FINANZIERUNGSAGENTUR FÜR Social ENTREPRENEURSHIP

Financing Agency for Social Entrepreneurship

FACILITATING HYBRID FINANCE FOR SOCIAL ENTERPRISES:

European-wide rollout of customized deal-by-deal support for social enterprises with fine-tuned hybrid financing packages

A final report by the Financing Agency for Social Entrepreneurship (FASE) on a project mandated by the European Commission from 12/2016 until 5/2018.

With the valuable support of our project partners:

EUROPEAN COMMISSION

DG Employment, Social Affairs and Inclusion

ASHOKA

BMW Foundation Herbert Quandt

THE FINANCING AGENCY FOR SOCIAL ENTREPRENEURSHIP (FASE)

The mission of FASE is to assist social enterprises with outstanding concepts in finding appropriate financing. Through coaching and consulting services FASE enables them to attract capital and to achieve significant growth steps across the often rigid boundaries between donors, investors and the public sector. This is a major contribution to overcoming one of the most pressing obstacles to a wider social innovation in Germany and Europe. For more information please visit: https://fa-se.de/en/

ASHOKA

For more than thirty years now Ashoka has been at the forefront of identifying and supporting the leading social entrepreneurs who are changing patterns and transforming systems. Ashoka's vision is to advance a Changemaker world where anyone can apply the skills of changemaking to solve complex social problems. Their mission is to support social entrepreneurs who are leading and collaborating with changemakers, in a team of teams' model that addresses the fluidity of a rapidly evolving society. For more information please visit www.ashoka.org

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The BMW Foundation Herbert Quandt promotes responsible leadership and inspires leaders worldwide to work towards a peaceful, just and sustainable future. Through its activities, the Foundation aims to advance the Sustainable Development Goals of the United Nations 2030 Agenda. On this end, it inspires leaders, through leadership programs and encounters, to take their social and political commitment to the next level – across communities, cultures and countries. In addition, it connects leaders through the global BMW Foundation Responsible Leaders Network, a diverse, collaborative and joyful community that drives positive change through collaborative action. BMW foundation also invests in impactful organizations while encouraging leaders to embrace venture philanthropy and impact investing as effective tools for social change. More information can be found at: www.bmw-foundation.org

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TABLE OF CONTENTS

Table of contents 3
Executive summary 5
I. The role of FASE and its project partners 8
II. The concept: customized deal-by-deal support for social enterprises across Europe 11
III. The implementation of the project 16
1. Description of goals and activities 16
2. Alternative rollout models for other European regions 18
i. Suitable rollout models 18
ii. Preparing market entry 20
3. Rolling out customized deal-by-deal support 21
i. Piloting and testing the rollout 21
ii. Benelux 22
iii. Austria 25
4. Novel pay-for-success models with hybrid transaction support 28
i. New pay-for-success approaches 28
ii. Combining pay-for-success with hybrid transaction support 29
III. Testing and piloting 29
5. Implementing an early-stage co-investment fund 33
i. Initial concept and design adjustments 33
ii. Set-up and fundraising 37
6. Knowledge dissemination 38
i. Social finance events 38
ii. Case studies and publications 39
iii. Transnational activities 40
IV. Key insights and learnings 42
1. Major project results 42
2. Key learnings 43
V. Replication and next steps 46
1. Path to sustainability 46
2. Scale-up in current core markets 47
3. Further European expansion 47

Open Annex 49
Annex 1: Hybrid financing models.. 49
Annex 2: Transaction support 51
Annex 3A: Pilot project "Billy" – teaser 52
Annex 3B: Pilot project "Billy" – case study 52
Annex 4A: Pilot project "JUMP" – teaser 52
Annex 5A: Pilot project "Sign Time" – teaser... 52
Annex 5B: Pilot project "Sign Time" – case study 52
Annex 6A: Pilot project "Helioz" - teaser 52
Annex 7: Pilot project "Papilio" – presentation 52
Annex 8: Pilot project "atempo" – presentation 52
Annex 9: Early-stage co-investment fund – pitch deck.. 52
Annex 10: FASE publication list 52
Confidential Annex 52
Annex 3C: "Billy" – information memorandum 52
Annex 4B: "JUMP" – information memorandum 52
Annex 5c: "Sign Time" – information memorandum 52
Annex 7B: "Helioz" – information memorandum 52
List of charts 53

EXECUTIVE SUMMARY

The European social finance market is experiencing a steady evolution. The environment has "*strongly benefited from increased attention as well as from national and international initiatives to build the market*" – as a study by Bertelsmann Foundation concludes for the German market[1]. Yet the picture is not uniform in all European countries. While some ecosystems are very advanced - with a dynamic development and a considerable amount of innovation and experimentation involved -, some are still "*waiting to see the birth of the first loan fund or impact-oriented investment… and others for the pioneers that will set them up*."[2]

This situation applies most prominently to a specific segment and type of investee within this environment: social enterprises. These double bottom line actors are important drivers of change that operate on the basis of viable business models and fill a very important role in the market: as providers and agents of innovation, prevention and efficiency[3], situated between the public and the private sector. Social enterprises develop innovative approaches, models or practices for resolving societal challenges in an entrepreneurial way. Thus, they actively support a paradigm shift that prioritizes inclusive, socially fair and environmentally sustainable economic development and social change – a role that is vital for reaching the Europe 2020 targets[4] and implementing the Sustainable Development Goals.

For these agents of innovation, however, poor access to finance is still perceived as one of the most significant barriers. The Social Business Initiative[5] emphasized that the funding system for social enterprises is underdeveloped in relation to that available to traditional businesses. Several pan-European and national studies confirmed these imperfections in the social finance market[6]. In addition, existent market actors do not seem to cooperate very well. Different suppliers of financing usually apply a broad range of mostly incoherent and unrelated eligibility criteria, return expectations, conditions for repayment, and requirements for accounting as well as reporting. This phenomenon often leaves social enterprises lost between different "financing planets" and prevents them from scaling their impact.

Social enterprises also face substantial difficulties when trying to develop an efficient mix of funding sources. In particular, this bottleneck rules in the critical segment of smaller deals (<250,000 EUR) and risky development activities, for which risk sharing is essential and hard to find. As a consequence, there is a strong need for suitable platforms or market facilitators that enable cooperation between investors, donors and public authorities.

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[1] Bertelsmann Stiftung: „Social Impact Investment in Deutschland 2016: Kann das Momentum zum Aufbruch genutzt werden?" https://www.bertelsmann-stiftung.de/de/publikationen/publikation/did/social-impact-investment-in-deutschland-2016/

[2] European Commission: „A recipe book for social finance - A practical guide on designing and implementing initiatives to develop social finance instruments and markets", 2016, http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7878

[3] NAB Germany: „Social Impact Investing: Financing Social Change", final report, 2014, https://www.bertelsmann-stiftung.de/de/publikationen/publikation/did/social-impact-investing-financing-social-change/

[4] See http://ec.europa.eu/europe2020/targets/eu-targets/index_en.htm

[5] Communication from the Commission to the EP, the Council, the EESC and the CoR: "Social Business Initiative - Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation" http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2011:0682:FIN

[6] For example: Wolfgang Spiess-Knafl, Stephan A. Jansen: „Imperfections in the social investment market and options on how to address them", an ecosystem report on behalf of the European Commission, 2013, https://www.zu.de/info-wAssets/forschung/dokumente/cisoc/Final-Report-Imperfections-in-the-Social-Investment-Market-ZU-vfinal.pdf

This is why the Financing Agency for Social Entrepreneurship (FASE) was initiated in 2013: By bridging the gap between social enterprises and impact investors through investment readiness and transaction support, FASE aims to connect both sides of the financing equation. An important component in this task is to develop innovative financing models and state-of-the-art hybrid structures that meet the needs of all parties involved. This led to a number of innovative models and blueprints for replication that FASE created and will continue to explore[7]. At the same time, educating potential investors about the possibilities, risks and rewards of impact investing is as important as coaching social entrepreneurs to get ready for repayable capital. This holds specifically true when it comes to the impact of social enterprise business models – a dimension that many impact investors, even experienced players, still struggle to manage[8]. Knowledge dissemination is therefore key and continues to be a vital part of FASE's work.

Over the past years, FASE successfully established its customized deal support in the German market, combining different types of donors and investors and integrating a range of financial instruments. While doing so, we also identified substantial demand and a huge potential in other European regions. By enlarging both, the size of the investor network and the number of supported social enterprises, we therefore embarked on the mission to roll out fine-tuned hybrid financing packages to two new pilot regions: Benelux and Austria/CEE. This step also involved developing and testing new cooperation models for different types of investors - such as pay-for-success solutions - and implementing an early-stage co-investment fund, an innovative vehicle to overcome the lack of early-stage social enterprise finance.

Generously supported by the EU, the action "European-wide rollout of customized deal-by-deal support for social enterprises with fine-tuned hybrid financing packages" was managed and implemented by FASE between December 2016 and May 2018. Additional support came from co-applicants Ashoka Germany, BMW Stiftung Herbert Quandt and a consortium of impact investors, who declared their willingness to (co-)invest in hybrid deals identified by FASE. Now, after the action was completed, FASE has gathered the following key learnings:

LEARNINGS ON THE SOCIAL FINANCE ECOSYSTEM

Engagement level: It takes significant time and active effort to develop a functioning market for social finance.

Intermediary role: Intermediaries, who link potential investors and donors with social enterprises, continue to be a critical success factor for creating a functioning ecosystem for social enterprise finance. Yet since it is challenging to develop an economically sustainable business model, intermediaries will need public or philanthropic funding on top of proprietary earned income to allow for a break even.

Existing barriers: There are still significant barriers between the mental models of philanthropists and those of impact investors.

Strategic financing gap: Transaction costs are disproportionally high when social enterprises are raising financing rounds between EUR 100,000 and EUR 500,000. If not bridged by

[7] For an overview on these models see Annex 1 of this report, or FASE: „Creating Collaborative Funding Models for Social Enterprises", final report on a project mandated by to the European Commission, 2015, https://77cf4b2b65d8e527a5ddcb5f-piconda.netdna-ssl.com/static/uploads/sites/225/2015/12/FASE-Final-Report-EU-Project-July-2015.pdf

[8] See Brian Trelstad, Bridges Ventures: "Impact investing needs a common language", 2017, https://investmentmagazine.com.au/2017/11/impact-investing-needs-a-common-language/

financial intermediary services, the situation threatens to widen the gap for early-stage social enterprise finance.

Investor appetite: Most impact investors do not yet sufficiently "value" the positive external effects that social enterprises typically create. Thus, public and philanthropic money will continue to be a vital element in the ecosystem.

LEARNINGS ON CUSTOMIZED DEAL-BY-DEAL SUPPORT

Effectiveness: Although matching investors and social enterprises on a deal-by-deal basis is time-consuming, it is also very effective. It allows to establish the most suitable combination of investors and create coalitions that can be customized to the specific needs of the social enterprise.

Investor coalitions: A deal-by-deal approach allows impact investors from different financing 'planets' to invest in the same social enterprise. This enables different types of funders to overcome traditional mental models, go "hybrid" and "blend" their financial and strategic contributions.

Risk-return profiles: While the financial risk and return profile of a deal depends much on the individual social enterprise, the high-risk, early-stage social enterprises that FASE typically supports mostly offer financial returns well below risk-adjusted market rate returns.

Financial instruments: A customized approach is ideal to fulfil the specific requirements of a social enterprise based on its organizational structure and business model. In FASE's mandate portfolio, hybrid organizations therefore mostly pursued financing models based on quasi-equity (e.g. mezzanine), while pure for-profit enterprises typically chose straight equity.

Process management: A strict process management is an absolute must to successfully close a round. For a financial intermediary, it is therefore vital to keep pressure on both, the social entrepreneur and the impact investors, to complete a transaction in time and with a reasonable amount of resources.

LEARNINGS ON EUROPEAN-WIDE EXPANSION

Appropriate roll-out models: For each individual European region, the appropriate roll-out model needs to be carefully shaped according to the relevant market size, market structure, market history and existing ecosystem.

Complexity: A European expansion involves high complexities due to multiple jurisdictions. Especially cross-border transactions are very challenging, with up to 28 different legal systems across Europe and a resulting high level of transaction costs for the parties involved.

Regional management teams: The identification and involvement of highly motivated, competent and regionally well-connected management teams are key to a successful rollout of financial intermediary services to a new region.

Altogether, there was a wealth of findings and lessons that came with the implementation of this project. While we have defined strategies, models and tools to address each hurdle that we have encountered in the process, we also hope for more initiatives to come up and make use of our experiences, so that we can co-create an efficient social finance ecosystem within Europe.

I. THE ROLE OF FASE AND ITS PROJECT PARTNERS

The Financing Agency for Social Entrepreneurship (FASE) helps selected social enterprises to raise growth capital. FASE was initiated by Ashoka - the world's first and leading organization supporting social entrepreneurs and connecting them with each other. We identify investors and financiers of the entire spectrum, ranging from private investors, family offices, foundations, to (ethical) banks, impact funds and development institutions. Our unique approach is to combine several types of investors with different financing components by creating innovative, hybrid solutions that serve as role models for the social finance sector and help advance the ecosystem. When selecting social enterprises, we focus on a strong, measurable and scalable social and/or environmental impact.

ABOUT FASE

Our mission is to assist social enterprises with outstanding concepts in finding appropriate financing. Through coaching and consulting, we enable them to attract capital and to achieve significant growth steps across the often rigid boundaries between donors, investors and the public sector. This is our contribution to overcoming one of the most pressing obstacles to a wider social innovation in Germany and Europe.

To date, FASE has supported more than 35 social enterprises from Germany, Austria and the Benelux region in raising growth capital beyond EUR 12 million. In addition, we established a network of more than 800 impact investors, comprising of a wide array of funder types, from high net worth individuals to larger institutional players. Now, FASE is in the process of scaling its activities and rolling out its services to even more European countries. The following graph summarizes the typical role that we assume within the regional ecosystems for social finance:

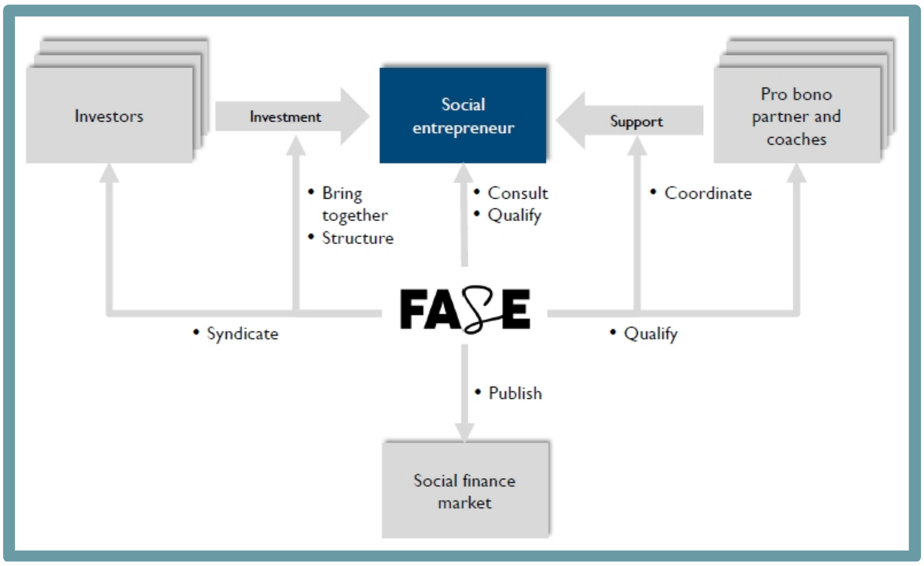

Chart 1: "FASE's role in the social finance ecosystem" / Source: FASE

Our support generally includes two different, complementary services, with a strong focus on the first:

(1) CONSULTANCY IN PLANNING, PREPARING AND CLOSING OF A FINANCING ROUND

Our scope in consulting social entrepreneurs spans from suggesting a suitable financing strategy and structure – i.e. an appropriate mix of different financing instruments such as equity, debt, and mezzanine – to compiling all necessary documents for the transaction process (e.g. investment teaser, investment memorandum). We coach the entrepreneurs to select and address the right investors from different "financing planets" (e.g. business angels, social investors, banks, foundations, private investors) and actively build coalitions between different investor types. Thus, we help to realize transactions that would otherwise not have been possible. Additionally, we manage the entire transaction process from the initial planning until the final closing and support social entrepreneurs in their contract negotiations with potential financiers.

(2) PREPARATION TOWARDS INVESTMENT READINESS

We coach social entrepreneurs to become investment-ready. This involves developing and sharpening business models and plans so that they become financially plausible from the point of view of potential investors. Additionally, we identify appropriate financing instruments that are (a) ideal to meet the entrepreneurs' financial needs (e.g. equity, debt, and mezzanine) as well as (b) suitable to integrate various investors with their specific risk-return-impact profiles.

FASE IN A NUTSHELL

Mission: to contribute to the transformation of the European social finance market and overcome the "strategic financing gap"

Focus: social enterprises located in Europe

Founded: 2013 in Munich, Germany

Team: 13 professionals

Closed mandates: > 35 social enterprise financings with > EUR 12 million raised *(as of June 2018)*

Investor network: > 800 private and institutional impact actors across Europe

Sector engagement: Member of the EVPA, the German National Advisory Board of the G7 Social Impact Investing Task Force, and the EU Commission's Expert Group on Social Entrepreneurship (GECES)

ABOUT ASHOKA

With Ashoka as a strong partner, FASE continues to benefit from Ashoka's network of social entrepreneurs, pro-bono partners and supporting sponsors. For more than thirty years now, Ashoka has been at the forefront of identifying and supporting the leading social entrepreneurs who are changing patterns and transforming systems. Ashoka's vision is to advance a Changemaker world where anyone can apply the skills of changemaking to solve complex social problems. Their mission is to support social leading entrepreneurs who are collaborating with change-makers, in a team of teams' model that addresses the fluidity of a rapidly evolving society.

