



# ANNUAL REPORT

2015

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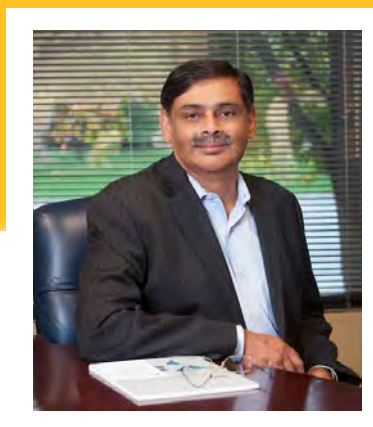
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# CEO LETTER



Dear Friends,

I am honored to share the Gray Ghost Ventures 2015 Annual Report with our friends and partners. This is the year we celebrate the 10th anniversary of our work as an impact investment firm. We are proud of all that we have achieved so far, and are mindful of the challenges that lie before us. We couldn't have accomplished our goals without the tireless efforts of world class colleagues, the support of our partners and the hard work of the entrepreneurs that we invest in. As we meet these challenges, we realize that we must be judicially responsible stewards of the financial resources with which we have been entrusted. The results of this effort have been outstanding and we hope our contribution plays an important role in the success of impact investing for years to come. This annual report is intended to give you a snapshot of our performance till date, as well as, our ongoing efforts as we carry out that stewardship.

In order to provide continued support to our investees in 2015, the Gray Ghost Ventures team focused on several key areas: operational functions, fund raising and marketing support, developing HR infrastructures, while also assisting with governance and strategic decisions. Within the impact space, we continue to collaborate on our financial, due diligence and impact reporting models and methodologies, as well as, providing guidance on investment terms – in order to continue to grow the ecosystem. Our portfolio companies were all quite busy in 2015, with several companies having raised funds and others currently fund raising. Three companies announced new product launches – a digital services platform in India (BEAM), a new mobile wallet in Latin America (BillMo) and new product licensing agreements with several South Asian and Sub-Saharan African countries (PharmaSecure). M-KOPA lit over 300,000 homes in East Africa and added Generation Investments, Sir Richard Branson and Steve Case to its investor base, while bKash has positioned itself to overtake M-PESA to become the largest mobile money provider in the world in 2016. To round out the year, we learned that Gray Ghost had been selected as one of 50 Impact Fund Managers on the IA 50 list for 2015.

I couldn't be more inspired by the breadth of innovative approaches that we get to witness almost every day and genuineness of truly wanting to make a difference. Whether we invest in a particular initiative or not, we are humbled by these amazing entrepreneurs that are focused to solve some of the world's toughest challenges. We expect to continue on this path with our third fund, the Gray Ghost Emerging Markets Fund III in 2016 and beyond, while remaining the leaders in ICT for impact investing.

It is an honor for us to do this work, and to be part of this cause with amazing people. I look forward to our collaboration in the years ahead. To all of you, I sincerely extend my deepest thanks.

Sincerely,

Arun Gore  
President & CEO



## SOCIAL IMPACT

Gray Ghost Ventures (GGV) has long held a fundamental investment thesis: break down the systems of exclusion which penalize the low-income and poor mass market through early stage investments into innovations and ventures bridging the access gap with technology-led products and services. Our investment thesis informs our social impact thesis, and vice versa. 2015 arrived as a year in which some of the more successful companies in our portfolio were beginning to reach a significant and massive scale.

For example, one company alone which is now at this level of maturity is d.light. Through 2015, d.light estimates 56 million lives empowered through its products. To include other benefits which d.light brings, estimates of its vast social impact include 15 million school-aged children reached with solar lighting along with 28 billion productive-hours created for working and studying. On top of this astounding impact, a powerful environmental impact has been created, with an estimated 105 GWH of electricity generated from a renewable source, resulting in 20 million tons of carbon dioxide offset. This is an example from just one portfolio company!

