

FASE

IMPACT REPORT 2019



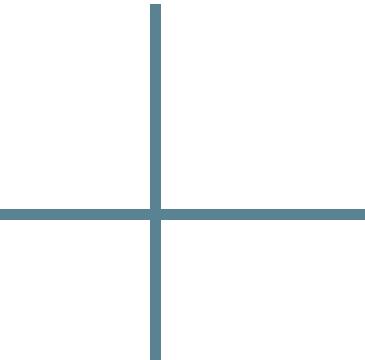
Financing Agency for Social
Entrepreneurship





FINANCING AGENCY FOR
Social ENTREPRENEURSHIP

Cover photo: Magdalena Keus
Report photos by FASE
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INTRODUCTION



Social enterprises are increasingly recognized as important drivers of change in Europe. They operate on the basis of viable, sustainable business models and fill a very important role in the market: as agents of innovation, prevention and efficiency, situated between the public and the private sectors. Social enterprises develop innovative approaches, models or practices for resolving societal challenges in an entrepreneurial way and “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 and implementing the Sustainable Development Goals (SDGs). For these agents of innovation, poor access to finance is still perceived as one of the most significant barriers. Social enterprises are chronically underfunded, often lack scale and struggle to access funding from mainstream financial markets. 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. They 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 (EUR <500k) 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.

VISION AND VALUE ADD



FASE has the vision to create a thriving ecosystem for social innovation by boosting impact finance across Europe. We are passionate about building bridges between outstanding social entrepreneurs and investors inspired by the idea to create sustainable, positive impact. By helping our clients to raise capital in a highly professional way, we improve their chances to achieve impact at scale.

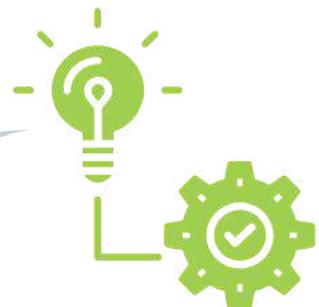
At the heart of our activities is our drive to find the right kind of investors for every passionate entrepreneur we support. Our biggest value add is our team's knowhow and our network of funders. We cover the entire universe of "financing planets" – from private investors, philanthropists, family offices and business angels, to foundations, impact funds, ethical banks and public funders. To them, we offer inspiring opportunities to create tangible impact by investing directly into enterprises that fit their individual preferences.

SCOPE OF THE REPORT

This report gives a brief overview over FASE's social impact achievements concerning the support of social enterprises becoming investment ready and finding the right investors. The reporting period is the calendar year and relates to the previous business year (2019) to be in accordance with the financial results of FASE GmbH.

Contact person for the report: Magdalena Keus

THE SOCIAL CHALLENGE & SOLUTION



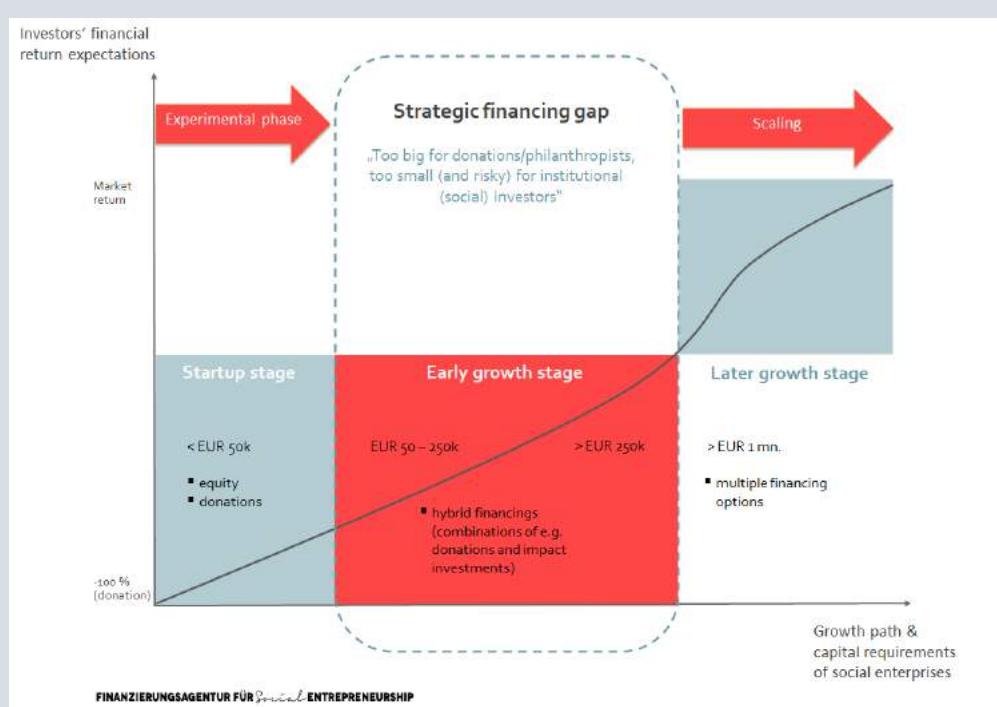
The early-stage financing challenge

From a funding perspective, the lifecycle of a SE typically involves a diverse group of capital providers. Most projects initially rely on friends and family and/or philanthropic funders to financially master the stage of creating and piloting their concept. In the following stage, when the SE sets out to enter the market and grow, this type of funding is often insufficient. Larger amounts of capital are required to scale solutions and expand operations and/or geographic reach. Many SE can become attractive candidates for institutional impact investors later in their lifecycles, but are typically considered too small and risky at this early stage.

Funding needs mostly range between EUR 100k to 500k, which, in the eyes of potential investors, makes transaction cost relatively high. Additional challenges for investors include volatile revenues of the potential investees, a distant break-even point, novel impact and business models as well as untested “pioneer” markets. The lack of a meaningful impact measurement may be another reason why investors tend to refrain from getting engaged early. Most (social) venture funds or institutional banks are rather searching for well-established, more mature social enterprises with proven business models and attractive risk-return ratios. The majority of early-stage SE, however, are not able to cover more than 75% of their operating costs with revenues yet.

The consequence is a strategic financing challenge, a market failure often termed “the valley of death”. Yet solving this challenge is a compelling opportunity at the same time: Developing innovative financing models, mobilizing impact-minded investors, and building a pipeline of investment-ready social enterprises can strongly contribute to removing barriers and creating a thriving social finance ecosystem across Europe.

On the capital provision side, impact investing has become a growing trend in social enterprise finance. The concept embraces the idea that social purpose and business acumen can be combined, making social impact a fully integrated dimension in every investment decision.



The market challenge - an improving but still imperfect market for social finance

Social enterprises in Europe have come a long way in the past two decades. While one of the most critical factors, access to repayable finance, is slowly improving, the recent sharp increase of impact investment volumes does not sufficiently flow to social enterprises in their early stages yet. There are two core reasons for this persistent phenomenon:

The majority of these enterprises offer risk-adjusted financial returns that potential investors perceive to be relatively low, especially if judged by traditional investment rationales. The financial markets do not sufficiently value the impact created by social enterprises and thus fail to monetize positive externalities.

For small financing rounds below EUR 500,000 - which are sought by the majority of social enterprises in the stage following proof of concept, - there is an additional challenge: The transaction cost of sourcing, preparing and executing deals are disproportionately high for investors. As a result, most capital providers prefer to wait at 'the end of the pipeline' when potential investees are more mature and investment tickets larger. Such behaviour, however, comes at a price: If social enterprises do not receive the financial support they require early-on, the mature investment pipeline will inevitably dry out.

On the demand side, the challenges need equal attention. In most European countries, social enterprises strongly underperform in their investment readiness , i.e. "the capacity and capability to seek and utilize investment" – a precondition that most, if not all, investors want to have met before becoming engaged. Investment readiness involves a variety of business and impact skills, spanning from the ability to do financial forecasting and correctly assessing financing needs, via measuring and managing impact, to installing management information systems to preparing a compelling documentation to convince investors. As a consequence, capacity building is an important cornerstone in the mission to establish a thriving European ecosystem for social enterprise finance.

