

BEACON FUND

ELEVATING FEMALE ENTREPRENEURS



BEACON
FUND

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AN INVESTMENT FIRM THAT WORKS FOR WOMEN

WHO WE ARE

Beacon Fund is a long-term commitment to changing finance to work better for female entrepreneurs. Most of these businesses are not the “blitz-scaling” (often cash-incinerating) companies targeted by traditional venture capital (VC) firms – and that’s not a problem, it’s an opportunity.

Beacon aims to contribute to closing the gender financing gap by providing appropriate capital and support to sustainable, moderate growth companies which are not a good fit for the traditional VC or private equity model and severely underserved by banks. In doing so, Beacon hopes to shine a light on alternative models of entrepreneurial and investing success. Our geographic focus is Vietnam, Indonesia, the Philippines, with opportunistic investments elsewhere in Southeast Asia.

LETTER FROM CEO

Dear friends,
A very warm welcome!

We created Beacon to shine a light on alternative models of entrepreneurial and investing success.

From our 15+ years of experience engaging with and investing in entrepreneurs across Southeast Asia, we have learnt that businesses come in many shapes and sizes and growth profiles, and many incredible entrepreneurs have ambitions that do not include an exit. However, right now financing options for private companies in our markets are concentrated predominantly in one format: venture capital and private equity. Rather than trying to force-fit all companies into this framework, we sought to re-imagine financing to better meet the needs of moderate growth companies that value long-term sustainability and impact, rather than growth at all costs. We chose to focus on debt and mezzanine products, because we believe they're a better fit for the moderate growth, cash-flow positive businesses that we're targeting. We are also pioneering an evergreen fund structure to better fit the time horizon and financing needs of our portfolio companies. In other words, we're here for the long-term.

While changing gender norms and the 'rules' of finance may take time, we believe we can start by treating our customers – you, the entrepreneurs – with respect and making the fundraising process more transparent and value-additive. We dare to believe it's possible to turn fundraising from a headache to a delight, or at the very least a process where you feel empowered and understood.

We look forward to creating a new movement of 'Beaconeers' who share our mission. If this resonates with you, please connect with us.

Sincerely yours,



Shuyin Tang
CEO & Co-Founder
Beacon Fund



ARE YOU A GOOD FIT FOR BEACON FUND?

Your business is an ideal customer for us if you possess some of the following characteristics:

- ▶ Value long-term sustainability and impact, and perhaps even aspire to build a business that lasts for generations and solves the world's challenges
- ▶ Appreciate business fundamentals of achieving profitability and generating cash flow
- ▶ Seek to bring the best of local ideas, products, and values to the world
- ▶ Looking to transform, and open to an external push to switch orbit at the crossroad between generations, or in a sector on the cusp of transformation
- ▶ Believe diversity and inclusion can turbocharge your business's success and impact

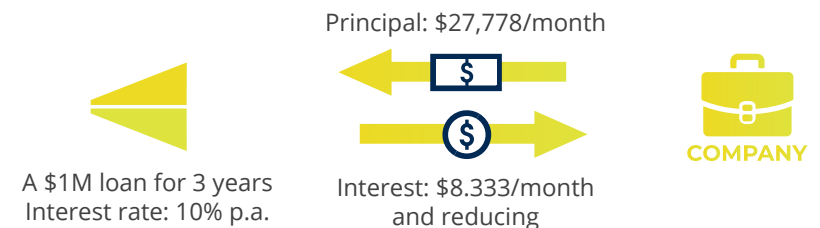
At the same time, if your business struggles to receive attention from traditional VC/PE funds, we hear you! You can be small but giant, and we welcome you - the Beaconeers - to apply for our funding.

