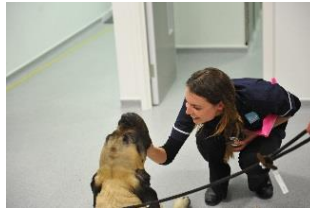




# Bridges Ventures case study

The investment manager perspective

November 2014



# Agenda

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- Overview of Bridges Ventures
- Case studies: delivering financial and social returns
- Bridges' impact methodology

# Overview

**Bridges Ventures is a specialist fund manager dedicated to sustainable and impact investment. We use an impact-driven approach to create returns for both investors and society at-large.**

- Established in 2002
- Team of over 40, with experience in private equity, property, banking and corporate finance
- A limited liability partnership owned and managed by its Equity Partners with a 30% ownership interest held by the Bridges Charitable Trust
- Almost £500M funds under management, of which £300M in private equity funds and £200M in real estate funds



**Winner**  
Venture Exit of the Year:  
British Private Equity Awards 2013



**Winner**  
FT/IFC Sustainable Finance Awards 2012: Excellence in  
Sustainable Finance - Winner

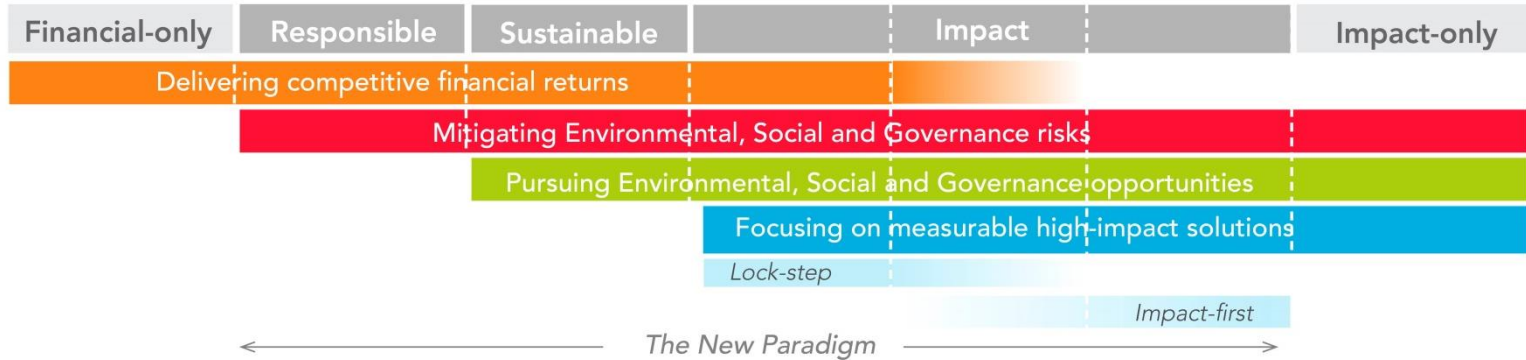


**ImpactAssets Global 50**  
2012

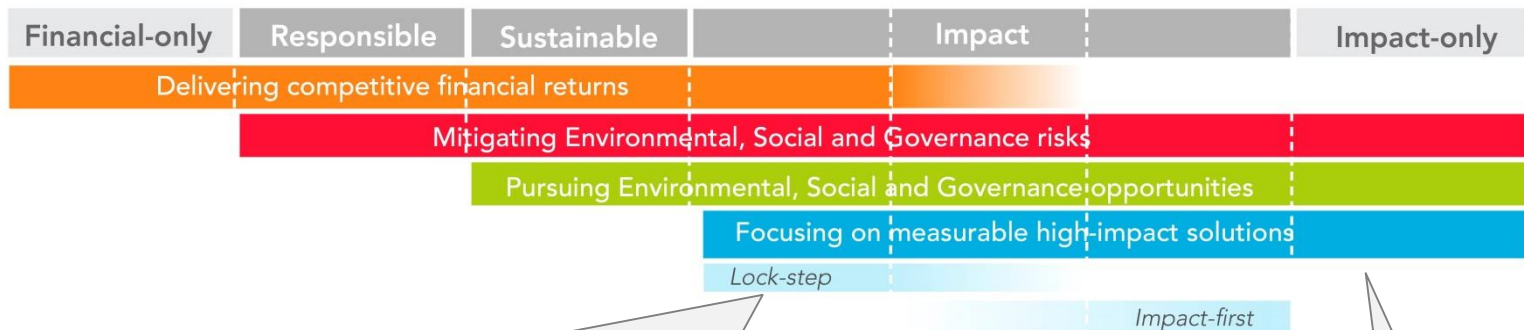


**Winner**  
Fund of the Year  
2008

# Spectrum of capital



# Bridges Ventures: A Platform of Funds



## **Sustainable Growth Funds** backing growth businesses

Fund I: £40m, 2002

Fund II: £75m, 2006

Fund III: £125m, 2011

## **Sustainable Property Funds** investing in properties in underserved areas and environmentally sustainable buildings

Sustainable Property Fund: £28m, 2009

**CarePlaces Fund** in partnership with leading care home developer  
£47m, 2011

## **Social Entrepreneurs Fund**

investing in scalable social enterprises