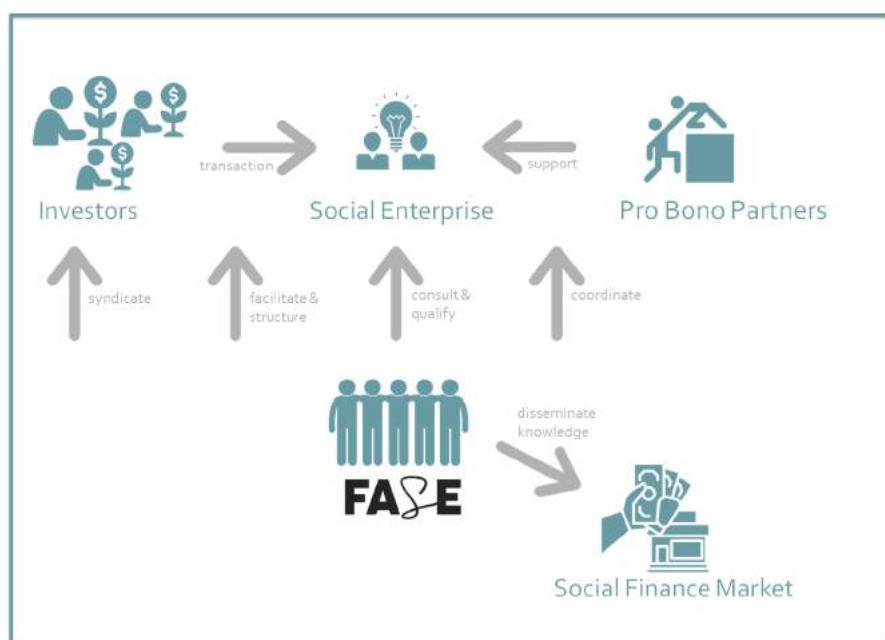
While recent academic research comes to an unclear picture as to whether a limited supply of repayable capital is indeed the ‘culprit’ preventing social enterprises from scaling, it is important to note that an appropriate supply of finance is key. If financing cost are too high, instruments too restrictive or conditions unfavourable, social enterprises may easily shy away from seeking growth capital from external investors. As a result, they will miss opportunities to scale their solutions and positive impact for the benefit of society. Mental hurdles such as concerns about a potential mission drift, fears of too much investor influence or pressures to provide an exit may add to this demand-supply paradox. Therefore, it is important to emphasize that quantity of available capital surely counts, but quality is equally important for a functioning market for social enterprise finance. Non-financial support, - such as strategic knowhow, access to networks and sector expertise from investors and funders -, is a benefit that can make a huge difference for social entrepreneurs and their ability to survive and scale.

Today, the stage of evolution amongst different regional impact ecosystems within the EU still varies a lot. To cite the most recent edition of the European Commission’s ‘recipe book for social finance’, “some markets are very advanced; others are waiting for the birth of the first loan fund or impact-oriented investment, while a decreasing number are still waiting for the pioneers that will set them up.”* At the same time, this is a situation -, no matter how challenging it may be -, that provides excellent opportunities for intermediaries such as FASE to add value by bringing financial innovations and customized deal-by-deal support to as many European markets as possible. Together with other ecosystem-building actors, this contributes to bringing the vision of a true pan-European market for early-stage social enterprise finance one step closer to reality

*European Commission (2019): „A recipe book for social finance“, second edition, <https://ec.europa.eu/social/main.jsp?catId=738&furtherPubs=yes&langId=en&pubId=8251>

FASE's solution: Where passion for impact meets capital to scale

The Financing Agency for Social Entrepreneurship (FASE) was originally founded by Ashoka 2013 to **bridge the gap** between social enterprises and impact investors through customized investment readiness and transaction support. FASE effectively connects both sides of the financing ‘equation’. An important component in this endeavour is to develop and pilot innovative financing models and state-of-the-art hybrid structures that meet the needs of all parties involved. This led to a number of successful blueprints for replication that FASE has created and will continue to expand. Educating potential investors about the possibilities, risks and rewards of impact investing proved to be as important as coaching social entrepreneurs how to get ready for repayable capital. Knowledge dissemination is particularly important when it comes to the impact of social enterprise business models – a dimension that many impact investors, even experienced players, still struggle to fully understand, measure and manage . Many new frameworks and tools have emerged in the market lately, but are not yet widely adopted by investors and funders. Educating both sides – capital supply and demand - is therefore key and continues to be a vital part in FASE’s work.



Target groups, processes & instruments

FASE's main target groups are social enterprises on the one hand, and impact investors and philanthropists on the other hand. Therefore, getting access to the enterprises and building a pipeline are important processes in the work of FASE. The two core processes, however, are (1) transaction management, and (2) investor relations.

FASE is working with several hybrid financial models. As they are core instruments of FASEs daily work, they shall be explained in more detail in this chapter.



COLLABORATING WITH FASE PREPARED US REALLY WELL TO COMMUNICATE IN THE "INVESTOR LANGUAGE". OF COURSE, THE SAME APPLIED TO THE INVESTORS THEMSELVES. THROUGH FASE, THEY KNEW EXACTLY WHAT IT MEANS TO MAKE AN IMPACT INVESTMENT. THIS IS WHY I APPRECIATE THIS PROCESS AND TRANSLATION SERVICE SO MUCH: WITHOUT FASE, THE "LANGUAGE BARRIER" WOULD HAVE BEEN MUCH HIGHER.



Felix Schäer, Bürgerwerke

Pipeline management

- process & instruments

FASE generates pipeline candidates via various channels. Some of the potential mandates contact us directly, others are recommended to us. In addition, we also conduct a proactive search for suitable candidates. Potential candidates are considered on the basis of defined criteria. In addition to the business model, the impact theory and the impact measurement indicators, the proof of concept and the management team play a decisive role. After an initial contact with the social enterprise, our pipeline team discusses internally the company's potential on the basis of these criteria. In doing so, the FASE team also pays close attention to the interests of potential investors.



Application

Social enterprises contacting FASE directly have the opportunity to fill out the questionnaire we published on our website. The questions may help the enterprise to verify, if the stage, impact and business model fit our criteria (and our investors interests). Some enterprises are recommended to FASE or proactively approached by the team. In these cases FASE usually receives a pitch-deck and an initial introductory call is set up. During the call both parties may check their expectations and channel questions.

Internal discussion and feedback

In its bi-weekly pipeline call the FASE team discusses new candidates. If both teams - the FASE team and the social enterprise - decide to proceed, they get to know each other better in further calls. Core element of these virtual meetings are detailed discussions of the business and impact model.

Decision

The pipeline process ends with the decision of the social enterprise to sign the contract with FASE and to start the transaction process.

Transaction management

- process and instruments

One of the key success factors of transaction management is to ensure a lean and transparent process. It has to be reliable, well-structured and efficient for a social enterprise and potential investors alike in order to build trust. All participants need to know that they will save time, money and hassle by engaging with an experienced financial intermediary. The process typically begins with initial discussions and ends with the successful closing of a transaction.

- core services

Coaching
the SE



FASE provides an important service by coaching the SE about the investors' expectations and attitudes. As a consequence, he or she is much better prepared to deal with different investor types and their very specific needs. FASE also guides the enterprises throughout the whole process in all relevant questions of financing, business planning and other important issues.

Providing
financing
instruments



FASE understands the specific profiles of SEs and impact investors. FASE designs new, state-of-the-art financing instruments that match both sides. During the transaction process, the models are explained in detail to both parties and adjusted in a way that they achieve the best possible fit between social enterprises and their potential investors.

Approaching
investors



FASE has built a network of impact investors and knows about their preferences. This allows FASE to profile, coordinate and syndicate different potential funders during the transaction process in a very effective way. FASE has also set up a targeted process when approaching investors so that the list can be narrowed down quickly to those seriously interested in joining the deal. This process involves the preparation of suitable material such as teasers as well as the assistance in setting up management presentations with the social enterprise's team.