Importantly, social impact takes time to build. In order for us to arrive at the true value of demonstrable social impact, we evaluate the funds according to their SVPI, or the Social Value to Paid In Capital. Generating a SVPI of 63.9x, we can measure the impact created per every dollar invested in our target geographies. For greater detail, our portfolio companies have now witnessed over 1.7 billion transactions with customers. This level of consumption speaks significantly to the transformative power of the products and services which our portfolio companies offer. Yet, more important than who we have served, is that we have billions more to go. With cost savings aggregating to \$690 million and enhanced productivity equating to \$1.2 billion, the GGV portfolio companies have made a significant push in assisting large numbers of people to reach their full potential. Investments made by GGV have created the platform for this societal enrichment.

# SOCIAL IMPACT HIGHLIGHTS

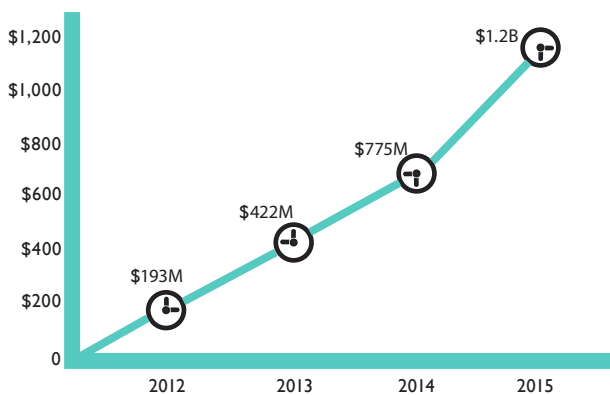
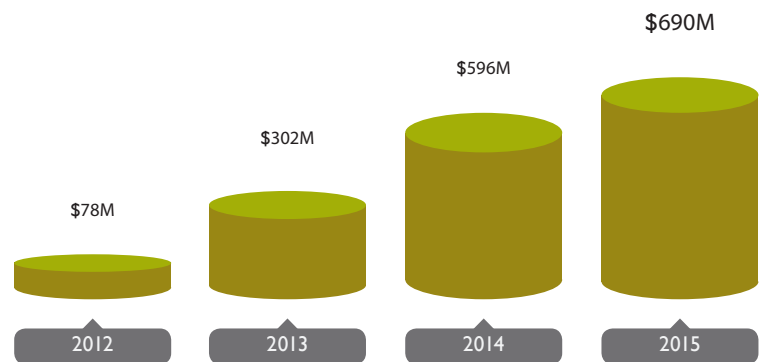


## 1.7 Billion Transactions

Cumulatively Facilitated since 2006

## \$690 Million

Cumulative Enhanced Productivity  
(Increased Income)



## \$1.2 Billion

Cumulative Time & Cost Savings

## 63.9x

Social Value To paid In Capital



## CURRENT PERFORMANCE



**79%**

Revenue positive in the 1st 18 months



**163%**

Average annual revenue growth rate (CAGR)



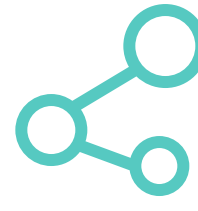
**\$202**  
MILLION

Total funds raised by all companies



**5.5x**

Signal ratio (total capital / GGV investment)



**1.9x**

Total value to paid in capital  
\* Book value based on last round valuations; no mark-ups



**94%**

Companies received follow-on financing



**67%**

Companies received up-rounds post initial investment



**130**  
THOUSAND

Workforce across all portfolio companies



## INDIA

India's macro-economic indicators remain attractive and underpin a constructive long-term outlook. Macroeconomic fundamentals are likely to be on a strong footing in 2016, especially noteworthy amid the ongoing global economic uncertainty. India's growth has been modest in the recent years, but momentum seems to be improving. At 7.3%, GDP growth in FY14-15 was the first above 7% rate in three years and is expected to inch up to 7.5% in FY15-16 and to 8.0% in FY16-17. India's new government that took office in May 2014 is working on comprehensive structural reforms across multiple sectors of the economy which has led to increased investor confidence and ease of doing business.

India has also become effective at reducing poverty. Between 2005 and 2012, the country lifted 137 million people out of poverty and reduced the poverty rate to 22%, reports the World Bank. A much larger fraction of the decline in poverty is taking place in low-income states, and the poorest 40% are increasingly sharing the benefits of growth. This has been made possible by government's access to low cost private domestic savings to meet its financing needs, adequate foreign exchange reserves, overall financial markets stability, and recovery in manufacturing and an uptick in agricultural activity.