£12m, 2009

## **Social Impact Bond Fund**

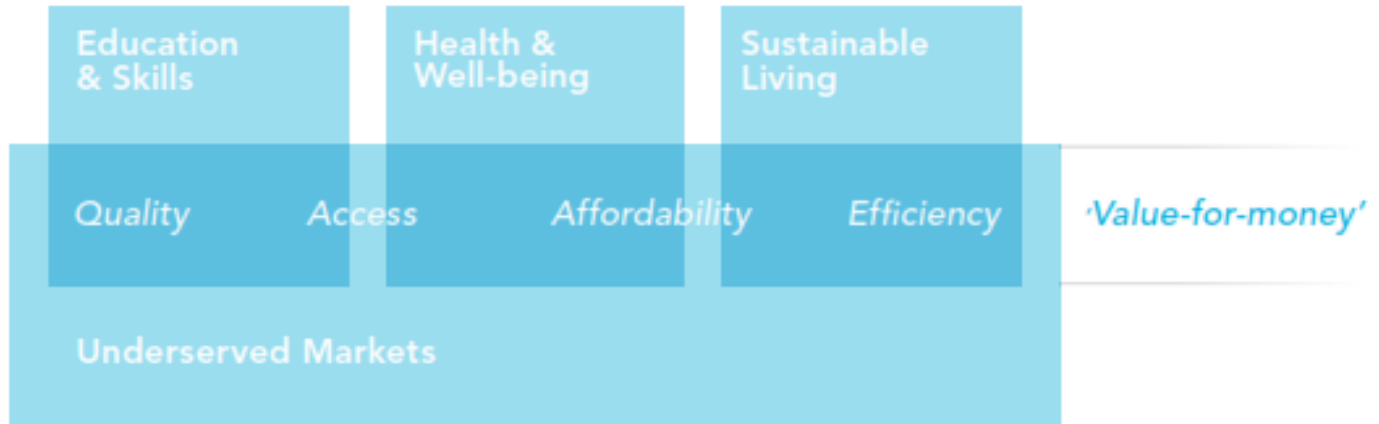
backing programmes designed to improve social outcomes

£22.5m, 2013

**Bridges Charitable Trust**  
2002

# Bridges' Thematic Approach

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# Case studies: Sustainable Growth Funds

## Underserved Markets



### Challenge

- Unemployment
- Underutilised property
- Scarcity of capital



### Impact performance

- 85% supplier spend in underserved areas
- 73% wage bill to employees in underserved areas

### Commercial performance

- Sold for 47% IRR and 8.9x money multiple for Fund I

## Sustainable Living



- Need for rapid decarbonisation
- Pressure on natural resources



- Cumulative 100k+ tonnes of waste oil diverted from landfill
- Cumulative net saving of 300k+ tonnes of CO2e

- Sold for 31% IRR and 4.7x money multiple for Fund I

## Education & Skills



- Skill shortage
- Stagnating school performance
- Budget constraints



- 6,089 learners in 2013
- 749 previously unemployed now in full-time work
- 1644 employers hiring from Babington

- 27% topline growth in 2013

## Health & Well-being



- Ageing population
- Pressure on NHS resources
- Rising chronic disease



- 200,000+ users
- 33% first-time users
- Pioneer of 24/7 low-cost, accessible model

- Sold for 50% IRR and 3.7x money multiple (as of June 2013), retaining 25% stake

# Case studies: Property Funds

## Underserved Markets



### Challenge

- Unemployment
- Underutilised property
- Scarcity of capital



### Impact performance

- Most deprived 1% of England
- 60 jobs on site + 11 jobs off-site
- Total local economic impact of c£2.7million p.a.

