

# Annual Report

A Review of 2017



GRAYGHOST<sup>SM</sup> VENTURES



# 01 CEO LETTER



Dear Friends,

As we near the end of this remarkable journey managing Gray Ghost DOEN Social Ventures Fund, I am humbled by the impact that our efforts have been able to generate. At Gray Ghost Ventures (GGV), we always strive “do the right thing.” As an impact investment fund manager one cannot stress this enough. The GGV team embodies this principle. Impact investing is all about doing the right thing; whether this is negotiating and executing an investment, supporting an entrepreneur, taking a crucial board decision or representing the industry. Many times this is more than a business decision.

We have taken great efforts to ensure that a basic sense of loyalty and care has permeated through every action we have taken as an impact fund manager. Over the years we have been called to deal with fairness on several occasions. Though we've had to face some challenging situations, we can unequivocally state that we have dealt with them with courage and conviction. And we have not been afraid to stand alone in doing the right thing.

Why is this important? We believe the basic essence of our efforts as impact investors is to promote the well-being of underserved populations. Keeping this objective first and foremost in our minds has allowed us to reach a measure of success. While success in our industry is mostly measured by social and financial returns, there is an important role that the character of the industry players represent. GGV is proud of its reputation as the ones that work tirelessly for the benefit of those served by our portfolio companies.

The impact space has come a long way. We have had the privilege of working with great people that have contributed to the development of this sector. We would also be remiss in not recognizing the passionate entrepreneurs who work in remote locations to make a difference. These people are the face of this space for the years to come and we would like to take this opportunity to applaud their tireless work in making the world a better place. GGV would not have the opportunity to produce great results without the contributions from across the impact investment ecosystem. You continue to inspire us to “do the right thing.”

Sincerely,

Arun Gore, President & CEO

# 02 SOCIAL IMPACT

Over the last year, the implied impact multiple created across our portfolio as demonstrated by our Social Value to Paid-In Capital (SVPI) has reached **62x** multiple. This speaks to our original social impact and investment theses, as it suggests that for every dollar invested by GGV in portfolio companies, **\$62** of impact has been generated in the target communities.

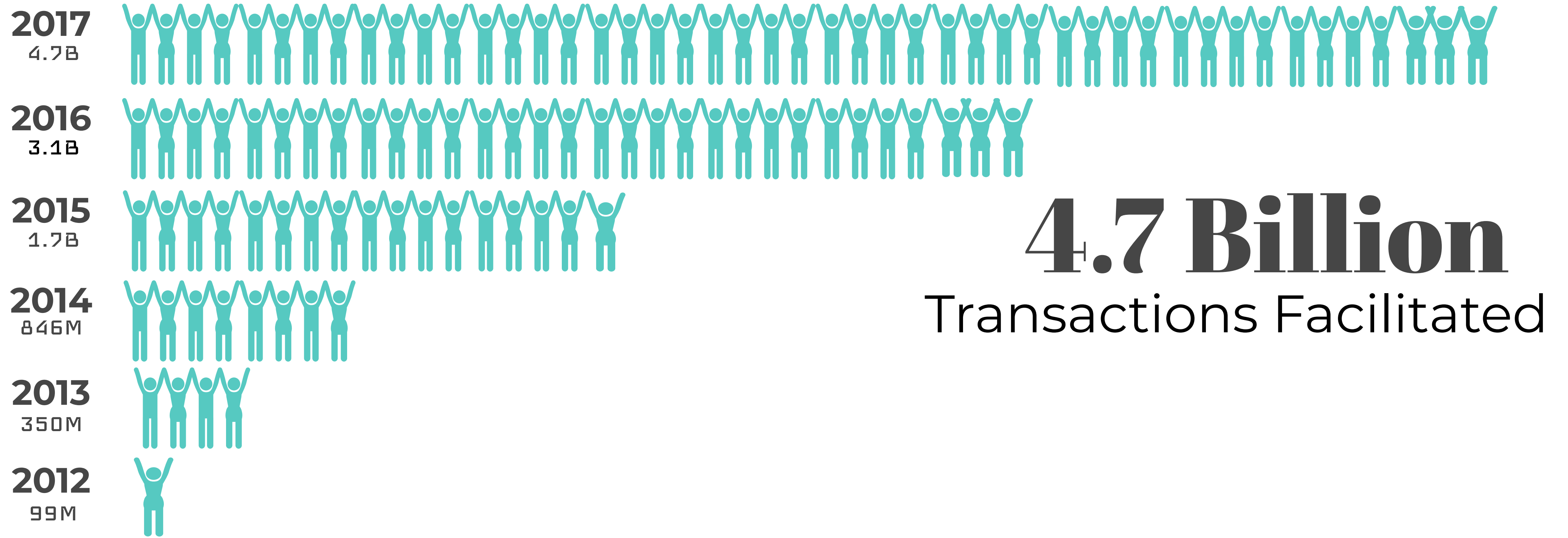
In expanding this further, to date our portfolio companies have witnessed nearly **4.7** billion transactions with customers. This volume has generated savings in time and out-of-pocket costs totaling more than **\$2.2** billion. At the same time, our portfolio companies have offered enhanced productivity and opportunities for economic advancement equating to **\$766** million.