PRODUCT STRUCTURES

STRAIGHT-LOAN

A plain vanilla term loan

- Interest rate: 8-12%
- Term: 2-4 years
- No real estate or cash deposit as collateral
- **Suitable for companies which demonstrates good track record of generating positive cashflow**



SECURITY PACKAGE*

- Inventory
- Receivables
- Equipment
- Intellectual Property
- Share Pledge

**The security package is tailored to each company and can include some or all of the above.*

REPAYMENT

- Eligible for 3-6 months grace period
- Monthly interest payment
- Monthly or quarterly repayment of principal

PRODUCTS

We provide fit-for-purpose financing for women-owned businesses and businesses that primarily and intentionally serve women and girls. Our current products include term loans and mezzanine finance. The following examples and specifications will help you understand our product offering better. Mezzanine products can be flexibly structured to fit a business's specific needs, hence many structures are possible - below are just 3 examples (out of many!) to help you understand. We continuously innovate our products to fit your business' needs better, so if you have any feedback we welcome it with open arms.

We provide investments from **USD 200,000 up to USD 2,000,000** for short-term (< 1 year) and mid-term (2-4 year) purposes.

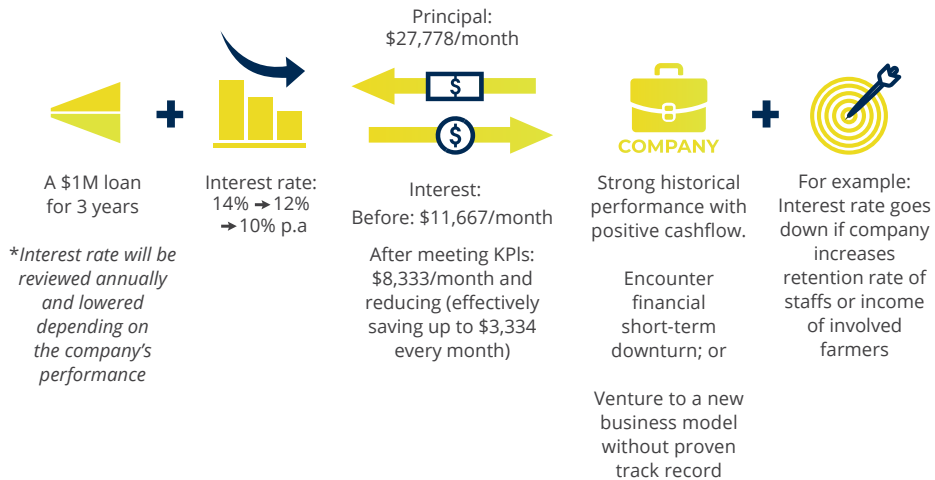
MEZZANINE

- Beacon Fund's unique products that can fit a variety of companies with diverse needs and financial profile.

PERFORMANCE-BASED STEP-DOWN

When your growth and impact are recognised and incentivised.

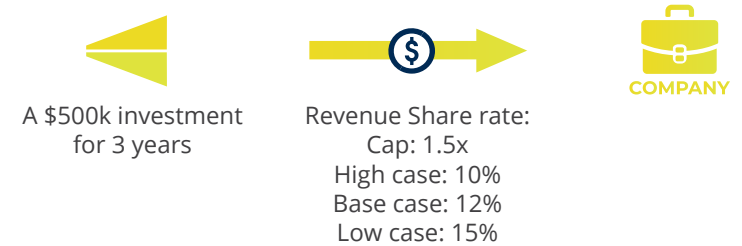
- Unlock lower interest rates when reaching agreed business and/or social impact KPIs.
- Starting interest rate: 10-14%.
- Term: 2 - 4 years.
- Works as an incentive for improved business performance and social impact contribution.
- Suitable for companies that face short-term difficulty but have a great potential to recover and thrive in the future.**



REVENUE SHARE

When the investor accompanies and takes risk with you at the early stage of your business.

- Company do not have to repay the principal.
- Company shares a portion of the company's revenue up to a cap.
- Hence, investor bears the risk of receiving anywhere between \$0 and the cap.
- Interest rate: 0%. Instead, Beacon Fund will charge the company 5-15% of company's revenue.
- Term: 2 - 4 years.
- An accessible funding option for early-stage businesses with limited financial track record.
- Suitable for early-stage companies that have not generated positive cashflow from operations yet.**



The revenue share can look like this, if the company's performance exceeds expectations:

REVENUE	BEACON'S SHARE
Year 1: \$2,500,000	\$2,500,000 x 12% = \$300,000
Year 2: \$5,000,000	\$5,000,000 x 10% = \$500,000
TOTAL TO BEACON	\$800,000

Since the revenue share in 2 years reaches over 1.5x loan size, the revenue share ends sooner than the original term.