### Commercial performance

- 350 student units
- Generating an IRR of 28% and a 2.4x money multiple

## Sustainable Living



- Need for rapid decarbonisation
- Buildings as high energy consumers



- Solar PV units on all 25 buildings, providing over 50% of energy
- 56% reduction in carbon footprint relative to baseline

- 50%+ energy cost savings for tenants
- Increased occupancy by 35% since investment

## Health & Well-being



- Ageing population
- Pressure on NHS resources
- Unmet demand for quality elderly care

### Juniper House

- Growing number of care homes serving those needing high acuity and dementia care in an under provided market
- Designed to provide highest quality accommodation and facilities

- Increasing demand by operators for good quality care home properties



# Case studies: Social Sector Funds

## Underserved Markets



### Challenge

- Lack of affordable, accessible transport options for socially-excluded individuals
- Not commercially viable to serve 'pockets' of society



### Financially-viable model

#### Cross-subsidy model

Trading surpluses enable HCT to offer affordable transport for disadvantaged individuals and community/non-profit groups

### Impact performance

- 275,568 passenger trips provided to disadvantaged individuals in 2013/14
- 197,832 passenger trips provided to community groups

## Health & Well-being



- Domiciliary care providers typically operate a low-paid, high churn employee model resulting in lower quality of care for service users



#### Employee-ownership model

enables CASA to benefit from more motivated employees and lower turnover, resulting in better care outcomes for service users

- 1,207 people received care in 2013
- 79% of service-user visits undertaken by the same prime or secondary carer

## Education & Skills



- 14-19 year olds who are Not in Education, Employment or Training (NEETs) tend to suffer poor life outcomes, with greater cost to society