The Global Fellowship of Ashoka is the active network of 3,000 Fellows worldwide (350 Fellows in Europe), offering services and opportunities designed to meet Fellows' needs at all stages of their careers. The program supports its members with tools, personal and professional support, and enhanced entrepreneurial opportunities. Connected through shared identity, values, goals, and approaches to social change, Ashoka Fellows seek support, ideas, inspiration, and motivation from their peers locally and globally. Collaborating across regions and fields, Ashoka Fellows achieve results more powerful than what they could accomplish on their own, including new initiatives, publicity, or theoretical concepts that will guide their respective fields and advance the citizen sector. Fellowship's ultimate goal is to enable Fellows to improve their own work by linking them to Ashoka's bird's-eye view of the thousands of social solutions developed and refined by Fellows worldwide.

Venture process is the mechanism through which Ashoka finds and supports the world's leading social entrepreneurs. It is the flagship model upon which Ashoka was founded and remains the heart of Ashoka. The process is long but also fruitful. In fact, many candidates describe the selection procedure as one of the most difficult but enlightening experiences of their careers. Candidates must communicate their ideas, scrutinize their methods, and reflect on themselves as individuals. After a rigorous selection process based on the five key criteria (new idea, creativity, entrepreneurial quality, social impact on the idea, ethical fiber), selected Ashoka fellows at the launch stage receive a living stipend for an average of three years (based on need), allowing them to focus full-time on building their institutions and spreading their ideas. Ashoka Fellows become part of a global support network of peers and strategic partnerships. Once elected to the Ashoka Fellowship, Fellows benefit from this community for life.

Through the Ashoka Support Network (ASN), an entrepreneurial community is created that builds business-social bridges through people. The ASN is a global community of 350 successful business people who share the belief that entrepreneurs are the primary engine for economic and social development. They engage with Ashoka, committing time and resources to support the work of social entrepreneurs. ASN members are business entrepreneurs, top executives, investment bankers, venture capitalists, and consultants from Europe, the US, South America, India and beyond. A three-year financial commitment of a minimum of US$10,000 (actual amount may vary by region), the willingness to share personal skills, experience and personal relations with Ashoka fellows and the commitment to being part of and expanding the ASN network are the attributes to become member in the ASN network.

ABOUT BMW FOUNDATION

The BMW Stiftung Herbert Quandt ("BMW Foundation") promotes responsible leadership and inspires leaders worldwide to work towards a peaceful, just and sustainable future. Through its activities, the Foundation aims to advance the Sustainable Development Goals of the United Nations 2030 Agenda. On this end, it inspires leaders, through leadership programs and encounters, to take their social and political commitment to the next level – across communities, cultures and countries. In addition, it connects leaders through the global BMW Foundation Responsible Leaders Network, a diverse, collaborative and joyful community that drives positive change through collaborative action. BMW foundation also invests in impactful organizations while encouraging leaders to embrace venture philanthropy and impact investing as effective tools for social change.

In 1959, Herbert Quandt secured BMW's independence and thus laid the foundation for the successful development of the automobile company. To honor his entrepreneurial achievement, BMW AG in 1970 established this foundation.

II. THE CONCEPT: CUSTOMIZED DEAL-BY-DEAL SUPPORT FOR SOCIAL ENTERPRISES ACROSS EUROPE

FASE assists social enterprises with outstanding concepts in finding significant growth capital. This service enables enterprises to finance the scaling of their businesses and create lasting impact on society.

The mission behind FASE'S customized deal-by-deal support is to contribute to the transformation of the European social finance market and overcome the "strategic financing gap". This gap is most critical for early-stage social enterprises seeking to raise amounts of EUR 100,000 to 500,000. At this stage of their lifecycles, most enterprises are not yet able to cover more than 75% of their operating costs with revenues. At the same time, the majority of impact investors is only waiting at the end of the investment pipeline, where targets have reached break-even. Thus, early-stage social enterprises often stand at the edge of a precipice: a "strategic financing gap" where the required amounts of funding tend to be too big for donations or philanthropist and too small and risky for institutional (social) investors:

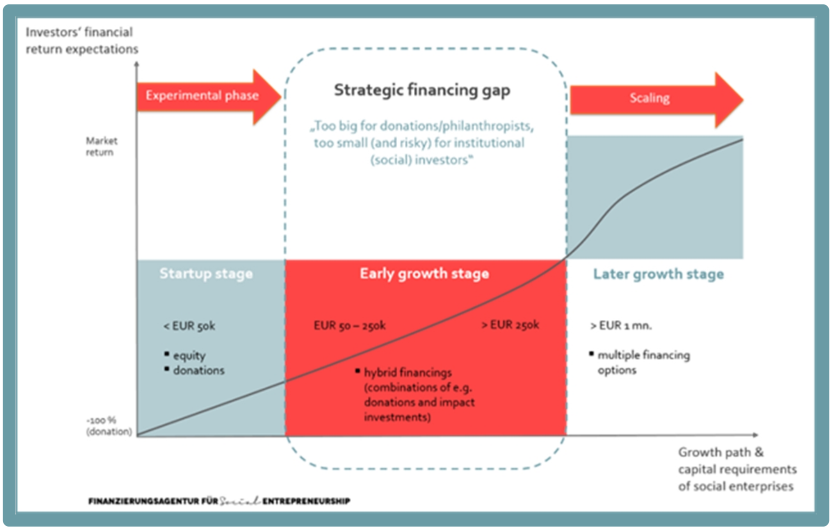

Chart 2: "The strategic financing gap" (FASE)

Looking at the bigger picture, the financing gap is only one component of several gaps that currently prevent a thriving ecosystem in Europe. The following list highlights the main stumbling blocks as of today[9]:

GAPS

Knowledge and skills gap: Knowledge and skill gaps are major barriers on the investee side, when social enterprises are unable to run their operations efficiently. Knowledge gaps can appear on the investor side as well, since many social finance suppliers do not understand the social impact and measurement tools of the potential investees and thus hold unrealistic expectations.

Financing gap: The financing gap represents a lack of sufficient funding available to meet market needs, the lack of certain types of financing products and favourable conditions, the lack of a specific financing/investment ranges or the lack of a secondary (exit) market.

[9] See also: European Commission: „A recipe book for social finance - A practical guide on designing and implementing initiatives to develop social finance instruments and markets", 2016 (and 2018 edition)

Regulatory gap: The regulatory gap is usually equivalent to a missing piece of regulation, e.g. more favourable legal or tax frameworks for social enterprises, their investors or intermediaries.

HURDLES

High risk perception: Investors often perceive social enterprises to be high-risk. Typically, social enterprises tend to be small and relatively early-stage, with limited business planning and (financial) management skills. Frequently, there are also no available securities that can act as a collateral for repayable financing instruments. In addition, many social enterprises need longer time horizons to break even as compared to their traditional start-up counterparts. This high risk, however, may not be real but only perceived in investors' minds due to their limited understanding of social enterprises' impact and business models. Insufficient market transparency may be another hurdle associated with this perception.

High transaction cost: Social enterprises often need smaller amounts of funding than would be efficient for investors to inject. This results in relatively high per-deal transaction costs, provided that investors do not make use of shared sourcing and due diligence opportunities.

THE BASIC CONCEPT OF FASE

A core part of implementing FASE's mission is to provide customized deal-by-deal support. In essence, this concept - developed and implemented by FASE - focuses on building individual coalitions between different impact investor types for every single social enterprise transaction. Although the effort of matching investors and social enterprises is quite time-consuming, it is also very effective. It ensures that the most suitable investors are paired with the right social enterprises and that each investor coalition can be tailored to the specific needs of the respective enterprise. There are additional benefits to this approach: Since impact investors tend to have unique preferences as to which social enterprises they like to invest in - for example priorities regarding sector, stage, scope, depth and geographic region of the impact – such preferences can only be considered appropriately through an individual, customized approach.

The transaction management that FASE provides to a social enterprise is equally important. This process typically takes 6 to 9 months from mandate signing to successfully closing a financing round and tends to be resource-intensive and time-consuming for all parties involved. The individual stages and tasks of this process are further outlined in Annex 2. In specific, the process established by FASE proved to very valuable in reaching results that would otherwise not have been feasible in the current state of the social finance ecosystem. A vital insight is that the more investors and social enterprises go through this exercise and share their experiences, the leaner, shorter and more scalable such transactions will become. This scaling effect, however, has certain limits as a high degree of personal interaction and support will always be involved in an individual deal-by-deal support.

The graph below illustrates again the scope of FASE's transaction support:

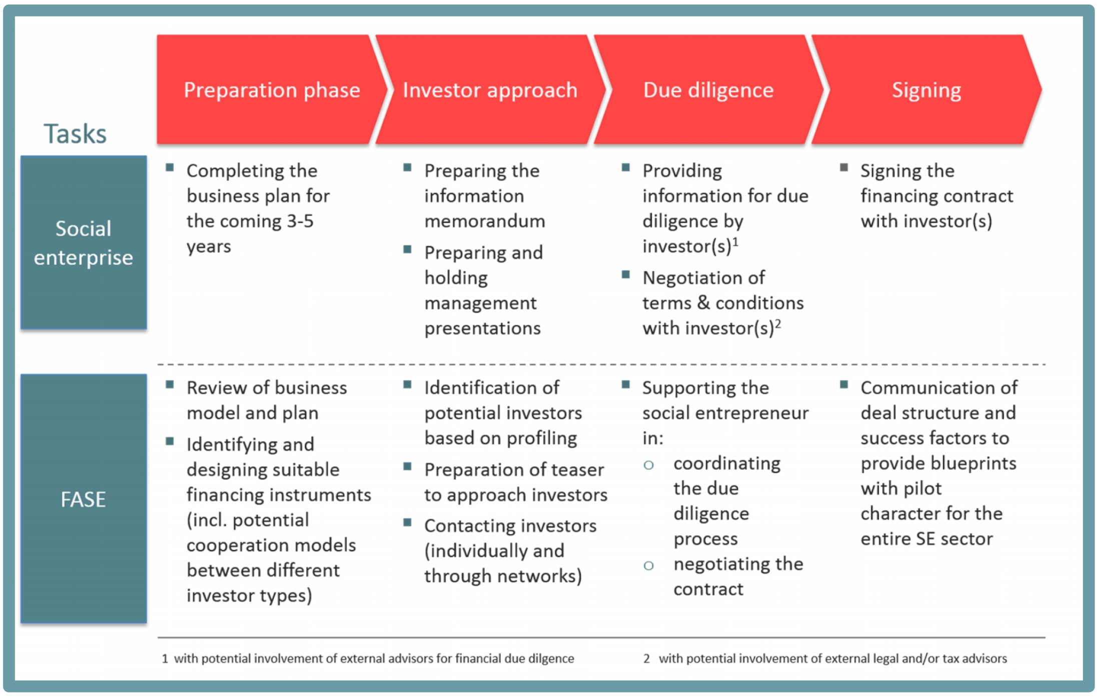

Chart 3: "Overview of FASE's transaction support tasks" / Source: FASE

According the FASE's experiences, there are several challenges that a financial intermediary needs to address in order to provide this type of support within a specific European region/country:

- The intermediary needs to build a regional network of impact-oriented investors from all financing planets and understand the investment preferences of individual investors. This is the basis for matching the right capital providers with individual social enterprises.
- The intermediary needs to select potential social enterprises according to their specific target profiles and consult with them in all questions of planning, organizing and coordinating a transaction process, which includes:
  - examining the business model and the business plan of the social enterprise, particularly with respect to the comprehensibility and plausibility for external investors (e.g. with the use of a scoring tool);
  - identifying and developing suitable financing instruments and financial structures (including potential cooperation models between investors);
  - preparing a summary of the social enterprise and its financing needs with the purpose to address potential investors („teaser");
  - supporting the social enterprise in developing information documents needed for the investor process (e.g. information memorandum, management presentation);
  - identifying and analyzing potential investors;
  - moderating discussions between the social enterprise and potential investors;
  - obtaining proposals from potential investors as well as consulting the social enterprise with respect to an evaluation and selection of the proposals to follow up upon;

- supporting the social enterprise in coordinating the information flow to potential investors once they approach the in-depth examination of the social enterprise („due diligence");
- supporting the social enterprise in negotiations with selected investors; and
- cooperating with legal- and tax advisors of the social enterprise in order to obtain a solution that is optimized in terms of tax and corporate laws.

In the past 5 years, FASE has built more than 35 individual combinations of the most appropriate financing products on a deal-by-deal basis with the help of this customized approach. Depending on the respective deal structuring, FASE typically designs a financing model based on quasi-equity for hybrid organizations (e.g. mezzanine) and on equity for pure for-profit models. In addition, these basic elements can be combined with grants, loans, guarantees, co-investments and other features, such as profit participation agreements or impact incentives.

HYBRID FINANCING MODELS

In FASE's experience to date, many social enterprises choose to operate with hybrid business models that combine both non-profit and for-profit business elements. These business models are often mirrored by hybrid organizational structures that again include for-profit and non-profit parts. Typically, repayable financing instruments are well-suited to finance the for-profit activities of such an enterprise, while non-profit entities are best supported through donations or public grants. FASE's approach is to couple these two types of financing and thus to enable a full coverage of the spectrum of funding sources and return expectations - from (100%) or donation-type to market rate- or investment-type of returns. Part of our first EU project mandate in 2014 was to come up with different state-of-the-art hybrid financing models that are briefly listed below and described in more detail in Annex I of this report. We have also explained these models in the final report of our first EU-mandated project and added concrete case studies to illustrate the practical aspects of implementation[10].

In essence, the seven models have two features in common: 1) they smartly use the available financing instruments to exactly meet to the specific needs of social enterprises, and 2) they attract new types of investors and are capable of integrating different funders in one single deal, even if they come from distant "financing planets". To date, the models have been piloted and implemented with more than 35 mandates, which provides the social finance sector with powerful blueprints to be replicated by other investors, donors and social enterprises.

The following graph illustrates the 7 hybrid financing models developed by FASE. Model 7 will be further described in Section 5 of this report, while models 3 and 6 have not yet been implemented beyond design stage to date.

[10] FASE: „Creating Collaborative Funding Models for Social Enterprises", final report on a project mandated by to the European Commission, 2015, https://77cf4b2b65d8e527a5ddcb5f-piconda.netdna-ssl.com/static/uploads/sites/225/2015/12/FASE-Final-Report-EU-Project-July-2015.pdf

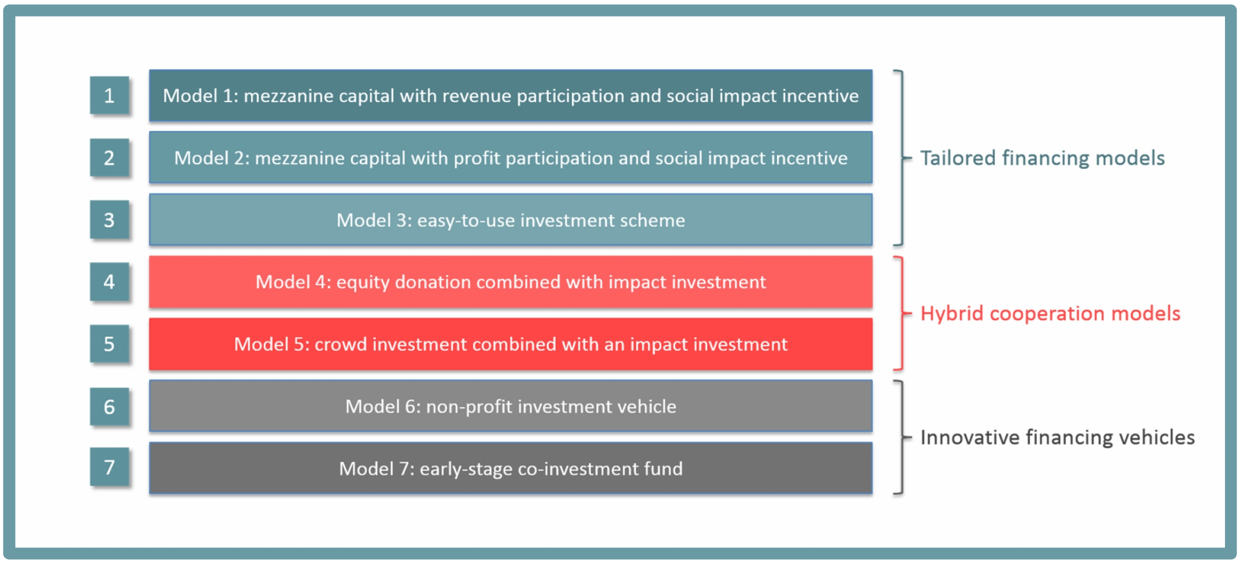

Chart 4: "Hybrid financing models developed by FASE" / Source: FASE

SUMMARY

A deal-by-deal support from experts such as FASE can be a highly effective mechanism to provide hybrid capital to social enterprises in early stages of their growth path. To date, FASE was able to successfully support more than 35 social enterprises and channel beyond EUR 12 million into the social finance ecosystem based on this strategy. Following the implementation of the concept in Germany, Austria and Benelux (as described further below), FASE will now roll out its services to even more European regions. While doing so, a close collaboration with the regional Ashoka offices as well as with pro bono partners and the existing network of impact investors will be vital to help establishing local offices, hubs or joint ventures and to effectively boost the availability of social enterprise finance across Europe.

III. THE IMPLEMENTATION OF THE PROJECT

1. DESCRIPTION OF GOALS AND ACTIVITIES

The goal of FASE's part within the EU project was to prepare the European-wide rollout of a customized deal-by-deal support with fine-tuned hybrid financing packages. This goal was an answer to existing challenges in the European social finance ecosystem and was broken down into two specific objectives and 6 distinct activities.

