STREAT

The Cromwell Manor development
A case study in using impact investment to scale a social enterprise
Tastes good.
Does good.
Contents

Running tally 3
Photo credits 3
We pay our respects 3
Executive summary 4
Deal summary 6
Homelessness 7
STREAT in a nutshell 8
Scaling 10
History of the deal 11
The budget 12
Phase 1 13
Phase 2 14
Partners 15
Creating Shared Value 16
Key lessons for social enterprise 17
Key lessons for investors, donors 18
and supporters
Get involved 19
Connect 20

Impact to date

To date we’ve had:

- Over 400 young people across all of our programs
- Stable self – 90% improved youth wellbeing
- Stable job – 80% success in youth obtaining a job or further training
- Stable home – over 95% success in improving the housing stability of young people
- 70%+ youth retention in programs
- 7,200+ days of training offered
- 37,500+ hours of training offered
- Over 1 million customers served
- 70% self-funded through the businesses
- 90%+ Urbanspoon rating across all cafes
- 5,000 Pay It Forward cards completed by customers enabling 500 free coffees and meal vouchers to be given to homeless people.

Image credits

We gratefully acknowledge the photographs and images of:

- Sanjeev Singh – pages 2, 7, 19
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- Six Degrees Architects – cover, 12
- Ed Coghlan – 6, 8, 13, 14,
- Rebecca Scott – page 16

We pay our respects

Every street that we operate on is on the traditional lands of the Kulin Nation. This land has always been an important meeting place and location for events of social, educational, sporting and cultural significance. We will continue to honour this, and pay our respects to their elders past and present.
Executive summary

**Context**
- There are 105,000 homeless people in Australia each night. 1 in every 4 of these is a young person who is destined for unemployment and a life of welfare dependency. Australia’s current approaches to addressing homelessness have not been as effective as they could be.
- STREAT is a social enterprise that helps stop youth homelessness. It provides youth with a whole range of supports – assistance finding stable housing, vocational skills, improved mental health and wellbeing. STREAT runs hospitality businesses that provide on-the-job training for its youth, and also generate the revenue to fund its work with youth.
- Scaling is key for STREAT – its key goals are to keep scaling its youth impact, and to reach financial self-sufficiency through growing its business operations. To help fund its growth, in 2012 STREAT pioneered an equity impact investment deal to finance the acquisition of the Social Roasting Company. STREAT has bigger dreams and within the next decade wants to be transforming a young life each mealtime. That’s 3 youth a day, 365 days a year – or 1095 youth each year.

**Cromwell Manor**
- In 2013, Geoff Harris, a key STREAT supporter, purchased a $2.5m property, Cromwell Manor, in Collingwood and gifted its use to STREAT for 50 years. The site is to be developed into a flagship site where STREAT will train and support 250 youth each year. It will contain a new artisan bakery, along with a training academy, cafe, production kitchen, cafe, coffee roastery and STREAT’s head office.