The rule of law, a stable democratically elected government, a vibrant entrepreneurial culture, a deep and fundamentally sound capital market and a long history of innovation continues to make India an attractive long term buy-and-hold prospect even though certain fluctuations may distort the short term economic outlook.

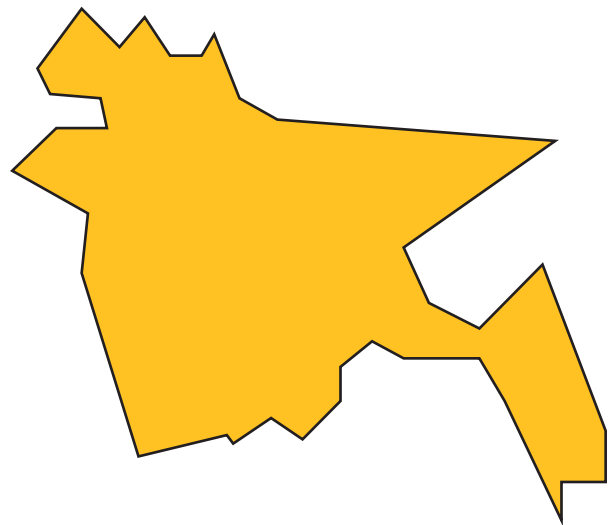


## BANGLADESH



Despite political agitation early in 2015 that adversely affected transport services, exports, and private investment, growth in Bangladesh held up well because of brisk domestic demand, boosted by higher worker remittances, private sector wages, and public investment. As in previous years, agriculture, remittances and garment manufacturing remain the main sources of economic growth in the country. In line with typical development patterns, the contribution of agriculture to total output has been gradually declining. However, the sector's overall importance to the economy is far greater given that it employs close to 50% of the labor force, and that about 80% of the population lives in rural areas. Overall economic performance has also been supported by large remittance inflows and the role of local micro-finance institutions.

With nearly 160 million inhabitants on a landmass of 147,570 square kilometers, Bangladesh is among the most densely populated countries in the world. Sustained growth in recent years has generated higher demand for electricity, transport, and telecommunication services. Further, a growing labor force participation, improvements in urban management, and a return to political and economic stability has put Bangladesh firmly on the international investment destinations' map.



Despite numerous structural impediments to growth, in particular the shortage of electricity, Bangladesh defied consensus growth estimates and registered a 6.5% GDP increase in 2015. The World Bank reports that Bangladesh has maintained an impressive track record both on growth and development fronts. In the past decade, the economy has grown at nearly 6% per year, and human development went hand-in-hand with economic growth. Poverty dropped by nearly 30%, coupled with increased life expectancy, literacy, and per capita food consumption. More than 15 million Bangladeshis have moved out of poverty since 1992.

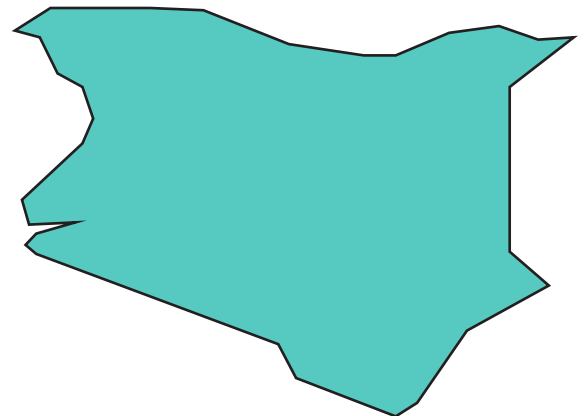




## KENYA

According to the World Bank, Kenya has the potential to become one of the best performing economies in Sub-Saharan Africa and among middle income countries. Economic performance remains solid, with GDP growth rate expected to improve from 5.3% in 2014 to 5.4% in 2015. It is projected to rise further to 5.7% in 2016. A significant portion of this growth has come from heavy government investment in infrastructure projects including railways, roadways, and energy. Increased investment (both public and private) is set to provide an impetus for growth, particularly in the transport and energy sectors. Construction of the standard gauge railway line is ongoing while the country aims to double power generation by 2017. The introduction of new geothermal power has helped ease electricity costs, which will provide support to economic growth momentum. All this bodes well for an economy that is preparing to grow at unprecedented rates by providing a robust infrastructure foundation, even though that has come with increased deficits in the short term. Some of the challenges that may impact growth in the near future remain inadequately addressed at this time. These include weaknesses in the export and tourism sectors, disappointing agricultural output and a tighter monetary policy environment.