THE CHALLENGE: FACILITATING A THRIVING SOCIAL ENTERPRISE FINANCE MARKET

The mission behind FASE's role is to help address different challenges that currently restrict the growth of the European social finance ecosystem. Although different types of actors are already operating in this market (e.g., foundations, social investors, public authorities), experience shows that there is almost no cooperation between these actors. Different types of social finance providers often apply a broad range of often incoherent and unrelated eligibility criteria, return expectations, conditions for repayment, requirements for accounting and reporting. As a result, social enterprises are frequently lost between different "financing planets" and cannot manage to find appropriate financing to scale their impact. This bottleneck applies in particular for the critical segments of smaller deals (<500,000 EUR), for which risk sharing is difficult to find. Also, the absence of suitable market facilitators (such as FASE) has often prevented cooperation between investors, donors and public authorities in the past.

FASE's role in this project is to contribute to the development of a thriving social finance market. A vital part includes generating effective demand among social enterprises for social finance and encouraging more of these actors to take on repayable finance. Hybrid financing packages play a critical role here: To develop, establish and replicate feasible, suitable and reliable packages needs exploring, testing and replicating effective ways of social finance cooperation. This includes sharing important learnings on what works and how, as well as on what does not work, and why.

OBJECTIVE 1: AN ORCHESTRATED APPROACH TO PROVIDING SOCIAL FINANCE

The objective was to demonstrate the feasibility and benefits of an orchestrated approach that provides social finance from different types of donors, investors and public authorities and integrates a range of financial instruments into fine-tuned packages. While already successfully tested in Germany with multiple cases, the next step was to expand it to two additional pilot regions. This was part of FASE's larger mission to facilitate a European-wide rollout of its methodology.

To achieve a proof of concept, 4 social enterprises were assisted in two pilot regions – Benelux and Austria - when raising early-stage growth capital. Additionally, proven hybrid cooperation models were complemented with novel pay-for-success approaches, which were piloted and tested in the context of FASE's typical transaction support. With these activities, the availability and effectiveness of suitable and needs-oriented instruments were improved, which will help to overcome the typical financial bottleneck that (early-stage) social enterprises are facing. In specific, this objective included the collaboration between different types of investors, donors and public authorities within European regions that would otherwise not have been covered at all.

OBJECTIVE 2: MOBILIZING AND COMMITTING POTENTIAL INVESTORS

A second objective was to mobilize and commit potential investors, donors, banks, crowd-funders and public authorities from different European countries to co-operate, contribute their financial resources and thus enable hybrid financing packages in practice. FASE successfully extended its existing investor network from Germany to additional European countries, a step that involved matching different types of investors on a deal-by-deal basis and implementing the approach with 4 selected social enterprises. Broadening the investor base by setting-up and testing an early-stage co-investment fund was another vital part of this objective. In addition, a broad communication of leanings and cross-national knowledge dissemination were important to inspire more impact investors to use state-of-the-art hybrid financing models and to invest in an open pipeline of investment-ready social enterprises across Europe.

CONCRETE STEPS: 6 MAIN ACTIVITIES

The project was divided into six main activities:

Activity 1:

Detailing alternative rollout models for deal-by-deal support for social enterprises to prepare market entry into further European regions. The plan was to initiate a pilot phase with initial deal support from Germany, building local/regional hubs as part of FASE Germany or joint ventures with local/regional transaction experts.

Activity 2:

Preparing market entry in selected pilot regions, for example assessment of appropriate pilot regions, detailed business planning, building of investor and partner network, deal sourcing.

Activity 3:

Piloting and testing alternative rollout models in two selected growth regions - which were Benelux and Austria/CEE) - with hybrid transaction support for 3-5 social enterprises in total on a deal-by-deal basis.

Activity 4:

Piloting and testing pay-for-success models with hybrid transaction support for 1-2 social enterprises on a deal-by-deal basis in one pilot region, for example a privately financed Social Impact Bond pilot or a Social Impact Incentives (SIINC) mechanism.

Activity 5:

Set-up and testing an early-stage co-investment fund in the pilot regions Germany and Austria to complement the deal-by-deal support and channel more investment capital into social finance ecosystem. This activity involved finding and securing an appropriate, experienced fund management partner, developing fund contracts, applying for the EaSI guarantee scheme of the European Commission, approaching further investors, deal sourcing and preparing first investments.

Activity 6:

Knowledge dissemination: FASE planned to organize and hold three social finance roundtables and other transnational activities.

The proposed action extended the regional scope of the successfully piloted deal-by-deal support to further European regions. Thereby, it enlarged both the size of the investor network and the number of supported social enterprises as well as prepared a European-wide rollout of these fine-tuned hybrid financing packages. Additional impact investment opportunities were generated by piloting and testing alternative rollout models in further geographic regions. Besides, the action aimed at developing and testing new cooperation models for different types of investors to address the insufficient cooperation between different types of social finance providers. This contributed to transforming the rather isolated "planetary system" of individual member states into a truly pan-European co-operative ecosystem.

The following chart summarizes the flow of activities within the project period:

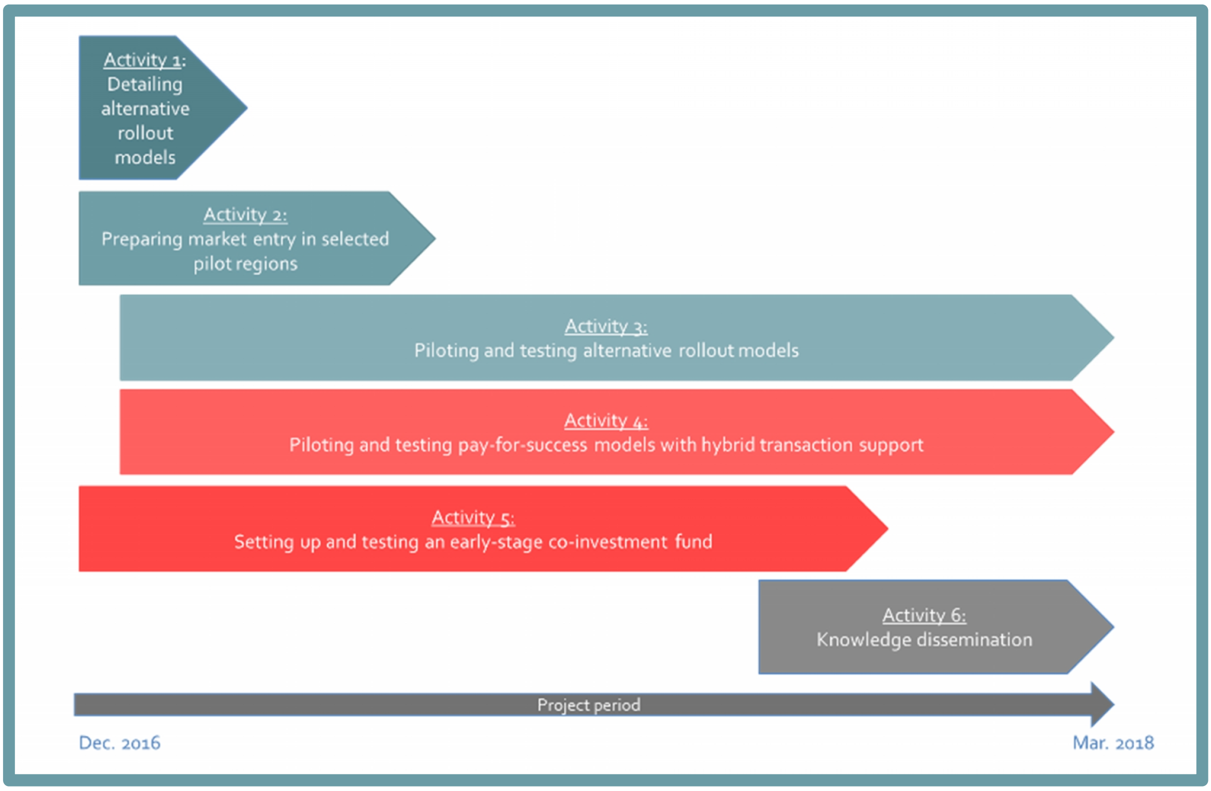

Chart 5: "Time line of EU project activities by FASE" / Source: FASE

2. ALTERNATIVE ROLLOUT MODELS FOR OTHER EUROPEAN REGIONS

I. SUITABLE ROLLOUT MODELS

FASE identified three different rollout models to expand the deal-by-deal approach for social enterprises through transaction support to other European regions. To make this expansion strategy as efficient as possible, these options are typically preceded by a first step: initial deal support out of FASE's German headquarter.

STEP 1: INITIAL DEAL SUPPORT BY FASE OUT OF GERMANY

To start entering neighboring European markets, an initial deal support out of the established FASE home base in Germany proved to be the best step. The reasoning behind this approach is to first build critical mass by supporting selected social enterprises and to position FASE in the relevant market, before evaluating step 2 with rollout options (1), (2) and (3) described below. This holds specifically true since important components such as setup costs, customer adoption and market traction need to be thoroughly considered before making a decision about the most suitable rollout model.

STEP 2: CHOOSING THE MOST SUITABLE ROLLOUT MODEL

FASE developed three different rollout models that cater to various market environments as well as to the insights gained in step 1.

(1) (CONTINUED) COVERAGE FROM FASE GERMANY

This option generally offers itself once the experiences from step 1 show that specific regional markets are still relatively nascent and therefore do not yet provide a potential for critical mass. Another reason to go into this direction is if transaction support as well as build-up of investor network can easily - and economically - be covered out of Germany. The benefits of this option are a relatively lean organizational effort, limited setup costs and a high level of brand fidelity, quality assurance and team integration. The downside, however, is that there will be only a limited scope of deeper insights gained into the target market and a relatively low speed of expansion.

Within the EU project, this option proved to be most relevant with target ecosystems that (a) have a similar shape and "culture" as compared to Germany, as well as (b) legal and tax frameworks not much different from already well-known environments. Another situation favouring this rollout model is the provision of transaction support to non-German social enterprises wishing to scale into German-speaking countries. Here, giving access to FASE's established home network and market expertise is the right approach. A third argument for option (1) is the existence of low language barriers and a significant number of active, local impact investors within FASE's network. Finally, well-established network partners such as local Ashoka offices make a decision in favour of this rollout model even more compelling. During the EU project, suitable countries for this rollout option proved to be Austria/CEE and Switzerland.

(2) JOINT VENTURES WITH REGIONAL MANAGEMENT

The second rollout option involves the collaboration with local/regional experts in a joint venture with the aim to enter specific European regions. This alternative is largely dependent on the existence of well-established potential partners within the region's social finance sector. In specific, they need (a) to bring the capacity, expertise, network and willingness to enter into a deal-by-deal transaction support according to the role model of FASE, (b) to become part of the FASE team and (c) to act under the common brand. In this rollout option, FASE provides knowledge and expertise, while the tasks of identifying and screening social enterprises, building the necessary network, engaging impact investors and setting up the organization falls to the joint venture partner who acts as an independent organization. This option therefore comes with great benefits in the form of a strong commitment by the joint venture partners and the potential of a deep market penetration. As a downside, it is much more costly, needs separate funding and involves certain complexities related to the setup of legal entities and the compliance with local regulations. During the EU project, FASE piloted this approach in Belgium, Luxemburg and the Netherlands with the setup of FASE Benelux.

(3) COOPERATION MODELS WITH REGIONAL PARTNERS

Another alternative is to pursue collaborations with established regional partners. These are either (a) social enterprise support organisations providing investment readiness consulting and coaching, or (b) investor networks engaged in deal sourcing and financially (and strategically) supporting social enterprises on the ground. In this rollout model, FASE plugs into existing and functioning activities at the exact point where transaction support becomes an issue and is not yet (sufficiently) covered within the regional ecosystem. The pros are a quick and easy reach into new markets with very committed local partners. Real - or perceived – disadvantages are a lower brand recognition and profile for FASE, a smaller pipeline of deals and a more difficult transition to rollout models (1) and (2) at a later point in time. During the EU project, FASE started to apply this approach to regions such as CEE, with the bigger vision of creating a single European market of social innovation funding with capable regional partners.

The following chart summarizes again the main features, advantages and disadvantages of the three identified and tested rollout models:

Three alternative roll-out models have been identified and tested in Austria, Benelux and CEE

	Coverage from FASE Germany	Setup of Joint Venture w/ regional management	Cooperation with regional partners
Description	▪ Transaction supported for selected SEs in one country; initial support of ecosystem ▪ If critical mass is reached build up of regional office	▪ Set-up of joint venture with local management partners to enter new country ▪ Joint market approach with one team and one brand	▪ Cooperation w/ local investment readiness partners with coaching/ support and for sourcing of deals ▪ Focus on pan-European growth rounds from European investors (no deals w local investors <200k EUR)
Pro's	▪ Limited upfront investments necessary to start operations for new countries ▪ High quality control and stringent market positioning as one firm	▪ Deep reach to local/regional markets ▪ Strong commitment from management partners	▪ Good and quick reach to local/regional markets ▪ Strong commitment from local/regional ecosystem
Con's	▪ Limited reach to local markets due to limited market access/knowledge ▪ Low expansion speed if driven only from Germany	▪ Separate funding for JV necessary ▪ Relatively high complexity with further legal entities (incl. intercompany revenues)	▪ Limited universe of pipeline SEs for pan-European growth ▪ Might be difficult to build up regional resource later

Chart 6: "Alternative roll-out models for the expansion of FASE's services" / Source: FASE

II. PREPARING MARKET ENTRY

To test the rollout models, Austria/CEE and Benelux were selected as pilot regions based on an initial assessment. In specific, the FASE experts prepared a detailed business plan for entering each new geographic market and arranged individual meetings/calls with potential partners and investors to understand their specific preferences. This was particularly necessary to assess the real effort of building an appropriate investor basis for successfully establishing transaction support with hybrid financing packages. In addition, social enterprises were initially screened in order to prepare an appropriate deal flow. These activities spread over a period of approximately 6 months.

The following graph outlines the basic assessment criteria that led to the selection of relevant regions for the rollout of FASE's services:

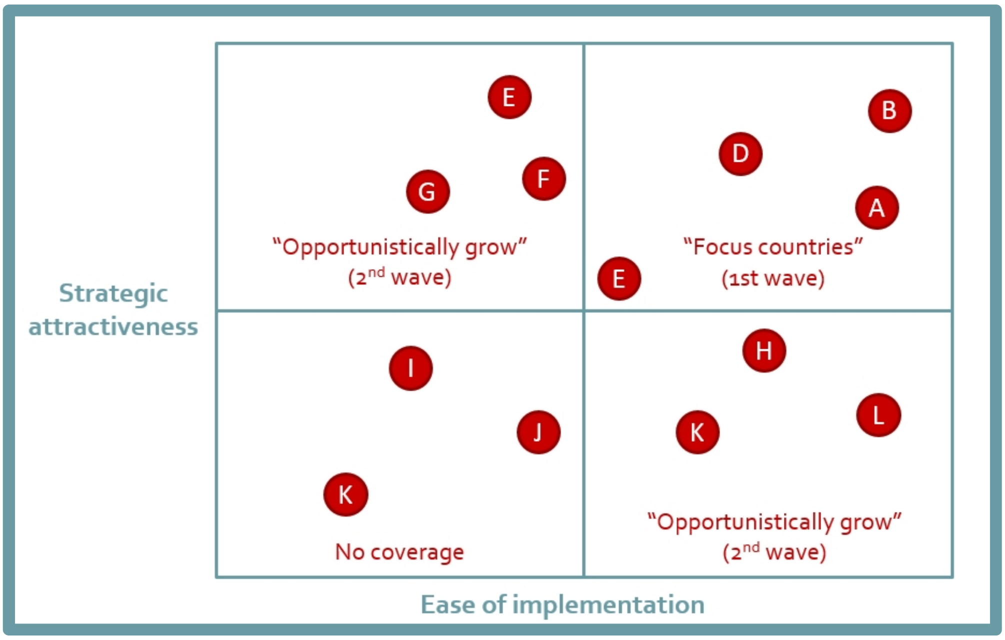

Chart 7: "Assessment criteria for suitable roll-out regions for FASE" / Source: FASE

On the vertical axis, the strategic attractiveness comprises a number of criteria that address the potential impact and additionality that FASE can create be entering the specific market. Included are aspects such as the depth of the region's strategic financing gap, the number of existing providers to bridge this gap and the overall size of the market demand for social enterprise finance. On the horizontal axis, the ease of implementation summarizes critical factors such as FASE's regional market expertise, the scope and depth of its existing network of impact investors, social enterprises and partners as well as the necessary amount of investment by FASE to roll out its services to the relevant target region. As a result, Germany, Austria/CEE and Benelux were clearly identified as focus countries for the first wave of expansion (upper right).

3. ROLLING OUT CUSTOMIZED DEAL-BY-DEAL SUPPORT

I. PILOTING AND TESTING THE ROLLOUT

FASE's deal-by-deal transaction support to the Benelux and Austria/CEE regions was successfully piloted and rolled out. The activities began with screening multiple investment-ready social enterprises, building a network of philanthropic and impact investors and connecting FASE to other players in the regional ecosystems.

FASE Benelux started off as a joint venture with seasoned Belgian social finance expert Christophe Baudin. The joint venture between the FASE GmbH in Germany and the regional management team was set-up in June 2017as a separate legal entity (FASE Benelux Sprl) in Belgium. All operational activities within the action, however, were performed by FASE GmbH in Germany. The activities focused on three pillars: (1) setting up the FASE Benelux entity (administration, incorporation, accounting etc.), (2) building a network of impact investors in the region, and (3) contacting and researching potential social enterprise mandates. Pillar (2) was successfully implemented, with currently more than 250 investors in FASE Benelux's database. A substantial contribution came from Jamy Goewie, a sector expert, who previously built and managed the Ashoka presence in the Netherlands. She started to support the expansion of FASE Benelux's investor network in the Dutch region as an external consultant in July 2017. As to pillar (3), FASE Benelux had contact with around 80 social enterprises to investigate and acquire potential pilot mandates in the region. Out of these activities, 2 projects were secured until today: JUMP and Billy. In addition, FASE Benelux supported two projects acquired by FASE Germany by opening up investor access to the Benelux region. Overall, the expansion of FASE's deal-by-deal transaction support to the Benelux region is fully on track with the original plan.