The customers of our portfolio companies have benefited from life-changing opportunities. Technology-enabled solutions brought by our portfolio companies have worked to change and level the playing field for the lesser-served.

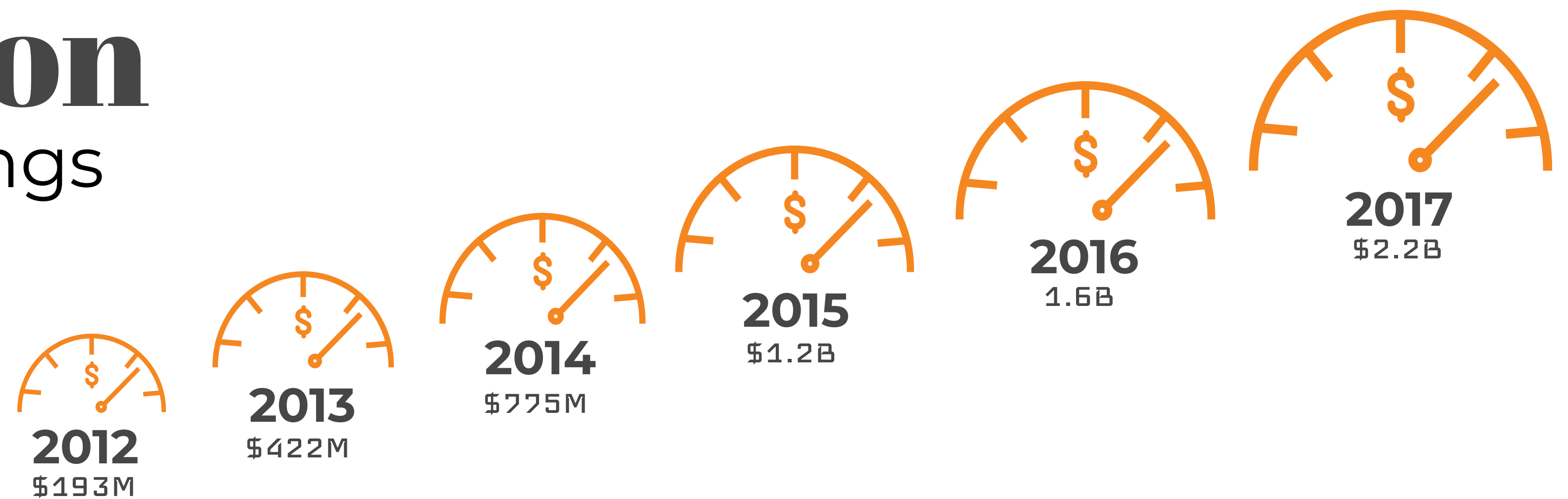
This impact is broad based in micro as well as in macro level creating direct benefits to end-users and catalyzing societal change.



