



FASE

FINANCING AGENCY FOR
Social **ENTREPRENEURSHIP**

FASE IMPACT INVESTING BAROMETER

Investing in times
of global pandemic



www.fa-se.de/en



info@fa-se.de



Financing Agency for Social Entrepreneurship GmbH, Prinzregentenplatz 10
G - 81675 Munich

foreword

Like everyone else, we were first very worried when the COVID crisis hit. What will happen with the social enterprises that we support in raising growth capital, with the investors who had already committed to invest and with those who we were about to approach? And most importantly, how will the beneficiaries be affected - those people who ultimately benefit from the impact that these incredible ventures create? As we were looking for answers, we saw an opportunity to pick the brains of the impact investors in our network, to ask them for their views, worries and ideas as well as investigate the concrete measures that they already took or are planning to take in the course of the coming months. So we launched the barometer on March 31st, 2020 and collected 34 anonymous responses by April 9th. By sharing this report with the impact investing community, we hope that all of us in this critical sector will be able to take better decisions for the foreseeable future and also remind ourselves that now more than ever before, the world needs innovative solutions for positive impact!

Stay safe!

Laura & Magdalena
on behalf of FASE



in a snapshot



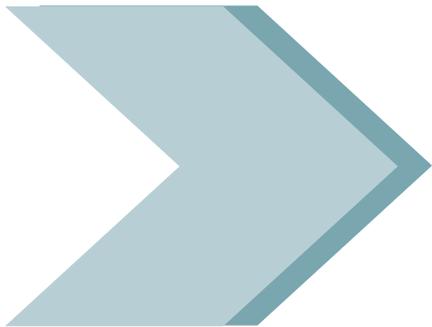
impact investing activities are expected to target specific sectors

health & wellbeing, food & agriculture, education & employment



expected shift towards direct investments

investors foresee a clear trend towards direct investments



50% of investors expect a decrease in the overall amount of impact investments across all sectors within this year

nevertheless, when asked about their own actions, only 15% of the investors surveyed declared to decrease or freeze their investments due to the crisis.

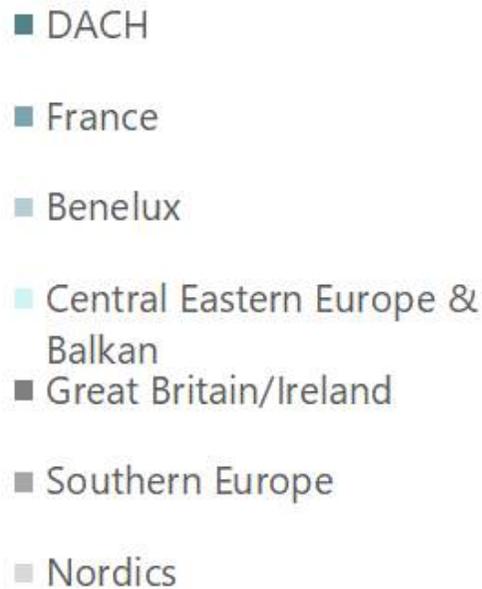


65% of investors provide emergency support to portfolio companies affected by the crisis

about the sample

Despite the relatively small sample size, the survey paints a quite representative picture of the entire impact sector. A balanced group of 34 institutional and individual investors in total took part in our survey. Institutional investors included VCs, cooperative and social venture funds, foundations, family offices, corporates and investment networks. The individual investors were private investors, business angels or private investor circles. In general, the regional focus was on the EU, with 62% of respondents based in the DACH region.