**Structuring the deal**
- To develop the site, STREAT needed to secure over $3.5m of funding through a combination of philanthropic grants and repayable finance. It had strong success securing funds from a range of sources (breadsolutions funded the bakery, and a number of key philanthropic foundations provided grant funding (Ian Potter Foundation, TK Foundation, Helen McPherson Smith Trust, Fidelity Foundation, Jack & Ethel Goldin Foundation, Greenlight Foundation/Sornem Private Wealth).
- NAB and SVA offered to finance the remaining $2.5m
  - Phase 1 – Construction loan facility – A debt facility up to $2.5m to cover the construction phase (with the property provided as security)
  - Phase 2 – Long-term impact investment funding – SVA and NAB bank debt is swapped out dollar for dollar with impact investors (who rank behind the bank and the property owner)
<table>
<thead>
<tr>
<th>Partnership &amp; Creating Shared Value</th>
<th>Social enterprises</th>
</tr>
</thead>
</table>
| • As partners, NAB and SVA bought different strengths to the table. Key strengths of NAB included: scale, an ability to mainstream the deal, trusted national brand, resources, a track record of creating shared value, a strong team, an ability to undertake future larger deals. The key strengths of SVA included: strategy alignment, trusted partner of 3 years, an impact investment leader in Australia with strong track record of deals (including being lead negotiator on GoodStart), existing network of engaged impact investors, range of other supports available to help scale STREAT.  
• STREAT, SVA and NAB made a three-way commitment to create maximum value, not just transact – from the first conversations between the parties, it was agreed that we would explore a wide range of ways to create broader value. The group have now developed an early Creating Shared Value (CSV) Strategy which outlines a broad range of ways that further social and environmental value will be created alongside the deal. Key initiatives have been developed against four key strategic areas:  
  ○ People – Further opportunities for STREAT’s youth, Staff engagement & loyalty, Customer engagement & loyalty, Network building, Social enterprise sector support  
  ○ Planet – Environmental sustainability  
  ○ Profit – Reputation, Undertaking further business together, Increased financial support & sustainability of STREAT  
  ○ Performance – Organisational effectiveness, Knowledge building & transfer, Innovation and research, Risk management. |
| | • Get ‘investment ready’ – Have a strategy, have your Board and management team educated on impact investment, have the internal skills and capacity  
• Find the right partners – You might need to work with intermediaries to help guide you through the process. Also ensure that the deal is being done with investors and supporters who are all strongly aligned, who collaborate well together, who are realistic and patient!  
• Crawl before you can walk – Choose an appropriate deal size and know that learning how to undertake impact investment will take time and practice. STREAT could only do this $2.5m deal because it had previously done a $300k deal.  
• Know the costs – Undertaking an impact investment will take an extraordinary amount of Board and staff time. It is critical that there is the internal resources and capacity for this to occur. It will also require undertaking Business As Usual. There will also be an opportunity cost of the time that is invested in getting a deal done. There must also be a very robust business plan in place documenting the funding model and how the investment will be repaid. Most social enterprises will need to be leveraging philanthropic, investment and in-kind support and will need to know how these will work together. Investors, donors, supporters  
  • Be strategic & maximise impact – By investing corpus funds in social enterprises, philanthropic groups can ensure their capital is doing the maximum amount of good it can.  
  • Be realistic – Impact investment is a fledgling field in Australia. As such it will take time to build capacity in all areas, and it also requires strong patience as all parties are educated and build their skills and capacity. Early adaptors catalyse more opportunities. |
Deal summary

Transaction details – Phase 1 debt facility

| Borrower     | STREAT Limited
|--------------|----------------|
| Purpose      | Loan facility for the construction of a flagship site where STREAT will train and support 250 youth each year
| Parties      | NAB and Social Ventures Australia (SVA) will each provide 50% of the interim facility
| Facility type| Flexible rate construction loan facility. Structuring for long-term impact investment funding (Debt is swapped out dollar for dollar with impact investors)
| Debt size    | AUD 2,500,000

Background

- STREAT is a social enterprise that helps stop youth homelessness. STREAT runs hospitality businesses that provide the on-the-job training for its youth, and also generate the revenue to fund its work with youth
- In 2013, Geoff Harris, a key STREAT supporter, purchased a $2.5m property, Cromwell Manor, in Collingwood and gifted its use to STREAT for 50 years
- To develop the site, STREAT needed to secure over $3.5m of funding through a combination of philanthropic grants and repayable finance. It had strong success securing funds from a range of sources
- NAB and SVA offered to finance the remaining $2.5m
- The impact of this transaction is to triple the number of young people supported to find stable housing, vocational skills, improved mental health and wellbeing

Challenges

- The peppercorn 50 year lease of the property is unusual and required the credit risk teams to carefully assess the security risk of this transaction
- The property is designed for STREAT’s specific needs rather than to maximise ROI on the property. This results in a lower overall valuation because there are fewer ‘Alternative Uses’ if the property needs to be resold. This required additional approval by the STREAT Board, and also required STREAT needing to find greater grant funding
- Like many new enterprises, the growth forecasts were challenged. Crowe Horwath were brought in to provide third-party validation

Key transaction highlights

- This is the second significant impact investment transaction from STREAT – the first being the STREAT Enterprises Pty Ltd capital raise in 2012
- NAB and SVA will work together to develop the second phase of long-term funding involving a broader group of impact investors that meets STREAT’s needs
- STREAT, SVA and NAB have committed to maximise the value generated by this relationship
105,000 are homeless