Securing
neutrality



FASE is an independent financial intermediary that does not act as an investor in its own right. It is therefore able to consult with both sides of the financing equation without any conflicts of interest or an agenda of its own – other than helping the company to achieve the best possible impact on society.

Involving
strong
partners



With Ashoka as a strong partner, FASE is able to engage Ashoka's pro bono network for the benefit of the SE. This allows to secure valuable support, e.g. legal advice when designing the term sheet of the financing.

Transaction management

- process

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 analysed 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.

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 800 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.

Due Diligence & 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.

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. On average, approximately eight months may pass until the financing finally reaches the social enterprise's account.

Investor relations

- *process*

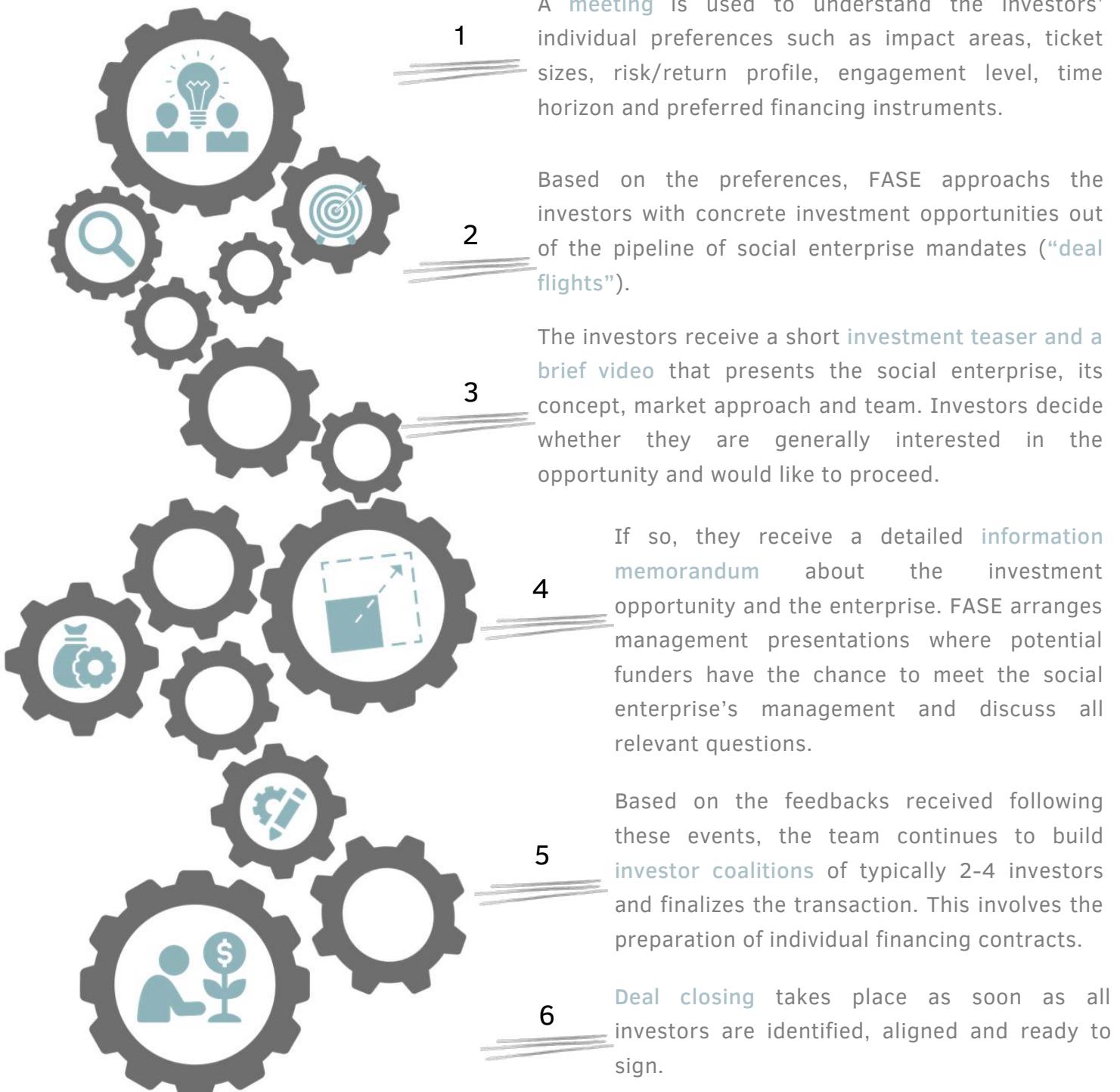


In general, FASE captures the profile of each investor in a customer database. To expand the investor network, FASE arranges meetings and calls with potential financiers to better understand their specific investment focus, preferences as to impact themes and regions and expectations. This investor profile serves FASE to offer tailored impact investing opportunities according to the personal preferences of each investor. Periodically, the investors receive so-called “deal flights”, which include short presentations of selected social enterprises that seek to attract growth capital. Interested investors are then invited to management presentations, allowing them to get a deeper understanding of the social enterprise, its management team, business and impact models as well as investment (e.g. risk-return) profile. Although the effort to match investors and social enterprises is generally very time-consuming, it is also highly effective. FASE is enabled to create the best possible fit between investors and social entrepreneurs and to customize investor coalitions according to the specific needs of each enterprise mandate.

In addition, we regularly organize social finance events, where social enterprises from our pipeline can pitch and present their business innovations to investors. A virtual event has been offered on a monthly basis, where investors get the opportunity to connect and learn more about the topic of impact investing.

Investor relations

- process



Hybrid financing models

In FASE's experience to date, many social enterprises choose to operate with hybrid organisational structures and business models that combine both non-profit and for-profit business elements. These models are often best served by implementing equivalent hybrid financing models. Typically, repayable financing instruments are well-suited to finance for-profit activities of such enterprises. For non-profit entities, the ideal support often comes with donations and public grants.

FASE's innovative financing approach consists in coupling these two types of funding and thus enable a full coverage of the spectrum of sources and return expectations - from (100%) or donation-type of returns to market rate-or investment-type of returns. FASE designed five different models of this kind to enable a cooperation between investors, donors and public authorities. Typically, the impact investment parts are based on mezzanine capital and include smart features such as revenue or profit participation agreements and/or social impact incentive mechanisms. With its open-source approach, FASE regularly shares these innovative models to allow for a replication of successful blueprints within the European ecosystem and create additional impact for the ecosystem. This cross-national knowledge dissemination is supported by the European Union, who has identified and supported FASE as a key player for social enterprise finance.



Output during the period of operation



FASE focuses on identifying social enterprises in need of growth capital to scale and supports them in getting "investment-ready".

In the course of this process, more than 600 SE were screened in 2019. Out of these 600, approximately 100 made the list of deals in discussion by the FASE team. 10 were finally selected and 5 successfully closed in the year 2019, with a total transaction volume of EUR 3.65 million.

Additionally, FASE established a strong network of around 1500 potential investors from different "financing planets". Until today, private investors, business angels and family offices still represent the first movers and a majority of the investors in this network. Another potential source of funding are foundations. Although there are several pioneers in the market, the majority of foundations are only beginning to tap into the possibility of doing impact investing. Many of them have difficulties with embracing the idea of a "mission-related investment" philosophy: leveraging their social impact not only by making grants and donations out of program budgets, but by additionally investing (part of) their capital stock into projects that are close to their individual missions. Finally, several investments into FASE mandates come from banks, investment funds and social investors. These are mostly impact players that pioneered the market and represent a vital part of today's social finance scene. Also multipliers such as asset managers or business networks and clubs are very important players in the market.