Location of investors

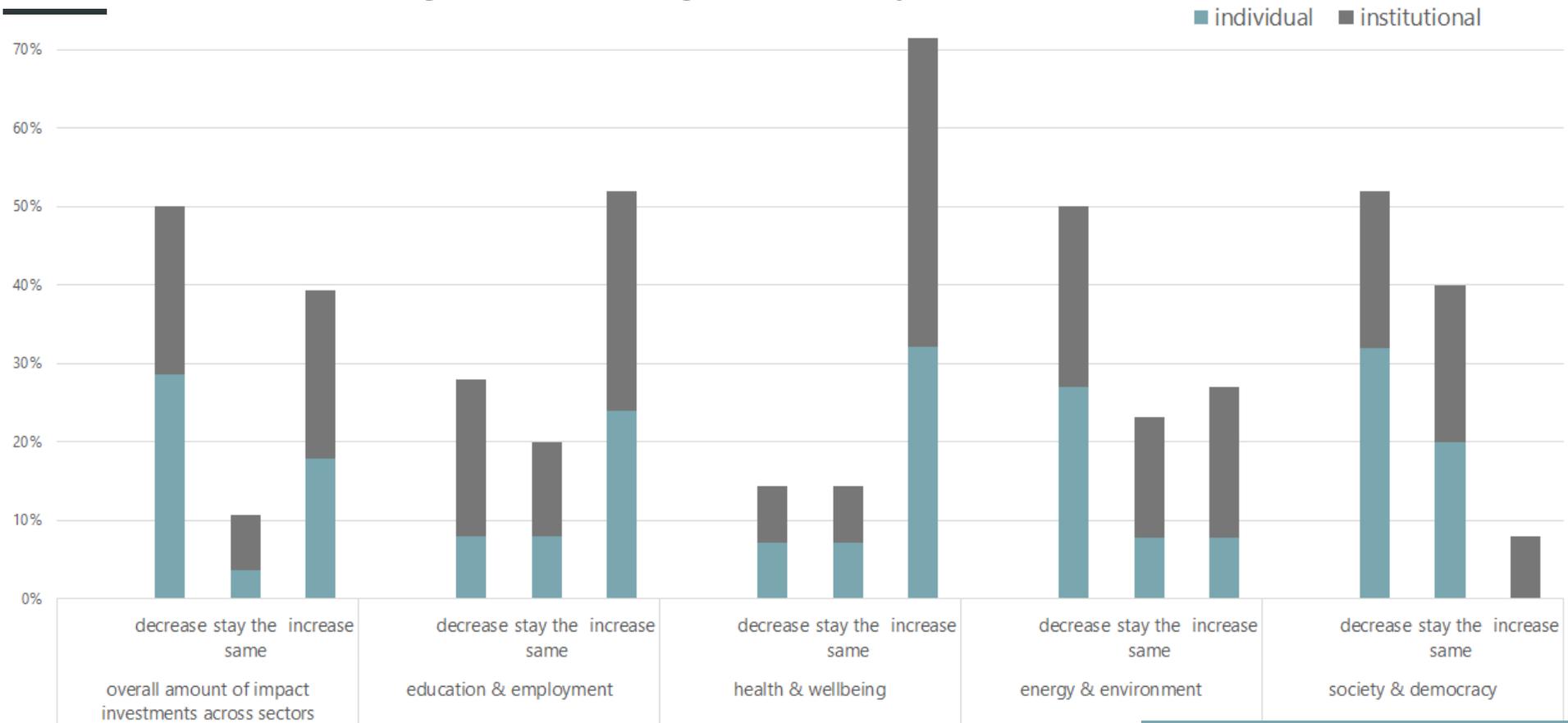


n = 34
(17 institutional/17 individual investors)

percentage allocation of portfolio to impact

- Over 65% of the respondents' portfolios focus on impact, with more than a third having only impact investments in their portfolios. Of these, two thirds are institutional investors.
- For 35%, impact investments represent a minority allocation in their portfolios.

As a result of the pandemic, how are you expecting the amount of impact investments in the following sectors to change in the next year?

