

# Investing in Social Enterprises in the New Normal



**MAIN.PH**  
MANILA ANGEL INVESTORS NETWORK



**RISEUP**

Responding to the COVID-19 Pandemic  
through Social Entrepreneurship

Resource Speaker:



**JAMES LETTE**  
Executive Director  
Manila Angel Investors Network (MAIN)

ISIP is co-implemented by:



# About the Manila Angel Investors Network

---

- Founded in 2016.
- Not for Profit.
- The largest committed private investors network in the Philippines.
- Formed to support the country's start up ecosystem by connecting investors with promising early-stage companies.
- Providing capital, mentoring entrepreneurs, sharing expertise and opening networks.

**We believe that fostering an innovative Startup ecosystem will benefit both our portfolios and the Philippines' growth.**



# MAINs Portfolio

---



# With the support of

---

## Sidecar Fund Partners



## 2020 Corporate Partner & Venue Host



## Regional Alliance



## Startup Support Partners



Our previous partners -



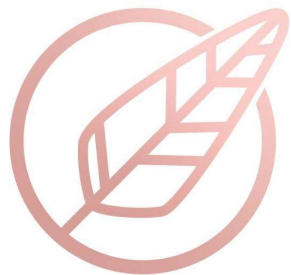
## Creative Partner



# MAINs Sidecar Funds



amalgamated  
INVESTMENT BANCORPORATION



KERUBIN  
CAPITAL

- MAIN has two SIDE CAR FUNDS that can be deployed to MAIN's invested start-ups.
  - 1. Kerubin Capital - Gender catalyst, larger ticket, Deploys into Women-owned or Women-led Businesses
  - 2. AIB - Agnostic, smaller ticket
- Fund deployment requires a minimum of 3 MAINgels to invest in the start-up.
  - Fund investments are determined by their Investment Committee
  - MAINgels can opt to put their money in either sidecar fund



# Today's Topics

---

- Investing in social enterprises - Contexts, conditions and considerations
- What are the challenges and opportunities brought about by the COVID-19 pandemic?
- How can you prepare your enterprise to be investment ready in the New Normal?