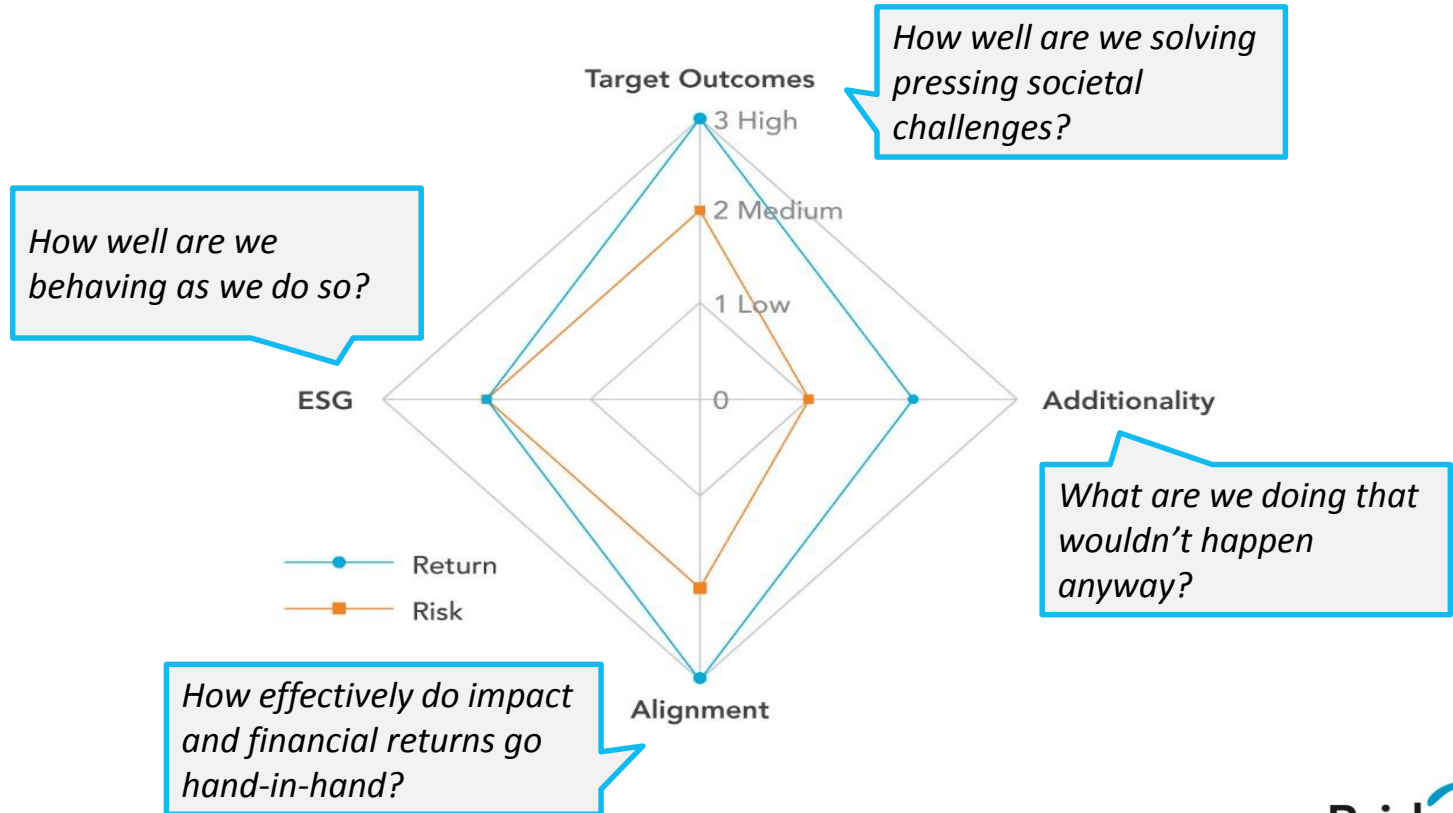


#### Payment by Results model

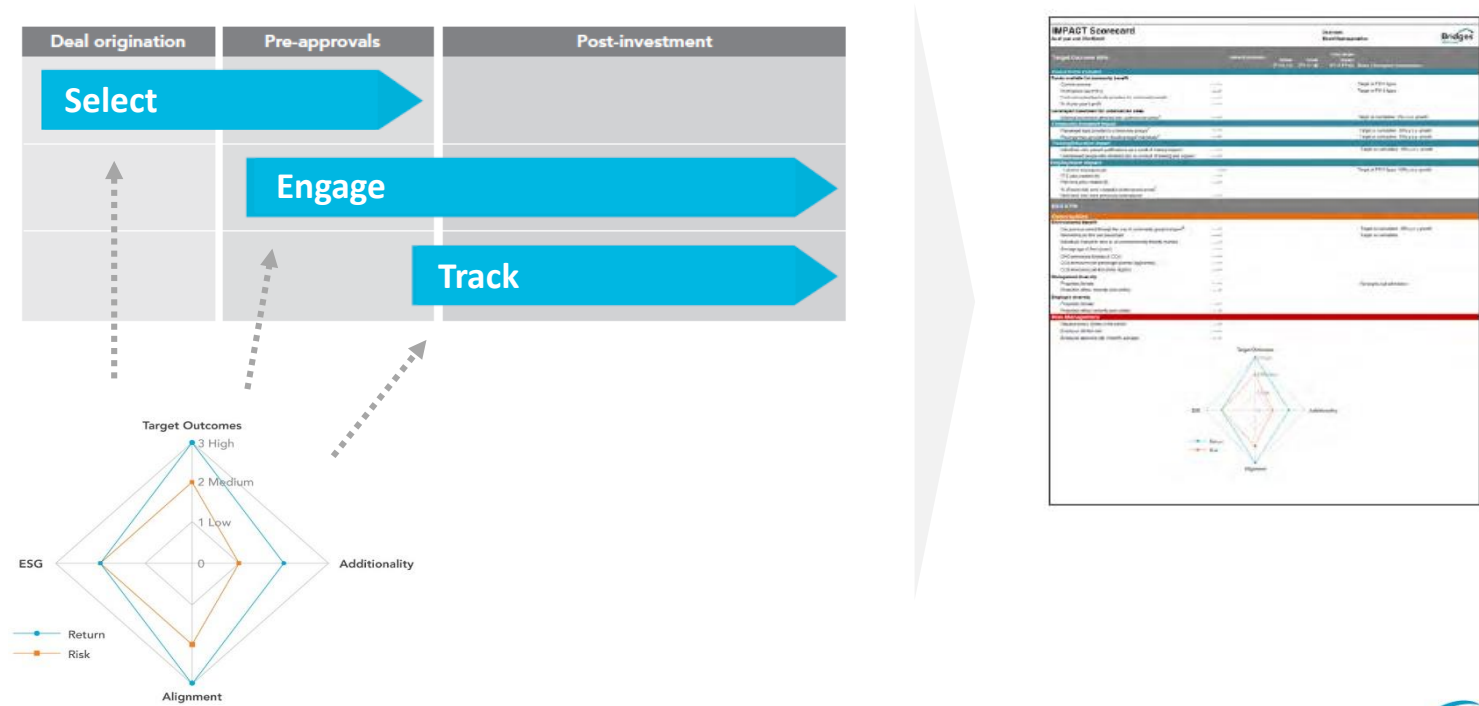
- Mentoring and vocational support
- Cost £1-3k per child