INVESTMENT READINESS: IF YOU NEED REPAYABLE CAPITAL FROM INVESTORS TO SCALE YOUR IMPACT AND GROW, THEN YOUR ENTERPRISE MUST HAVE THE CAPACITY AND CAPABILITY TO SEEK, TAKE ON, USE AND REPAY THIS INVESTMENT.*



Source: <https://social-finance-academy.org/investment-readiness/>

MAIN OUTPUTS SINCE 2013

+800

ENTERPRISES CONSIDERED

+25 MIO.
EUR

TOTAL INVESTMENT VOLUME

+50

TRANSACTIONS CLOSED

+1500

NETWORK OF PASSIONATE INVESTORS
& MULTIPLIERS

Intended results on the target groups

The impact logic

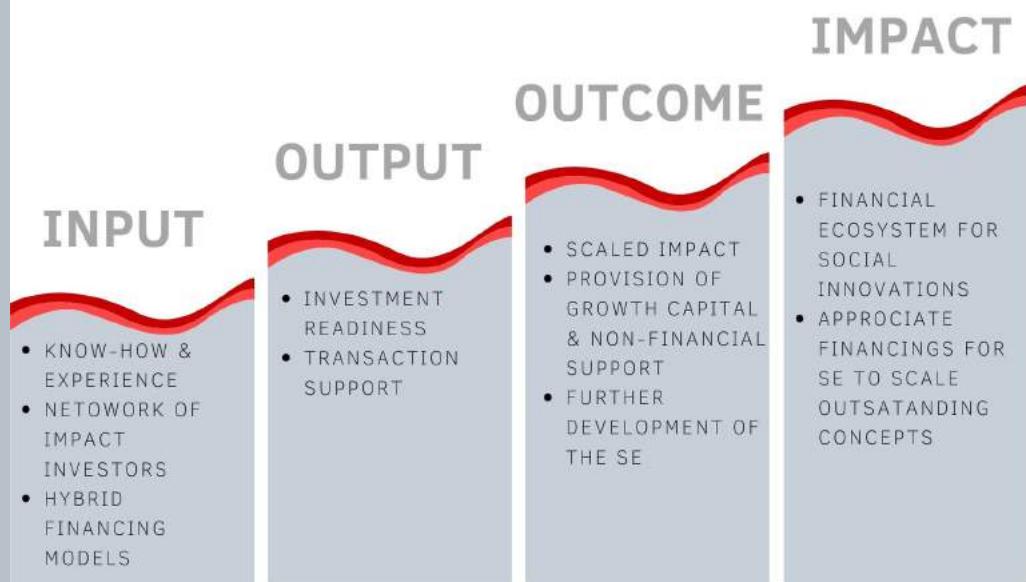
For both target groups, FASE has developed criteria to measure the output, outcome and impact. In general, the output is described as all actions from an organization, which directly address the target group. The outcome therefore is a change in the target groups behaviour and the impact is a systematical change.

The following graphic illustrates the straight output, the learnings and the long-term impact for both target groups as described in the chapter above.

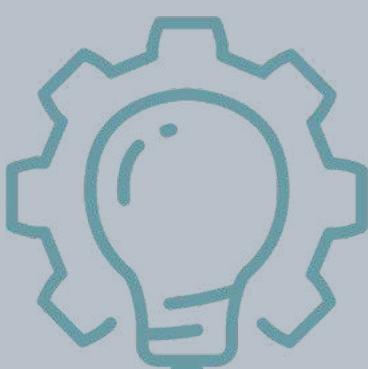
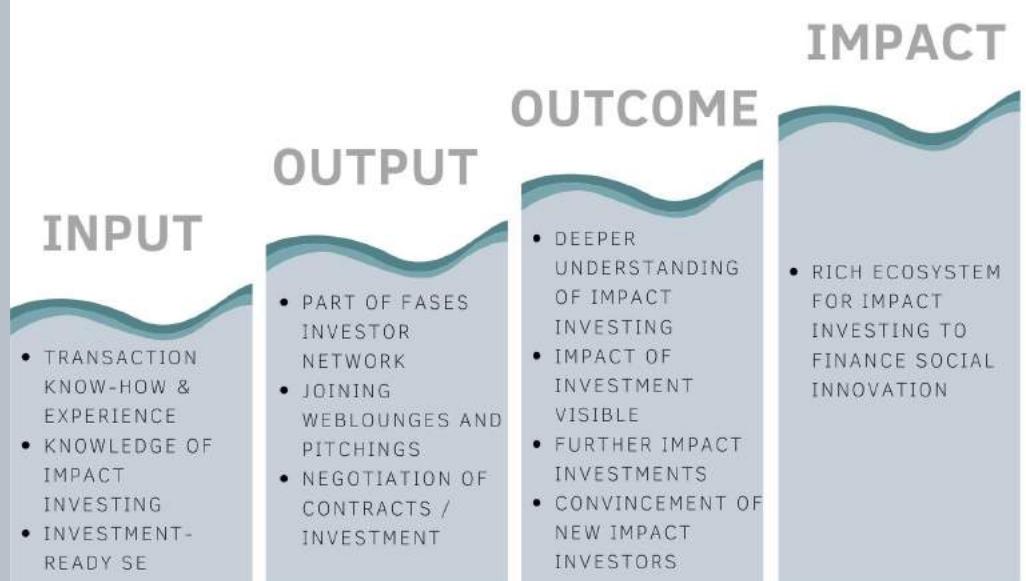


FASES MISSION IS TO CHANGE THE CIRCUMSTANCES FOR SOCIAL ENTERPRISES AND TO CREATE AND FURTHER DEVELOP AN ECOSYSTEM FOR IMPACT INVESTING.