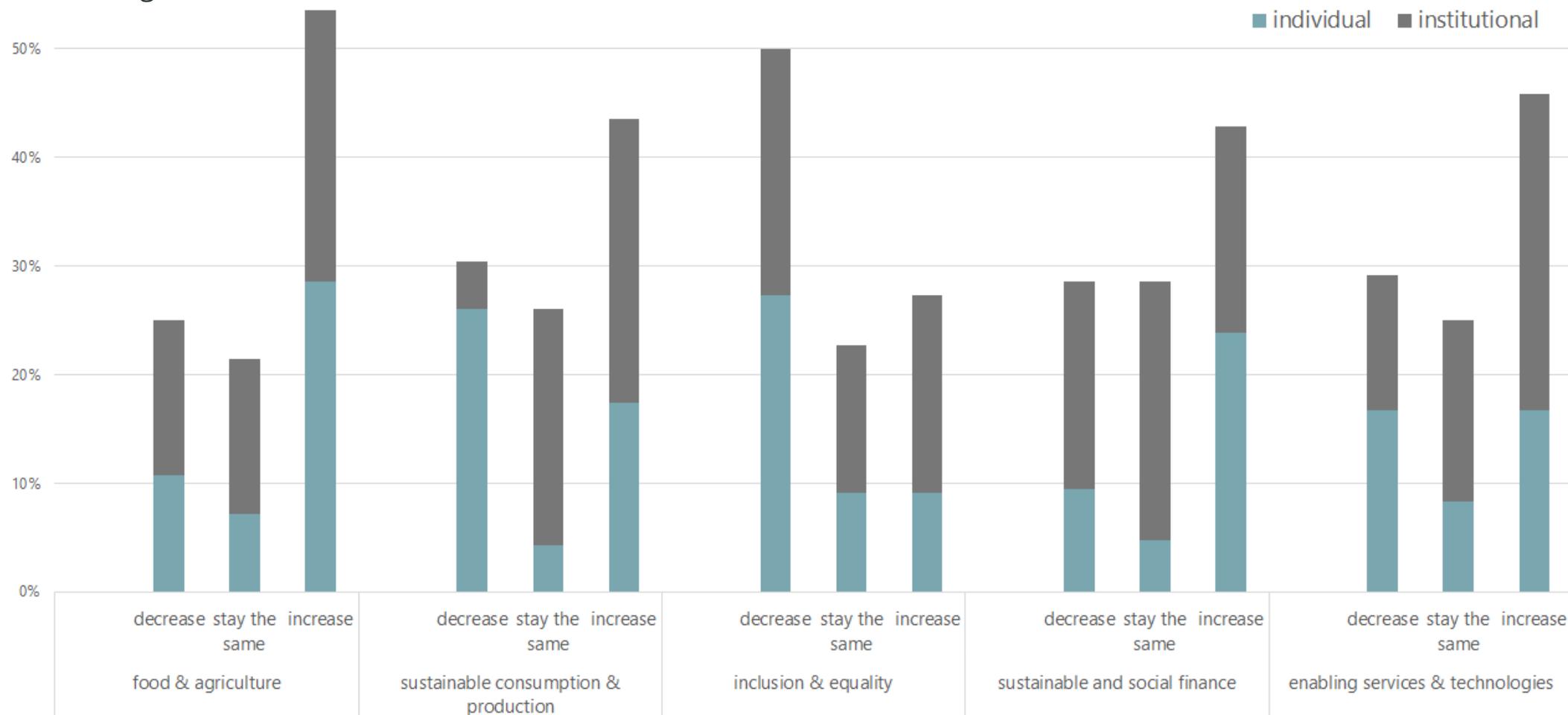


- Half of the respondents expect the amount of impact investments to decrease, compared to 39% who expect it to increase, while the remainder believes it will stay the same. Individual investors tend to be slightly more pessimistic.
- As expected, *health and wellbeing* is the sector where most investors (71%) expect an increase in funding. 14% foresee no change in investment amounts.

sector shift

Investors' opinions are split regarding the expected increase or decrease in the overall amount of impact investments across all sectors.