Beacon actually only takes this amount because the cap kicks in!

\$750,000

Or it can be like the below, when some hurdles prevent the company from a smooth growth path.

REVENUE	BEACON'S SHARE
Year 1: \$1,000,000	\$1,000,000 x 12% = \$120,000
Year 2: \$500,000	\$500,000 x 15% = \$75,000
Year 3: \$2,000,000	\$2,000,000 x 12% = \$240,000
TOTAL TO BEACON	\$435,000

Investor shares the risks of business performance with the entrepreneur

Lower than original investment

VENTURE DEBT

Strong alignment between debt investor and long-term goals of the business

- Strong alignment between debt investor and long-term goals of the business
- A combination between a traditional term loan and warrants.
- Interest rate: 8-12%.
- Term: 2-4 years
- Warrants create strong alignment between the debt investor and the company over the long-term.
- Company has raised or is about to raise external equity funding.
- **Suitable for company which has an exit plan, wants to minimise dilution for current shareholders and has generated cashflow from operations**



A \$1M loan for 3 years
Interest rate: 8% p.a.



Warrants:
Beacon has the right to buy the company's shares at a fixed price in the future



CAN'T SEE ANY SUITABLE PRODUCTS?

DON'T WORRY!

We can customise our product to fit your funding demand.



EQUITY AND DEBT: COMMON MISPERCEPTIONS

FEES

We charge a fee to cover our costs related to making the deal happen, including due diligence, legal documentation etc.

The fee ranges from 1% to 4% of the total investment value (bigger deal size = smaller % charge).

Every company has to make its own choice on whether to seek debt or equity to finance its business plan (or, in some cases, to rely on internally-generated cashflows to grow). However, while some entrepreneurs think that equity is cheap as it doesn't have to be paid back, actually it is usually the most expensive financing option.

Fundamentally, if you believe your company will be more valuable in the future, let's say 3x more valuable, then the USD 2 million of shares you sold today could be worth USD 6 million at that time. In addition, to the extent that your business is generating profits and paying out dividends, you will also be obliged to share these with the equity investors as well.

Furthermore, when outside investors take a stake in your business, they have the right to consult on how the business is run and in some cases can even veto certain business decisions. You also have to manage their expectations for their investment, which typically would include extremely strong growth and ultimately an exit via an acquisition, IPO or share buy-back. After 3-5 years, there is generally strong pressure from equity investors to achieve an exit - after all, they need to 'get their money out' somehow.

So in short, equity is not 'free' and while it sometimes makes sense to take on the right equity partner, it doesn't hurt to consider other options. Particularly if your business has a track record of generating positive cashflow and you are not looking to exit your business in the near-term, then debt products might be a better fit for you.



BANKS VS BEACON

We are often compared with banks. But we believe our offering is quite different from what is being offered by these age-old financial institutions.

Let's explore!

Looking into debt financing, the first thing that generally comes to mind for business owners is the interest rate. However, there are other costs and benefits that can reveal a rather different picture.

	BANKS	BEACON FUND
PRODUCT	<p>Suitable for companies or individuals that have personal assets to pledge at bank.</p> <p>Or, without collaterals, a very short-term loan (<1 year) with relatively high interest rate that is only good for short-term working capital.</p> <p>Very strict disbursement directly to suppliers / sellers or employees.</p>	<p>Flexible products from mid-term straight loan to mezzanine to fit with business' need without real estate or cash deposits as collateral.</p> <p>Direct disbursement to company for both short- and mid-term use of funds.</p>
SIZE	<p>Highly tied to the value of collaterals: cash loan can only go up to 70% of collateral's value and other non-cash products can go up to 100% of collateral's value.</p>	<p>Not restricted until USD 2 million, purely depending on the Company's capital use plan and its ability to pay back</p>
PROCESS	<p>Asset-based focus where banks care mostly about what the company has and what the business owner owns to evaluate the loan.</p> <p>Banks don't underwrite based on the business' potential; only based on the assets they have.</p>	<p>The story behind the numbers is important for us, we focus on the business' fundamentals and what it can achieve rather than what it already is.</p> <p>Interactive process wherein Beacon provides insightful feedback that can add value to the way the entrepreneurs run their businesses.</p>
SECURITY PACKAGE	<p>At the end of day banks only care if they can recover the loan at default:</p> <ul style="list-style-type: none"> • In case, the company is allowed to use inventory as collateral, they would need to make a cash deposit up to 70% of the loan value. 	<p>Flexibility of using some combinations of the following as collateral:</p> <ul style="list-style-type: none"> • Inventory • Receivables • Equipment • Intellectual Property • Share pledge