- 872 young people received support to March 2014, with 27% improving attitude to school, 24% improving attendance and 27% improving behaviour at school

# Bridges' IMPACT Radar



# An impact lens throughout the deal cycle

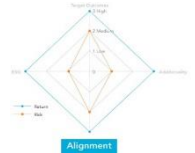


# IMPACT radar: Target Outcomes analysis



	Key questions	Score	Scoring guide
Return analysis	Does the investment create depth of impact or scale of impact, or both? <b>A</b>	3 High	Scale and/or depth, plus: a focus on an underserved beneficiary group and/or potential for systemic change
	Does the investment benefit an underserved beneficiary group or society at-large? <b>B</b>	2 Medium	Scale and/or depth for society at-large
	What systemic/wider impact will occur from the investment? <b>C</b>	1 Low	Neither scale nor depth
Risk analysis	How well tested are the causal links in the logic model?	3 High	Credible secondary research evidences causality (in a different but comparable context)
		2 Medium	Credible secondary research evidences causality (in a different but comparable context), plus primary research supports causality (i.e. the organisation's own quantitative and qualitative assessment)
		1 Low	A scientific study (e.g. control trial or longitudinal study) evidences causality, demonstrating that the investment is generating impact

# IMPACT radar: **Alignment** analysis



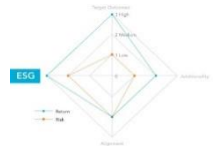
	Key questions	Score	Scoring guide
Return analysis	How aligned is the investment's generation of impact with its ability to deliver competitive risk-adjusted financial returns?	3 High	'Lock-step' between generation of impact and competitive risk-adjusted financial returns
		2 Medium	Ability to generate sustainable risk-adjusted financial returns
		1 Low	Inability to re-pay capital
Risk analysis	How fundamentally aligned is the business model with its generation of impact?	3 High	Many business success factors are not aligned with impact success factors
		2 Medium	Some business success factors are not aligned with impact success factors
		1 Low	All/most business success factors are impact success factors

# IMPACT radar: **Additionality** analysis



	Key questions	Score	Scoring guide
Return analysis	Is Bridges integral to the development/ performance of the investment?	3 High	Bridges is incubating the business
		2 Medium	Bridges is the sole or lead investor in an opportunity overlooked by mainstream investors*
		1 Low	The business is already well-established with other (competing) investors but Bridges' non-monetary support can drive increased impact
Risk analysis	Does the investment lead to outcomes which would not otherwise occur?***	3 High	Likely displacement of comparable societal benefits (e.g. simply stealing market share with no impact value-add)
		2 Medium	Unlikely displacement of other comparable societal benefits due to increased quantity or quality addressing current market failure
		1 Low	Very unlikely displacement of comparable societal benefits due to increased quantity or quality addressing current market failure

# IMPACT radar: ESG analysis



	Key questions	Score	Scoring guide
Return analysis	Are there 'win-win' Environmental, Social or Governance (ESG) opportunities?	3 High	Significant ESG opportunities
		2 Medium	Some ESG opportunities
		1 Low	No/Minimal ESG opportunities
Risk analysis	Can any ESG risks be mitigated?	3 High	ESG risks cannot be mitigated
		2 Medium	ESG risks can be mitigated
		1 Low	Minimal ESG risks

# Bridges Ventures – portfolio outcomes

Impact highlights from across Bridges' funds for the year ending 31<sup>st</sup> March 2013

## Underserved Markets

Bridges' Outcome	Individuals	Society
Quality paid employment in underserved markets	2,900+ direct jobs supported across all funds	-
Job opportunities for the unemployed	546 people moved from unemployment	-
Economic dynamism in underserved markets	-	£435m catalysed spend in underserved markets 4.6x multiplier spend 80% of portfolio companies in Sustainable Growth Funds in underserved markets