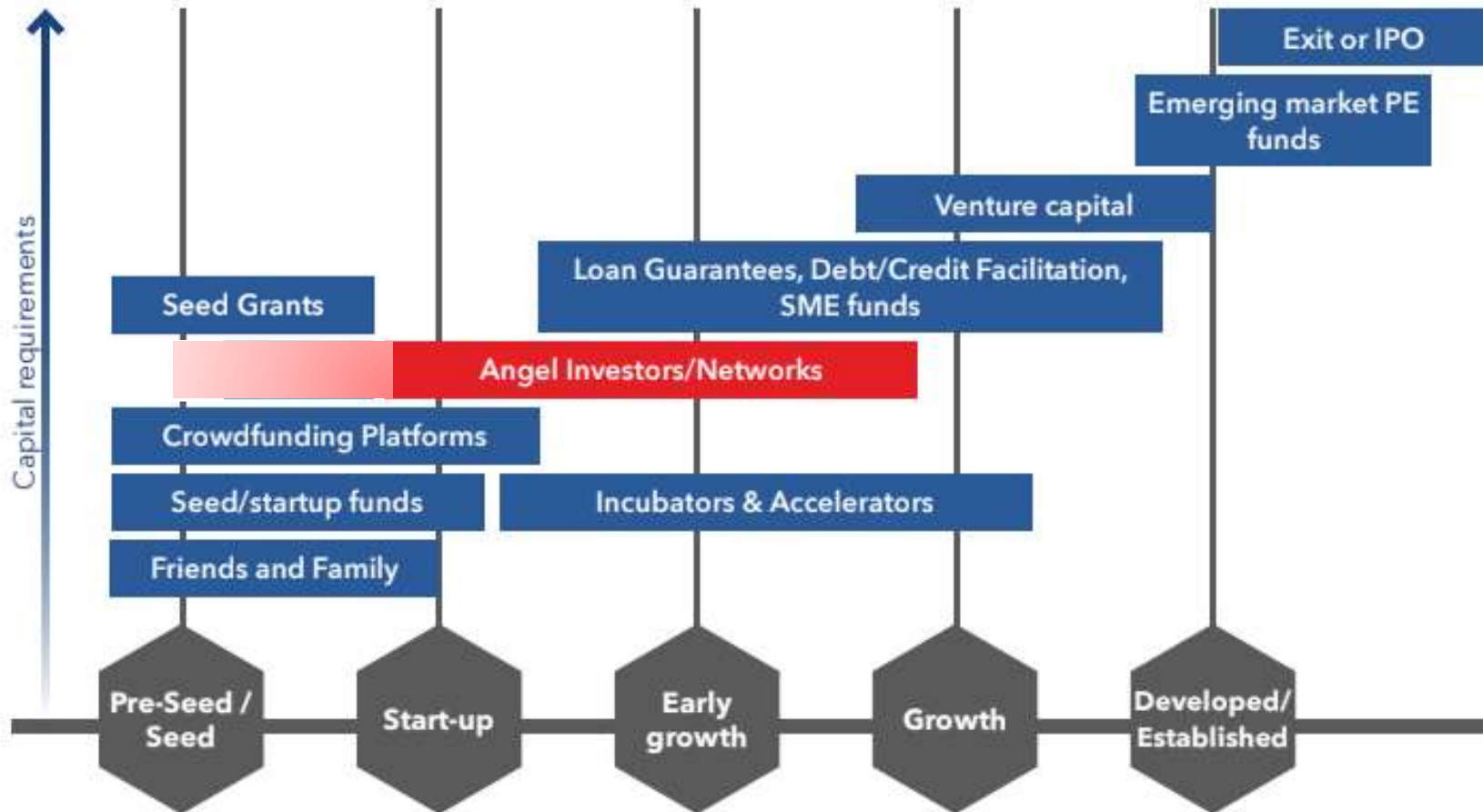


A Little Context...





# The Funding Escalator



Source: World Bank (2018)





# What is Angel Investing?

---

- Broadly, angel investors are high net-worth individuals who invest their own money in entrepreneurial companies, usually at an early stage, and take equity in return.
- Typically invest smaller amounts of money in individual companies than Venture Capital does but are willing to do so at an earlier stage when the risk is very high.
  - Seed - Generally demonstrated early traction; need capital to continue product development and acquire initial customer-base.
  - Series A - Usually achieved strong product-market fit; seeking additional capital to scale the customer/user base and increase revenue.
- Angels are uniquely focused on the startups they back and serve as mentors, advisors or outside directors.



# Why should Startups engage with Angel investors?

- Capital for growth.
- Founder-friendly.
- Risk takers.
- Advisory
  - If the investors are value-add, they're essentially paying you to advise you
- Odds of Success Rise.

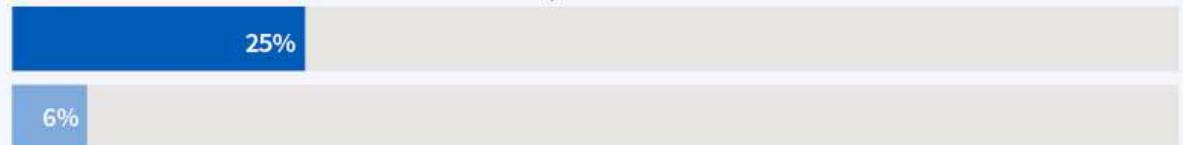
## THE POSITIVE IMPACT OF ANGEL FINANCING