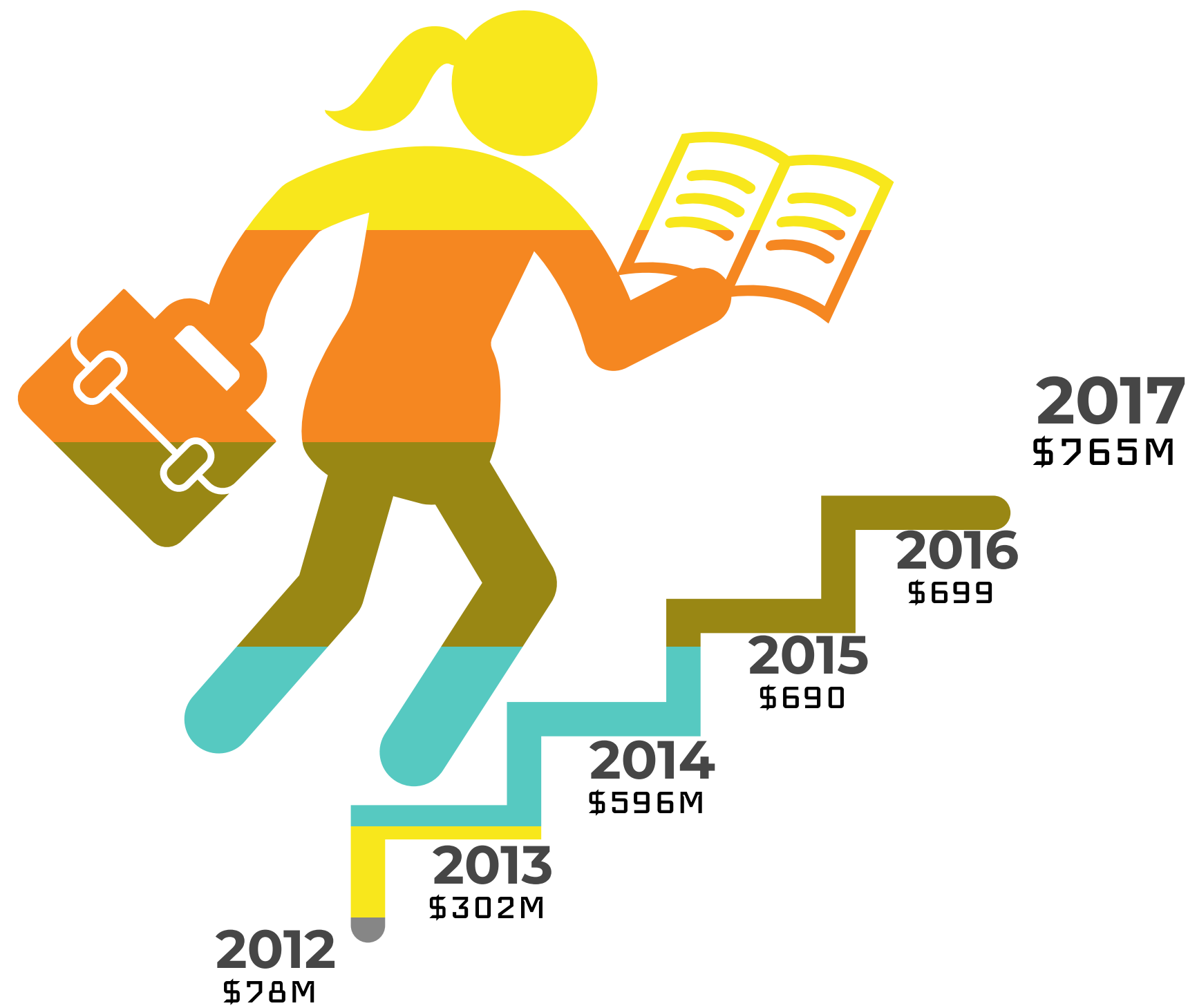
# SOCIAL IMPACT HIGHLIGHTS



## **\$2.2 Billion** Time & Cost Savings



# SOCIAL IMPACT HIGHLIGHTS



**\$766 Million**  
Enhanced Productivity  
(Increased Income)



**62x**  
Social Value to Paid-In  
Capital Multiple (SVPI)

# 03 IMPACT MANAGEMENT PROJECT PILOT

In 2017 we had the opportunity to participate as a Founding Member of the Global Impact Investment Network's (GIIN) Investor's Council in a unique effort to pilot the practical application of shared fundamentals for how we talk about, measure and manage social impact as part of the Impact Management Project (IMP). Although we have previously shared in our annual reports and with our LP community our Social Value to Paid-In (SVPI) capital approach for impact goal-setting, measurement and management, we have seen the importance of participating in industry-wide initiatives as the impact investment space has evolved. This was an important initiative for us because we have seen that the lack of such shared fundamentals for understanding and communicating any investment's effects on society and the environment has meant that investors cannot make sense of the impact performance of their portfolio, and therefore cannot improve it. It has also prevented market segmentation based on expected impact performance, which could help investors to more efficiently identify investments that offer them the best chance of achieving their financial and impact goals.