	BANKS	BEACON FUND
PRICING	<p>8-20% short term (< 1 year tenor)</p> <p>9-12% mid term (only available with real estate collateral)</p> <p>10-14% long-term (only available with real estate collateral)</p> <p>Some additional fees during the process are not presented upfront.</p>	<p>USD interest rate 8-12% (for term loans) (effective VND rate 11-15% (mid-term tenor))</p> <p>Transparent pricing, we only charge fees that are communicated to the company since the beginning.</p>
CUSTOMER EXPERIENCE	<p>Hierarchical and superior</p> <p>Better if you have existing connections</p> <p>Check-the-box approach</p> <p>Limited support, if any</p>	<p>Transparent, open and straightforward</p> <p>Supportive and listening</p> <p>Offer support even if Beacon can't serve your business</p>
VALUE-ADDS	<p>Access to other products at the banks.</p> <p>However, at the end of the day your business is amongst hundreds that a branch serves, only limited support or value-add will be provided.</p>	<p>We care about women's experience of leadership and ownership.</p> <p>We offer strategic advice when needed.</p> <p>We open doors to new investment opportunities.</p> <p>We create a support network of potential customers and partnerships to facilitate the business' growth in the long-run.</p> <p>We innovate to cater to the needs of female entrepreneurs and their businesses.</p>

BEACON'S VALUE-ADD

FLEXIBLE PRODUCTS

From mid-term straight loan to mezzanine to fit with business' need without real estate or cash deposit as collateral. That said, we continue to innovate our products to serve your needs better.

FINANCIAL HEALTH-CHECK

Entrepreneurs receive financial health check report upon engaging in our Due Diligence process.

TECHNICAL ASSISTANCE PROGRAM

Qualifying businesses receive a grant to spend on improving financial management and/or leadership capabilities.

OPEN DOORS

To new markets, other investors, especially impact-focused investors and Development Finance Institutions.

STAMP OF APPROVAL

Work with a professional international gender lens social impact fund and understand the investor's perspective.

SUPPORT AS A LONG-TERM PARTNER

Strategic advice, feedback on performance, knowledge sharing, future fundraising support, talent acquisition, new customers and potential partnership opportunities.

IMPACT

“Impact investments are investments made with the intention to generate positive, measurable, social and environmental impact alongside a financial return.”

[Global Impact Investing Network]

WHY WORK WITH AN IMPACT INVESTOR?

Does the idea that running a great business means more than maximising profits resonate with you?

You're not alone. An increasing number of investors are also embracing this idea. In fact, there's a type of investors - called impact investors - who value promoting positive impact to the society and the environment as an integral part of their mission, goals and day-to-day practice. The type of positive impact each impact investor seeks can be different - it could be improving education, tackling climate change, or promoting gender equality, just to name a few.

We've been working at the cutting edge of impact investing in Southeast Asia for a long time - more than 15 years in fact. The Beacon Fund is focused on gender equality and livelihood impact as our primary impact goals, though the businesses we invest in are also usually advancing other impact goals such as making high-quality education more accessible or promoting sustainable agriculture. While we do seek strong financial returns, social impact is a must-have in all of our investments, in fact, some of our product structures enable you to unlock a cheaper cost of financing as your business delivers increased impact to the society and/or environment.