- **Homelessness is a major problem in Australia**
- 44,000 of Australia’s homeless are young people aged under 25 years. (2)
- The average age a young person flees home escaping family violence is 10 years old. (2)
- **The personal cost of being homeless is extraordinarily high**
- With homelessness comes lower educational outcomes, lower income earning capacity, poor health, mental health issues, drug and alcohol dependency, participation in crime and resulting justice consequences and incarceration, social exclusion and alienation. (3) In short, homelessness prohibits young people from reaching their potential.
- **Homelessness is a terminal diagnosis.** Instead of enjoying 82 years of life like the average Australian, the life expectancy of a homeless young person is reduced to 47 years. (4)
- **The economic cost to the community is also high**
- The current cost of a young person remaining homeless across their life is $706,264. (5)
- The economic costs include direct specialist homelessness service costs, welfare benefits and higher income support payments, lost taxation or lower taxes, increased costs of health, mental health, drug and alcohol, justice, child protection and eviction costs. The long-term economic impacts include productivity, available workforce and economic growth. (3)
- **Homeless young people are desperate to get a job.**
- The majority of homeless young people will leave school before Year 10 with no formal education. 57% of homeless youth are destined for long term unemployment.
- Despite this, over half of all homeless young people (52%) are looking for a job. The major reasons they can’t get one is because they don’t have the skills or education and they can’t get work experience. (3)

**STREAT changes the menu for these young people.**

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(2) The Costs of Youth Homelessness (2014), Swinburne University
(3) The Real Cost of Youth Homelessness in Australia, Swinburne Institute for Social Research (2012)
(4) Homelessness: A Silent Killer (2011)
STREAT in a nutshell

STREAT IS...
STREAT is a non-profit social enterprise that provides homeless & marginalised young people aged 16-25 years with a supported pathway from the streets to a sustainable livelihood in the hospitality industry.

THERE ARE MORE HOMELESS PEOPLE IN AUSTRALIA THAN PEOPLE LIVING IN BALLARAT

105,000 YEAR 10

HOMELESS YOUTH
1 IN 4 ARE AGED 12-24
26,250 (5,000 in Melbourne) 3 OR 1,095

WE OFFER SUPPORT IN THESE AREAS
1. STABLE SELF
We provide a life-skills program and wrap-around support including individual case management and linkages to other specialist service providers as needed.

2. STABLE JOB
We provide a range of hospitality programs including Cert I & II courses, work experience programs and short courses. We also provide workplace training & mentoring for each young person across STREAT's cafe's and production kitchen. We reinvest 100% of profits back into our work.

3. STABLE HOME
We work towards or youth having a safe & long term place to live through partnerships with a wide range of housing services across Melbourne.

OUR TEN YEAR GOAL
TO HELP ONE YOUNG PERSON EVERY MEALTIME.

AVERAGE SECONDARY EDUCATION
MOST HOMELESS YOUTH LEAVE SCHOOL BEFORE

STABLE SELF
90% of the young people in our intensive program will have improved their wellbeing.

RESULT ▲
90%

STABLE JOB
60% of young people in our intensive programs are employed or in further training.

RESULT ▲
80%

STABLE HOME
95% of young people in our intensive programs have maintained or improved their housing during their time with STREAT.

RESULT ▲
95%

PEOPLE

PLANET
‘Locavore’ focus with over 95% of produce sourced locally and seasonally from small suppliers.

A wide range of environmental sustainability activities (building materials, menu development, waste, energy usage, packaging and printing, logistics).

Our new Cromwell Manor flagship site being built in 2015 will also be an environmental flagship.

RESULT ▲
60%

ProfIT

MAJOR ISSUES WE’VE SUPPORTED
Homeless or high risk of homelessness (58%), Drug & alcohol abuse (69%), Mental health (53%), Family violence (48%), Culturally And Linguistically Diverse (CALD) background (48%), Health problems (42%), Legal issues (41%), Caring for siblings, parent or child (30%), Department of Human Services involvement (27%), Gay, Lesbian, Bisexual, Transgender and Intersexul (GLBT) (25%), Disability (16%), Aboriginal (11%).