■ Firms with high angel interest   ■ Firms with low angel interest

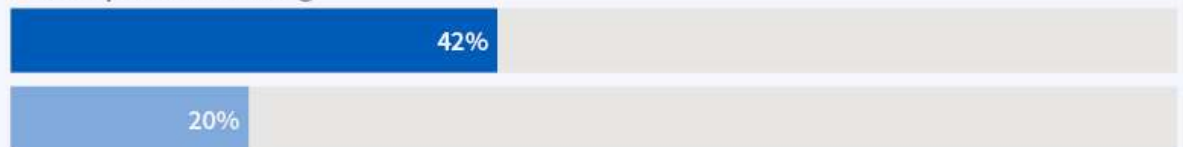
Survival: Venture continues or underwent successful exit



Success: Venture underwent IPO or acquisition



Subsequent financing



Source: Authors' calculations using data from various angel groups

*National Bureau of Economic Research (NBER), March 2016*

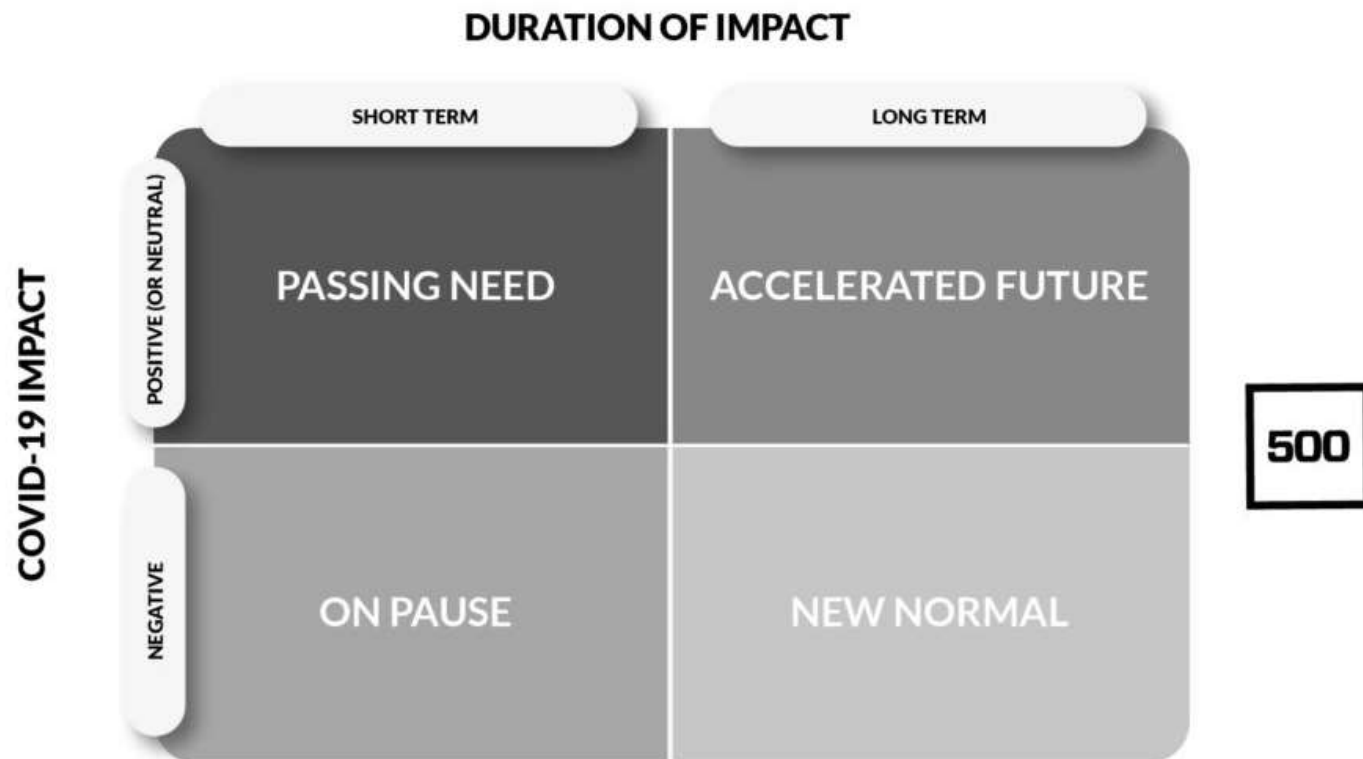
# The New Normal

- What are the challenges and opportunities?