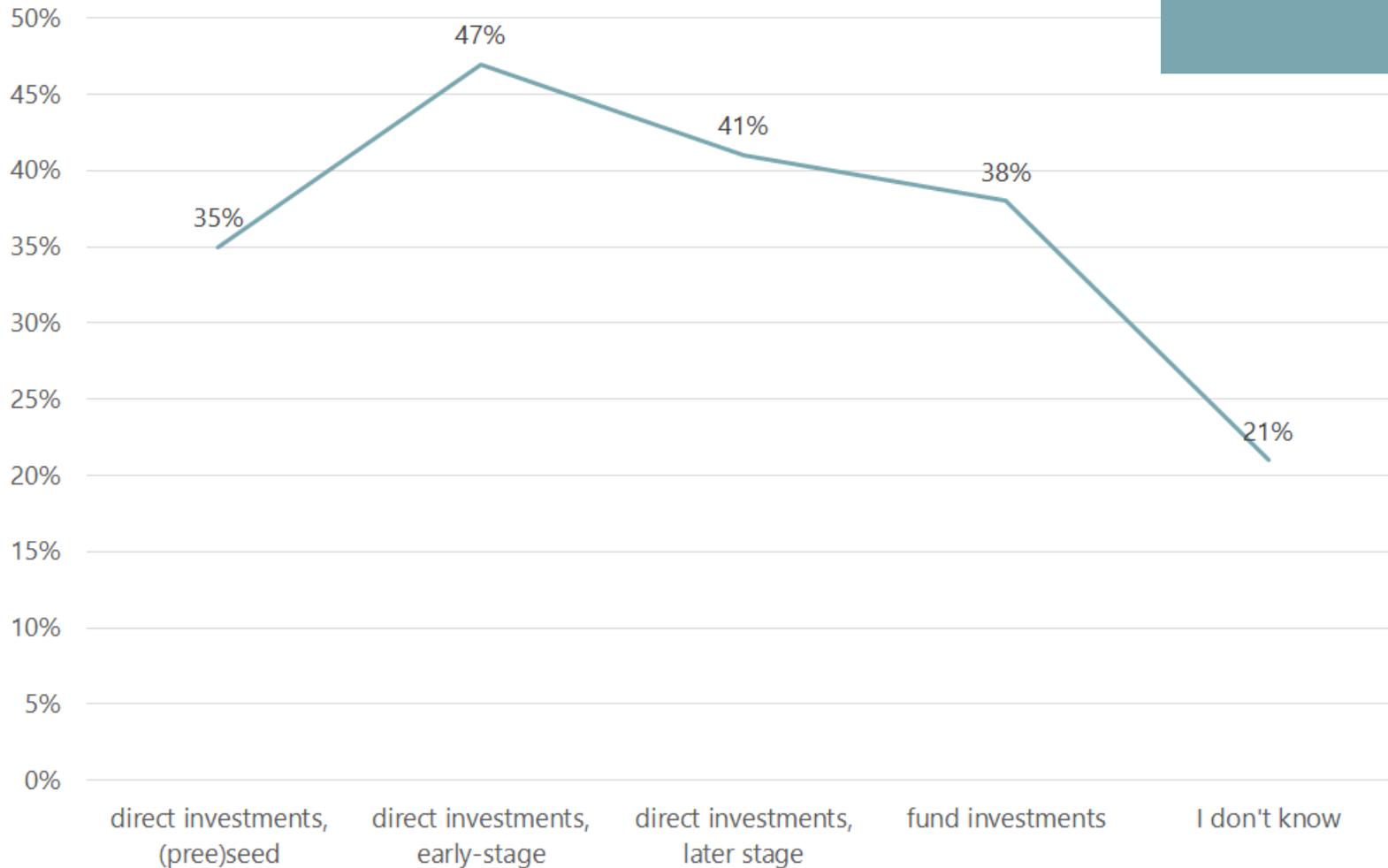
- The second most promising sectors in the investors' views are *food and agriculture, education and employment* - 54% and 52% respectively expect an increase in these fields. 20% anticipate that the funding level will stay the same.
- Institutional investors demonstrate a high level of confidence regarding investments in *enabling services and technologies*. 65% expect an increase or at least an unchanged level, as compared to only 35% among the group of individual investors.
- The sectors receiving the highest concerns are *society & democracy, inclusion & equality* and *energy & environment* - 50% of the respondents in our sample anticipate drops in the funding level for innovations tackling challenges in these fields, while only a fifth expects no change. Institutional investors tend to be more optimistic about the future of financing of these sectors.



In times of crisis and devaluation, investors are looking for opportunities with the highest return potential. A vast majority of investors expects new investments to flow in direct deals, maintaining a preference for early stage (47%) and later stage ventures (41%).

Still, approximately 38% of our respondents expect to shift (also) towards fund investments.

Towards what kind of deal / venture stage do you expect to see the shift?
multiple answers possible