IMPACT CHAIN PERSPECTIVE OF A SOCIAL ENTERPRISE



IMPACT CHAIN PERSPECTIVE OF AN IMPACT INVESTOR



HIGHLIGHTS & OUTPUTS 2019



2

NEW COLLEAGUES

5

CLOSED DEALS

10

NEW MANDATES

~100

NEW PASSIONATE
INVESTORS & MULTIPLIERS

+3,6 MIO.
EUR

INVESTED IN
THE SECTOR

Extension of Investors Network

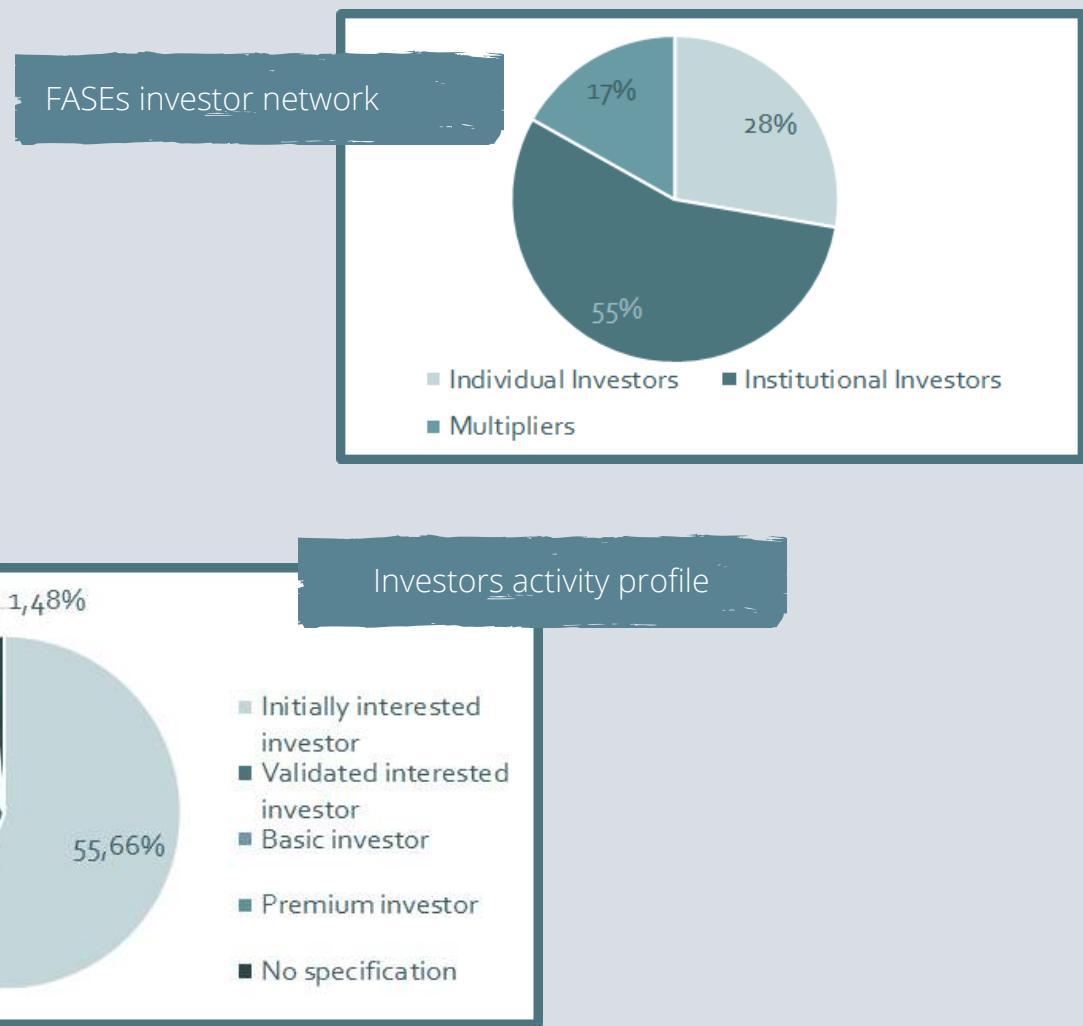


In 2019, the network of investors grew to more than 1500 potential investors and multipliers. All investors and multipliers are informed regularly about new investment opportunities and invited to our physical or virtual events. Most of the individual investors are private investors and business angels. Institutional investors and multipliers are mainly foundations, banks, (social) venture funds and family offices.

In 2019 the investor relations team of FASE grew with our colleague Laura, who took over the role of an European Investor Relations Manager. As impact investors are one of FASEs target group, we worked on the investor concerning processes and were able to further increase the quality of our investor activities. We defined specific criteria that we should know about all impact investors in our network. These criteria might be the sector, the investment ticket-size, as well as the risk and return profiles of their investments. As a consequence, we were able to develop a completely new structure for our CRM system and to document these individual investor preferences in a meaningful way. We also defined specific activity levels for each investor as well as concrete action items to address the specific needs of each type of investor depending on his or her activity level. On top, we developed a matching algorithm to calculate the potential fit of an impact investor based on his or her investment preference and the investor search profile of a specific social enterprise



The following charts illustrate the breakdown of FASE's impact investor network by investor type and activity level. .



The majority of FASEs investor network are initially interested investors, who haven't invested in social enterprises yet, but who are generally interested in the topic. Validated interested investors are more familiar with social entrepreneurship and closely interested in social finance. These investors haven't invested through FASE yet, but joined management presentations and had a closer look on some projects. Also they might have invested in social enterprises without FASE. Basic investors have done at least one investment through FASE. Premium investors invested more than EUR 500k or at least two times in the past 3 years.

Pipeline & related partnerships

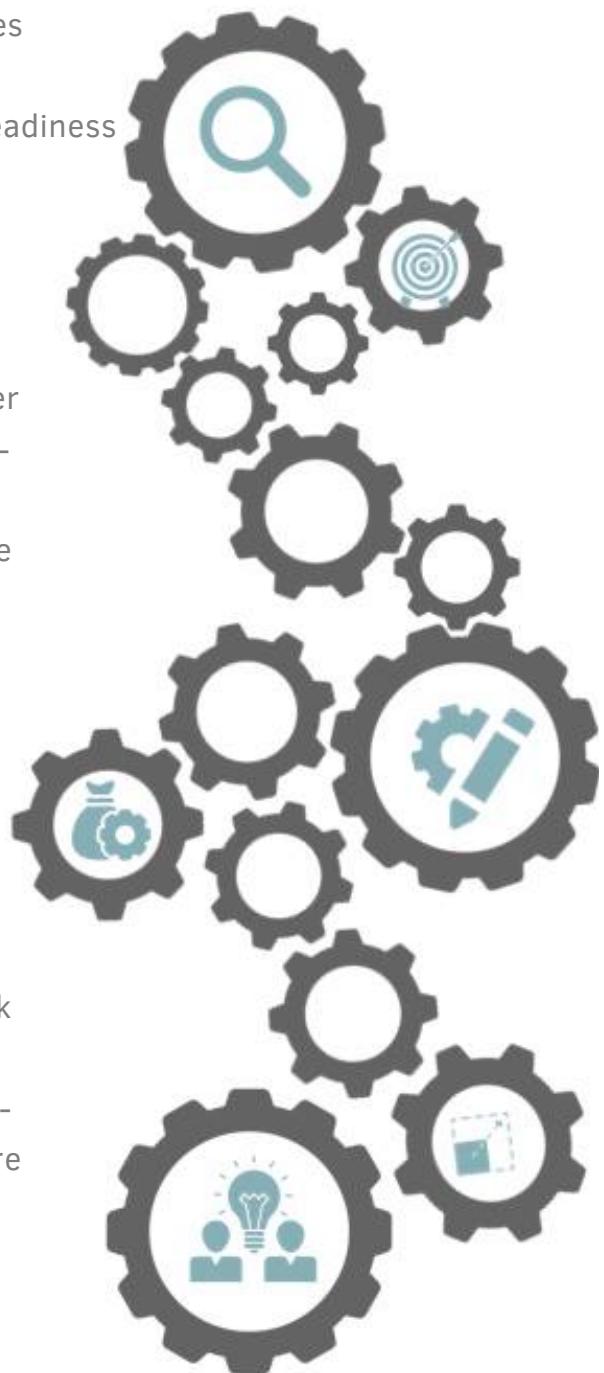
In 2019 the pipeline team screened around 100 social enterprises that may need and seek risk-capital investments of below EUR 500,000. This screening took place in our current core markets (Germany and Austria) and in additional European target countries, for example the Netherlands and the CEE region.

The entire pipeline management included:

1. selecting & meeting potential pipeline candidates
2. reviewing their business & impact models
3. providing initial feedback on their investment readiness

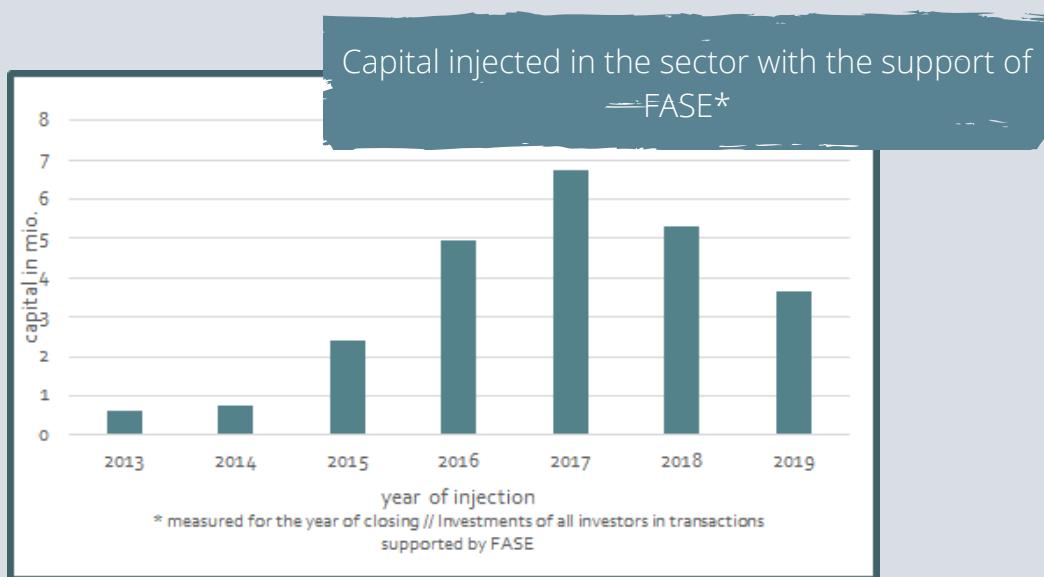
To identify a suitable deal flow for our customized deal-by-deal support, we ...