# An example of Investor Thinking: 500 Startups Post-COVID-19 Framework

---



# The Impact Investing Market In The Covid-19 Context

---

Figure 1: Changes expected to investment activity (planned capital invested)

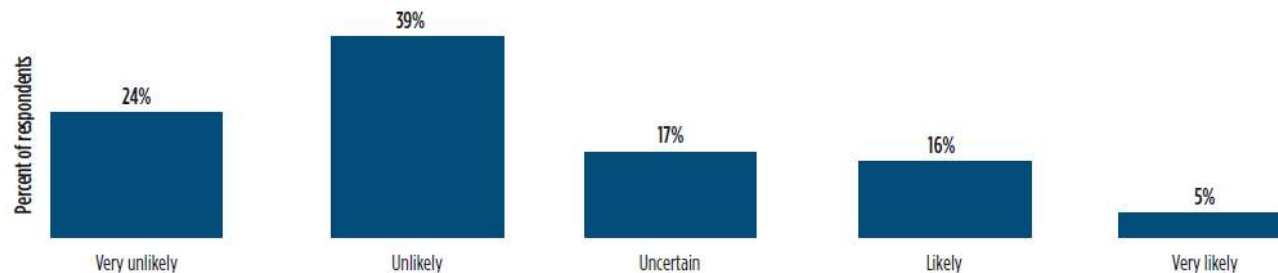
n = 121

Percent of respondents likely or very likely to:

- 16% Increase
- 57% Stay the same
- 20% Decrease
- 7% Uncertain

Figure 2: Likelihood to change target impact themes during the next five years

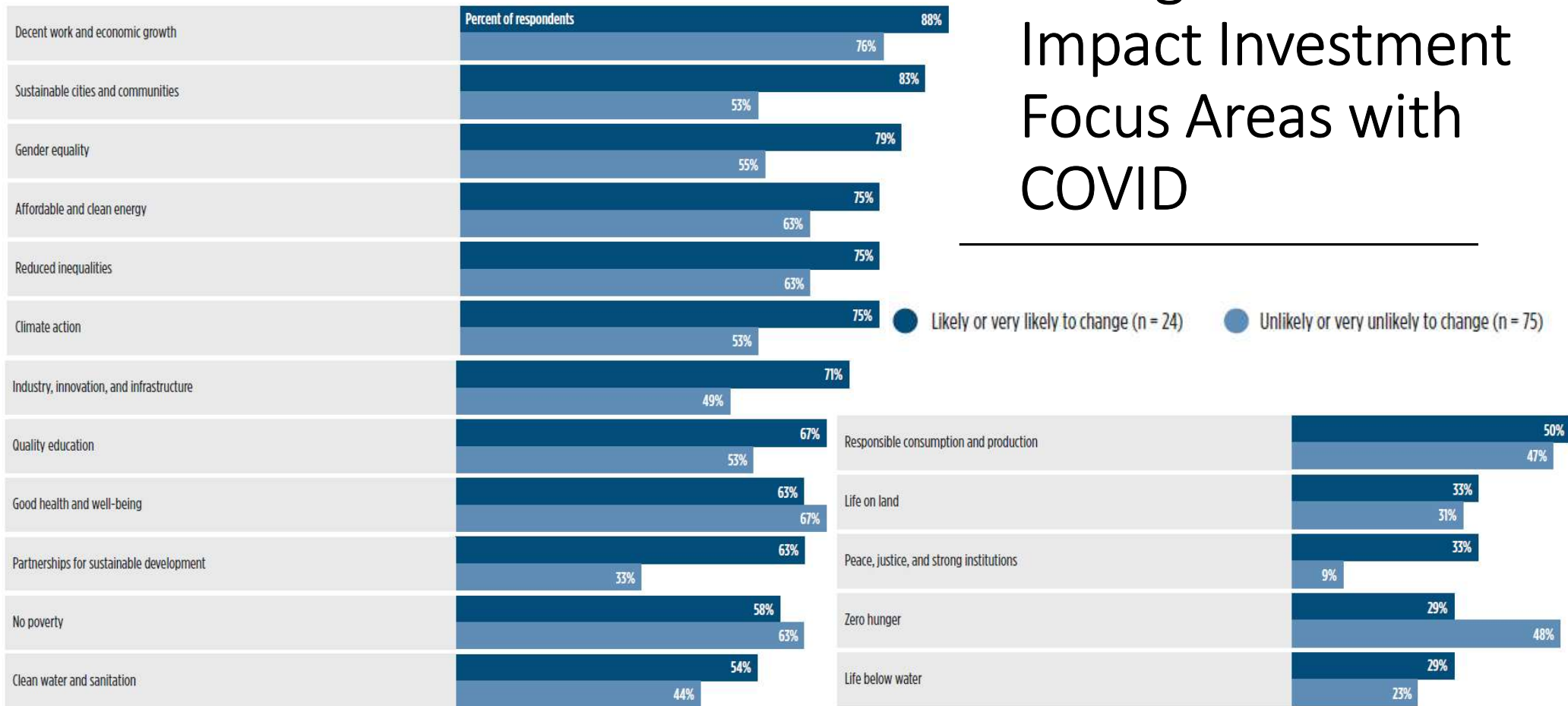
n = 121



Source: GIIN, Annual Impact Investor Survey 2020



# Changes to Impact Investment Focus Areas with COVID



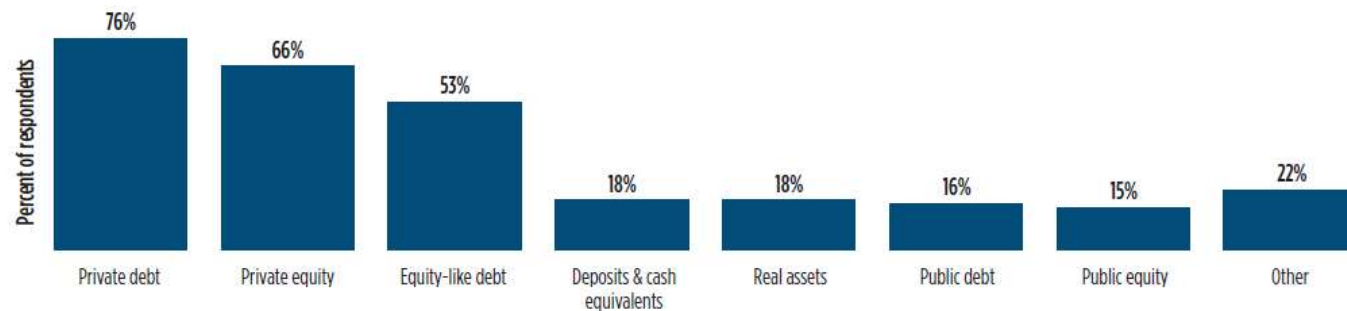
Source: GIIN – Global Impact Investing Network (2020) THE IMPACT INVESTING MARKET IN THE COVID-19 CONTEXT

# How will Impact Funds Deploy?

---

Figure 8: Instruments through which investors seek to provide capital in response to COVID-19

n = 79; respondents could select multiple instruments



## Returns sought –

47% market-rate investments

46% below-market investments that were closer to market-rate

50% below-market investments closer to capital preservation

Over a fifth of respondents described appetite for investments across the full spectrum.





How can you prepare your enterprise to be investment ready?