RESULT ▲
1 Million CUSTOMERS SERVED

URBANSPoon RATING
67%
SELF-FUNDED
STREAT has given me a sense of direction that I haven’t felt in years. Even just a year ago everything was chaotic - now I am getting on track. I am finally in stable accommodation, I am studying and have got motivation to do things again. STREAT has been an amazing experience for me.
Scaling is in STEAT’s DNA

Since its inception, STEAT has determined to scale its social impact. It has a goal to be helping transform a young life every meal by 2022. That’s 1,095 youth each year. STEAT also want to be completely funding the work with its youth through the profit from its portfolio of hospitality businesses by 2018. Outlined below is STEAT’s growth to date, along with projected growth in the coming years with the upcoming development of our Cromwell Manor site.
History of the deal

2012
- March – STREAT undertakes its first impact investment totalling $300k when it acquires the Social Roasting Company.
- September – Deyrick Upton, founder and CEO of breadsolutions, one of Australia’s largest bakeries, watches the stories of two STREAT trainees on Poh’s Kitchen on the ABC. The next day he approaches STREAT wanting to explore how he might provide opportunities to train STREAT’s youth as bakers. Deyrick offers to help STREAT build an artisan bakery to allow homeless young people to train as bakers.
- December – Geoff Harris, co-founder of the Flight Centre, and major Boost Juice investor, reads an interview with STREAT’s CEO in The Age. He phones STREAT and meets the CEO & COO the following day for a coffee. He offers to become a business mentor.
- Geoff starts getting to know the youth programs and the operations of the portfolio of STREAT’s hospitality businesses. As a retail/hospitality entrepreneur and long-time supporter of charities working with disadvantaged young people he becomes interested in how a hospitality social enterprise works.

2013
- March – Geoff Harris makes his first philanthropic donation to STREAT, and commits to three years of philanthropic support.
- March – Geoff Harris becomes an 8% equity investor in STREAT Enterprises Pty Ltd, buying out the shareholding of Fair Business.
- April – Geoff Harris engages his property broker to help STREAT look for a new premises to become a flagship site.
- April – Geoff Harris, Rebecca Scott (CEO) and Jen Miller (COO) visit Cromwell Manor (and other potential sites)
- Geoff Harris offers to buy Cromwell Manor for STREAT and then gift its use for 50 years (10 x 5 year peppercorn lease with rent fixed at $5 per annum. The facility must continue to be primarily used as a facility for youth development).
- May – STREAT starts work with architects Six Degrees to start designing the site which will contain the new artisan bakery, along with a training academy, cafe, production kitchen, cafe, coffee roastery and STREAT’s head office.
- An extensive business plan is developed and STREAT begins looking for potential supporters to help raise $3.5m (philanthropists, governments, impact investors, and in-kind supporters start being approached).

2014
- The building plans approved by local council (Yarra City Council), and a building contractor secured (McCorkell Constructions).
- STREAT has strong success gaining philanthropic support for the project from a range of sources (Breadsolutions fund the bakery, and a number of key philanthropic foundations provide grant funding (Ian Potter Foundation, TK Foundation, Helen Macpherson Smith Trust, Fidelity Foundation, Jack & Ethel Goldin Foundation, Greenlight Foundation).
- STREAT continues to meet with a multitude of potential investors but continues to get knock-backs. After nearly a year of conversations it is clear that the $2.5m impact investment is too large for most of the current impact investment funds. The deal was also further challenged because STREAT doesn’t own the property, and hence can’t secure the investment against it.
- February – NAB approaches STREAT, eager to make the project happen. They find a suitable deal structure and Geoff agrees to provide the property as security.
- August – STREAT receives an attractive impact investment offer from Social Ventures Australia (SVA), a trusted partner of many years. Because both NAB & SVA brought different strengths to the table, STREAT asks if it can become a joint deal. STREAT, NAB & SVA agree to do a joint deal.

2015
- April – Deal signed off between STREAT, NAB, SVA & Geoff Harris.
- May – Break ground on the 12 month building project.
STREAT needed over $3.5m of funding

To develop the site, STREAT needed over $3.5 million of philanthropic grants and repayable finance.

**Budget**

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building works</td>
<td>$2,336,504</td>
</tr>
<tr>
<td>Base building works</td>
<td>$2,336,504</td>
</tr>
<tr>
<td>Existing building</td>
<td>$132,618</td>
</tr>
<tr>
<td>Authority charges</td>
<td>$105,000</td>
</tr>
<tr>
<td>Bakery</td>
<td>$37,585</td>
</tr>
<tr>
<td>Contingency</td>
<td>$278,271</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$2,889,978</strong></td>
</tr>
<tr>
<td>Equipment</td>
<td></td>
</tr>
<tr>
<td>Walk-in cool rooms &amp; freezers</td>
<td>$43,000</td>
</tr>
<tr>
<td>Kitchen equipment</td>
<td>$114,000</td>
</tr>
<tr>
<td>Specialised fittings</td>
<td>$118,000</td>
</tr>
<tr>
<td>FOH cafe equipment</td>
<td>$69,080</td>
</tr>
<tr>
<td>Bakery equipment</td>
<td>$192,500</td>
</tr>
<tr>
<td>Roasting equipment</td>
<td>$144,420</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$681,000</strong></td>
</tr>
<tr>
<td>Design &amp; consultancy costs</td>
<td>$273,476</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$3,844,454</strong></td>
</tr>
</tbody>
</table>

