularly.

2. Sustainable financial models:

- The Impact Ventures UK fund targets a financial return of **7%** net from its investments.
- We are a growth capital fund, so we are unlikely to fund start-ups. We prefer ventures with a few years trading history so that our capital funds growth and scales social impact.
- While not necessarily profitable, prospective companies must be commercially viable and offer sustainable revenue models.

3. Strong management teams with social motivation:

- We look for experienced management teams and expect full engagement.

Impact ventures UK, fund parameters

- All UK regions and all UK sectors where social impact can be proven
- **£0.5m - £5m** typical investment size
- Equity, quasi and debt like instruments
- Investment terms of up to seven years
- Collaborative and supportive partner
- Typically seek board seats with investment
- Open to co investment opportunities
- Require **25%** of fund invested with Charities

Impact ventures UK, fund investment team



Raf Goovaerts
Partner



Susie Arnott
Investment Director



Chris Hunter
Investment Manager



Jennifer Webb
Investment Associate



Shishir Malhotra
Investment Analyst

Homes for Good Investments

‘Scotland’s first PRS social landlord’



PROBLEM

- Social housing crisis in Scotland with 185,000 people on waitlists
- People can wait for up to 12 years with no choice over end property location
- Private rented sector is an alternative but 7 out of 10 landlords refuse to deal with social tenants and requirements set down by others are prohibitive

SOLUTION

- Susan Aktemel, the highly-regarded Scottish entrepreneur founded Homes for Good (CIC) in 2013, a lettings agency that specialises in social tenants
- Homes for Good Investments will be an SPV that invests in 120 properties across the east and north of Glasgow over 3 years and will then be managed by the CIC for around 8 years, increasing the security of supply
- Properties are an immediate solution with clients choosing the location
- The CIC has a dedicated tenant support team to assist those with additional support needs, which is the majority of its customers

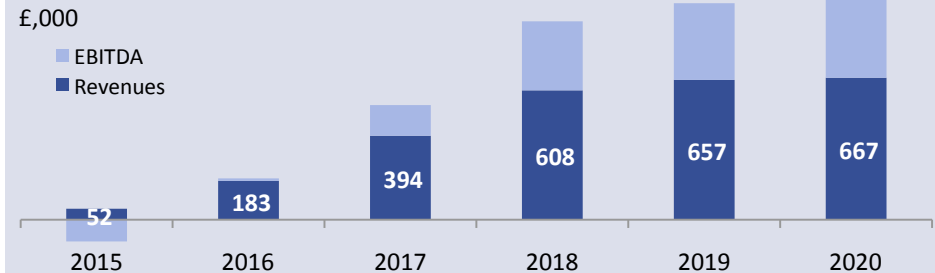
BUSINESS MODEL

- Attractive rental yields available with an average projected yield of 8.5%. This is based on standard market rents that are covered by housing benefits
- Potential for capital growth based both on uplift early in the investment period from refurbishment and buying properties at discounts as well as holding properties for 7-9 years, with prospects of price rises backed up by shortages
- Susan has deep experience of buying and refurbishing properties in Glasgow with a successful track record of portfolio management and exits

SOCIAL IMPACT

- Homes for Good’s theory of change is that everyone should have access to a secure, comfortable home as it is the bedrock of a healthy, prosperous life
- Dedicated support team can help guide tenants to a successful tenancy
- Social enterprise contractors will be used throughout the supply chain with an estimated spend of £0.5m in the development phase

FINANCIAL PERFORMANCE & GROWTH FORECASTS








ENGAGEMENT OF IVUK

- £2m investment split between preferred equity and debt over 4 tranches
- Investment will capitalise an SPV that will purchase property in east/north Glasgow and rent it out via Homes for Good (CIC)

REACH

Impact	2014	2015	2016	2017	2018	2019
# tenants served	30	95	160	230	295	360

DEPTH

 Improve material well-being	A decent home is the foundation for people’s lives. Without this, it is hard to have the stability to find employment and generate income.
 Improve physical well-being	Living conditions have a clear correlation with physical health. Damp, dirty or deteriorating properties can be unsafe.
 Improve social well-being	The spaces in which people live will impact on their way of thinking and frame their outlook; they can also lead to isolation.
 Improve security	Obviously living in a safe property is critical to ensuring a sense of security.
 Improve freedom	In the same way as it provides security, it also provides for freedom.

Homes for Good: breakdown of debt and equity tranches

£2m commitment split equally between **preferred equity and debt**, invested in **four tranches** with related milestones. IVUK is lending at a rate of **7%** and holds a **20%** equity stake in the SPV with Susan and the CIC getting the remainder **40%/40%**.

Tranche	Equity	Debt
1	£275,000	£275,000
2	£275,000	£275,000
		Pending*, £550,000 paid back to IVUK with interest
3	£50,000	£600,000
4	£400,000	£400,000
TOTAL	£1,000,000	£1,000,000

Second Milestone

Within 6 months of the Completion Date, the Company having acquired and refurbished a minimum of 10 flats, which have an 80% occupancy rate with social tenants

Third Milestone

Within 12 months of the Completion Date, the Company having acquired and refurbished a minimum of 20 flats (subject to having obtained Mortgage Finance*) which have an 80% occupancy rate with social tenants

Fourth Milestone

Within 24 months of the Completion Date, the Company having acquired and refurbished a minimum of 40 additional flats, which have a 90% occupancy rate with social tenants



Starter questions

Why invest in a new company rather than in the lettings agency (CIC)?

How do we define a social tenant and a support need?

What is the exit here and is it at odds with the social value creation?