The expansion of FASE's transaction services to the Austria/CEE region, - initially performed by the existing team members of FASE Germany -, gained momentum when Austrian expert Dr. Adrian Fuchs joined the team in April 2017. This rollout was modelled as a regional hub, integrated in and run out of FASE Germany. Since April 2017, the expansion activities resulted in discussions with around 40 social enterprises and contacts to approximately 35 additional (impact) investors and intermediaries from the region. Activities also included the first social finance roundtable held in Salzburg (more information in Section 6 of this report). Out of the interaction with several potential mandates, two social enterprises were secured as pilot cases: Sign Time and Helioz. In addition, an initial market sounding and preparations took place to enter the social finance markets in Bulgaria, the Czech Republic, Hungary, Poland and Slovenia. Overall, the transnational rollout of FASE into the Austria/CEE region is well on track with the original plan.

In order to pilot and test collaborative financing models, FASE aimed to coach between three to five selected social enterprises in Benelux and Austria/CEE in raising hybrid growth capital. This involved consulting them in all questions of the financial transaction process and included important aspects such as financing strategy, appropriate mix of different financing instruments and compilation of all necessary documents for approaching investors. Such activities also helped the target enterprises to select and address the right types of investors and build specific investor/donor coalitions. In addition, FASE took the task of managing the entire transaction process from initial planning to final closing of the financing round.

II. BENELUX

SOCIAL ENTERPRISE "BILLY"

EXECUTIVE SUMMARY

Billy is starting the first dockless electric bicycle sharing system in the world out of Brussels. Combining electric and free-float sharing will boost cycling as a real mainstream alternative for the car, by making it accessible to a larger group of people and to be used for longer distances. Billy-cycling addresses the environment, health and economic consequences of pollution and congestion caused by motorized transport within cities.

Urban congestion and pollution are among the main challenges on the liveability and economies of many cities worldwide (including Brussels) who are nearing complete mobility gridlock. Emissions of GHG and fine particles by motorized transport in towns is also a threat on the health of citizens and a major contributor to global warming. Inhabitants of Brussels and other cities know well from their daily lives how these problems have become close to unbearable: wasted idle car time and stress in traffic jams, noise, road rage, smog, no parking, damaged urban landscape, fines and other costs of car. The average commuter in Brussels easily wastes 2-to-4 hours of his family time in traffic every week.

The private and social costs of congestion and pollution on environment, health and economy are well researched. Association of city smog with heart disease, strokes, respiratory illnesses and cancers is proven. The adverse impact on mental health and social life in general is also well documented, and the negative effect on cities' economies by lost time and increased cost of doing business is staggering. The mobility of people and the related traffic, especially within inner cities, is by far the main cause of congestion and the biggest generator of emissions.

Billy's founders, Guillaume Verhaeghe and Pierre de Schaetzen, have strong complementary entrepreneurial experience. Their vision is to offer the citizens of Brussels a new generation of 'public transport': a shared solution for individual transport that really matches the need of a larger group of people for efficient mobility and great experience. Guillaume and Pierre are driven to lead in the global scaling of free-float e-bikes sharing.

THE FINANCING MODEL

In the first half of 2017, Billy had raised EUR 175k in convertible loans from private investors and from a leading player in the Belgian mobility market, funding the soft launch and enabling a larger public test with 150 bikes. To grow its fleet to between 400 and 500 bikes for a full launch in April 2018 and to adapt and grow its team accordingly, Billy was looking to raise additional growth capital in October 2017. In terms of financing model, the management targeted a straight equity financing via capital increase. A detailed case study about this social enterprise and the completed transaction is included in Annex 3B.

THE INVESTORS

With the support of FASE, Billy was able to secure EUR 300k in equity and a convertible loean from two institutional and two private investors: The Sociaal Investeringsfonds SOIF van De Punt invests and supports social enterprises such as Billy with access to networks and know-how, while Trividend is a Flemish participation fund for the social economy with total investments over more than EUR 4.2 million to date. The financing was rounded up with contributions from two private business angels.

Promoting gender equality, advancing the economy

EXECUTIVE SUMMARY

JUMP is the Brussels-based social enterprise that has acquired international recognition as a change maker by enabling companies, institutions and individuals to close the gap between women and men at work.

Gender inequalities at work is still a major societal issue in European corporates and societies. In the EU, women account for 51% of the population, 60% of university graduates, and drive more than 80% of consumer purchasing. Yet among the largest publicly listed companies in the EU, women are only 15% of executives and 5% of CEOs. The European Commission showed that diversity brings: +58% for employee motivation; +57% for customer satisfaction; +69% for brand image. In "war for talent", the demographic issue is one of the biggest challenges in Europe, with 30% of experienced workforce retiring between 2018 and 2024. This summer research by Deloitte US shows the huge impact of diversity programmes: 80% of managers say that inclusion is an important factor to choose an employer; 72% would consider leaving an organisation for one they think is more inclusive.

Greater gender equality contributes as a solution to major challenges at micro and macro levels. Companies with better gender balance in their senior management and executive committees achieve better financial and non-financial performance. The business case for gender-balanced management teams has been proven by many studies: these companies make better decisions, produce better products, and develop a competitive advantage, compared to more homogenous companies.

JUMP is positioned on a market with favourable trends: rising war for talent and public awareness supported by increasing regulation at national and European level. It was founded in 2006 by Isabella Lenarduzzi and has a track-record of continuous growth with a range of B2B and B2C services. The JUMP team has 13 passionate staff members, with Isabella Lenarduzzi being an Ashoka fellow since 2013. With a strong brand and a high reputation for the quality of its products, JUMP is the only gender equality 'total solution' offer on the market, combining consultancy, training, communication, and community. The social enterprise itself takes an integrated approach to gender equality at work, reaching out to all stakeholders involved: corporations, institutions, male and female professionals and executives, policy makers, opinion leaders and the general public, with its range of services, consultancy and content, as well as through its advocacy involvement.

THE FINANCING MODEL

To accelerate its international expansion, JUMP was looking to raise up to EUR 1 million for the expansion within France, Belgium and Germany (i.e., less than EUR 500,000 per market). The management was open to suggestions but had a clear preference for an equity financing via capital increase. JUMP aimed at forming a coalition of European investors bringing financial and non-financial support for the scaling-up of its impact across Europe. Funds will be primarily used to build the country teams on the ground and to strengthen the corporate team. With a 10-year track record of sustained and self-financed growth under the same leadership, JUMP offers interested investors deep societal impact but also an attractive risk/return profile as well as real exit potential after the fulfilment of the expansion plan.

Initial commitments came from investors who aim to support the further expansion of JUMP within Belgium and France, but the financing round is still ongoing and will only be completed after the official end of our EU project.

III. AUSTRIA

SOCIAL ENTERPRISE "SIGN TIME"

SIGNTIME

EXCUTIVE SUMMARY

Disability-friendly communication for the deaf is becoming increasingly important in the EU, not least through a series of legal regulations. Currently, the translation of content from TV, media and the Internet is still time-consuming with real actors in film studios. This inflexible and cost-intensive process cannot meet the enormous demand for barrier-free media content. The Austrian social enterprise Sign Time has made a mission to develop a future-oriented software solution for the video production of content in sign language and thus to contribute effectively to the inclusion of deaf people.

While barrier-free communication is largely established for blind people, barrier-free communication for the deaf is still presented through sign language. It is estimated that about 80 percent of all deaf people are functional illiterate, using their own "mother tongue", the sign language, which is very different from the spoken word. At the same time, the requirements for their inclusion are increasing by a number of legal regulations. For example, the UN Conventions and German Basic Law Article 3 prohibit discrimination against people because of their disability. As a result, the requirements for barrier-free communication in the private sector as well as for the public sector (legislators, public authorities, public service broadcasters, etc.) are increasing.

Sign Time's solution, SiMAX, includes a translation software as well as a database for the basic vocabulary of the German, Austrian and partly the US sign language and works with animated avatars. As a cost-effective and semi-automated solution, it opens up the potential to provide a considerable amount of text, audio and video content to deaf people in areas such as transportation, media, streaming services, the Internet, hospitals, tourism and education. In addition, new and qualified jobs will be created for deaf people. The functional prototype is currently the only one for barrier-free content communication in the market and has already been successfully implemented with some customer projects, including the city of Vienna and Deutsche Bahn AG.

THE FINANCING MODEL

With a financing requirement of up to EUR 500,000 from investment-oriented investors, Sign Time intended to create the necessary prerequisites for the expansion of its SiMAX solution and the market presence. This was the focus of our transaction support within this project. Before raising the present round of financing, the social enterprise had invested a total of EUR 1.1 million from public funding and own funds. The management team was open concerning the financing structure, which was supposed to be injected into the Sign Time GmbH entity (for-profit structure).

The financing model that the social enterprise developed together with FASE turned out to be mezzanine capital combined with impact targets. This solution ideally meets the specific demands of the business model and allows the entrepreneur to enjoy financial flexibility in the early years when this flexibility is most needed. On the other hand, the investor is able to financially benefit from the social enterprise's impact. In specific, the financing was structured as participation rights capital with a qualified subordination clause in the size of EUR 100,000 with a duration of 5 years and an option for early repayment. The annual fixed compensation is limited to 3% of the nominal value. At the end of the loan period, the investor will be compensated if Sign Time should not reach the previously agreed upon impact targets. The investors received the usual information, participation and approval rights.

The following graph summarizes again the hybrid financing model that enables Sign Time to achieve its next scaling step. A detailed case study about this social enterprise and the completed transaction is included in Annex 5B.

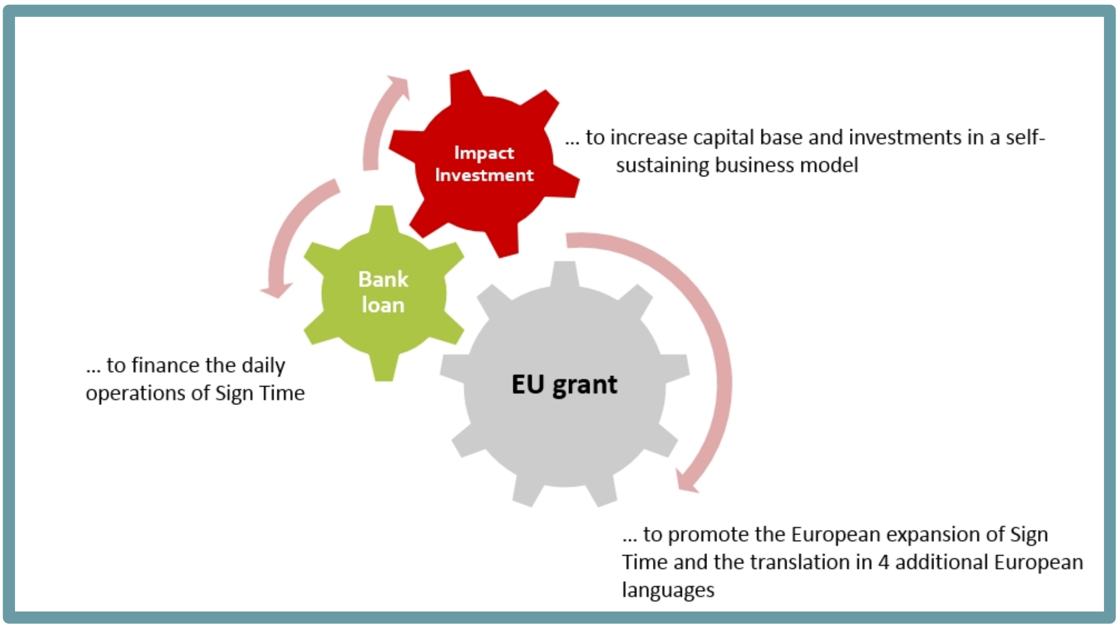

Chart 8: "Hybrid financing model for Sign Time" / Source: FASE

THE INVESTORS

Sign Time convinced a private investor from Austria, who was specifically intrigued by the enterprise's social impact, to support the next growth stage. Additional capital was provided in the form of a non-refundable grant of EUR ~1.1 million from the European Commission within the "Horizon 2020 dedicated SME Instrument 2016-2017" program. The hybrid financing model was completed by an agreed overdraft from Erste Bank in Austria, which equipped Sign Time with sufficient working capital for its daily operations.

EXECUTIVE SUMMARY

The Austrian social enterprise Helioz developed the solar-powered UV measurement device called WADI. WADI provides an innovative and simple method to use the sun to disinfect water, which results in a sustainable and affordable access to safe drinking water. While safe drinking water is essential for humans to survive, 1.8 million people worldwide have no or only limited access to this essential source. Yet the availability is the precondition for any economic and social development and represents one of the UN Sustainable Development Goals (SDGs). Especially in Africa, Asia and Latin America, an alarming number of 660 million people have no access to safe drinking water at all. At the same time, microbially polluted water is the main reason for life threatening diseases such as cholera and typhus. Worldwide, more children die because of diarrhoea caused by unsafe water than of HIV, malaria or measles together. When using the traditional method of purifying water by boiling, additional adverse effects on social development, health and environment are common. They result in expenses of up to 15 EUR/month per family as well as indoor pollution. Additionally, deforestation caused by chopping wood to gain fuel is a common problem.

Helioz' product, WADI, is patent-protected, with its effectiveness confirmed by WHO (World Health Organization). Disinfection performance even exceeds the harsh threshold of 99.99% in terms of water quality. Using WADI instead of the usual approach of boiling water also reduces the carbon footprint. It can be transferred by HELIOZ into carbon credit certificates that customers can acquire for CO_2 mitigation and CSR activities. In addition, HELIOZ distributes WADIs via NGOs, local distribution partners and corporate aid projects. Until the due date of this report, more than 15,000 WADIS had been placed in the market in 15 collaborative projects.

THE FINANCING MODEL

To invest in product development and production optimization, as well as to expand within current target markets, HELIOZ was seeking to raise growth capital of up to EUR 600k from external investors. Previously, the social enterprise had secured EUR 1.7 million in equity from 10 business angels and entered into loan agreements in the size of EUR 900k. The enterprise was open with respect to the financing mix (equity or debt) with slight preference for equity, and an additional option for funders to make donations into HELIOZ's non-profit entity getwater.io. In general, the feedback from investors was positive on the preferred equity participation, but some investors, who wanted to support the enterprise were not yet ready for an investment and instead used the chance of making a donation.

THE INVESTORS

HELIOZ convinced several investors to participate in the financing round, with ticket sizes varying between EUR 30k to 100k. In terms of investor types, the commitments came from private business angels and one family office. As of the due date of this report, there is additional interest from a family foundation to inject a high 3-digit amount into the social enterprise, but the financing round is still ongoing and will be completed only after the official end of our EU project.

4. NOVEL PAY-FOR-SUCCESS MODELS WITH HYBRID TRANSACTION SUPPORT

I. NEW PAY-FOR-SUCCESS APPROACHES

Another important step to improving the social finance ecosystem is developing and piloting models that incentivize investors - or social enterprises directly – by providing payments for positive social and measurable outcomes achieved. This is especially relevant for social enterprises that operate in specific market areas (e.g., early-child programs, prevention programs) where it is almost impossible to build business models that can structurally reach break-even and leverage "classical" repayable financial instruments for further growth. As government funding for social welfare services diminishes, considerable attention is focusing on this new funding approach of pay-for-success (PFS) contracts. They hold the promise of attracting more private investment capital to serve society's most critical social needs.

In a typical Social Impact Bond (SIB) model, private investors take the financial risk to prove that a certain intervention – that aims at preventing or improving existing solutions to social problems - are effective. Instead of governments paying social enterprises or non-profit organizations to deliver services like e.g. job training, private investors provide the funding and are repaid by the government at a later point in time (along with a potential profit) if the service meets agreed-upon performance benchmarks. Such models have seen a rise, predominantly in the UK (with just three SIBs in Germany implemented to date), but are usually quite complex as they typically require a public body to join the structure as a payor for social outcomes to the investors. Also, social enterprises typically assume the role of service providers and sub-contractors in this triangle-type of project financing, without being directly incentivized for creating more impact. Nevertheless, the SIB model is also evolving and has gained strong traction worldwide with more than 100 SIBS raising around USD 400 million to date[11].

Another recent alternative PFS model is Social Impact Incentives (SIINC)[12], developed by Roots of Impact, FASE's associate organization in this EU project. The model is an innovative and catalytic instrument for bringing together high-impact social enterprises, impact investors and public or philanthropic funders. An outcome payer (e.g., a philanthropic organization, development agency or other donor) agrees to make premium payments directly to the enterprise based on the social contribution generated by their operations. These premiums are paid in parallel to the revenues the enterprise generates through its activities. Impact is incentivized with the social performance of the enterprise being directly linked with its levels of profitability and thus its attractiveness for investors. The temporary payments accelerate the social enterprises' process of achieving long-term financial viability, while offering the outcome funder and impact investor strong and ongoing social returns on the resources they invest. The SIINC model is currently being piloted in Latin America and the Caribbean with support from Ashoka and in collaboration with SIINC- co-creator, the Swiss

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[11] See https://www.pioneerspost.com/news-views/20180201/100-social-impact-bonds-raise-400m-worldwide-2010-launch or go to: https://sibdatabase.socialfinance.org.uk/

[12] For more details: www.roots-of-impact.org/siinc/

Agency for Development and Cooperation (SDC), as well as the Inter-American Development Bank (IDB).

II. COMBINING PAY-FOR-SUCCESS WITH HYBRID TRANSACTION SUPPORT

Within this project, FASE supported two social enterprises in piloting and implementing a PFS-structure: Papilio and Atempo. The focus was set on one specific pilot region – Germany and Austria – combined with FASE's typical deal-by-deal support. The basic idea was to (a) either have a small and lean PFS pilot for social enterprises, whereby a private philanthropists, foundation or other stakeholder takes over the role of the outcome payer, or (b) involve the (regional) government as is typically the case with classic SIB models. The pilot projects aimed at providing positive case examples that would then pave the way for larger-scale applications of PFS-structures in Germany and/or Austria with an involvement of the respective governments in a first or second step.

