Creative financial models to drive social franchise success

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Today’s Speakers

Julie McBride, MSA Worldwide

John Simon, TOTAL Impact Capital

Michael Swack, Center for Impact Finance, UNH

Randy Welsch, Co-founder of Jibu
### Social Franchise Development Process

<table>
<thead>
<tr>
<th>Stage</th>
<th>Description</th>
<th>Progress</th>
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<tbody>
<tr>
<td>Stage 1</td>
<td>PROVE CONCEPT</td>
<td></td>
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<tr>
<td>Stage 2</td>
<td>PROVE REPLICABILITY</td>
<td>x</td>
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<tr>
<td>Stage 3</td>
<td>DEVELOP FRANCHISE SYSTEM/FRANCHISOR</td>
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<tr>
<td>Stage 4</td>
<td>EXPAND NATIONALLY</td>
<td>x</td>
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<tr>
<td>Stage 5</td>
<td>EXPAND GLOBALLY</td>
<td>x</td>
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Financing Social Franchise Growth

Financing Mechanisms to Fund Franchise Growth

- Grants
- Debt
- Equity

Vehicles to Sustain Franchise Growth

- Infrastructure
- Technical Support
- Working Capital
- Subsidy for Underserved
Jibu Global Footprint

3 Countries Served
134 Businesses Launched
12+ Million Liters of Water Distributed
400+ Jobs Created
Integrated returns, blended capital

L³C (Limited Liability Low-profit Company)
Hybrid for-profit LLC that must prioritize charitable impact
+ partner 501c3 Overflow

Series A $3M round, January 2015 →
Current

Charity/Grants
$800K

Gov’t (USAID)
$1M

Equity/debt $1.2M

(Co-invested Franchisee
Revenue ~$800K+ growing)
Series B overview

– $7M raise: $4M equity, $3M grant?
  • About $1.5M equity and $1M grant raised so far
– 1000 new franchises plus 3000 MFs by 2022
  • At least 7 new countries
  • *Numbers higher if successful with Regional Developer rollout*
– Organic profitability sustains growth trajectory
  • External debt perhaps desirable to accelerate growth?
– Exit strategy: Acquisition + hopefully dividends beforehand
  • Targeting 40% IRR // ~7X return in 5 years
Series B intended outcome

- Future
- Debt/equity
- Co-invested franchise revenue
Challenges with blending capital

• Grantors: neither too early stage OR too successful
  • Safe, proven bets where they can take credit without much risk- piling on
  • Optics, difficult to discern emotional preferences
• Equity investors: sometimes appear more interested than they are
  • Unrealistic/ incompatible goals related to impact vs returns
• Immediate/sexy impact OR lasting impact?
  • Prioritize financial architecture of business model
  • Integrated vs. 'glob on' financial model
• ‘Not your father’s McDonalds’
  • Anti-franchise bias OR a bandwagon?
Approaches to Measuring Multiple Impacts of Social Sector Franchises

March 29, 2017

Center for Social Innovation and Enterprise
Social Sector Franchise
Living Case Studies Social Sector Franchise Accelerator
Webinar Series
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Social Sector Franchising Initiative  >  Living Case Studies Social Sector Franchise Accelerator

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- What is Social Sector Franchising?

- Annual Social Sector Franchising

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