**Sources of capital**

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAB/SVA</td>
<td>$2,500,000</td>
</tr>
<tr>
<td>Philanthropy</td>
<td>$1,344,454</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$3,844,454</strong></td>
</tr>
</tbody>
</table>
Phase 1 – NAB and SVA offered a debt facility up to $2.5m to cover the initial construction phase

<table>
<thead>
<tr>
<th>Key details</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Borrower</strong></td>
<td>STREAT Limited</td>
</tr>
<tr>
<td><strong>Purpose</strong></td>
<td>Loan facility for the construction of a flagship site where STREAT will train and support 250 youth each year</td>
</tr>
<tr>
<td><strong>Parties involved</strong></td>
<td>NAB and Social Ventures Australia (SVA) will each provide 50% of the interim facility</td>
</tr>
<tr>
<td><strong>Facility type</strong></td>
<td>Flexible rate construction loan facility. Structuring for long-term impact investment funding (Debt is swapped out dollar for dollar with impact investors)</td>
</tr>
<tr>
<td><strong>Debt size</strong></td>
<td>AUD 2,500,000</td>
</tr>
</tbody>
</table>

- Limited G&I supported by 1st Mortgage over 62-66 Cromwell St
- Mortgage over lease of 62-66 Cromwell St
- Landlord’s Consent
- Buyout Option
Phase 2 – NAB and SVA debt is swapped out dollar for dollar with long-term impact investors

<table>
<thead>
<tr>
<th>Key details</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Borrower</strong></td>
<td>STREAT Limited</td>
</tr>
<tr>
<td><strong>Purpose</strong></td>
<td>Term loan facility for the completed flagship site where STREAT will train and support 250 youth each year</td>
</tr>
<tr>
<td><strong>Parties involved</strong></td>
<td>Wholesale impact investors</td>
</tr>
<tr>
<td><strong>Facility type</strong></td>
<td>Amortising impact investing debt vehicle</td>
</tr>
<tr>
<td><strong>Debt size</strong></td>
<td>AUD 2,500,000</td>
</tr>
</tbody>
</table>

* Actual terms to be determined subject to market sounding.
## Strengths key partners bought to the table

<table>
<thead>
<tr>
<th>Borrower / Lenders</th>
<th>Major donor / Project partner / Major philanthropic supporters</th>
<th>Deal advisors / Pro bono supporters</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>STREAT Limited</strong></td>
<td><strong>Geoff Harris</strong> Retail entrepreneur and philanthropist Geoff Harris took an interest in how a social enterprise model could create outcomes for young people whilst running financially sustainable businesses. Geoff purchased the $2.5m property for STREAT to develop and utilise for 50 years.</td>
<td><strong>Paul Steele, CEO, Donkey Wheel Foundation</strong> The Donkey Wheel Foundation provided Paul Steele's time pro bono to act as deal intermediary. Paul worked with the STREAT team to help the organisation prepare itself for impact investment (as he did in 2012).</td>
</tr>
<tr>
<td><strong>NAB</strong> NAB, a main financial institution, was keen to work with STREAT to create a financial solution that delivered on both STREAT and NAB’s individual and aligned outcomes, such as proposing the Phase 2 structure to provide a new investment opportunity that will help build sector capacity in Australia.</td>
<td></td>
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</tr>
<tr>
<td><strong>Bread Solutions</strong> One of Australia’s largest B2B bakeries, they originally approached STREAT to explore a bakery partnership. Bread Solutions have fully funded the bakery, along with providing the Head Baker when the site opens.</td>
<td><strong>Crowe Horwath</strong> The accountancy firm who provided an independent review of STREAT’s business plan.</td>
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<tr>
<td><strong>Social Ventures Australia</strong> SVA is a pioneer of impact investing in Australia and has a strong existing relationship with STREAT through the SVA venture portfolio.</td>
<td><strong>Major philanthropic supporters</strong> Ian Potter Foundation The TK Foundation Greenlight Foundation / Sornem Private Wealth Westpac Foundation Fidelity Foundation (UK) Helen Macpherson Smith Trust Jack &amp; Ethel Goldin Foundation</td>
<td><strong>DLA Piper</strong> The law firm who undertook the legal work (pro bono) and reviewed all major documentation.</td>
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<tr>
<td></td>
<td><strong>Other supporters</strong> Six Degrees architects McCorkell Constructions</td>
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</tbody>
</table>
Maximising value, not just transacting