shifts in type of deal

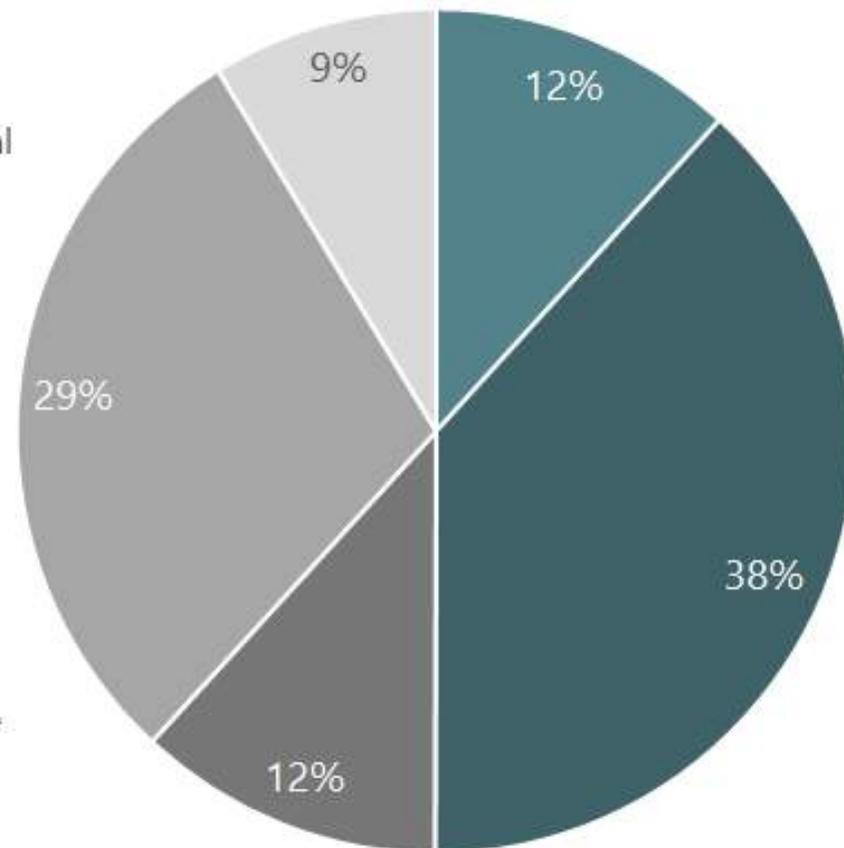
actions undertaken

Around 80% of all investors surveyed do not expect a decline in their impact investment activities: the majority either stick to their current strategy, adjust it with regard to sector focus / specific companies or even increase the investments in specific sectors.

Nevertheless, a big proportion of investors (49%) is quite pessimistic when it comes to the trends in the overall impact investing market.

Are you taking any action in response to the current covid19 situation?

- yes, increase my impact investments in general or in certain fields/companies
- yes, keep investment level as is, but shift towards certain fields/companies
- yes, decrease my impact investments but continue to invest
- no, business as usual
- others
e.g. fund closure upcoming, investment freeze



actions undertaken

Are you taking any action in response to the current covid19 situation?

- The majority of investors are maintaining their investment levels, sometimes increasing it for certain sectors or companies or waiting to see how the situation develops in the near future.
- A third of all investors surveyed stated that the crisis would not change their investment behaviour and strategy (“business as usual”)
- 50% of investors, mainly funds and privates, tend to keep or increase their impact investing activities in general or towards certain fields.

 Maintaining the level of investment applies in particular to funds and private investors

 An increase of investments in certain fields or companies is pursued mainly by private investors, family offices or foundations, who can act more flexibly compared to funds.

- Only around 15% of the investors stated that they would initially reduce investments or wait and see how the situation will develop.

actions undertaken

How are investors supporting their portfolio companies during Covid19?

- A majority of approximately 65% of all investors have already started to actively support their portfolio companies in the current situation or are planning to do so. Here come the "emergency aid" they provide:



An increased funding to ensure liquidity

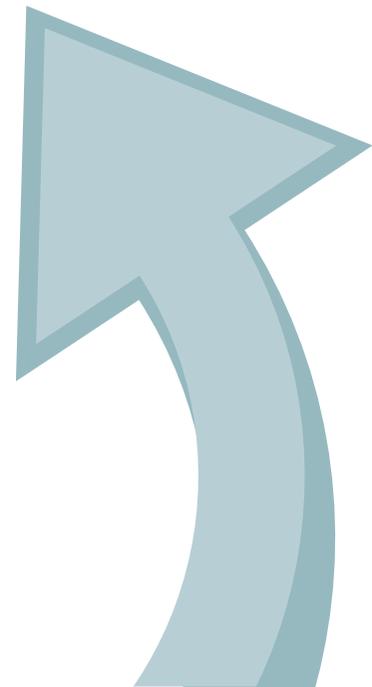


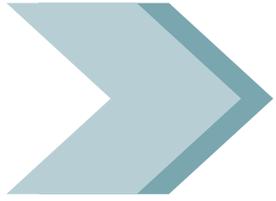
Enhanced with knowhow, mentoring, operational and strategic support - particularly important for rethinking opportunities and changing market positioning