In reality, engaging outcome payors proved to be more challenging than expected, which is mainly due to the novelty of this approach. In the case of Papilio, - instead of including private philanthropists or foundations as outcome payors -, the strategy switched towards regional government bodies, local municipalities or health insurance providers. An interested investor in the model was successfully lined up. For Atempo, securing government commitment to provide outcome payments proves to be a long shot and will take spread beyond the scope of this EU project.

The business and impact models as well as the respective PFS models chosen for both pilot projects are described in more detail below.

III. TESTING AND PILOTING

SOCIAL ENTERPRISE "PAPILIO"

Papilio

EXECUTIVE SUMMARY

The German social enterprise Papilio e.V., originally founded by Ashoka Fellow Heidrun Meyer (deceased in 2016), has developed a prevention program for kindergartens that reduces children's behavioural problems and increases socio-emotional capabilities. Papilio's program strongly contributes to the prevention of drug abuse and violence – an impact that has been scientifically verified. A study run in Augsburg, Germany ("Augsburger Längsschnittstudie", ALEPP) demonstrated that children participating in Papilio's program have significantly higher socio-emotional competences and are able to substantially reduce behavioural problems. Thereby, risk factors for children in kindergartens - such as retreat or aggressive dissocial behaviours – become less prevalent, while prosocial behaviour and feelings of safety are strengthened. As a result, the public sector experiences mid- and long-term savings on social follow-on costs due to a decrease in drug abuse and violence. Yet at the same time, there is a lack of financing to further roll out Papilio's compelling solution and scale its impact for the benefit of children and society.

THE FINANCING MODEL

To address this challenge, FASE developed a financing model featuring a pay-for-results logic, which will enable Papilio to further scale its solution across Germany: An impact investor pre-finances the cost for Papilio to roll out its program in a specific geographical region. In return, the investor receives capital repayments and a moderate return once the social impact has been verified (i.e. the at-risk groups were decreased).

In the first pilot, this rollout cost shall be borne by a private philanthropist or a foundation, who will act as an outcome payer. Once the solution scales across Germany, public authorities should be in a position to step in and bear the cost by implementing a Social Impact Bond structure. The incentive for the public sector is clear: once the effectiveness of the solution is proven in practice, there are large potential savings in social spending to be achieved.

The following graph briefly illustrates the basic model that FASE designed for Papilio:

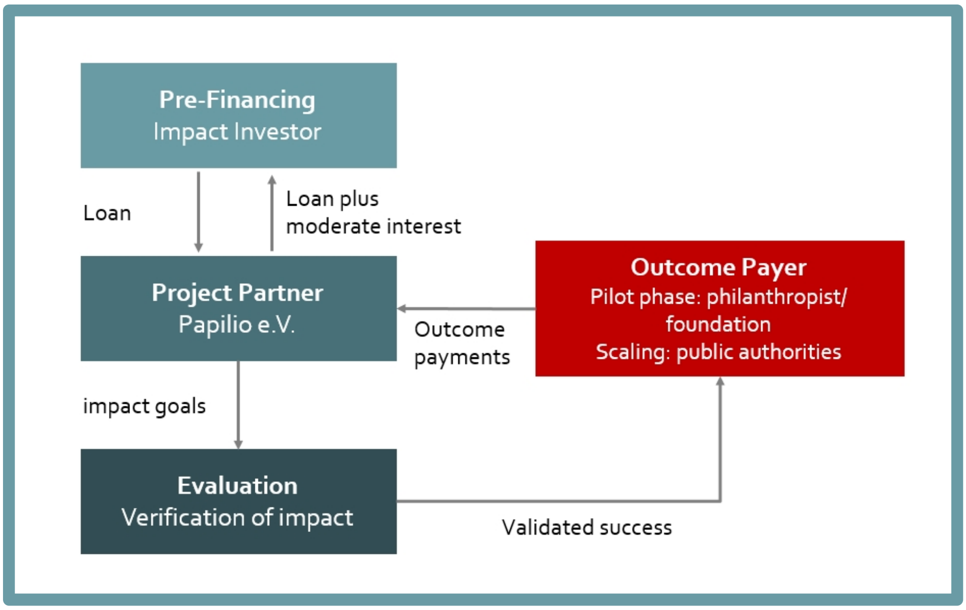

Chart 9: "Pay-for-success-based financing model for Papilio" (Source: FASE)

In such a pay-for-success model, impact verification is a very essential task that should be performed by an independent party. The logic behind the impact measurement as well as two options for implementation in the case of Papilio are outlined below:

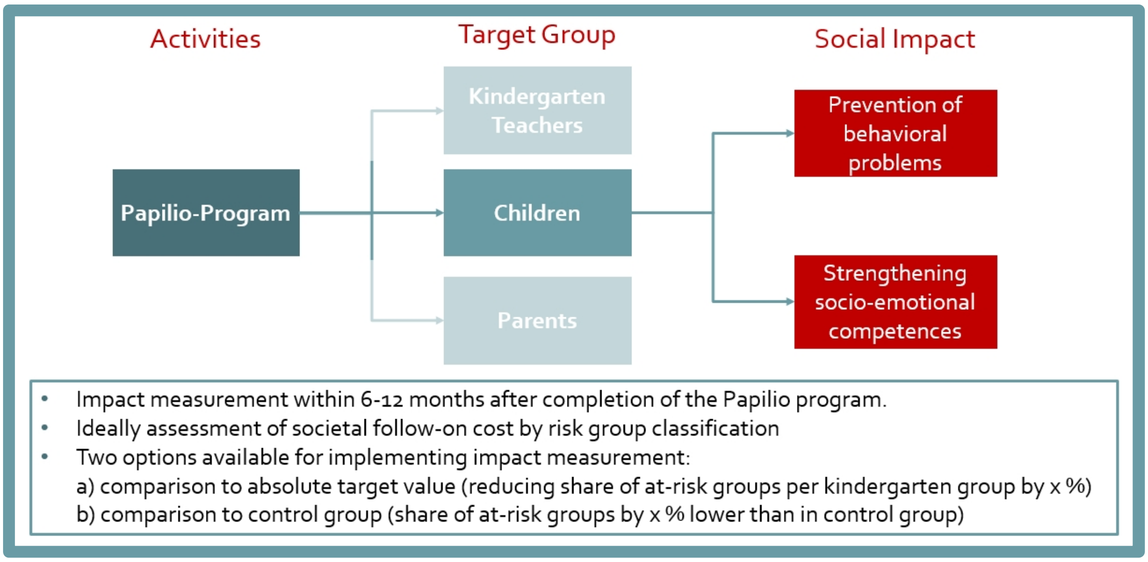

Chart 10: "Impact measurement as a central task in Papilio's pay-for-success-based financing model" (Source: FASE)

THE INVESTORS

Papilio's financing project is currently in an early stage, with a more detailed concept on the exact impact measurement being prepared and potential pilot regions being evaluated by the project partners. As outlined before, the strategy now focuses on securing a health insurer or local government body as the relevant outcome payor. Currently, the discussion with different municipalities and health insurers are ongoing and will only continue after the official end of the action. One impact investor has made an initial commitment to fund such a pay-for-success model.

SOCIAL ENTERPRISE "ATEMPO"

atempo

EXECUTIVE SUMMARY

Atempo is a non-profit association fostering the equality of treatment of all people in society. Atempo was founded in 2000 by Walburga Fröhlich and Klaus Candussi and has grown to a group of four interconnected organizations: the association atempo, the non-profit atempo GmbH, the non-profit nueva GmbH and the CFS GmbH. Both founders became Ashoka Fellows in 2015.

To reach more equality, the social enterprise focuses on four important domains: (1) education for interesting jobs and good working places ("education and career"), (2) user-driven evaluations of service quality ("nueva"), (3) information in easy-to-read language, and (4) consultation and assistance for free accessibility ("capito"), i.e. removing barriers for people with special needs such as wheelchair users, people with physical impairments, visually handicapped, hearing-impaired and deaf people or people with learning difficulties.

In terms of the first pillar – education and career – atempo has been working with people with disabilities for years and successfully supports them on their path to work. Experiences include aspects such as finding one's way around in a city or studying in one's own speed. This program, which is supported by the government and social security office of the Steiermark region, offers people with disabilities and learning difficulties professional qualification, computer training and companionship on the way to a job.

atempo is located in Graz, Austria, and currently has 80 employees, out of which 25 percent are people with disabilities. atempo is among the leading social corporations in Austria with an annual turnover of around EUR 2.4 million.

THE FINANCING MODEL

Together with atempo, FASE developed a PFS model to specifically address the problem of so-called „drop-outs" and convert them into "drop-ins". "Drop-outs" are people with physical or sensory disabilities, learning difficulties, autism or trauma as well as migrants, who haven't succeeded in finding paid work through traditional educational channels such as courses. The program aims at bringing these "drop-outs" into officially recognized apprenticeships or job employments through a combination of targeted education, interventions by social workers, specialized consulting and training. For the Austrian government and associated welfare organisations, the potential benefits of the program are mid- to long-term savings due to reduced spending on e.g. facilities for disabled people.

The basic PFS is quite similar to the model designed for Papilio (see above):

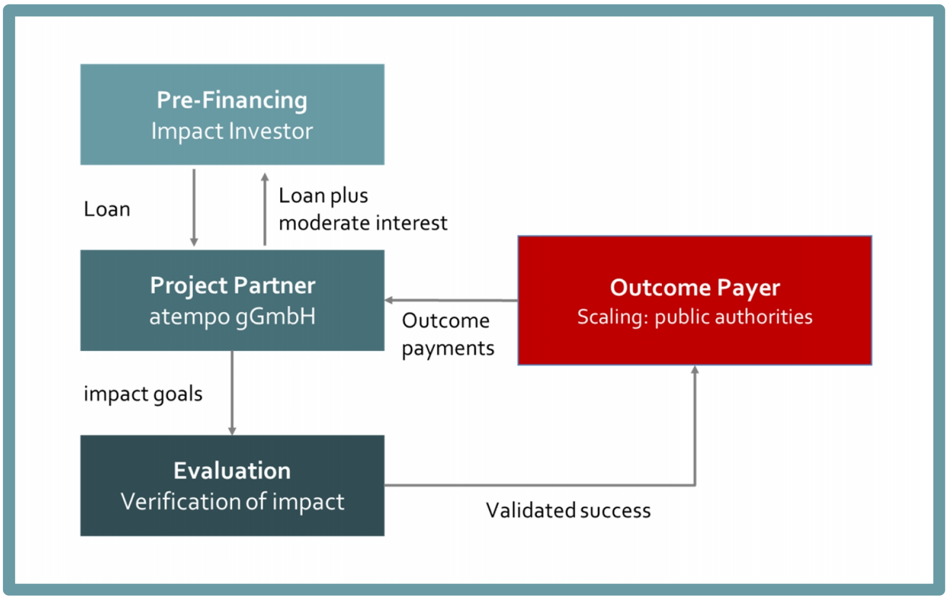

Chart 11: "Pay-for-success-based financing model for atempo" (Source: FASE)

Again, the model strongly builds on impact verification, either by defining an absolute target or by comparing outcomes to those of a control group. The following chart highlights this important aspect of the atempo program:

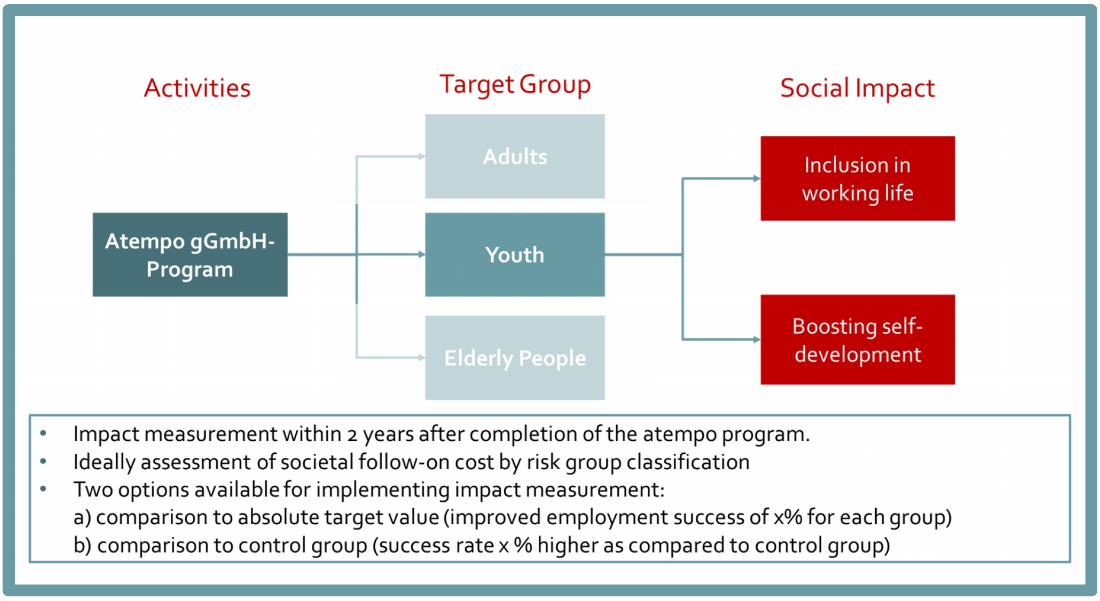

Chart 12: "Impact measurement as a central task in atempo's pay-for-success-based financing model" (Source: FASE)

The PFS model is intended to begin with a pilot phase of the Social Impact Bond in Graz, where atempo is based. In specific, it aims at including 40 to 60 clients and shall be financed by the government of the Steiermark province and/or the Ministry of Social Affairs, with outcome payments coming from the regional and/or national public sector. In a second step, the model is then suited for rolled out across Austria, with SIBs implemented in each federal state and with the federal government acting as the supposed outcome payer.

THE INVESTORS

As outlined before, securing commitment from a governmental body to act as the outcome payor proved to be much more time-consuming than expected, so further discussions to validate the attractiveness of this adapted model with the public outcome payer became necessary. Due to political reasons, however, the potential outcome payer decided not to continue the implementation of the project.

5. IMPLEMENTING AN EARLY-STAGE CO-INVESTMENT FUND

I. INITIAL CONCEPT AND DESIGN ADJUSTMENTS

The initial concept of the Early-Stage Co-Investment Fund was developed during the first project mandate received from the European Commission in 2014. The goal remains unchanged: Now marketed under the name of "Social Innovation and Impact Fund", the fund intends to channel more growth capital into the early-stage segment of social enterprises and to unleash the full potential of private and institutional investors within the ecosystem.

When developing the concept, FASE was driven by a well-known problem: the lack of early-stage social enterprise finance. The following chart briefly summarizes the three main reasons for the persistence of this strategic financing gap:

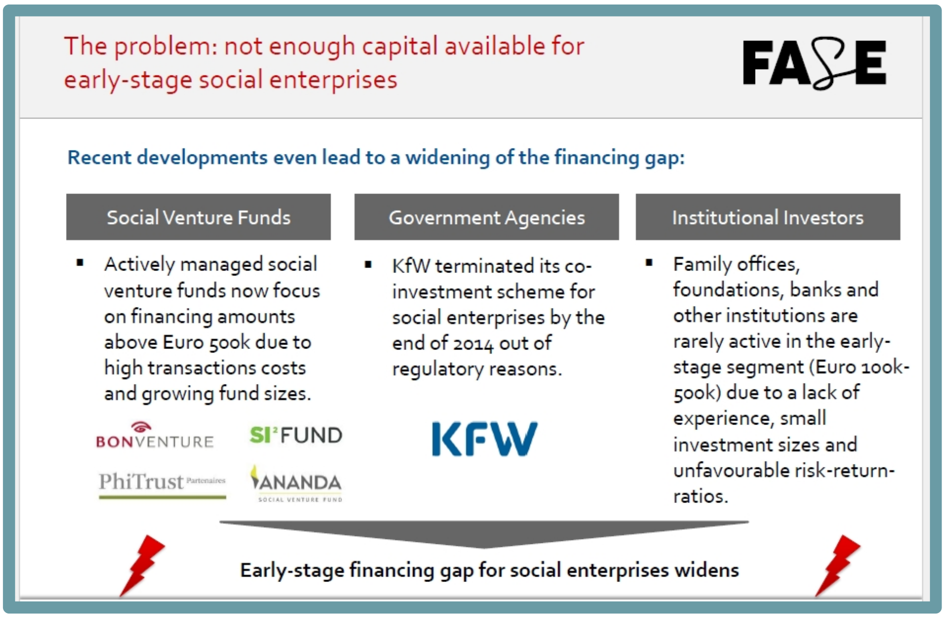

Chart 13: "The problem - a widening financing gap for early-stage social enterprises" (Source: FASE)

THE CONCEPT IN DETAIL

The "Social Innovation and Impact Fund" is a novel model to finance a pipeline of early-stage social enterprises and help them to scale their impact after an initial proof of concept. Designed as a passively managed matching fund - essentially matching the investments of one or several direct investors - it aims to provide vital funding primarily with mezzanine capital to early-stage social enterprises located in Germany, Austria, Benelux and other European countries within the EU. In specific, the fund intends to carefully pool and co-invest in social enterprises together with experienced direct investors, essentially at comparable terms and conditions. Its goal is to achieve a balanced risk-return ratio with a compelling social impact and a moderate positive internal rate of return ("IRR") for its investors, while providing social enterprises with risk capital which would otherwise be difficult to obtain. At the same time, the fund strives to keep financing costs for such enterprises at acceptable levels.

By applying a layered structure with junior and senior tranches, the fund overcomes barriers for a substantial number of (would-be) impact investors who, compared to a direct investment, seek a more balanced and broadly diversified portfolio and need specific risk-return profiles to become engaged in early-stage social enterprise finance. Against this background, the fund's application for the EaSI Social Entrepreneurship Guarantee (the "EaSI Guarantee") is an essential ingredient to achieve the mission: the guarantee – if granted - will ensure the necessary fund economics as well as reasonable financing conditions for investors and social enterprises alike.