Our fund has put in place the governance and the processes to deliver consistently on our impact goals and intentions, but we also have the good fortune to learn and adapt to improve our impact. While we have previously posted on the "five dimensions" of impact in the framework, briefly as a reminder, they are:

- \* **WHAT** outcome(s), positive or negative, the effect drives and whether it is important to the person (or planet) experiencing it;
- \* **WHO** experiences the effect and whether they are underserved in relation to the outcome(s);
- \* **HOW MUCH** of the effect occurs in terms of whether it drives the outcome deeply, for many people, lasts for a long time and/or happens quickly;
- \* The **CONTRIBUTION** that the effect makes to what the market would do anyway; and
- \* The **RISK** that the effect will differ from our expectation. Our experience in the process was overwhelmingly positive.

# IMPACT MANAGEMENT PROJECT PILOT

Critical to this effort, and one of the attributes which we liked most, was that this convergence of understanding does not mean that we all use the same measurement frameworks, indicators or tools. Ideally, it means ensuring that the same performance fundamentals are observable in whatever data we share with each other. Most importantly, impact management is an ongoing process of learning and improving.

Not only was it great to learn from others and to be part of the discovery process as many of our colleagues attempted to further develop their impact management efforts, we learned additional information about our processes and approach. A few of the more salient observations include that we were able to recognize the five dimensions of impact in our decision-making frameworks. We were able to chart our performance against the five dimensions and to understand how our data and information speaks about impact and our goals. We were reinforced in our approach that social value creation begins from the moment of initial evaluation of an investment opportunity and remains a process of measurement and management throughout the life of our investment in a portfolio company.

There were some limits that we bumped up against. Specifically, considering that our portfolio investments are in multiple countries and sectors, there is a need for clarity on what data may be the most effective and comparable across companies to measure and manage impact. We look forward to a subsequent phase of the work to collaborate with others with similar goals to identify a credible set of metrics that might enable benchmarking over time.



# 04 PORTFOLIO PERFORMANCE



**79%**

Revenue positive in the 1st 18 months



**134%**

Average annual revenue growth rate



**\$317M**

Total funds raised by all companies



**9.13x**

Signal ratio (capital raised / Investment)