---

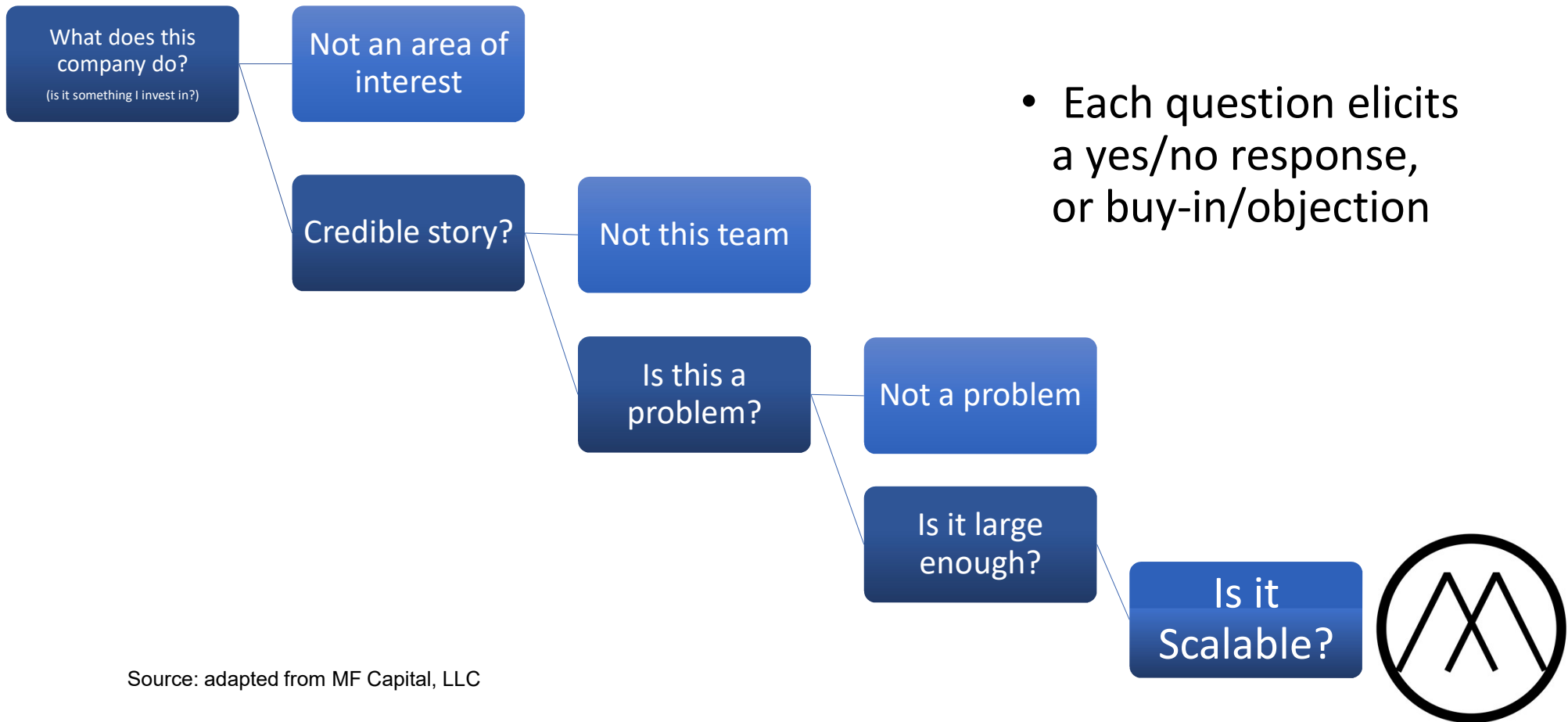
What do Angels look for in Startups –

What founders need to know before they approach investors.