The reducing cost of doing business and stable macro-economic environment continue to give a clear signal that Kenya is open for business with the world. With strong growth prospects supported by an emerging, urban middle class and rising appetite for consumption, Kenya stands to leverage on a stronger services sector that is increasingly attracting inflows compared to other large African economies which are supported to a large extent by commodities such as oil, gas, metals and minerals.



# COUNTRY REPORTS



In a tough economic year for Latin America, Mexico is emerging as the frontrunner as Brazil falters and enters into a recessionary phase. The Mexican economy continues to expand at a moderate annual rate of growth of 2.4% as the economic recovery lost steam during the first half of 2015. A gradual recovery of economic activity is expected to continue, with economic growth strengthening from 2.3% in 2015 to 3.0% in 2017. Low commodity prices, depreciating currencies and a stock market sell off across emerging markets have hit Latin America particularly hard.

However, Mexico's economy grew, unemployment rates fell and its debt was recently upgraded. In the medium term, experts believe that the Mexican economy will benefit from a stronger US economy, the depreciation of the peso, and easing of problems in the construction sector. The implementation of important structural reforms has also improved the business climate. Foreign investment is picking up and manufacturing activity is accelerating, which in turn has supported a robust formal job market, boosted household incomes and increased consumption.



Mexico's sound business environment and geographic location makes it an attractive investment destination. Its booming manufacturing sector, an increasingly strong logistics infrastructure, reliable utilities supply, a sizeable and low-cost labor market, and low levels of trade bureaucracy, will continue to make it a preferred investment destination over its other emerging market peers.



# PORTFOLIO HIGHLIGHTS



- More than 5M low-wage job seekers have engaged with the company since inception.
- More than 50k employers have interacted with and discovered previously marginalized jobseekers.



- With more than 19M customers, Beam provides a secure and efficient mobile payment platform to India's unbanked population.
- Wide service offering includes bus and train ticketing, bill payments, mobile and DTH recharge, and remittances among others.



- Has more than 17M+ users and over 100k agents all over Bangladesh.
- One of the fastest growing mobile financial services company in the world.



- Has sold over ten million solar light and power products in 62 countries, improving the lives of over 50 million people.
- Has produced over 109 GWH, generated from a renewable energy source.



- Has facilitated more than 51M transaction since inception.
- Continuing innovation around products which give customers control, security and cost-efficiency.



- Has proudly lit over 300k homes in East Africa and has 40k+ customers accessing other products via their credit facilities.
- Received a visit from President Barack Obama during the 2015 Global Entrepreneurship Summit in Nairobi, Kenya.



- Currently operates in Mexico, Columbia, Peru and a handful of other Andean countries. Recently commenced operations in China.
- Has empowered more than 10 million lives by underwriting wide range of micro-insurance products to people with disabilities, their care-givers, and family members.



- 2015 witnessed a dramatic acceleration in authentications, with favorable trends going forward.
- Currently operates in India, Pakistan and Nigeria.



- Launched a new mobile app to make food security production more efficient. Won the 2015 Application Design Awards (Asia) for its application empowering farmers through digitization.
- Currently operates in India, Bangladesh, West Africa and Latin America.



# SOCIAL TRANSFORMATION: IMPACT INVESTING IN TECHNOLOGY STARTUPS AS HOPE OR HYPE?



As a primary market for Gray Ghost Ventures' investment, India, often described as “an emerging superpower,” remains a country of paradoxes. After 1991, India began to move toward economic liberalization, deregulation and reduced controls on investment. By 2011, twenty years later, the economy was posting robust growth despite the global economic recession. The middle class was burgeoning.