With FASE acting as the Fund's initiator and avesco as its manager (for more details about avesco see section II "setup and fundraising" below), the Fund combines strong market expertise and intensive sector experience with multiple years of fund and portfolio management experience. It will invest in early-stage social enterprises[13] characterized by the primary objective to achieve a measureable, positive impact on society while being managed

[13]As defined in the Social Business Initiative of the European Commission: http://ec.europa.eu/growth/sectors/social-economy/enterprises/

in an entrepreneurial, accountable and transparent way. These social enterprises are typically active in the fields of education, environment, health, civic participation or other relevant social and/or ecological areas and display a strong potential for impact at scale. In addition, they have successfully tested their business and impact models in the market, generated initial revenues and are ready to take on repayable forms of growth capital.

The following two charts outline the main target investee groups (with grey background) as well as the key criteria for investment:

Types of social enterprises

	Purely donations	Hybrid – focus on donations	Hybrid – significant commercial income	Purely commercial income
	DEUTSCHLAND RUNDET AUF	CHANCENWERK	discovering hands	bettermarks MATHS MADE EASY
Source of capital/income	Only philanthropic capital	Mostly philanthropic capital, some commercial income	Mostly commercial income, some philanthropic capital	Purely commercial income
Description	Company will continue to depend mostly on philanthropic capital, e.g., due to ▪ Lack of paying customers ▪ Interest of owners	Company depends at its core on philanthropic capital, e.g., due to (current) lack of paying customers	Most activities of the company generate commercial income streams Small part of activities depend on philanthropic capital	Income streams depend completely on commercial income
In principle viable to repay capital	✗	✗	✓	✓

Focus of fund

Chart 14: "Types of investees for the early-stage co-investment fund" (Source: FASE, avesco)

Investment approach:

- Early-stage growth financings for outstanding social enterprises whose **social impact is the primary goal** of the enterprise (or equal to financial goals) with a **financing need from the Fund typically between EUR 100,000 and EUR 500,000**

Key decision criteria:

1 Outstanding social impact
- Business model offers a clear strategy to solve a social/ecological problem
- Social impact can be measured and documented (e.g. by SRS, social KPIs)

2 Sustainable business model with growth potential
- Proof-of-concept (with initial revenues) achieved
- Business model is scalable
- Break even typically planned in 2-4 years

3 Direct investor(s) ready to invest
- One or several direct investor(s) are ready to inject at least EUR 100,000 to EUR 500,000 in the Social Enterprise

Chart 15: "Key decision criteria for investments of the early-stage co-investment fund" (Source: FASE, avesco)

DESIGN ADJUSTMENTS AND CHALLENGES

Since the fund concept is highly innovative und unique in the current European ecosystem for early-stage social enterprise finance, there were challenges to be mastered and design adjustments to be made before it could successfully enter the stage of market sounding.

The first challenge was to secure the EaSI Social Entrepreneurship Guarantee as an essential de-risking ingredient. It is a vital design step to create an attractive offering to potential fund investors. As of the due date of this report, the application for this guarantee has been submitted, with results expected in autumn 2018. The basic rationale behind embedding the guarantee instrument can be summarized as follows:

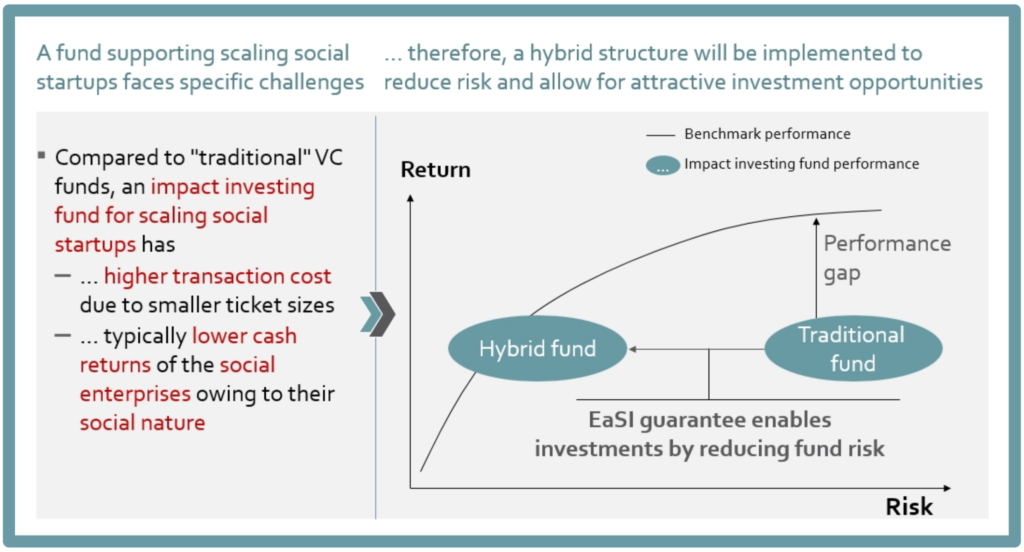

Chart 16: "The rationale behind a hybrid fund with public guarantee" (Source: FASE, avesco)

The second challenge was to carefully design the different layers in the hybrid fund structure so to cater to specific types of investors and their unique risk-return profiles. The "Social Innovation and Impact Fund" foresees the following layers that investors are invited to commit to:

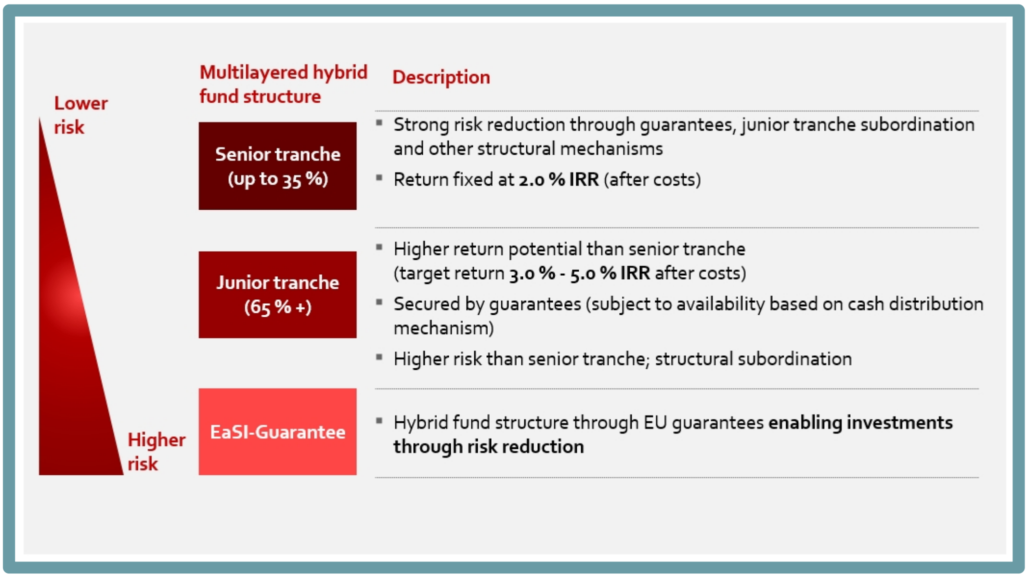

Chart 17: "The multi-layered structure of the early-stage co-investment fund" (Source: FASE, avesco)

Another design aspect that deserves to be mentioned is that both major partners - FASE as the initiator and avesco as the fund manager - abstained from incorporating a carried interest mechanism in the fund design. This is supposed to strengthen the social mission of the fund and ensure an adequate risk-return profile for future investors. Both fund partners therefore equally „invested" in the future development of this novel concept.

II. SET-UP AND FUNDRAISING

The legal set-up is in full swing as of the time of publication of this report. One important part was to secure a suitable manager for the novel fund concept. While FASE is acting as the Fund's initiator, avesco - a highly experienced provider of financial services as family office, asset manager and private banker with a focus on sustainability and impact - will take over the management of the fund. In specific, avesco developed a method evaluating the holistic sustainability of listed small- and midcap enterprises, has more than 400 MEUR assets under management and achieved an excellent track record. Avesco is providing responsible investors with access to sustainable investments in the DACH region, supported the conceptual design and structuring of multiple closed-end funds, direct investments and club deals, and manages funds for institutional and private clients.

The following chart briefly illustrates some main facts and structural features of the fund:

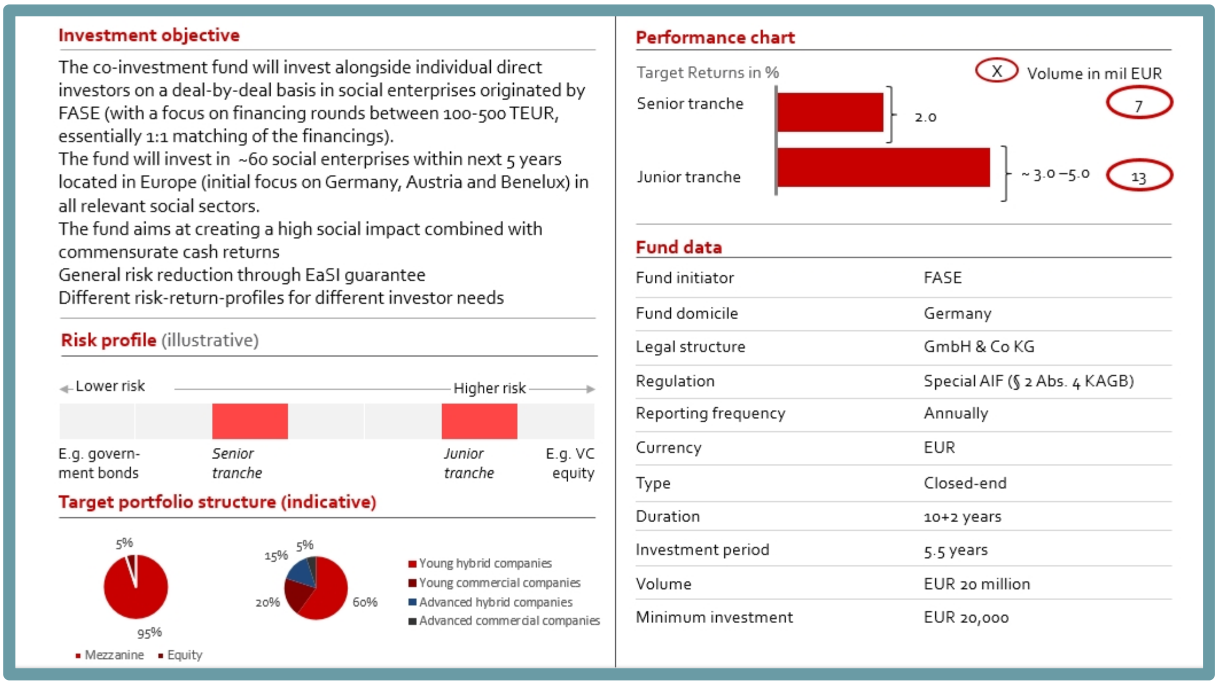

Chart 18: "Fact sheet early-stage co-investment fund" (Source: FASE, avesco)

In terms of marketing, FASE and avesco initiated a market sounding in summer 2017 with around 25 potential investors in order to fine-tune the concept and receive important feedback. However, until the fund has received a positive reply to its application for the EaSI Social Entrepreneurship Guarantee from the European Investment Fund – a core ingredient of the concept – all marketing efforts will be on hold.

6. KNOWLEDGE DISSEMINATION

I. SOCIAL FINANCE EVENTS

FASE continued to build on its series of social finance dinners, roundtables and lunches to expand the reach to potential impact investors and enable first-hand experiences with social enterprises in a relaxed atmosphere. During the project period, 10 events of this kind took place to expand FASE's reach within Germany and the other European pilot regions.

The first social finance roundtable in Salzburg, Austria, was hosted on September 21, 2017. The event focused on introducing FASE in the Austria/CEE region, while disseminating hybrid social finance knowledge and presenting three social enterprise cases plus lessons learned. The audience consisted of 22 participants from the region, which were mostly impact investors, foundations, business angels and banks. FASE Benelux introduced its services to potential investors in a one-day social finance event organized in Brussels on November 6, 2017, which included presentations of FASE's EU pilot projects JUMP and Billy. In addition, FASE organised similar events all across Germany to further grow the existing investor network, e.g. in Stuttgart, Berlin, Frankfurt, Cologne, Munich, Dusseldorf and Hamburg.

In general, FASE participated and added its expertise in more than 80 sector events, conferences, workshops and panels between December 2016 and May 2018. Some highlights include: the EVPA annual conference in Oslo (including a FASE session), the Social Innovation Conference in Lisbon, a workshop with Zavod Viva in Ljubljana, as well as the EU workshops in Brussels, Turin, Athens and Warsaw, where FASE shared practices, experiences and lessons learned with the other selected projects within this EU call. Additionally, FASE shared best practices and experiences with the other selected projects of this EU call in six workshops held in Brussels (twice), Barcelona, Budapest, Turin, and Athens.

These activities, combined with multiple one-on-one interactions with potential investors, partners and multipliers, has more than doubled our impact investor base from around 330 contacts at the end of 2016 to more than 800 private and institutional actors as of May 2018. In addition, the pipeline of social entrepreneurs has grown by approximately 70 new potential mandates within the project period (counting only those social enterprises having initial or advanced discussions about a mandate with the FASE team members).

The following two charts illustrate the breakdown of FASE's impact investor network by investor type and activity level (level 1 meaning "initial contact" and level 5 "very actively investing") as of the due date of this report. Due to the substantial expansion of the FASE investor network during the past weeks and the gradual build-up of closer relations and investor activities, there are several contacts that need to be categorized yet.

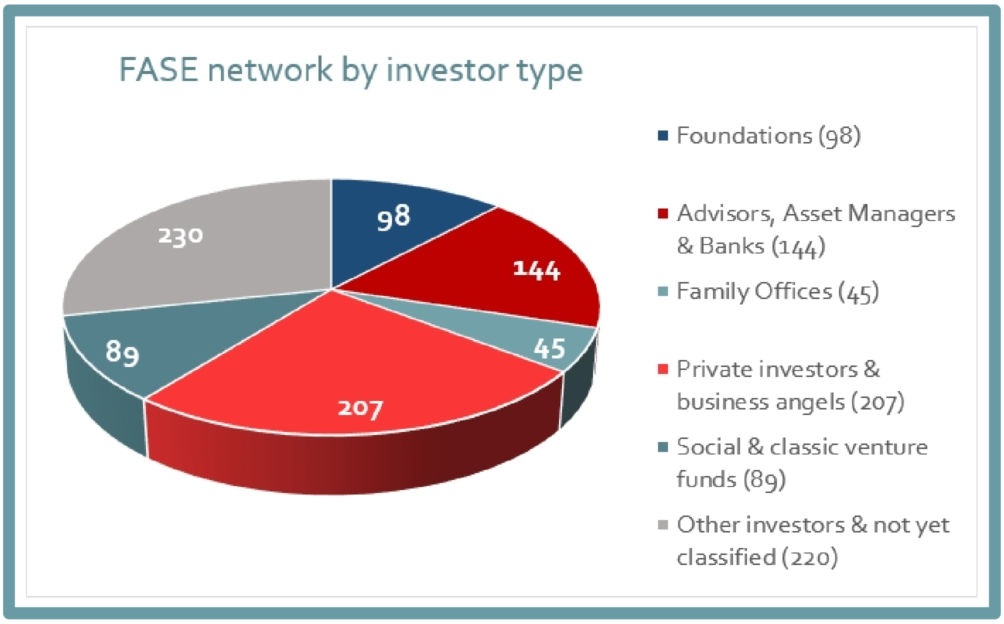

Chart 19: "FASE impact investor network by investor type" (Source: FASE)

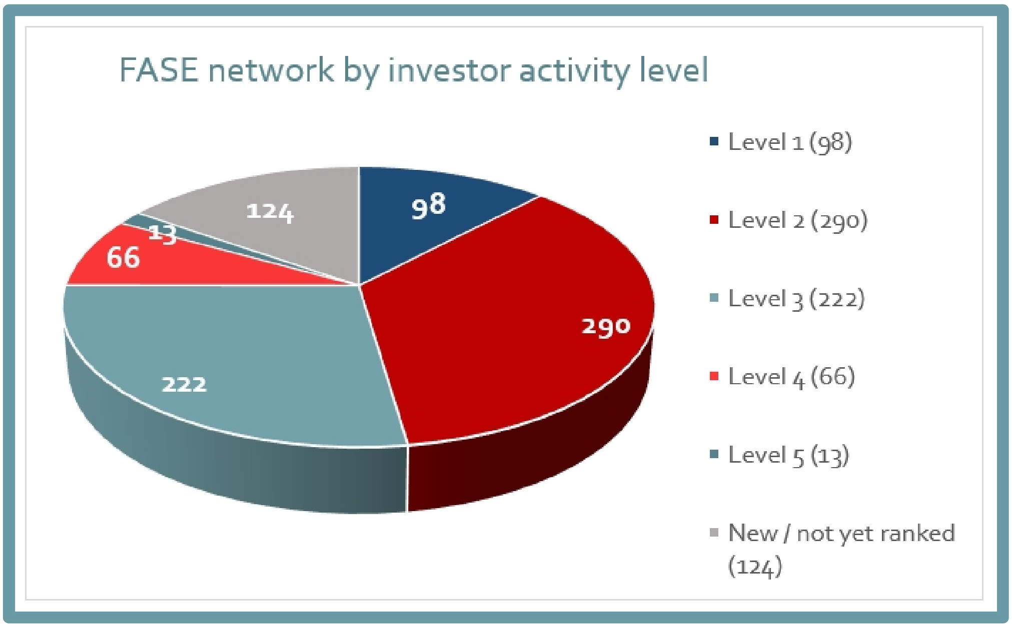

Chart 20: "FASE impact investor network by activity level" (Source: FASE)

II. CASE STUDIES AND PUBLICATIONS

FASE has been an active and passionate advocate of knowledge dissemination in the past years, with around 60 publications on social finance to date. Within the project period, 18 out of 21 submitted contributions were published, while 3 are in currently the phase of printing. The majority of publications are contributions to compendiums by social finance industry leaders, major business publishers as well as European/ German government bodies, e.g. the EVPA, OECD, the European Commission, Springer, Bertelsmann Foundation / National Advisory Board of the German Social Impact Investing Task Force, the German Association of Foundations, and the German Federal Ministry for Economic Affairs and Energy (BMWi).