From the very first meetings held between STREAT, NAB and SVA, there was discussion about how the parties could ‘Create Shared Value’ for each other, rather than just transacting. It was also decided that this deal was the perfect opportunity to not only inspire ourselves with what was possible, but also ‘lift the bar’ for the sector. Senior staff from all parties held a workshop to map out and prioritise key opportunities that existed across STREAT’s four key impact areas: People, Planet, Profit & Performance (see examples of some strategies explored in the table on the right).

<table>
<thead>
<tr>
<th>PEOPLE</th>
<th>Value creation strategy / ideas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff engagement &amp; loyalty</td>
<td></td>
</tr>
<tr>
<td>Corporate volunteering – (individuals and teams, skilled &amp; unskilled), including at Cromwell Manor</td>
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<tr>
<td>Internal presentation to NAB &amp; SVA staff about what worked/didn’t work / ‘Lunch &amp; Learn’ sessions</td>
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<tr>
<td>Matched giving / Workplace giving</td>
<td></td>
</tr>
<tr>
<td>Youth trainee engagement &amp; opportunities</td>
<td></td>
</tr>
<tr>
<td>STREAT Trainee &amp; graduate placement, ‘Work Inspirations’</td>
<td></td>
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<tr>
<td>Run money management programs</td>
<td></td>
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<tr>
<td>Customer engagement &amp; loyalty</td>
<td></td>
</tr>
<tr>
<td>Social media campaign</td>
<td></td>
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<tr>
<td>STREAT to introduce NAB to its supporters</td>
<td></td>
</tr>
<tr>
<td>Network building</td>
<td></td>
</tr>
<tr>
<td>Sharing networks &amp; contacts for Cromwell (concrete, aircon, furn)</td>
<td></td>
</tr>
<tr>
<td>Create multi-Touchpoints to deepen engagement (grant &gt; invest &gt; engage)</td>
<td></td>
</tr>
<tr>
<td>Find other Geoff Harris’s that can act as catalytic donors</td>
<td></td>
</tr>
<tr>
<td>Social enterprise support</td>
<td></td>
</tr>
<tr>
<td>Run capacity building opportunities for other social enterprises</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PLANET</th>
<th>Environmental sustainability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximise enviro-friendliness of Cromwell build / mitigate carbon footprint</td>
<td></td>
</tr>
<tr>
<td>Solar panels could be purchased through NAB funding</td>
<td></td>
</tr>
<tr>
<td>Tap into NAB enviro skills (eg waste audit, KPI &amp; dashboard development)</td>
<td></td>
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</tbody>
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<table>
<thead>
<tr>
<th>PROFIT</th>
<th>Reputation / PR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Further business together (more projects, social procurement/supply chain)</td>
<td></td>
</tr>
<tr>
<td>STREAT moves its banking to NAB</td>
<td></td>
</tr>
<tr>
<td>NAB &amp; SVA put STREAT in their supply chain (catering, coffee, cafes) where possible</td>
<td></td>
</tr>
<tr>
<td>SVA &amp; NAB undertake further impact investment deals together / build pipeline / refer deals to each other</td>
<td></td>
</tr>
<tr>
<td>Increased financial support &amp; sustainability of STREAT</td>
<td></td>
</tr>
<tr>
<td>Corporate philanthropy / sponsorship / community grants</td>
<td></td>
</tr>
<tr>
<td>Introductions to other potential funders</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PERFORMANCE</th>
<th>Org effectiveness, knowledge building &amp; transfer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training, internships, skilled volunteering, secondments</td>
<td></td>
</tr>
<tr>
<td>Staff access to each other’s internal training &amp; development opportunities</td>
<td></td>
</tr>
</tbody>
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| Innovation / research |
| Capture lessons through case study for sharing |
| Replicate documentation for future deals (for STREAT or other social enterprises) |
| Document and research Creating Shared Value (CSV) partnership |
| Start early planning for further scaling (Sydney expansion?) |

| Risk management |
| Develop documentation on the ‘easy’ way of navigating the risk journey (vs reality) |
| Share the ‘process’ journey for investors, issuers, other lenders to reduce risks |
Key lessons for social enterprises

- **Alignment with strategic vision** – Although Geoff Harris’ offer to purchase Cromwell Manor for STREAT’s usage was unexpected, the STREAT Board could quickly decide to proceed because it was strongly aligned to the organisation’s growth strategy.