Yet, prosperity has been slow to trickle down to the approximately 40-45% of its population which forms the base of the economic pyramid. Long-term challenges of poverty remain, including insufficient access to quality education and healthcare, lack of access to tools to build household wealth, quickening rural-to-urban migration, and endemic corruption. Long waits for basic services, such as the issuance of driving licenses, as well as repeated visits for common services, such as bank accounts, are common. This paucity of resources and access is so severe that a “shortage mentality” has led to a popular joke: “If Indians see a line, they will queue up without knowing what is on offer.”

Despite progress, India has struggled in the face of its mantra of “inclusive growth.” In this unsettling reality, some have argued that technology-enabled solutions do not have a role to play, and that the social structure will not respond to technology interventions alone. Others have presented and developed a virtuous cycle of experimentation, learning and innovation, and which is empowered by the application of technology and which is aware that technology provides novel solutions to stubborn problems. Yet technology alone will not be a panacea. Technology solutions arise within an ecosystem. In this light, the Gray Ghost Ventures portfolio is a stellar example of how social ventures understand and build upon the interests of diverse stakeholders. Our entrepreneurs work with a variety of stakeholders and intermediaries who would not be in the equation in a traditional context, including donors, government and not-for-profit agencies, and other service providers and distribution channels. A keen awareness of the interplay among these stakeholders has led to remarkable and powerful impact ventures.

Across the markets where Gray Ghost Ventures works, our portfolio of high-impact ventures has brought to light insights and approaches to driving change and building scale in a massive fashion. This momentum may be witnessed in ventures such as PharmaSecure, Babajob, BEAM, bKash and M-Kopa, among others. We continue to see the outsized success of our portfolio companies impacting the lives of tens of millions of individuals and households across multiple countries with the same persistent issues of poverty and exclusion as in India. In Bangladesh, bKash has become the fastest growing company in the country, along the way turning the company's name into a verb. It is a common colloquialism on the streets of Dhaka to “just ‘bKash’ me the money!” With more than 20 million customers, bKash is now permeating across Bangladesh. In Kenya mobile money is prevalent. On top of this platform, entrepreneurs have been chipping away at innovations, yet none as successfully as M-Kopa. Viewing the lack of access to electricity as a societal deficit, M-Kopa developed a model of mobile money-facilitated credit access to small-scale solar home solutions. With over 300,000 households served, it is reasonable to suggest the lives of more than 1 million individuals have been positively impacted.

Much of these leapfrogging technologies are jumping multiple steps to offer access in a unique and powerful way to underserved communities. Long-term sustainability and social transformation will derive from their ability as technology startups to understand that they straddle a unique environment of multiple stakeholders. We all have a role to play to sustain the course, fostering a virtuous cycle with our investments, and reaching ever more millions with socially-beneficial goods and services. We will continue to build hope and beat the hype.

# VALUE OF PARTNERSHIPS



## Babajob

“Gray Ghost brings a wealth of experience, a broad portfolio and lessons from other emerging markets as well as impact focused businesses. We have benefited from Gray Ghost’s early participation in Babajob’s journey; learning from the fund’s experience in supporting mission driven entrepreneurs and helping them succeed around the world.”

## BEAM

“Gray Ghost Doen is a true blue and globally respected venture fund. GGD has a knack of identifying significant opportunities and equally understand what it takes to scale a business start-up. And back up the enterprise accordingly. GGD is ably led by Arun - an astute professional and a seasoned business man. He has a very experienced team comprising of Bill, Bahniman, Brian and Jennifer et al who are as professional as they are helpful. It would sound clichéd, but we actually look forward to discussions including those in the board meetings. It is a privilege for me to serve with Arun and Bill on Beam’s Board.”

## bKash

“Other investors may have resources of operational professionals to support an investment, however, what makes Gray Ghost unique is in its intent and approach in supporting the investment through hands-on engagement when the investment seeks support.”

## d.light

“Gray Ghost was one of our first investors, and we are deeply grateful that they chose to take a bet on us when d.light was just an idea. Gray Ghost has added tremendous value over the years we’ve worked together – supporting us with highly valuable advisors and connections to partners. They also put great people on our board over the years who had highly relevant experience, provided excellent guidance and were willing to be hands-on when needed.”