- ... leveraged the global network of Ashoka, actively **screened** social enterprises from partner organizations and **asked for referrals** from later-stage investors
- ... **sent out a nomination request** for appropriate social enterprises to our partner network and established an online questionnaire on our homepage to receive initial information from potential social enterprise mandates.
- ... **attended multiple sector conference** with social enterprise pitching sessions, held various online webinars with partner organizations and spoke on many sector conference to actively create appetite among social enterprises to seek growth capital to scale.
- ... **formalized our partnership** with different pan-European partner organizations to ensure a more permanent, structural access to a broader pipeline of investment-ready social enterprises (e.g. further partnership programm with Ashoka and the Impact Hub Europe,



Transactions and impact oriented projects

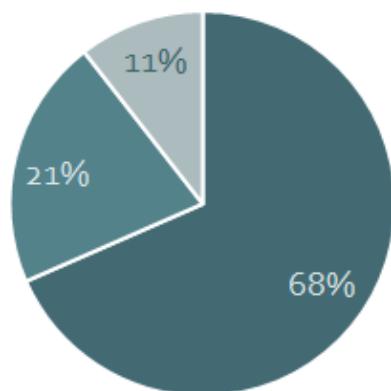
Since FASE's foundation in 2013, almost 75 social enterprises have received consultancy from the team. Therefrom, more than 50 enterprises successfully secured growth capital through our support. Less than 20 transactions had to be discontinued out of a variety of reasons such as personal issues of the founders, the enterprise's insolvency, or similar. As of the time of completion of this report, eight transactions are still ongoing and expected to close in 2020. The graphs below illustrate the annual number of successfully closed transactions as well as the total capital injected to the social finance market by calendar year. Please note that the year of mandate signature is not necessarily identical with the year of transaction closing due to the necessary time period to bring a transaction to a successful signing.



With the support of FASE a volume of almost EUR 25 Mio. of growth capital has been injected into the sector since 2013. Most of the closed deals encompassed a volume of less than EUR 500k. On the one hand, this can be explained by the early-stage level of the supported social enterprises (as described in the preceding chapter). On the other hand an explanation is that larger financing rounds are likely to be split in two sub-rounds within the consulting phase. The decision of splitting is done on a case by case basis and depends mainly on the required investment sum and the business model of the enterprise.

Transactions 2013-2019*
*(due to date 31.12.2019)

- transaction successfully closed (with/ without the contribution of FASE)
- transaction early terminated
- still in process



SE supported by FASE & successfully closed in 2019

Sowing vegetables, reaping team spirit! Office gardening for a better appreciation of edibles in enterprises

With its office gardening concept, AckerPause brings fresh and unique vegetable experiences to corporates and startups. The offer addresses enterprises that wish to cope with today's challenges of fostering healthy nutrition and team spirit in their work environments. AckerPause helps clients to plan and install indoor or outdoor vegetable patches at or around corporate premises while offering the entire scope of services from planning and planting to providing materials and running workshops. AckerPause is a product of the social enterprise Ackerdemia, which to date focuses on educating youth at schools and kindergartens to appreciate and value food by growing and selling their own vegetables. With more than 5 years of practical experience and more than 250 locations in 15 German regions as well as a nation-wide network of gardening experts, Ackerdemia has a clear and sustainable competitive edge. The social enterprise strives to scale its activities and raised growth capital with the support from FASE, followed by a spin out into a separate entity called AckerCompany.



An adaptive platform for digital learning and teaching in school

bettermarks has developed a unique, adaptive learning platform comprising more than 100k interactive exercises for K-12 math curricula (grades 4-10) in English, Spanish, German and Dutch. The Company's product is currently used by +100k students in different school systems. With its adaptive learning system, bettermarks addresses the lack of qualified teachers and underperformance of students. In Germany, the sale of user/school licenses is coordinated directly by bettermarks, while other geographical markets are covered by pursuing an out licensing strategy. Local partners with already established distribution channels in the school market – such as publishers, education platforms and government organizations – use the platform in exchange for license fees. bettermarks was founded in 2008. Before, the management team was the driving forces behind ImmobilienScout24, Germany's leading online real estate platform, which was acquired by Deutsche Telekom in 2007 (€540m valuation) and went public in 2015 (€3billion valuation). The Company has significantly invested in platform and content development and has achieved nationwide rollouts in Uruguay and The Netherlands. In Mexico and the UK, pilot distribution deals were successfully signed. bettermarks intended to increase growth momentum and boost profitability and raised another round of financing with support from FASE.



The first refrigerator powered by solar heat to supply safe pharmaceuticals in the Global South



Insufficient cooling of life-saving vaccines and pharmaceuticals is an urgent problem for regions with unreliable access to electricity. Precious vaccines are damaged in 75% of all cases, resulting in humanitarian catastrophes and product waste ranging to billions. The innovative cooling system developed by Coolar converts the problem into a solution: heat, source of energy for cooling. Coolar's innovative refrigerators for vaccines will be introduced first where people need them the most: in the Global South. Financing and Investors The social enterprise closed an equity financing of EUR 250,000 in 2018, coming from one business angel introduced by FASE.



A simple and disruptive technology to disinfect water in developing countries

Safe drinking water is essential for humans to survive. Yet, 1.8 million people worldwide have no or only limited access to this essential source. The solar-powered UV measurement device WADI was developed in Austria and 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. The product is patent-protected and its effectiveness was confirmed by WHO (World Health Organization), with disinfection performance exceeding the harsh threshold of 99.99% in terms of water quality. Using WADI instead of the usual approach of boiling water reduces the carbon footprint. It can be transferred by HELIOZ into carbon credit certificates that customers can acquire for CO2 mitigation and CSR activities. In addition, HELIOZ distributes WADIs via NGOs, local distribution partners and corporate aid projects. Until today, 15,000 WADIs have been placed in the market in 15 collaborative projects. HELIOZ successfully raised growth capital for further expansion with support from FASE.



Consulting & installation of sustainable energy systems for households

Wegatech offers digital consulting and installation solutions to allow private households to switch to sustainable energy systems. More and more people generate their own power from photovoltaic systems or heat pumps. The future success of the energy transition, however, not only lies in sustainable technologies, but in the intelligent combination of renewable energy systems that ensure the decentralized supply of electricity and heat. Private houses can reach up to 70% of electricity and heat self-sufficiency with an intelligent combination of photovoltaic systems, heat pumps and battery storages. As a result, the customer is able to become independent from increasing energy prices while reducing its CO2 emissions substantially. To continue boosting the scaling of Wegatech in Germany, Austria and Switzerland as well as to build up sales and improve the IT infrastructure, the social enterprise successfully secured growth capital in this second round of financing supported by FASE.



ACHIEVED RESULTS 2019



European Social Innovation & Impact Fund

FASE is proud of technically setting up the European Social Innovation and Impact Fund (ESIIF) – a fund focusing on early-stage social enterprises in Europe. The fundraising for the first closing will start in 2020. With the ESIIF FASE is implementing a co-investment financing vehicle with the aim to channel more growth capital to early-stage social enterprises.

The ESIIF is a novel fund model to address a systematic gap in social enterprise finance in Europe: it will finance a pipeline of early-stage social enterprises and will help them to bridge the early-stage financing gap and scale their impact after an initial proof of concept. Designed as a passively managed matching fund, it aims to provide vital funding with mezzanine capital to early-stage social enterprises located in countries within the European Union. On the capital supply side, the fund aims to achieve an attractive internal rate of return for (semi-) professional German investors, who can choose between a senior and a junior tranche with different risk-return-profiles. On the capital demand side, the fund's mission is to provide social enterprises with risk capital that they would otherwise have difficulties to obtain. By applying a layered structure with junior and senior tranches, the fund overcomes barriers for a substantial number of (would-be) impact investors who, as 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, it is an essential ingredient of the fund that it was the first vehicle in the German market to secure the EaSI Social Entrepreneurship Guarantee: this enables the necessary fund economics as well as reasonable financing conditions for investors and social enterprises.