**£435m**  
catalysed spend in underserved markets  
.....  
**546**  
people moved from unemployment

## Sustainable Living

Bridges' Outcome	Individuals	Society
Reduced CO <sub>2</sub> -equivalent emissions	-	194k tonnes CO <sub>2</sub> -equivalent emissions avoided
Waste diverted from landfill	-	370k tonnes of waste diverted from landfills
Reduced emissions through building environmentally sustainable property	-	First BREEAM Excellent care home in the UK, as well as first Passivhaus care home in the UK

**194k**  
tonnes CO<sub>2</sub>-equivalent emissions avoided  
.....  
**370k**  
tonnes of waste diverted from landfills

## Health & Well-being

Bridges' Outcome	Individuals	Society
Improved physical fitness and well-being in underserved, particularly inner city, communities	60,000 first time gym users	Pioneering role in growing widespread low-cost gym market
Access to high quality at-home care	1,246 individuals receiving quality care at home 447,437 hours of care delivered	Reducing bed capacity constraints in the NHS through efficient care delivery
Increased community access for disadvantaged individuals	364,437 passenger trips for disadvantaged individuals	-
Improved life outcomes for children in the care system	31 disadvantaged children supported with therapy	-
Improved quality of care homes for the elderly	600+ high quality care home beds for the elderly including dementia patients	7 care homes built in areas with ageing population and high demand

**60,000**  
first time gym users  
.....  
**1,246**  
individuals receiving domiciliary care  
.....  
**7**  
care homes built in areas with ageing population and high demand

## Education & Skills

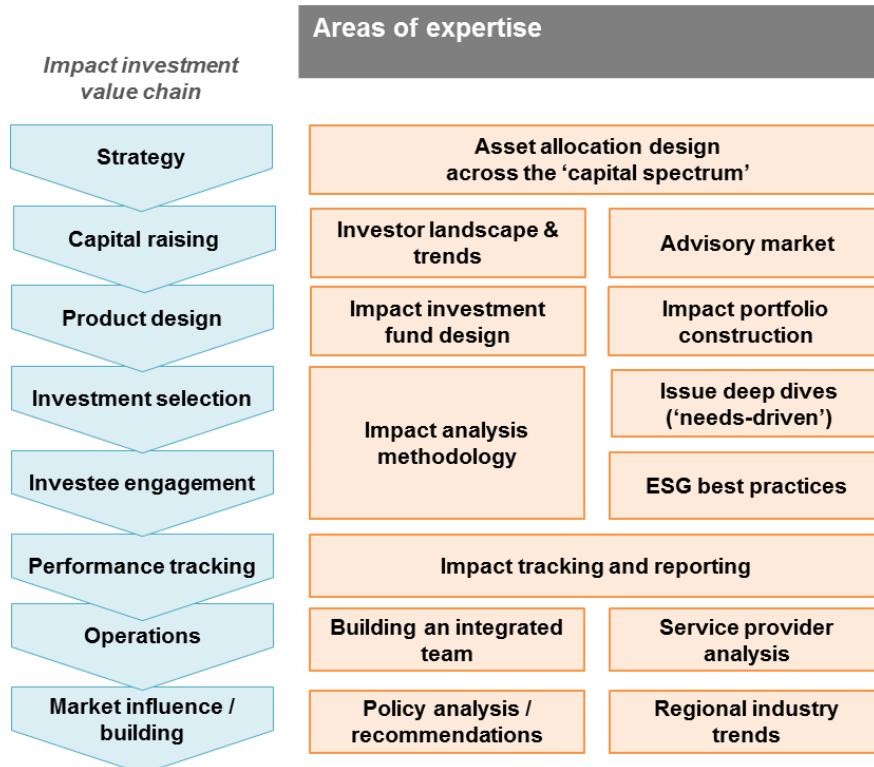
Bridges' Outcome	Individuals	Society
Improved skills and employability levels for students	4,452 students enrolled in skills-training courses 333 previously unemployed students now in full-time employment	-
Functional skills for disadvantaged individuals	572 individuals provided with on-the-job training	-
Improved life outcomes for children at risk of becoming 'NEET'	1,807 programme recruits 701 behavioural and educational improvements/qualifications 34 individuals entering Employment, Education or Training	-

**4,452**  
students enrolled on skills training courses  
.....  
**333**  
previously unemployed students moving onto full-time employment  
.....  
**701**  
children showing behavioural and educational improvements



# Bridges Impact+ advisory

Practitioner-led bespoke advice, rooted in the day-to-day realities of investing for impact, for a wide range of clients, ranging from investors to governments to charities to corporations





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