

Gautam Kaul

Acumen Fund: Valuing a Social Venture (A)

Introduction

“Your business sounds compelling, but we’re not sure if an investment makes sense for us right now,” said Varun Sahni, director of the India office at Acumen Fund. “We’ll need to first determine what the business is worth and whether it is aligned with our social mission.”

Sahni and his associate, Vikram Raman, had just finished up a meeting with the founders of Ziqitza Healthcare Limited (ZHL), a for-profit ambulance company in India. Launched in 2002 to create a network of ambulance services to meet the need of emergency medical services (EMS)¹ in urban centers throughout India, ZHL was seeking to raise \$1.5 million to purchase new ambulances. The founders of ZHL approached Sahni because they believed Acumen Fund would make a good investor and partner.

Before moving forward, however, Sahni and Raman called Brian Trelstad, chief investment officer of Acumen Fund, to discuss the potential deal. After the phone conversation, they all agreed that it was worthwhile to explore a possible investment and that the next step would be to perform a thorough due diligence. This involved clearly understanding ZHL’s business model and calculating the firm’s value. If the venture passed this initial vetting process, the next steps would be to draft a term sheet and present a clear case for an investment to Acumen Fund’s Investment Committee in New York.

Acumen Fund

In 2001, Jacqueline Novogratz founded Acumen Fund with seed funding from the Rockefeller Foundation, Cisco, and a small group of individuals. Novogratz believed that there were opportunities to develop new and sustainable approaches to address the unmet needs of poor communities. With this vision, Acumen Fund was launched “to prove that small amounts of philanthropic capital, combined with large doses of business acumen, could build thriving enterprises that serve vast numbers of the poor.” By 2008, Acumen Fund had investments in India, Kenya, Pakistan, South Africa, and Tanzania.

Acumen Fund primarily supported ventures that delivered goods and services to the poor. This support involved using a variety of financial vehicles, such as debt and equity, to develop sustainable and scalable ventures. Additionally, Acumen Fund provided management support, ranging from taking board seats to bringing direct support through the short-term placement of staff or consultants with investees.

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©2010 William Davidson Institute. Research Associate Moses Lee developed this case under the supervision of Professor Gautam Kaul. They thank Brian Trelstad and Varun Sahni of Acumen Fund for their assistance in developing this case. The financials have been modified significantly to prevent disclosure of sensitive corporate information.

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