## iSend

“We appreciate GrayGhost’s global relationships in the payments space. GrayGhost has been a tremendous asset to the company and me personally. Brian, Jennifer, Arun, William and others have provided me help with prospective investors, financial modeling, equity analysis, and banking relationships. Great team. Brian Cayce is a key member of the strongest Board of Directors I have worked with. All members of the Board work very well together going beyond the typical board governance and oversight. They provide critical guidance on creating value that has been instrumental to our success.”

## M-KOPA

“Gray Ghost Ventures was the first VC to back us in our 2011 Series A, and have stayed behind us through multiple investment rounds since as we’ve grown from startup into a large company. The “Gray Ghost difference” in my view is that they back teams early and aren’t afraid to take smart risks.”

## ParaLife

“In 2015 ParaLife continued to expand its financial protection services and solutions for emerging consumers and small businesses in Latin America. During the second semester we registered “ParaLife” also in China and established our operating platform in Beijing. We appreciate the support and assistance which our shareholders and Board Members are providing to our Company. We thank in particular, Brian Cayce and Gray Ghost, for their contribution, and for making their experience and contacts available to us.”

## PharmaSecure

“The entire team at Gray Ghost has been a huge source of support and encouragement to PharmaSecure in 2015, as we have gone through a challenging albeit satisfying and productive year. Arun has been instrumental in helping sort out corporate and board matters, while Bahniman has provided the finance muscle to help us through an urgent financing round. Shashaank, by virtue of being based in India, has been a mentor and rain-maker, helping connect us to some people who can advise me personally as the CEO and others that might be potential business leads for us. I can honestly say that my first year as CEO would have been much, much tougher without the tremendous ecosystem of GGV behind me.”

## SourceTrace

“Gray Ghost Ventures is just not an investor for SourceTrace, but a partner and a mentor. Brian Cayce, representing Gray Ghost and chairing the board played a very active role and provided constant support and encouragement to me. Brian and Arun also brought their wide network in the development sector to bear for the SourceTrace customer development and its growth. Gray Ghost also provided operational support during the critical junctures of the company.”

# LOOKING AHEAD



Over the past ten years, impact investing has slowly progressed towards gaining recognition in the marketplace and it is here to stay. Frequently we see new funds and accelerators set up which is a good indicator that a structured approach is underway. We have also observed large, established venture funds interested in participating in this space. Though there are quite a few high net worth individuals leading the way as early stage investors, even this section of investors are organizing themselves into structured angel and accelerator groups - bringing some discipline into the process of investments. Impact investing has really started to take shape...

While the investor segment is getting organized as this industry continues to grow, there is still a significant gap in funding at the early-stage institutional investment level. This is very important because at this critical point in the life cycle of a start-up, when the rubber meets the road, an entrepreneur needs a lot of support and guidance. Lacking experienced investors and the absence of institutional capital committed has proven to have a significant adverse impact to the development of companies at these early stages. Realizing that the risks are much higher at this juncture, we would like to see a syndicated effort from investor groups that can work in conjunction to solve this problem. The ultimate success of impact investing is dependent upon growing early-stage support. Though microfinance continues at the core of impact investing, the industry has developed into a larger program providing a myriad of opportunities for productive investments in almost all industry sectors. It is our belief that market-based interventions, led by venture capital and private equity, will provide greater opportunities for creativity and true sustainability at a macro level. Lately, financial inclusion has been at the forefront of impact investing, but successful execution has been limited due to regulatory challenges and market dynamics, as well as, a lack of investor expertise in converting some of these initiatives into successful enterprises.

Startups will not be successful until they have reached scale - so it is all about scalability! Solutions provided to underserved populations operating on very thin margins must achieve scale to survive. Therefore, unless impact investing can demonstrate that it is capable of creating large scalable enterprises, it will not attract long-term, significant investment interest from mainstream institutional investors.

With more than 4 billion underserved populations in more than 100 countries, the opportunity for impact investments to flourish is huge. We believe as the industry continues organizing itself, develops an aptitude and the talent to engage in early-stage startups and further promotes entrepreneurship, a significant social impact can be achieved. Gray Ghost Ventures will continue to work collaboratively with both investors and entrepreneurs to continue to be the first institutional investor in funding early-stage enterprises with the Gray Ghost Emerging Markets Fund III L.P.



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