- **Strong Board governance** – The STREAT Board first started educating itself about impact investment in December 2010. Since then the Board has continued to grapple with the issues attached to impact investment (like how conservative business planning should be, determining its risk appetite and the management of risk, the cost benefit analysis and opportunity costs of the project, staff capacity to undertake the project and the determination of key partners in STREAT’s growth).

- **Get ‘investment ready’** – STREAT required far less external assistance with its strategy and business planning than when it undertook its first impact investment in 2012. This was primarily due to having learnt a lot in the previous deal and also having built additional internal capacity (specifically with the recruitment of a Chief Finance Officer in 2013). STREAT was starting this project with a strong foundation of a clear strategy and strong governance, internal systems and capacity.

- **Learn to crawl before walking** – STREAT could only do a $2.5m deal because it had undertaken a smaller $300k deal first. STREAT also expects to do far bigger deals in the future, but once again these will only be possible through its past experiences.

- **Find the right partners** – It took a long time to find the right partners to do the project. And whilst working with multiple partners brings diverse strengths, it can also mean that timelines are longer due to communication and internal processes within each organisation.

- **Get runs on the board** – STREAT now runs 7 businesses and can better project new business opportunities. It’s also demonstrated to previous investors that it can scale with investment.

- **Don’t forget Business As Usual (BAU)** – Don’t lose sight of the existing business whilst working on the ‘Big Shiny Project’. This requires a significant depth of skill and capacity within the team.

- **Over communicate** – Spread the net wide when looking for potential investors and keep talking to them all in parallel. Despite the good intentions of all parties involved, the deal may or may not be possible with different parties or even within different parts of an organisation. STREAT was also very transparent with each party that it was engaged in discussions with a wide range of potential investors.

- **Be realistic about the transaction costs** – It’s easy to overlook the real cost of staff time to get a deal together. STREAT anticipates its 2012 deal had cost over $100k in staff time to get a $300k deal across the line (and probably $100k of external time). It estimates at least $300k of staff time (and probably $300k of external time) to get this $3.8m Cromwell Manor project across the line.

- **Understand the issues with different deal sizes** – STREAT had dozens of conversations with all of the existing Social Enterprise Development Investment Funds (SEDF), ethical investment groups, and banks to try and get the deal done. The $2.5m deal was an awkward size because it was too large for some of the existing SEDF funds, yet too small for some bigger players like major banks. STREAT spent over a year having these conversations.

- **Leverage funds** – Understand that most deals will require the leveraging of investment, philanthropic and in-kind support. Each of these sources of capital come with their own pros and cons.

- **Understand that free or subsidised help can cost more** – Sometimes paying for advice is cheaper or more cost effective than trying to access pro bono support which can be slower or a lower priority for companies to deliver upon.

- **Be patient** – Everything takes longer than you anticipate!

- **Wherever possible share knowledge and build sector capacity** – STREAT and its partner organisations have always had a strong commitment to keep lifting the bar for the social enterprise sector. This includes development of standardised templates for others to use in future deals along with investing time in educating others on undertaking impact investment (giving talks and interviews, developing this case study).

- **Stretch and inspire yourself** – STREAT approaches every project and task with the question of how positive value can be created in all areas of its work. This included working with partner organisations to explicitly explore how to maximise the value created to all parties and developing a ‘Creating Shared Value’ Strategy to continuing to create value for each other across the life of the partnership. In the early conversations with partners STREAT explicitly asked potential investors how the partnership could create over $2.5m of value over and above the $2.5m investment deal. STREAT believes this will occur.
Key lessons for investors, donors & supporters

- **Strategic investment** – By investing in social enterprises, investors can enhance their social impact by utilising their corpus as well as their disbursements. This can mean that impact can be maximised through these deals.