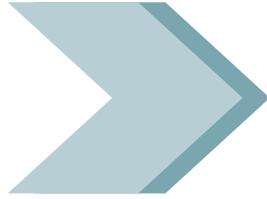
Additional manpower

- Less than 10% reported that their portfolio companies were not affected by the crisis
- The remaining 26% see no current need for action. This minority consists almost exclusively of individual investors.

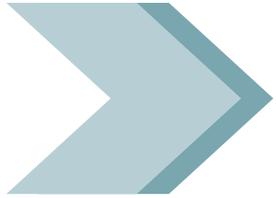




Recession. Economic crisis. Depression. Financial instability. Lack of rebound. Cooling down of markets. How to survive this economic crisis and how to get out of it quickly?



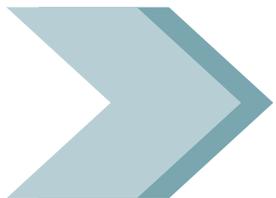
Higher default rates due to business interruptions and other external factors. Portfolio companies face cash constraints and go out of business despite very good business models and management teams.



How about the ultimate beneficiaries? Investors worry about the effects of the crisis on the **beneficiaries**, in particular on the bottom of the pyramid.



Contraction in impact investing activities. Some investors fear that other investors will think less about social and environmental causes and will turn to profit first, reducing the amounts of funds and limiting the capacities to invest. In addition, they worry about a reduction in new (and well-designed) investment vehicles.



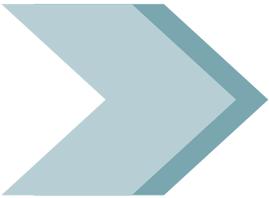
Governments and democracy. Be it a lack of support or interventionism, investors worry about what will be the actions taken by governments and how they will respond to the crisis.

investors worry about...

advice for entrepreneurs looking to raise investment at the moment

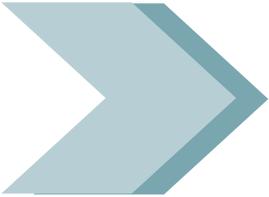
Be patient - do not give up!

To successfully face the crisis, entrepreneurs have 3 strategic options:

- 
1. Stick to the original plan, but increase the time to achieve it.
 2. Postpone the investment round for a few months if you can.
 3. Move forward, but prepare to accept less favorable conditions and lower your valuation expectations. Most importantly, don't lose faith!

Irrespective of your decision, don't get discouraged and keep moving forward!

Be creative, agile and focused & prepare good answers: how can your business thrive in these circumstances?

- 
- How quickly are you able to transform the current crisis into an opportunity for your organization and teams?
 - What alternative strategies have you considered to address the shifts that this crisis brings? Can you tailor some of your activities, products or services to be supportive to the battle against Covid-19? Have you adapted to the "working more behind a screen" mode?

advice for entrepreneurs looking to raise investment at the moment



Rationalize diligently!

- Take a hard look at every assumption in your model. Adapt your business plan, review your cost structure, make unpopular decisions if needed, look at every single P&L line item and explore cost savings to extend your cash runway
- Consider bringing the company to profitability before looking for funding!
- Be careful about adding debt to the balance sheet now if you know you won't be able to invest it into the growth of your company.

Which investors should you approach in this moment?

Stay calm and start with your shareholders!