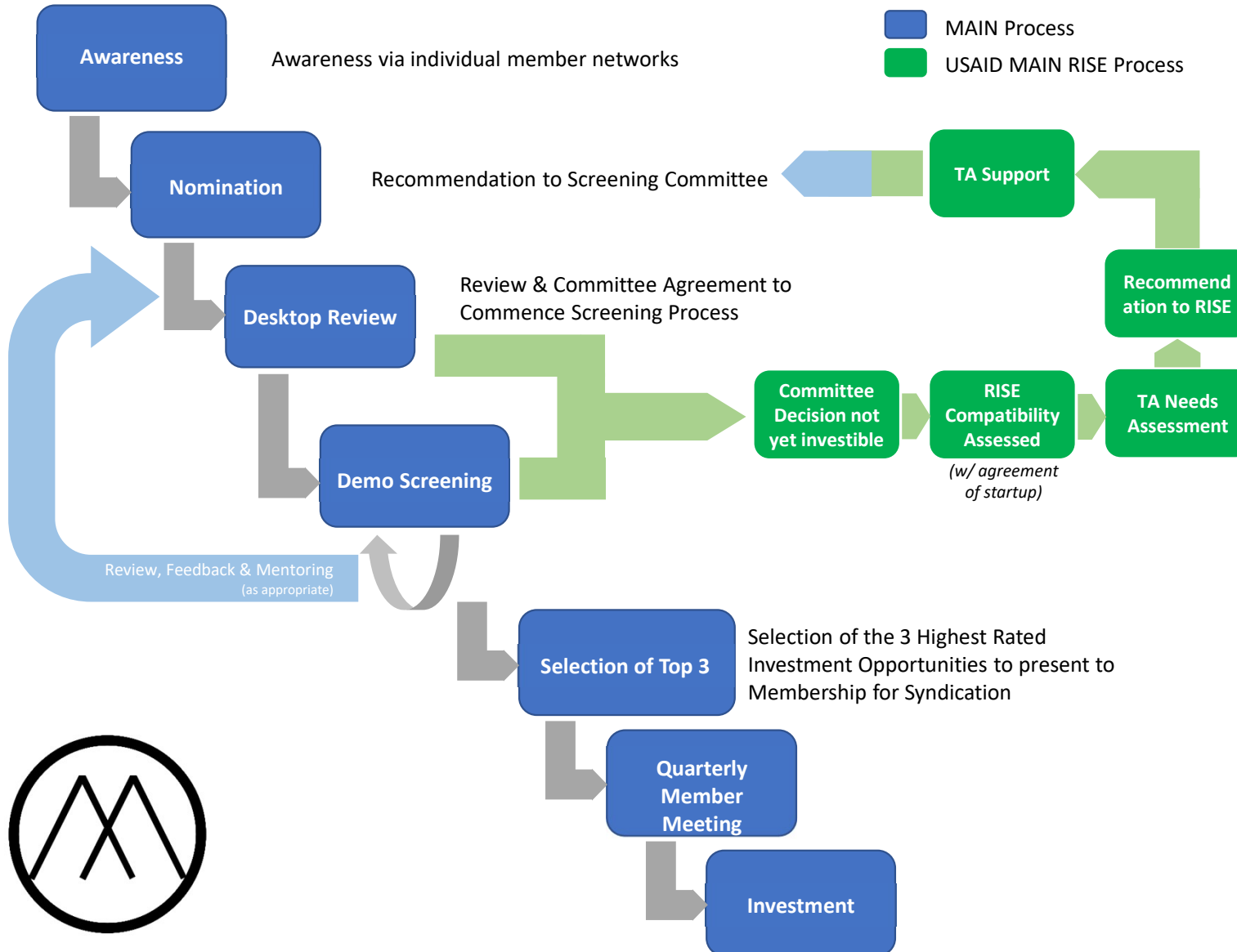
# An Angels' Decision Making Process

---



Source: adapted from MF Capital, LLC

# MAINs Investment Process



# Our Investment Criteria

---

MAIN assesses investment opportunities against the following criteria:

- (a) Quality Founders and Team
- (b) Exciting Market Opportunity / Building a Solution to Identifiable Pain Point
- (c) Scalable / Growth Potential
- (d) Competitive Advantage / Defensibility
- (e) Evidence of Early Stage Income / Customer Sales Traction / Roadmap
- (f) Credible Ask / Use of Proceeds / Budget
- (g) Realistic, Aligned Exit Strategy



# Founders & Team

---

- **Comfort Sought** – are they up to the task?; can they implement?; do they have integrity?
- How?
  - Spending time during the process
    - How do the team actually work together?
    - Passion, Grit
  - CVs
  - References from previous employers, customers etc.
  - Are the advisors good quality/ relevant? Are there too many?
  - Besides money, what will it take to truly succeed? Do they know what it will take to make it in the market?



# Market, Traction & Scalability

---

- **Comfort Sought** – Is the opportunity worth pursuing? Or is it a solution in search of a problem?  
Do customers really need the startups product? Will they pay for it? And at what price compared to cost of sales?  
Are there barriers to entry?
- How?
  - Introduction to potential customers (B2B) to see if founder can close, and assess customer need for product and willingness to pay.
  - Evidence of existing orders and sales pipeline
  - Metrics on Profit margin, Cost of acquisition, Length of the sales cycle, Months to Recover CAC, etc
  - Do you understand the differentiation points for your company? Can you make a case for how you differ from competitors
  - Historical trading information
  - Financial projections
  - What is the one unit to measure the pain you are solving? If it can't be measured, will it be investible?
  - Are they pursuing real customers in a reachable target market or broad category as a talking point? Do they know their actual names and how to reach them?



# Use of Raise

---

- **Comfort Sought** – Is the investment going to be well used – for growth? Will these funds get you to next milestone/ raise with runway? How much capital does the company really need to get to the next raise/ exit? Are the financial plans realistic?
- How?
  - Look at similar industry examples for actual financing and exit trajectories
  - Must understand why need funds and be able to say what will use it for
  - Understand what makes up your burn rate and your runway
  - What is target valuation for the next raise





# Our Investment Criteria

---

- Founders and Team
- Market opportunity - solution to address a top-of-mind pain point suffered by a large audience?
- Scalability - Growth potential
- Competitive advantage/ defensibility
- Evidence of early stage income / customer sales traction
- Use of Raise
- **Exit strategy**



# Unstated questions

---

- Integrity.
- Deep domain experience.
- Implementation – can they deliver?
- Focus.
- Team depth.
- Culture.
- Know your business. Know the numbers.



# How do you know when you're ready for Angel funding?

---

- When you have more than an idea.
- When you've exhausted "friends and family" financing options but are not ready to approach VCs for capital.
- When investment is needed to fund a specific growth related purpose
- Wait until you're ready, and only raise what you need
- Be ready for Due Diligence



# What a Startup should look for in an investor?

---

- Choose wisely!
- Experienced investor.
- Experienced in growing a business.
- Able to provide relevant advice.
- Well networked.
- Reputation for integrity.
- Able to lead an investment, not needing to see additional investors on board before investing.
- Doesn't want control.



# Ways MAIN can help..

---

- USAID funded 'Regional Investment Support for Entrepreneurs' (RISE) programme
- 'Office Hours' Mentoring
- Support programme for female founders



# Regional Investment Support for Entrepreneurs (RISE)



swisscontact



REGIONAL  
INVESTMENT  
SUPPORT FOR  
ENTREPRENEURS  
(RISE)



# Support for Women Led Business

---

- Commitment to catalyze investment
- Investment readiness support
- Post-investment support



INVESTING IN WOMEN  
SMART ECONOMICS  
AN INITIATIVE OF THE AUSTRALIAN GOVERNMENT







**MAIN.PH**

**MANILA ANGEL INVESTORS NETWORK**