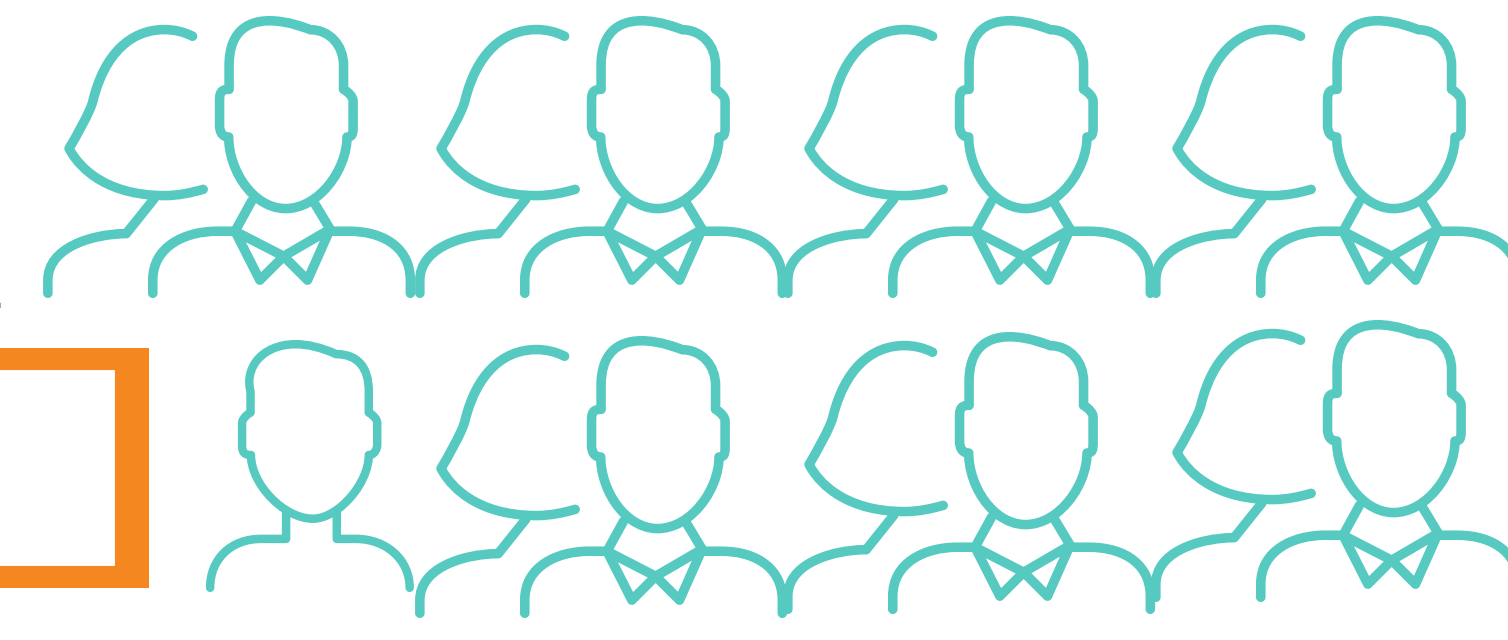
**72%**

Companies receiving uprounds post initial investment



**213 thousand**

Workforce across all portfolio companies





# 05 CURRENT PORTFOLIO



A digital mobile wallet platform that focuses on the underserved population in India enabling them to transact anytime, anywhere, with anyone



Creates a health care ecosystem that is easily accessible for the low income populations in India



The world's largest mobile financial services provider for the unbanked populations of Bangladesh



Provides a pay-as-you-go platform considered to be the most highly sophisticated in the world

Provider of an affordable mobile network infrastructure using open BTS technology for rural and poor communities



**"Sustainable development is the pathway to the future we want for all. It offers a framework to generate economic growth, achieve social justice, exercise environmental stewardship and strengthen governance."  
~ Ban Ki-moon, Secretary-General United Nations**



# 06 BEAM MONEY



- **19M+ Customers**
- **21K+ Retailers & Sahayaks**
- **Presence in 27 States and 6 Union Territories within India**



Beam Money was launched in 2009 as a secure mobile payment and transfer service aimed at facilitating financial inclusion and offering convenience in conducting financial transactions. The company operates a network of agents (called “Sahayaks”, meaning Helpers) across India that help unbanked customers store cash for payments, pay utility bills electronically, send money home, top up pay-as-you-go mobile phones, and purchase travel tickets – without the hassle of opening a bank account. In doing so, Beam has provided, through its agent network, self-employment opportunities to educated unemployed youth, particularly women to supplement their income and become micro entrepreneurs. Beam trains and recruits women to make them financially independent by providing various Beam services in their neighborhood from the comfort of their homes. GGDOEN was the first investor in Beam and has worked closely with the management to build a large and loyal base of unbanked customers across India.

# 07 PHARMASECURE

The World Health Organization (WHO) says one of every 10 medicines sold in developing countries is either fake or of poor quality. Based in New Delhi, India, PharmaSecure empowers patients and consumers to check the authenticity of their drugs using mobile technology. The customer purchases a verifiable drug and sends its unique code by cell phone to the verification telephone number using the same process that is used for pre-paid phone cards. The cellular network receives the code and queries the PharmaSecure database to determine the authenticity of the drug in question. If PharmaSecure does not find the code in its database, or if it has already been authenticated repeatedly, it sends a warning message to the customer that the drug may be counterfeited or diverted. The company creates a valuable link between drug manufacturers and their end customers, two parties that have intrinsic incentives to stop counterfeiting. Gray Ghost DOEN partnered with PharmaSecure in 2009 and has helped it grow from pre-revenue to a market leader with more than 1.8 billion products protected in more than 40 countries.