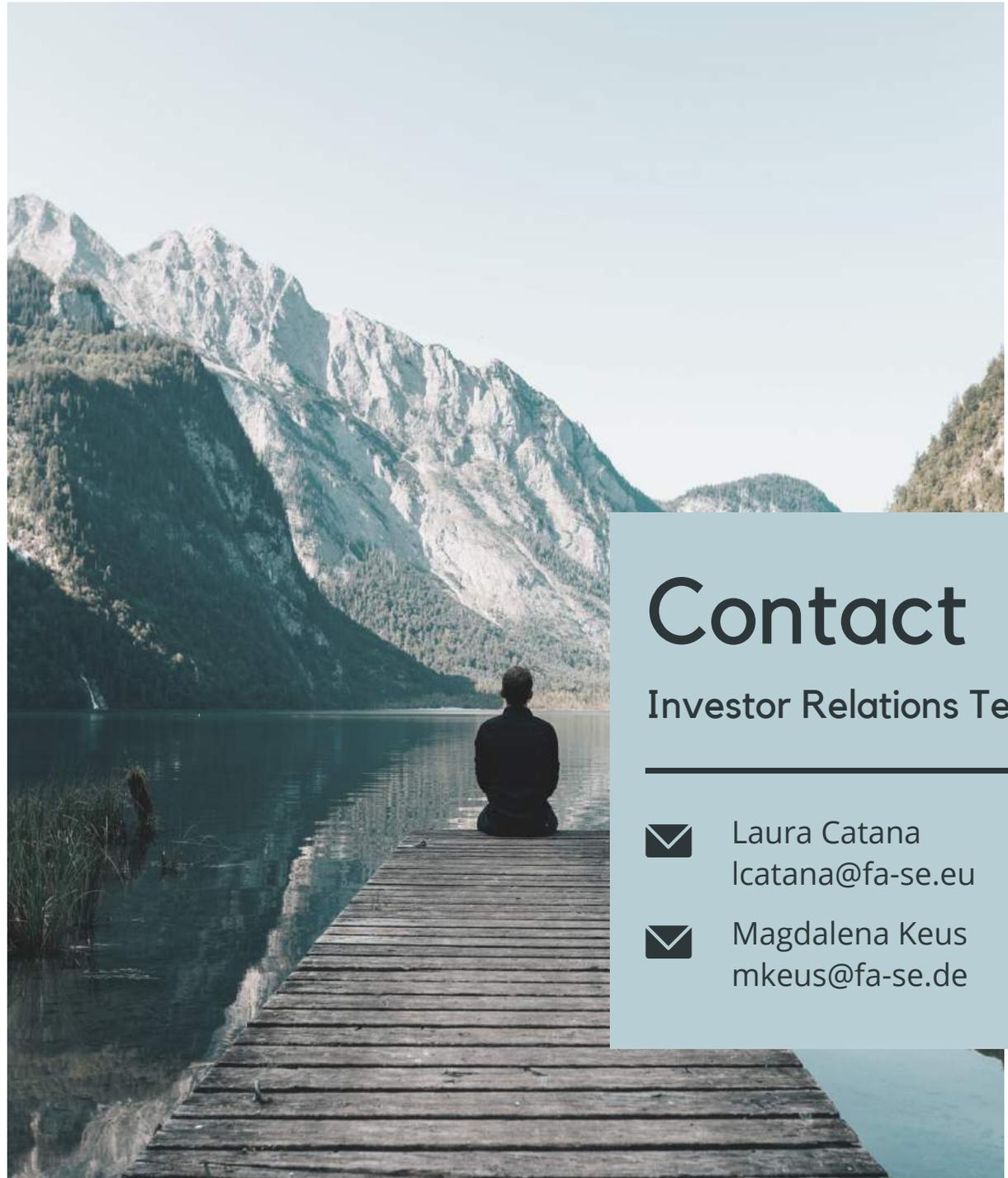
- First, try to find financing from your current investor base who already knows you well. Also, use their networks! Be creative, and think laterally.
- Don't jump into bed with whomever happens to come first.
- Remember: everybody is nervous, including the investors!
- Signs of stress coming from entrepreneurs will close doors quickly. Be candid on the situation and share the effects of the crisis on your company openly. This will create trust with the investors.

And most importantly, let everybody know how urgently your solutions are needed for building a better society after this crisis is over!

FASE

FASE has the vision to create a thriving ecosystem for social innovation by boosting impact finance across Europe. We are passionate about building bridges between outstanding social entrepreneurs and investors inspired by the idea to create sustainable, positive impact. By helping our clients to raise capital in a highly professional way, we improve their chances to achieve impact at scale. So far, we channelled more than 25 million EUR with 50 successfully closed transactions to the sector.

April 2020



Contact

Investor Relations Team

- ✉ Laura Catana
lcatana@fa-se.eu
- ✉ Magdalena Keus
mkeus@fa-se.de