In August 2017, FASE produced and delivered a detailed 35-page paper on "financing instruments used to provide public services in Germany" in connection with the project TRUST BON – Inwestycja w społecznie opłacalny efekt (TRUST BON – Investment in social effective impact), co-financed from the Operational Program - POWER 2014-2020 Towarzystwo Inwestycji Społeczno – Ekonomicznych (TISE). The aim was to share experiences with hybrid finance and pay-for-success solutions in Germany - with a focus on the area of care services for children, seniors or excluded persons - so to provide powerful blueprints for replication in Poland. The results of our paper were also presented in a workshop held in Warsaw, Poland, on September 26, 2017.

In addition, FASE provided its social finance expertise to social entrepreneurs and (would-be) impact investors in numerous magazine articles, blogs and webinars as well as publications of banks and foundations. One example is an entire knowledge series with the Empowering People Network of Siemens Foundation (ePN). An overview of main publications can be found in Annex 10.

Another important possibility to spread knowledge and blueprints for replication are FASE's case studies on closed transactions. They specifically highlight hybrid solutions and include all relevant details of the transaction, providing potential investors as well as interested social entrepreneurs with practical insights how a deal can be successfully orchestrated and closed. Until today, 12 case studies have been prepared and published: Billy, Sign Time, Ackerdemia, Discovering Hands, von Unruh & Team, DORV, SchulePLUS, Gründer 50plus, DisAbility Performance, Rock Your Company!, Schmökerkisten and bettervest. On top of presenting the social enterprise, its business model, market and impact, all case studies specifically focus on the individual hybrid financing packages and the (types of) investors that supported the deal. In Annexes 3B and 5B, two case studies that were relevant as pilots for this specific EU project are included: Billy and Sign Time. All other case studies can be found on FASE's website: https://fa-se.de/en/case-studies/ (in English) and https://fa-se.de/fallstudien/ (in German).

III. TRANSNATIONAL ACTIVITIES

Within this EU project, FASE planned three transnational activities to expand the proven deal-by-deal support to other geographic regions:

COLLABORATION WITH NESST EUROPE

With NESsT Europe, FASE discussed and aligned a concept for a two-day workshop in Budapest in November 2017. FASE participated in NESsT's regional portfolio retreat and ran a workshop about hybrid social finance with their participating social enterprises. The main goal of NESsT Europe's action was to support a portfolio of up to 20 social enterprises across five countries in Eastern Europe (Hungary, Czechia, Poland, Romania and Serbia) to validate their business models and prepare them for investment readiness. This transnational activity was an important element for FASE to support the expansion of the hybrid deal-by-deal support to the Austria/CEE region, by identifying potential deal flow candidates and building a network with local investment readiness partners.

COLLABORATION WITH OKSIGEN LAB – COP-SE

The Oksigen Lab - COP-SE project designs and initiates the deployment of a European platform and network (COP-SE) to connect and strengthen the capacity of social enterprise support organisations (SESO). COP-SE is planned to become a learning, exchange, capacity building, dissemination platform (online and offline) and network for SESO's. In the course of this EU project, FASE had multiple discussion with the COP-SE network on how to best share and contribute knowledge and expertise in the field of hybrid social finance in order to support the set-up of this platform and network. In specific, FASE participated in a first investment readiness workshop on June 2017 in Budapest among prospective COP-SE members. In the future, FASE will engage with COP-SE as a strategic partner and important enabler for the expansion of the deal-by-deal support to further European countries and therefore decided to become a member of their Board of Directors.

COLLABORATION WITH PHINEO

In a common initiative with Phineo, FASE designed a concept for a hybrid grant fund in order to leverage more impact investments for non-profit social enterprises in Germany. The idea of this hybrid grant fund is to enable truly hybrid finance coalitions between grant makers and impact investors on a deal-by-deal basis (leverage factor of 1:1 and 1:4 between grant money and impact investments) and thus to form an important complementary element in the social finance ecosystem, which comes on top of FASE's deal-by-deal support and planned co-investment fund. The concept was discussed with potential philanthropic funders and received positive feedback. However, no foundation felt prepared yet to firmly commit grants to the new hybrid grant fund at this point in time. Together with PHINEO, FASE is now reviewing the fund concept in order to find a sponsor for piloting and testing.

FURTHER TRANSNATIONAL ACTIVITIES

In addition, we were approached by further beneficiaries under the current call in order to support them in the implementation of their action as part of our transnational activities: (i) France Active: We had a workshop in Munich on December, 4, 2017 to share our social finance expertise and discuss potential areas of cooperation. (ii) Helsinki Impact Camp: We joined the impact Investing Camp of one project partner in Finland to meet social enterprises and investors (March 1/2, 2018). (iii) Impact Hub Milan: On March 1/2, 2018, we joined a social finance workshop with the Panel Fabriq Milano to share our learnings from the German market. (iv) Uni KOC and Ashoka Turkey: We presented our expertise at a social finance workshop in Istanbul on May 2-4, 2018. (v) Zavod Viva: We granted the winning projects of the Zavod Viva social enterprise competition an investment readiness voucher for a one-time consulting session.

IV. KEY INSIGHTS AND LEARNINGS

1. MAJOR PROJECT RESULTS

The objective of the action was to prepare the European-wide rollout of a customized deal-by-deal support with fine-tuned hybrid financing packages. The overall results can be summarized as follows:

(1) We successfully detailed alternative rollout models for our deal-by-deal support for social enterprises and prepared the market entry into Benelux and Austria/CEE. We piloted and tested alternative rollout models in these two selected growth regions with hybrid transaction support for four social enterprises on a deal-by-deal basis. Additionally, we developed and piloted pay-for-success models for two social enterprises in Germany/Austria. We also continued implementing an early-stage co-investment fund to complement the deal-by-deal support and channel more investment capital into social finance ecosystem.

(2) With this action, we were able to substantially enlarge both, the size of the investor network and the number of supported social enterprises. We generated additional impact investment opportunities by developing and testing new cooperation models for different types of investors to address one of the major stumbling blocks: the insufficient cooperation between different types of social finance providers. Thereby, we helped to transform today's isolated planetary system of individual member states into a truly pan-European co-operative ecosystem.

(3) Using a similar path as initially pursued in Germany proved to be the right approach to expand our customized deal-by-deal support to the Benelux and Austria/CEE regions. The FASE model is obviously highly replicable with respect to the core activities: 1) creating an open pipeline of leading social enterprises that are investment-ready and geared towards growth (e.g. by starting with Ashoka Fellows and continuing with other mandates), and 2) building an active network of philanthropic and impact-oriented investors in the target countries and beyond. To achieve this goal, we again worked very closely with regional Ashoka offices and additionally searched, contacted and leveraged our existing network of philanthropic funders, friends and supporters.

(4) Since the first steps of our cross-European initiative began before this action, we did not start at square 1 when acquiring mandates and potential investors. Especially in Austria and CEE, we had a basic network in place due to our close cooperation with Ashoka Austria. On top came several Austrian investors who made first investments into social enterprises introduced to them by FASE as well as contacts to social enterprises that we met on multiple occasions before. The same situation applied to investors reaching out to us from countries outside of Germany, since our expert team constantly attends major social finance events, workshops, conferences, roundtables and social enterprise competitions all across Europe. In addition, our close ties to the European offices of Ashoka served as a great basis to initiate the process of FASE's expansion.

Altogether, the results of this action proved that our approach is effective to contribute to the development of a European social finance market. It generated effective demand for social finance and encouraged more social enterprises to take on repayable finance. This action also helped to boost the supply side with more and more impact investors entering the field. We succeeded in developing, establishing and replicating feasible, suitable and reliable hybrid financing packages. In addition, we were able to organize learnings on what works and how, as well as what does not work, and why.

2. KEY LEARNINGS

As compared to the experiences that FASE made during the early stages of rolling out deal-by-deal support in Germany, there were similar challenges and useful lessons in the new pilot regions:

LEARNINGS ON REGIONAL SOCIAL FINANCE ECOSYSTEMS

- Engagement level: It takes a lot of time and active effort to develop a functioning market for social finance. For example, while the Netherlands have a good basis of social enterprises and longer-term impact investors, the ecosystems in Belgium and Luxemburg are much less developed. Austria and many CEE countries have only a small impact scene with often very early-stage social enterprises where raising growth capital is not suitable or not yet required.
- Intermediary role: Intermediaries who link potential investors and donors on the supply side with social enterprises on the demand side are one of the critical success factors. Therefore, FASE can play a critical role here.
- Existing barriers: Parallel to the German social finance market, there are significant barriers between the mental models of philanthropists and those of impact investors. Therefore, social enterprises that provide a return potential in the range of -50% and +5% p.a. tend to be too commercial for philanthropists and too social and financially unattractive for the majority of impact investors.
- Strategic financing gap: Transaction costs are disproportionally high when social enterprises raise financings in the amounts of EUR 100 000 to EUR 500 000. Therefore, more and more institutional impact investors are moving towards later-stage investments, not only in Germany. As a consequence, the strategic financing gap for early-stage social enterprises threatens to become wider, which is why FASE can make a substantial difference with its services and investor network building activities, once established.
- Investor appetite: A pure market-based solution for financing early-stage social enterprises seems to be impossible at the current stage of the regional social finance markets. Most impact investors do not sufficiently 'value' the positive external effects that these social enterprises create. The vast majority of investors continue to target financial returns at or even above market rates (J.P. Morgan, GIIN, 2016). Thus, public and philanthropic money will remain a key element in supplying early-stage social enterprises with sufficient capital to survive and thrive. This is the reason why establishing innovative pay-for-success solutions such as SIB-like structures with private outcome payers or Social Impact Incentives (SIINC) with philanthropic outcome payers are vital to support

social enterprises whose business models offer exceptionally high impact but lower commercial benefits.

CONCLUSIONS ON CUSTOMIZED DEAL-BY-DEAL SUPPORT

- Sustainability: It is very challenging for financial intermediaries in area of early-stage social finance to develop an economically sustainable business model. Transaction costs for smaller deals continue to be high. Many early-stage social enterprises also struggle to pay for external services, no matter how reasonable they may be. Thus, intermediaries – at least in the first years of their activities - will need public or philanthropic money in addition to proprietary earned income in order to cover their costs.
- Effectiveness: Although matching investors and social enterprises on a deal-by-deal basis is time-consuming, it is also a very effective approach. First, the most suitable combination of investors happens. Second, each investor coalition can be customized to the specific needs of the individual social enterprise. Third, it is much easier to meet the specific investment preferences that many impact investors have, for example with respect to impact sectors. We made this experience basically in every region that FASE is expanding to.
- Investor coalitions: A deal-by-deal approach allows impact investors from different financing 'planets' to invest in the same social enterprise. In most cases, FASE has built coalitions of two to four different types of investors. Meanwhile, we have seen a wide range of combinations, e.g. a social venture fund paired with a public co-investment fund, a business angel joined by a foundation, business angels with institutional investors, a coalition of crowd investors, business angels and an ethical bank.
- Risk-return profiles: The financial risk and return profile of a deal depends much on the individual social enterprise. FASE typically supports rather high-risk, early-stage social enterprises. Therefore, financial returns range mostly well below risk-adjusted market rate returns. There may be exceptions to the rule when it comes to follow-on financing rounds with more mature social enterprises that FASE already supported in their first transactions.
- Financial instruments: In terms of financial instruments, it is key to use a customized approach. The specific requirements of the individual social enterprise have to be met, which is why FASE continues to design and suggest financing models that are based on quasi-equity for hybrid organizations (e.g. mezzanine) and on straight equity for pure for-profit business models. These basic elements can be combined with grants, loans, guarantees or co-investments. Additional features are incentives for verified social impact achieved or profit/ revenue participation agreements.
- Impact vs. return: Another learning highlights the ratio between social impact and financial return that impact investors expect. Although this depends much on the individual investor, FASE continues to observe three different types of attitudes in the pilot regions: (i) impact only (typically grants), (ii) impact first (reduced return expectations), and (iii) finance first (near or at market-rate return goals). Similar to the German region, most investors that FASE and FASE Benelux are working with are impact-first impact investors: these investors primarily support the social mission of the

enterprise and expect to see a sustainable business model that can at least return capital and ideally provide for a low, single-digit interest rate.

- Process management: When preparing a transaction, we continue to experience that a strict process management is an absolute must. A financial intermediary has to keep pressure on both, the social entrepreneurs and the impact investors to successfully support the closing of a round. At the same time, this is one of the major benefit to a social enterprise when hiring an intermediary such as FASE: as compared to raising the money all by itself, the entire process becomes more efficient, reliable and timesaving. Yet since we are only starting to build the Benelux and Austria/CEE regions and do not have a substantial number of completed transactions to show in these markets, these benefits will need some time and effort to be conveyed to potential social enterprise clients.

FINDINGS ON THE EUROPEAN-WIDE ROLL-OUT

- Appropriate roll-out models: For each individual European region, the appropriate roll-out model needs to be chosen carefully based on market size, market structure, market history and existing ecosystem. While some regions can be covered out of FASE Germany, other regions will require the set-up of a joint venture with a regional management team.
- Complexity: The expansion of customized deal-by-deal support to further European regions brings a high level of complexity due to multiple jurisdictions. In specific, increasing the share of cross-border transactions substantially increases the efforts and expenses due to several parties involved, often with the social enterprise, the impact investors and FASE as an intermediary coming from very different member states. The involvement of up to 28 different jurisdictions across Europe and the resulting transaction costs due to different regulatory, legal and tax systems remain an economic challenge for small social enterprises with limited resources.
- Sustainability and critical mass: It is very challenging for financial intermediaries in the area of early-stage social finance to develop an economically sustainable business model. Transaction costs for smaller deals continue to be high. Many early-stage social enterprises also struggle to pay for external services, no matter how reasonable they may be. While this is already a challenge for more mature markets like Germany, it is even more challenging when entering smaller and/or less developed ecosystems. Thus, intermediaries - at least in the first years of their activities - will need public or philanthropic monies on top of proprietary earned income to cover costs.
- Regional management teams: To enable a successful expansion of transaction support to more European regions, the identification and involvement of highly motivated, competent and regionally well-connected management teams are key success factors. Without a deep regional expertise it will be very difficult to attract the most promising social enterprises as well as secure sufficient suitable impact investors.

Altogether, there was a wealth of findings and lessons that came with the implementation of this project. While we have defined strategies, models and tools to address each hurdle that we have encountered in the process, we also hope for more initiatives to come up and make use of our experiences, so that we can co-create an efficient social finance ecosystem within Europe.

V. REPLICATION AND NEXT STEPS

1. PATH TO SUSTAINABILITY

When implementing a sustainable business model for FASE, we have to bear in mind how the current framework and boundaries of the social finance market present themselves. Most hybrid financings have a high complexity and are connected with significant transaction costs, which is structurally comparable to the transaction costs for "classic" private equity deals in commercial businesses. By contrast, the investment amounts between 50,000 EUR and 500,000 EUR are relatively low. Therefore, the coaching and consulting services of FASE cannot fully be covered by market prices without destroying the economic viability of these deals. As a consequence, we decided to finance our activities - and become sustainable - through a combination of infrastructure and deal oriented funding:

INFRASTRUCTURE AND PROJECT RELATED FUNDING

(a) In order to build an appropriate infrastructure (e.g. broad investor network, model deals between philanthropic and commercial investors, piloted innovative financing instruments), FASE applied for initial public funding with the European Commission. This step was intended to help us building a financing market for social enterprises in Germany and Europe. This type of funding is structurally comparable to a public program that was made available for intermediaries in the area of technology-oriented start-ups in Germany several years ago, i.e. the High-Tech Gründerfonds.

(b) In addition, FASE continued to search for long-term strategic partners among corporates who would collaborate to build the social finance market in Germany and Europe.

(c) In regular discussions with philanthropists, FASE tried to gain supporters for its own infrastructure as an independent financial intermediary as well as for its mandates with social entrepreneurs.

DEAL-ORIENTED FUNDING

(a) In order to be able to offer investment readiness services to the most promising social enterprises - regardless of the profit potential of their business model -, FASE initially refrained from charging a fee for reviewing and sharpening business models. Instead, we focused on finding foundations or other philanthropists willing to provide investments readiness grants. Inspired from the investment readiness foundation in UK, these donors would then pay the professional services of FASE to help the social entrepreneurs become investment-ready. Meanwhile, FASE pursues a slightly adapted approach: We offer our investment readiness support packages for a reduced fee in the range of 4,000 - 6,000 EUR, which the social enterprise can either fund by itself, through a donation raised from a foundation (as described above) or through a public grant program.

(b) Additionally, FASE will continue to be partly funded by transaction fees. Starting in 2014, FASE introduced fees that become due as soon as a financial transaction has been successfully signed. These fees are in the order of magnitude of 5% of the transaction amount, but are not sufficient to cover all costs of FASE. To enable such complex hybrid deals between multiple investors, especially in the lower end of the financing spectrum between 50,000 EUR and 500,000 EUR, extensive work and resources are required. Consequently, a complementary funding for FASE to support the rather high transaction costs in this market segment will still be necessary in the future.