Knowledge Dissemination

FASE's main target is to create an ecosystem for social impact investing and social innovation in Germany and Europewide. Therefore, FASE communicates its findings broadly into the social finance market. In 2019 the team attended several events and conferences, held different kind of workshops, speeches and webinars. Additionally, articles and interviews were published in which FASE contributed its insights and experiences with innovations in social finance.

Social finance & pitching events

In the tradition of the last years, FASE invited (potential) impact investors to social finance roundtables and enabled first-hand experiences with social enterprises in a relaxed atmosphere.

We also implemented regular virtual pitching opportunities for social enterprises ("WebLounges"). Impact investors can virtually meet social enterprises and experience a short online pitch given by a social enterprise, combined with a Q+A part thereafter. These events are less time-consuming for investors and social enterprises and therefore a popular alternative to the social finance events. This concept proved to be very useful in reducing the entry barriers for potential impact investors and to becoming interested in actually meeting these social enterprises. On a monthly base the investor relations team also established virtual investor hangouts to discuss concrete questions of impact investing. This event format is on the one hand a chance for well-educated impact investors to share their experiences and on the other hand it's a great chance for newcomer in the field to get connected and to learn more about the challenges and opportunities in the field of impact investment.



Provisions taken for the accompanying evaluation & quality assurance



To ensure a high professional consultancy, FASE implemented standardized processes in advising and assisting their target groups. During the whole process, the team works in sets of two to ensure quality and objectivity. The supervising transaction managers are permanently in contact with the investors and the social enterprises. Additionally, various meetings are set up once a week to discuss ongoing transactions, open questions and pipeline candidates within the team. Once the mandate is terminated, an evaluation interview with the social entrepreneur helps the team to improve its work and to adjust the processes to the needs of their clients.

Previous year comparison: objectives achieved, learning, experience and success



In 2019 FASE celebrated its 6. anniversary. Over the past years, FASE has increased the volume of funding invested, the number of successfully completed projects and also internally the number of team members.

Like in 2018 some transactions couldn't be closed successfully. First and foremost, this is an unsatisfactory result for the social enterprises concerned. The reasons for early terminating mandates are very different and usually very specific. Nevertheless, FASE has made a good reputation as a trusted advisor in recent years. FASE has built a strong network of investors and multipliers, of which some have invested in social enterprises through FASE several times.

Planning and forecast

- The expansion and strengthening of FASE in Europe is a core target for the next year. The team is looking forward to close the first transaction in the CEE region. With the team spreaded over Europe and based in Germany, Luxembourg, The Netherlands and Hungary, FASE build the circumstances to further develop the European market.
- The fundraising for the European Social Innovation and Impact Fund (ESIIF) remains a target and will be a priority in 2020. We are proud to technically set up the fund and convinced the European Commission to support this unique innovative vehicle. With the gurantees the fund is not only interesting for experienced investors. It might also be a great opportunity for newcomers in the market and is therefor a chance for FASE to increase its newtwork of impact driven investors.



ORGANISATIONAL STRUCTURE, FINANCE & TEAM



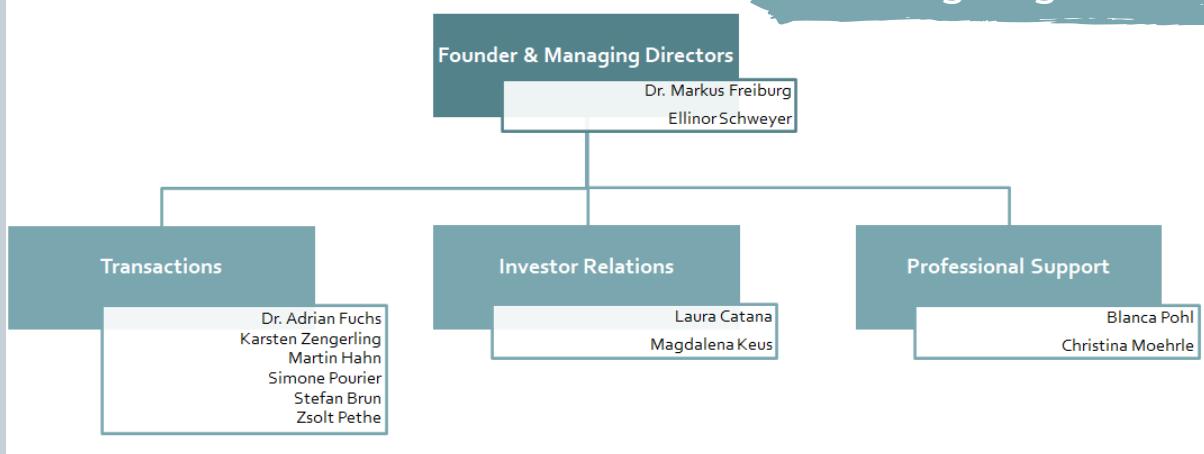
Ownership structure

FASE started its activities in 2013. Initially, the activities of FASE were undertaken within the legal entity of the non-profit organization Ashoka Deutschland gGmbH. In November 2013, the Financing Agency for Social Entrepreneurship GmbH (FASE GmbH) was founded to spin-off these activities into a separate legal entity. Since 2017, the ownership structure of FASE is split between Ashoka Deutschland gGmbH (60%) and the founders (40%) Markus Freiburg, Ellinor Schweyer and Björn Strüwer.

FASE works closely together with its core partners and is well connected to important players in the market of social impact investing. FASE is part of the European Venture Philanthropy Association (EVPA), which is a lively community of organisations creating positive societal impact through venture philanthropy. Important network partners are foundations and social impact investments funds.

Since 2013 FASE is led by the Dr. Markus Freiburg and Ellinor Schweyer as Managing Directors. The core team of FASE is supported by a strong team of senior advisors. Consequently, the administrative structure of FASE is very lean.

Organigram



The FASE team

The FASE team works remotely from different locations throughout Europe. Besides weekly virtual team meetings, the team meets physically on a regular basis for joint meetings in Dusseldorf or Munich. Once a year, everyone takes a few days for a joint retreat to work more intensively on the common team vision and to develop as a team. In 2019 Zsolt welcomed the team to his home town of Budapest for the annual retreat.



All team members



Dr. Markus Freiburg
Founder & Managing Director

By building FASE to become the leading social finance intermediary in Germany and Europe, Markus combines his strategic and financial expertise with his passion for social entrepreneurship. Today he is recognized as a thought leader for social finance, with an active presence in public discourses e.g. as member of the Expert Group on Social Entrepreneurship (GECES) of the EU Commission and the German National Advisory Board of G7 Social Impact Investing Taskforce. He was also selected for the 40 under 40 European Young Leaders Class 2017. Markus studied Economics at Witten/Herdecke (Dipl.-Ök.) and Cambridge (M.Phil) and promoted at the WHU Koblenz on investments by institutional investors in private equity funds. He also contributes his experience as a management consultant at McKinsey & Company and pro-bono advisor to social entrepreneurs.

Ellinor Schweyer
Founder & Managing Director

Ellinor discovered her passion for financing sustainable business models in 2012 when working as an investment manager for German impact fund Bonventure. Before Ashoka Germany approached her to become a co-founder of FASE, she also supported social entrepreneurs in her role as a fundraiser and social impact lecturer at the Munich-based Social Entrepreneurship Akademie (SEA). For FASE, Ellinor contributes her broad network of investors, multipliers and supporters as well as her extensive marketing and fundraising knowledge to build a pool of engaged impact investors. Through her father, Rolf Dienst, a seasoned venture capitalist, she knows the VC business from scratch and leverages her own entrepreneurial experience as a start-up founder. Ellinor is a frequent panelist for impact investing and social finance in workshops and conferences within and outside the impact sector. Originally, she obtained a bachelor degree in hotel and restaurant management from Lausanne and Oxford and ran marketing initiatives for premier brands such as Dom Pérignon, Dior and Falke.