- **1.8 billion products protected**
- **Over 250 packaging lines**
- **Operating in 40 countries**



# 08 RANGE NETWORKS

- **Deployments on all seven continents**
- **Most deployments cover more than 6K subscribers each**
- **10x advantage in acquisition costs and 20x advantage in operating costs over current standards**



Billions of people throughout Asia, Africa and other areas of the world don't have access to cellular services. Without access to mobile connectivity, these individuals are left without access to a range of basic services, including financial services, healthcare, educational and vocational opportunities, and other related services. Traditional network solutions don't meet the needs of these markets because they are expensive, power intensive, and difficult to deploy. Range Networks offers game-changing cellular infrastructure based on internet standards and open source software, and has the potential to turn this multi-billion dollar industry on its head. With Range, operators deploy profitable networks while charging prices that previously-excluded customers can afford. Additionally, most remote mobile base stations are powered by dual diesel generators. Range base stations eliminate tons of harmful emissions and save up to \$240K per base station every year. By changing the economics of mobile infrastructure deployment, Range has increased the penetration and affordability of mobile connectivity in far flung and rural areas. This dramatic change has enabled Range's partners and operators to expand coverage and provide mobile connectivity to possibly more than 2 billion people who have no connectivity at all.

# 09 SDG Tracking

3 GOOD HEALTH AND WELL-BEING



5 GENDER EQUALITY



We have quantified the cumulative impact of our portfolio companies within the communities in which they work in line with our Social Value to Paid-In (SVPI) capital framework. However, as we learned in the past few years, bouncing the work of the portfolio companies off of the Sustainable Development Goals (SDGs) provides us an additional way to consider and evaluate the societal benefit of GGV's investees.

Digital and mobile platforms continue to transform many sectors, and in the process are becoming powerful tools for development. The SDGs range broadly from the eradication of poverty to empowerment and productivity, access to financial services, health and wellness, education, gender equality, energy usage, infrastructure, and, finally, to transparency and the strengthening of regulations for financial institutions and markets. GGV continues to find areas where its portfolio companies are making on-the-ground impact toward these broad goals.

Looking at just a few examples, SDG 9.c relates to “resilient infrastructure” and “inclusive and sustainable industrialization.” Reading as follows, this SDG has highlighted a key tenet held by GGV in building the portfolio, “Significantly increase access to information and communications technology (ICT) and strive to provide universal and affordable access to the Internet.” This year, we will see how **Range Networks** advances this goal:



- \* 500k low-resourced individuals accessed Range Network's
- \* \$12M cumulative cost-savings achieved by customers
- \* \$17M in cumulative enhanced productivity for low-income communities with increased access to ICT

Other portfolio companies such **bKash**, **M-Kopa**, **BEAM**, and **BillMo** hit on a number of the goals, including SDG 9.3, which states, “Increase the access of small-scale industrial and other enterprises, particularly in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.” **bKash** illustrates the magnitude and power of the GGV portfolio to make an impact along the lines of this SDG.

# SDG Tracking

As the largest provider of mobile financial services on the planet, **bKash** has:



- \* 5.2M wallets opened this past year, and over 30M cumulative wallet holders
- \* 1.6B transactions in the last twelve months, an average of 4.3M transactions per day
- \* \$1.7B cumulative social impact created, based on increased productivity, and time and cost savings

Finally, the highly innovative and rapidly-scaling **M-KOPA** blazes a trail for an entire industry while targeting SDG 7.b, which states, “Expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries.” Some impressive elements of the social value creation of **M-KOPA** include:



- \* More than 650K total systems sold to date
- \* \$19M in enhanced productivity to commercial customers in the last twelve months
- \* \$60M in cost savings vs kerosene purchases for residential customers this past year

**M-KOPA** continues to shine as a disruptive innovator in the provisioning of energy services for all and is a bellwether for the entire emerging industry. We remain delighted to see how aligned our work has been with the broader imperative from the global community to address the challenges of exclusion and inequality. While putting up impressive “numbers” through our own impact measurement methodology, the SVPI, it is heartening to see that our portfolio companies are also making a difference in ways that are beyond our internal framework.





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