2. SCALE-UP IN CURRENT CORE MARKETS

Our projects have shown that deal-by-deal support from experts like FASE can be a very effective mechanism to provide hybrid capital to social enterprises in early stages of their growth. Our approach proved to be successful with more than 35 closed deals, channeling more than EUR 12 million in additional resources into the social finance ecosystem in Germany, Austria and Benelux. Since we are aware of a huge demand from both social enterprise and impact investors in these regions, we believe that this only a small fraction of the addressable market. We are both committed and convinced to scale our proven methodology within Germany, Austria and Benelux, in order shape a well-functioning market for social enterprise finance and build an open pipeline of investment-ready social enterprises geared towards growth.

Almost all social enterprises that we have supported so far had business models that aspired to become cash flow positive in the future (i.e., generate higher revenues than costs) and therefore are able to use repayable financing instruments to accelerate and pre-finance this path to economic sustainability. However, we also believe that there is even a bigger potential of innovative social enterprises that generate significant positive social impact, but will never be able to financially break even (i.e., will always have higher cost than revenues). The reason is that they are not able to monetarize their societal impact and fully incorporate it into their business models.

We are convinced that pay-for-success or pay-by-results models (as those piloted in this project) may therefore present an efficient and effective way to provide these social enterprises with growth capital and thus enable them to scale their activities. As in the case of social impact bonds, an impact investor will pay up-front for the costs of a specific social enterprises to perform a specific intervention in a specific region to support a specific target group. Only if the effectiveness of this intervention can be verified ex post (e.g., in comparison to a control group or compared to a pre-defined impact threshold), a commissioner (e.g., private philanthropists, or eventually the state) will step in and re-pay the investor both, the principal investment and an interest payment depending on the level of achieved social impact. Thus, the commissioner will only pay for proven outcomes in the end.

Such a pay-for-success or pay-by-result logic may introduce the market steering function of prices to the field of social services, which today are today still valued mainly by their input factors. Such a paradigm shift would be moving the focus away from inputs towards results and has the potential to unleash significant efficiency potential within the social welfare economy. We will continue working with the first social enterprises to pilot such a pay-for-success or pay-by-results financing mechanism and thereby enable the scale-up of these business and impact models.

3. FURTHER EUROPEAN EXPANSION

We plan to expand our successfully tested customized deal-by-deal support with hybrid finance packages to further member states of the European Union. Now that FASE has successfully been established as a leading financial intermediary in Germany, Austria and Benelux, there is clearly a need to support social enterprises with outstanding concepts additional countries. This was an insight we gained in many discussion and on multiple events: There is a huge demand to shape a financial ecosystem for social innovation across Europe.

Our approach is intended to be quite similar to the one applied in our current core markets:

(1) Creating an open pipeline of leading social enterprises that are investment-ready and geared towards growth (e.g. by starting with Ashoka Fellows and continuing with other mandates).

(2) Building an active network of philanthropic and impact oriented investors in the target country and beyond. We will again cooperate closely with regional Ashoka offices and search for public or philanthropic funders to launch local activities in selected European countries, as we will need additional funding to start this regional expansion (e.g., transaction cost support of the European Commission).

The mission of FASE is to cover all member states of the European Union by 2022. Our vision aspires for a pan-European network of affiliated organizations, with FASE Germany focusing on Germany, Austria and Switzerland and different FASE hubs with local management teams covering specific regions (e.g. FASE Benelux, FASE Iberia, FASE France, FASE Italy, FASE CEE, and FASE Scandinavia). Such an organizational set-up would enable the sharing of broad knowledge and best practices between the social finance experts across Europe. It would also enable the build-up and leverage of a joint pan-European network of different types of investors (private investors, donors, public authorities) and a pan-European open pipeline of investment-ready social enterprises. Thereby, it would significantly contribute to the development of a functioning social finance market across Europe.

Our projects so far show that deal-by-deal support from experts like FASE can be a very effective mechanism to provide hybrid capital to social enterprises in early stages of their growth. Our approach has been successfully demonstrated in our current core markets Germany, Austria and Benelux with more than 35 closed deals, channelling more than EUR 12 million in additional resources to the social finance ecosystem. Since we became aware of a huge demand both within our current core markets and from other European countries in the course of our activities, we are committed to scale our proven methodology both, within our current core markets and to other European countries. Thereby, we strive to contribute to a well-functioning market for social enterprise finance across Europe and to create impact at scale.

ANNEX 1: HYBRID FINANCING MODELS

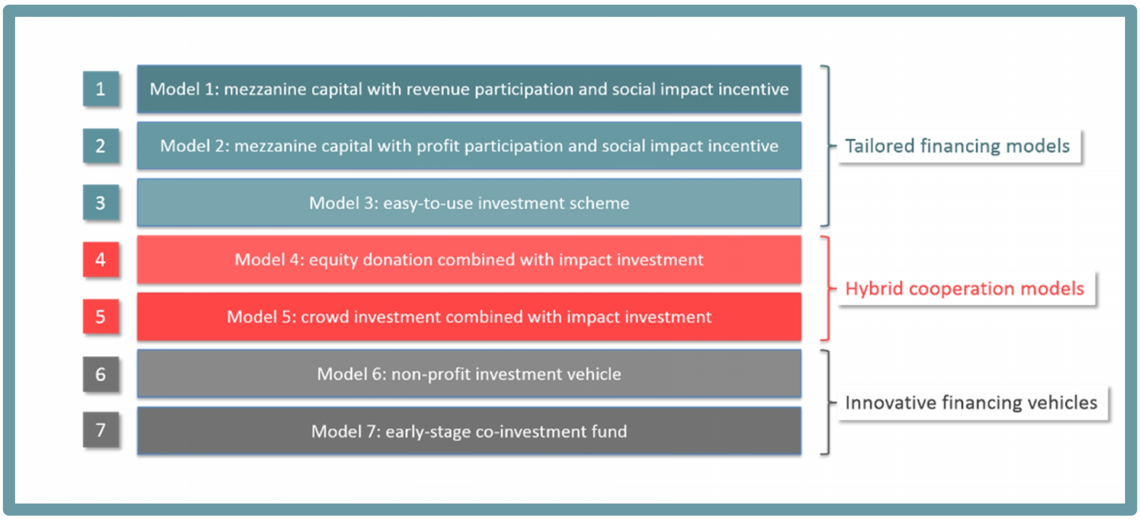

Chart 4: "Hybrid financing models developed by FASE" / Source: FASE

MODEL (1): MEZZANINE CAPITAL WITH REVENUE PARTICIPATION AND SOCIAL IMPACT INCENTIVE:

In this model, the mezzanine capital is designed without loss participation but it features a fixed interest rate coupled with a revenue share. The basic intention is to define a target return for the investor while capping the revenue share amount in the beginning. This enables the social enterprise to develop its business without initially paying too much for the freshly raised capital. One mechanism to achieve this goal is to define a cap on the revenue share. In the end, investors are entitled to catch up on their claims so that their target return is finally achieved.

MODEL (2): MEZZANINE CAPITAL WITH PROFIT PARTICIPATION AND SOCIAL IMPACT INCENTIVE:

This second model principally follows the same structure as the first. But this time, it uses a profit participation mechanism instead of a link to the social enterprise's revenue streams. A fixed interest rate is combined with a share in the enterprise's profit (EBIT). Similar to model number one, there is a social impact incentive embedded in the model: It comes in the form of a one-time final payment that is dependent on the level of social impact that the enterprise generates. To avoid any misinterpretations, this impact goal should be defined as precisely as possible.

MODEL (3): EASY-TO-USE INVESTMENT SCHEME:

This third model is a simplified version of a mezzanine capital investment. Based on the experiences that FASE had with potential investors, it became obvious that many financial supporters have difficulties to understand complex direct investments. Therefore, a simplified and highly standardized model allows them to gain insights into the nature of a typical deal process: the "flight-booking scheme". Investors are guided through a virtual transaction as easily as if booking a flight on the Internet.

MODEL (4): EQUITY DONATION COMBINED WITH IMPACT INVESTMENT:

Model number four combines philanthropic funders with investors: A foundation, a philanthropist or a group of private donors contribute a part of the overall financing by making a donation to the non-profit entity of a hybrid social enterprise. This donation then increases the non-profit's capital stock and enables it to hand over capital to the second entity, a fully owned for-profit subsidiary. This step opens up even more funding opportunities: To further support the financing of the for-profit arm, impact investors can now inject additional growth capital. This is typically done in the form of quasi-equity. Again, this impact investing part is very flexible and can come with features such as revenue or profit participation.

MODEL (5): CROWD INVESTMENT COMBINED WITH IMPACT INVESTMENT:

In this co-operation model, the financing of the hybrid social enterprise is split between a crowd investment and an impact investment. The crowdfunding is very beneficial as it is highly flexible: The crowd can either finance the non-profit entity via donations or support the for-profit organization with investments. The impact investment part, again, is meant for the for-profit entity. It can be structured with the typical features and rights as previously described in models one, two and four.

MODEL (6): NON-PROFIT INVESTMENT VEHICLE:

This vehicle is specifically designed to channel donations into the social finance market and to engage a larger number of foundations. So far, German foundations are not allowed to use donations and grants in a tax-efficient way to support social enterprises structured as for-profit entities. The same applies to grants or donations as a way of providing direct guarantees or repayable forms of capital to social enterprises. A non-profit vehicle, however, is able to make use of this important and substantial funding source: It is able to comply with the existing legal, tax and regulatory frameworks and thus to overcome an important hurdle. It also gives foundations a care-free service.

MODEL (7): EARLY-STAGE CO-INVESTMENT FUND:

This is another vehicle addressing systematic market failures: how to secure more financing for early-stage social enterprises. The main idea is to offer impact investors access to a diversified portfolio of early-stage deals. The fund will be linked to FASE's open pipeline of investment opportunities in social enterprises and will co-invest at the identical terms and conditions defined by the respective lead investors ('pari passu'). To make the fund economics more attractive, the vehicle will be passively managed, with fund administration performed by an experienced partner. In addition, the fund will apply for a newly established EU guarantee program ("EaSI"), which offers the potential to further improve the risk-return profile for investors. As of report date, this FASE project is in the stage of marketing under the name of "Social Innovation and Impact Fund".

ANNEX 2: TRANSACTION SUPPORT

One of the key success factors of transaction support and management is to ensure a lean and transparent process. It has to be reliable, well-structured and efficient, for both social enterprise and potential investors in order to build trust. All participants need to know that they will enjoy savings in time, money and hassle by engaging with an experienced financial intermediary. FASE has taken an active role in ensuring this. The process typically spans from initial discussions to the successful closing of a transaction. Often, it also involves support to fill in the last missing pieces of investment readiness.

To illustrate the typical phases of a transaction process, the following overview gives a summary of the main tasks of FASE and the social enterprise itself. Yet even in a perfect setting, approximately 6 months usually pass until the financing amount finally arrives in the social enterprise's bank account:

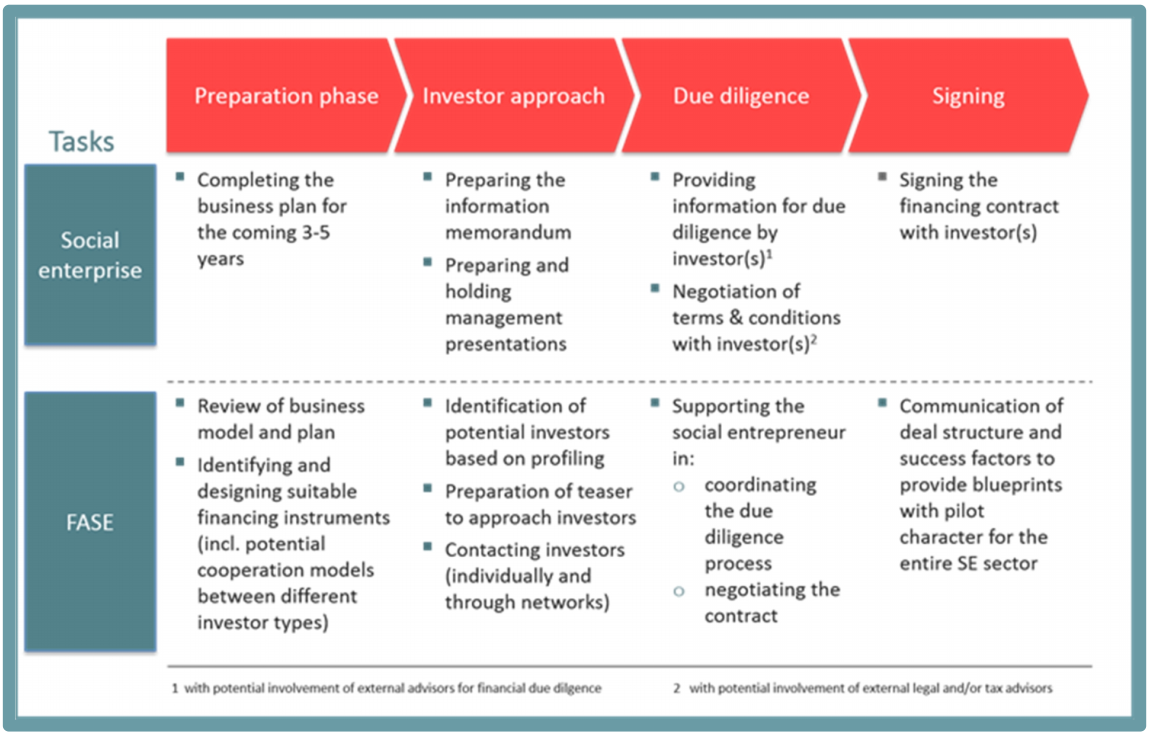

Chart 21: "The phases and tasks of FASE's transaction support" / Source: FASE

The main support that FASE provides in each of the individual phases can be briefly described as follows:

PHASE 1 "PREPARATION":

In this initial phase, FASE screens the social enterprise and its documents provided (e.g. executive summary, pitch deck, financial projections) and makes an assessment if the transaction promises to be feasible, based on previous experiences and the preferences of the impact investors within FASE's network. Then, if the mandate is signed, business plan and financial projections are analyzed and challenged, followed by the identification of the most suitable financing model that is tailored to the social enterprise's needs and ideally supports its financial plan. While doing so, FASE mostly draws from the models that were specifically created and piloted in the course of first project with the European Commission.

PHASE 2 "INVESTOR APPROACH":

This phase starts with FASE preparing an investment teaser that will serve for kicking off the transaction with potential investors. FASE actively built a network of more than 250 investors covering a wide range of different types of financiers and investment preferences. Before approaching concrete investors, FASE profiles its proprietary investor network according to the specific social enterprise and the transaction at hand. Over time, more detailed discussions with interested investors lead to a shortlist, which is followed by management presentations given by the social enterprise to selected investors.

PHASE 3 "DUE DILIGENCE AND NEGOTIATION":

Here, FASE supports the social enterprise in the due diligence process with investors. FASE's main role is to contribute its experience and act as a moderator between all parties involved. The goal of this phase is to have all parties aligned with a fine-tuned and agreed-upon term sheet at the end. Similar to the previous phases of marketing, it is crucial to exert soft pressure on all parties to keep the transaction process efficient, timely and lean.

PHASE 4 "SIGNING":

This phase involves the signing of the financing contract between the social enterprise and its investors. FASE's mandate is now fulfilled. Investors and social enterprise continue to interact directly with each other and focus on building an ongoing and beneficial relationship. FASE's main role at this stage is to summarize and disseminate the knowledge about suitable deal structures and key learnings to the benefit of other social enterprises and the social finance market in general. Thereby, powerful blueprints for replication are created so that the ecosystem is able to evolve.

ANNEX 3A: PILOT PROJECT "BILLY" – TEASER
ANNEX 3B: PILOT PROJECT "BILLY" – CASE STUDY
ANNEX 4A: PILOT PROJECT "JUMP" – TEASER
ANNEX 5A: PILOT PROJECT "SIGN TIME" – TEASER
ANNEX 5B: PILOT PROJECT "SIGN TIME" – CASE STUDY
ANNEX 6A: PILOT PROJECT "HELIOZ" - TEASER
ANNEX 7: PILOT PROJECT "PAPILIO" – PRESENTATION
ANNEX 8: PILOT PROJECT "ATEMPO" – PRESENTATION
ANNEX 9: EARLY-STAGE CO-INVESTMENT FUND – PITCH DECK
ANNEX 10: FASE PUBLICATION LIST

CONFIDENTIAL ANNEX

ANNEX 3C: "BILLY" – INFORMATION MEMORANDUM
ANNEX 4B: "JUMP" – INFORMATION MEMORANDUM
ANNEX 5C: "SIGN TIME" – INFORMATION MEMORANDUM
ANNEX 7B: "HELIOZ" – INFORMATION MEMORANDUM

LIST OF CHARTS

No.	Title / Description	Source
1	"FASE's role in the social finance ecosystem"	FASE
2	"The strategic financing gap"	FASE
3	"Overview of FASE's transaction support tasks"	FASE
4	"Hybrid financing models developed by FASE"	FASE
5	"Time line of EU project activities by FASE"	FASE
6	"Alternative roll-out models for the expansion of FASE's services"	FASE
7	"Assessment criteria for suitable roll-out regions for FASE"	FASE
8	"Hybrid financing model for Sign Time"	FASE
9	"Pay-for-success-based financing model for Papilio"	FASE
10	"Impact measurement as a central task in Papilio's pay-for-success-based financing model"	FASE
11	"Pay-for-success-based financing model for atempo"	FASE
12	"Impact measurement as a central task in atempo's pay-for-success-based financing model"	FASE
13	"The problem - a widening financing gap for early-stage social enterprises"	FASE
14	"Types of investees for the early-stage co-investment fund"	FASE, avesco
15	"Key decision criteria for investments of the early-stage co-investment fund"	FASE, avesco
16	"The rationale behind a hybrid fund with public guarantee"	FASE, avesco
17	"The multi-layered structure of the early-stage co-investment fund"	FASE, avesco
18	"Fact sheet early-stage co-investment fund"	FASE, avesco
19	"FASE impact investor network by investor type"	FASE
20	"FASE impact investor network by activity level"	FASE
21	"The phases and tasks of FASE's transaction support"	FASE

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