Karsten Zengerling
Senior Advisor

Karsten has supported FASE as Senior Advisor since its beginnings. He has over 25 years of experience in corporate finance, banking and consulting, with a focus on structuring and implementing equity investments and mezzanine financings as well as corporate transactions. Prior to joining FASE, he was head of the equity participations and investment business of social-ecological GLS Bank. Prior to that, he was Managing Director at the German bank WestLB AG, Senior Investment Manager at the investment firm 3i and Senior Manager at A.T. Kearney. Karsten holds a Diplom-Kaufmann degree from WHU Koblenz.



Stefan Bruhn

Transaction Manager

Stefan supports FASE since 2019 as a transaction manager. He studied business economics in Maastricht, Palermo and Nizza (M.Sc.). Stefan enriches the FASE team with his experience in investment banking. Before joining the FASE team, he gained relevant impact investing experience as a client consultant at the GLS Bank. The interest in sustainable topics and the claim to make a contribution to society have been important goals for me for a long time. Stefan lived and worked abroad for many years - most recently in London.

Martin Hahn

Senior Business Development Manager

Martin supports FASE in the areas of international expansion, business development and transaction management for European social enterprises. With more than 20 years of experience on three continents, Martin has learned and breathed innovation and entrepreneurship in various contexts. After studying economics and management and doing research in the field of innovation, he co-founded an IT startup in Vietnam and was active for a technology incubator in Singapore. He then became partner in a financial advisory firm based in Zurich that focused on consulting and making VC investments in tech companies. After that, he co-founded a strategic development consultancy firm. Martin holds a master degree from the London School of Economics as well as from MIT.



Dr. Adrian Fuchs

Transaction Manager

Since March 2017, Adrian strengthens the FASE team as a transaction manager. He studied business economics in Maastricht (BSc.) and London (MA) before receiving his PhD from the University of Hamburg on the subject of impact investing for German charitable foundations (Dr. rer. pol.). Adrian gained relevant project management experience at Bonventure – where he assisted the establishment of the first German social venture capital fund for foundations (MRI pilot fund) – and at the Bertelsmann Foundation. He is driven by the goal to professionalise the impact driven sector.



Simone Pourier

Regional Manager The Netherlands

Simone joined FASE Benelux in February 2018 as a Regional Manager for the Netherlands. She brings more than 25 years of experience in business development, obtained through senior management positions in the staffing industry and as a partner in several startups. After fulfilling pro bono advisory roles at startup companies, Simone is now using her business skills to support social enterprises. Prior to FASE, she has been supporting Ashoka in the Netherlands during their startup phase. She studied business economics (Tilburg University) and business administration (Rotterdam School of Management), and is currently researching the scalability of social enterprises at the Utrecht University in the Netherlands.

Zsolt Pethe

Regional Manager CEE

Zsolt joined FASE in September 2018 as a regional manager for CEE. Over the past 20 years, he has accumulated a unique blend of business background and non-profit experience. Zsolt spent six years building a start-up Hungarian NGO focused on youth engagement and experiential education, for which he was elected an Echoing Green global fellow in 2001. Having built a stable organization, he was recruited by GE Capital and spent the following ten years in various leadership positions in banking. Always keen on helping mission-driven organizations develop, he set out to follow his passion and became Country Representative for Ashoka Hungary in 2015. For FASE, Zsolt will focus on developing a diverse eco-system around social entrepreneurs across the CEE region.



Magdalena Keus

Investor Relations Manager & Executive Assistant to the Managing Directors

Magdalena joined FASE in April 2017 after gathering relevant experience in change and project management. Since 2019, she also takes care of FASE's Investor Relations with a focus on our German-speaking network. Previously, she was in charge of partnerships, fundraising and volunteers of an international childcare foundation. She is engaged as a member of the board and CFO in a social business with the topic of refugees. During her studies, Magdalena was engaged with various renowned non-profits in the areas of education and development work. Magdalena holds a master degree in management for NGOs.

**Laura Catana***European Investor Relations Manager*

Laura joined FASE in June 2019 as a European Investor Relations Manager based in Luxembourg. She discovered her passion for social entrepreneurship during her teen years in central Romania, while she was fundraising for youth empowerment programs. Prior to FASE, Laura spent five years with Ashoka, where she launched the office in Romania, coordinated global training initiatives for Ashoka. She also served as a member of GECES, the European Commission's expert group on Social Entrepreneurship. In addition, she brings her experience as policy officer at the Commission. Laura studied Sociology at University of Trento, Italy, and has an MA in Management of Social Enterprises. Currently, she is pursuing a week-end MBA at Luxembourg Business School.

Christina Moehrle*Communication Manager*

Christina joined the team in August 2014 and takes care of FASE's communications. In 2011, she entered the sector as a freelance writer and journalist to actively promote social entrepreneurship and impact investing. Meanwhile, she focuses on impact finance product development for online and onsite education and on communications consulting. Christina gathered more than 15 years of experience in structured finance, venture capital and investor relations, with partner and management roles at international VC firm Star Ventures as well as at DB Trust, a fully owned subsidiary of Deutsche Bank. She holds a master degree in business administration from the University of Mannheim (Germany), and is a member of the German journalist association DFJV.

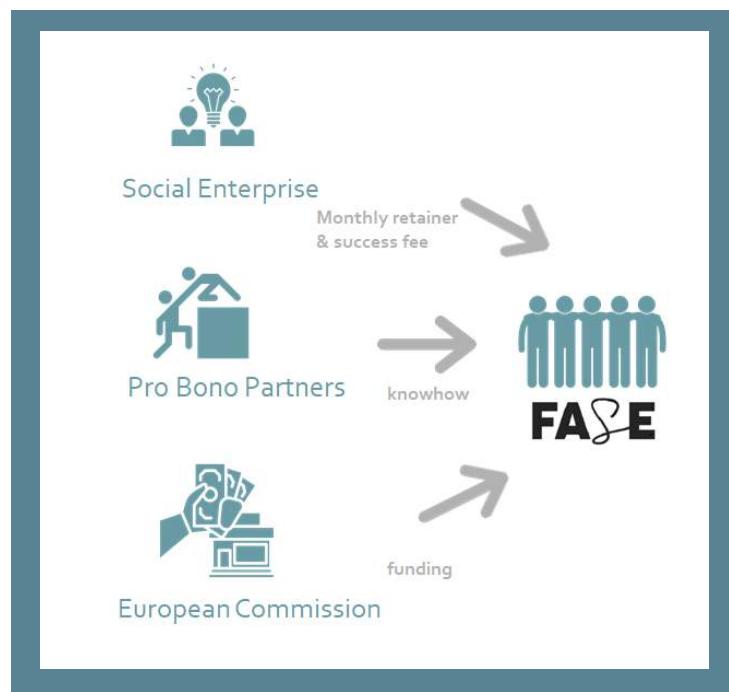
**Blanca Pohl***Finance & Accounting Manager*

Since March 2018, Blanca is responsible for finance and accounting at FASE. Her professional experience builds on many years as a freelancer and entrepreneur, having been a founder and managing partner of a dotcom startup as well as a freelance financial planner and controller. She supported enterprises in multiple sectors during their financing and growth stages and gained insights into social entrepreneurship when doing a "volunteer summer" with Ashoka in 2011. Blanca has a holistic and entrepreneurial view on numbers and sees financial success as the expression of a purpose-driven collaboration.



Finance

In 2019 FASE generated a total income of EUR 614.947 (2018: EUR 659.870) for their activities of which EUR 187.290 were transaction fees from social enterprises and consulting revenues (2018: EUR 298.373). EUR 427.657 came from infrastructure, project related funding as well as release of accruals (2018: EUR 361.497).



Contact



Founders & Managing Directors

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FASE

FINANCING AGENCY FOR
Social ENTREPRENEURSHIP