We will work with you to identify, measure and hopefully amplify the positive impact your business has on your key stakeholders. To do this, we use our own toolkit as well as the IRIS+ system, a globally-recognised impact standard. Apart from helping you and your team understand your own impact better, actively measuring and managing your impact can help you tap into additional funding opportunities from the growing pool of investors who care about impact.

GENDER LENS

WHY FOCUS ON GENDER IN YOUR BUSINESS?

A gender analysis can unlock new opportunities for your business as well as highlight potential risks. This could be through better understanding the different needs of your customers based on their gender and using that knowledge to tap into new customer segments and drive customer loyalty. Or it could help you build a stronger company culture and attract and retain top talent. It begins with asking simple questions about how gender might play a role in your market, your customer's decisions and the way your team operates. We also usually ask you to share some gender-disaggregated data - just as with any other business decision, data-driven decision-making is key. We are here to guide you on this journey and hope it will yield valuable insights that shape the way you think about your company.

An example illustrating the potential result is: a portfolio company of ours was able to re-design its product offering to better suit their women customers' needs by asking the questions "What are the unique needs of women customers? How does my team's set-up contribute or not to serving those needs?" As a result, they were able to double the number of female student enrollments in that class comparing to when it was initially launched. That's great for business as well as for society.



INVESTMENT CRITERIA

20% Female ownership

Positive Owner's Equity

At least 2 years in operations

30% BOD is female

Net debt/CFO ratio < 4x

At least 1 year of positive Cashflow from Operations

At least female CEO or COO

Net debt/EBITDA ratio < 3x

Most revenue is received via bank accounts

Those doing the heavy lifting properly incentivised

For investment from \$200,000

OR

[Proxy] Annual Revenue min \$860,000

50% Female ownership

For investment from \$1,000,000

OR

Intentionally Serve Women

[Proxy] Annual Revenue min \$3,500,000

INVESTMENT PROCESS



TOTAL (END-TO-END) : 9-14 WEEKS

*The process depends on the speed of data provision by companies.

TESTIMONIALS

VALUES ADDED BESIDES FINANCE



Beacon Fund is not simply just a financing partner but also has been a **value-adding partner** to MindX. Their **rigorous due diligence process** has helped us gear up for the larger funding round which we are working on at the moment. The questions they asked during the due diligence process and throughout our partnership really challenged us to think about our business direction and strategy. Beacon provides **hand-on support** to our fundraising process, which is not common for traditional lenders. Beacon has also **actively introduced MindX to other potential partners** including potential investors, development finance institutions, business partners, and last but not least, potential talents.



"Beacon Fund's decision to invest in Hoa Nang was quite surprising because it is extremely difficult to access capital for most agricultural small and medium businesses. In addition to providing financial support, Beacon also **accompanied our business side-by-side** and participated in problem-solving with us, **opened doors to many sales opportunities and technical support** as well as helped us assess our potentiality more accurately, hence strengthened our reputation and branding in the investment community."



PRODUCT



VUA CUA

"Beacon offers loans instead of equity financing like some other private equity funds, with **competitive interest rate** and **flexible collateralisation**. Shareholders' shares are accepted as collateral while it is almost always not an option for small and medium enterprises when working with Vietnamese banks who always ask for real estate or bank deposits as collateral."

GENDER LENS INVESTING



"Women are playing key roles at Vua Cua (the CEO, Operations Manager, Head of Sales). Madam Lien, our angel investor from Shark Tank Vietnam, is also a woman. Thus, we fully understand how challenging it is for women to run a business and really appreciate Beacon's approach to **support female leadership**. It is also our intention to be successful so we can use our story to inspire more women to build their business and improve gender equality in Vietnam."

JOIN US TO BUILD A NEW MODEL OF ENTREPRENEURIAL SUCCESS.

WE ARE SEEKING TO CONNECT WITH

- ◀ Entrepreneurs who share our mission
- ◀ Organisations that work with SMEs and female entrepreneurs
- ◀ Like-minded individuals who share our mission to become a team member or one of our advisors.



Phòng Thương mại và Công nghiệp Việt Nam





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