- **Harness all your resources, assets and skills for good** – Geoff Harris is an outstanding example of an individual who utilises all of his resources to create social impact for young people. He has donated philanthropic funds, he’s an equity investor in three of STREAT’s existing businesses, he’s used his property portfolio (this is the third building he’s gifted the 50 year use of, he’s forgone future revenue through peppercorn rents, he’s accessed his personal and business networks to assist the project, he’s provided his own business skills in mentoring STREAT’s CEO and Executive.

- **Documentation** – Ensure that the agreement documents comprehensively capture all the nuances of the deal. This will require many hours of conversations to fully understand and capture the key characteristics of the deal.

- **The value of intermediaries** – there is a strong value in having social enterprise intermediaries who strongly understand the issues of scaling social enterprises involved.

- **Build capacity** – Most social enterprises won’t have all the necessary skills internally to undertake a major deal. That will require providing additional help and skills, along with extra patience in the extra time required to educate and build capacity. Many of these social enterprises also won’t have a track record and strong business plans in place. This means the transaction costs on these early deals is often high.

- **Be patient** – It will be over 3 years from STREAT having discussions with Geoff Harris and Breadsolutions about developing a new flagship site in late 2012 to finally moving into the building in 2016. This has felt like a very long period of time for these parties.

- **Outcomes measurement patchy** – It is currently very hard to assess the outcomes across various impact investments because there are no standardised ways of tracking outcomes.

- **Early adoption catalyses more opportunities** – Impact investment is a fledgling field in Australia. As such it will take time to build capacity in all areas, and it also requires strong patience as all parties are educated and build their skills and capacity. Although there are not a lot of deals to currently invest in in Australia (and often no ability to build a strong portfolio of impact investments to minimise risk), early involvement in the sector helps catalyse more projects and investment opportunities.

- **Get educated on the current state of play** – There are a range of publications that give an overview of what impact investment is, and where we’re currently at in Australia. Some of these can be found on the STREAT website (on the Investor’s page).

- **New players coming into the market** – This current deal brings NAB into the impact investment space. There were strong benefits for STREAT having NAB in the deal, including being able to mainstream the deal, bringing in a large brand that other investors could have confidence in working with, bringing in more competitive interest rates and paving the way for other NAB business and wealth customers who are seeking impact investment solutions or investment opportunities.

- **More policy required** – there is currently not a strong policy and regulatory environment to nurture the growth of an impact investment market. This means that some impact investment deals are creating regulatory precedents that have been tested or widely applied (for example, PAFs and PUAFs using impact investments gaining rates lower than they would commercially, claiming the reduction as part of their annual distributions).

- **Australia could be a leader in this area** – As Sir Ronald Cohen Social Impact Investment Taskforce (UK) said in May 2014, ‘What’s interesting about Australia is you’ve got a set of cultural values and institutional forces that make the country very ripe for tackling social issues. So I think Australia should become one of the leading countries in the impact investment space.’
Get involved

STREAT would love your help in stopping youth homelessness and disadvantage and there are many ways you could do this:

- **INVEST** – if you would like more information on impact investment opportunities in Phase 2 of this project, please contact:
  - Rebecca Scott, CEO on rebecca.scott@streat.com.au

- **SHARE** – tell others about us, share a meal or coffee with friends at STREAT

- **CONNECT** – join our mailing list (streat.com.au), follow us on Twitter (@STREATmelbourne, @STREATcafe, @bec_scott), like us on Facebook (STREAT.melbourne)

- **BUY OR DONATE** – buy our coffee for home or work, buy a STREAT cookbook from a café or online (streat.com.au), make a donation (we’re a registered charity and all donations over $2 are tax deductible)

- **PARTNER OR VOLUNTEER** – we have volunteers and student interns in a bunch of areas, we also have lots of amazing business and non-profit partnerships so have a chat with us about possibilities.

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Connect

STREAT Head Office
- Level 1, 673 Bourke Street, Melbourne, VIC 3000
- 03 9629 4222

Cafes
- 307 Racecourse Road, Flemington
- 5 McKillop Street, Melbourne
- Melbourne Central, near the escalators the level below the tower
- PwC foyer cafe, 5 Freshwater Place, Southbank
- RMIT University, Swanston St (near The Hub)

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“In your lifetime you’ll have over 80,000 meals, why not use today’s to make a difference.”