

The logo for EquiTree is contained within a dark blue rounded rectangle. The word "EquiTree" is written in a white, italicized, sans-serif font. To the right of the text is a stylized tree icon composed of several light blue circles of varying sizes connected by thin lines, representing branches and leaves.

EquiTree

**A new micro-equity concept
a.k.a Trust Network Finance
featuring: 1st lessons learned**

Savings & Credit Forum, SDC,
March 28th 2018
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WHY THIS TALK?

FOOD FOR THOUGHT!

Introduce you to a new financing concept

FOOD FOR ACTION?

Gauge your interest for replication

THE CHALLENGE

*“We have seen
**too few millionaires and
too little formal employment**
created by traditional microfinance”*

HOW OTHERS CREATE SUPERSTARS



HOW OTHERS CREATE SUPERSTARS



Youth Scouting



Dedicated Coaching



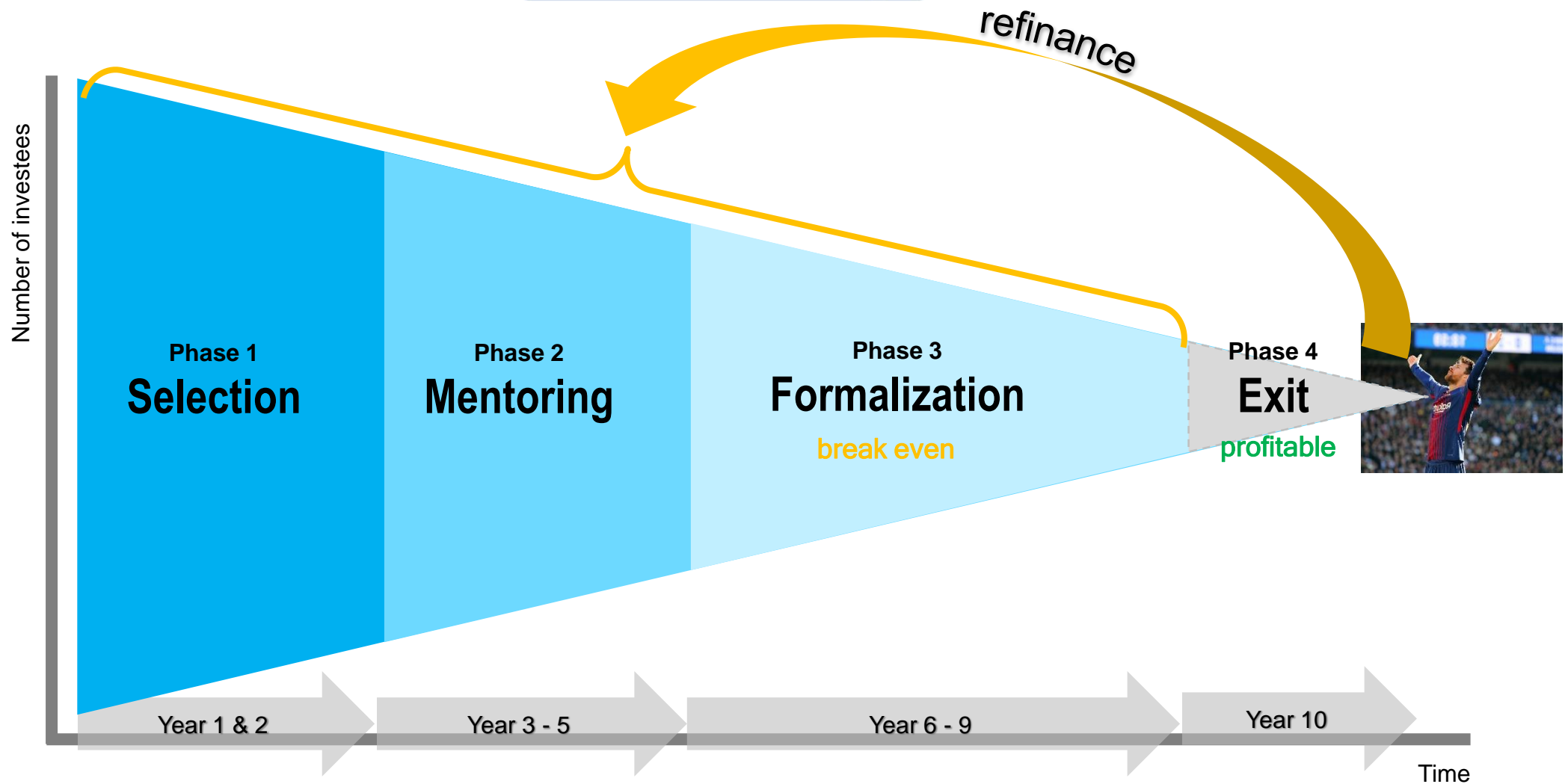
Joining the formal Team



Becoming a Superstar

Where does this system start paying off?

THE SOLUTION:



STEP BY STEP

Selection



- Investment starts from **USD 150**
- **Sharia** compliant
- Follow-up investment **based on performance**
- Aimed to generate **Star** investees

Mentoring



- Eligible only for **Superstars**
- Mentor is provided by Equitree **for free**
- Equitree **continues** performance-based financing
- Superstar can make **referrals**

Formalization



- Composition of stakes:
 - ✓ **Owner** - 60%
 - ✓ **Equitree** - 30%
 - ✓ **Mentor** - 10%
- Bank **takes over** financing from Equitree
- **Shared services** provided by Equitree

Exit



Equitree **sells its 30%** stake for profit

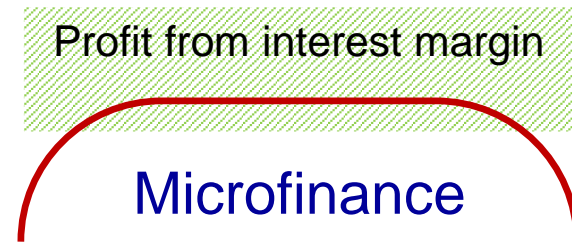
Never tested before!

SELECTION PHASE DEEP DIVE

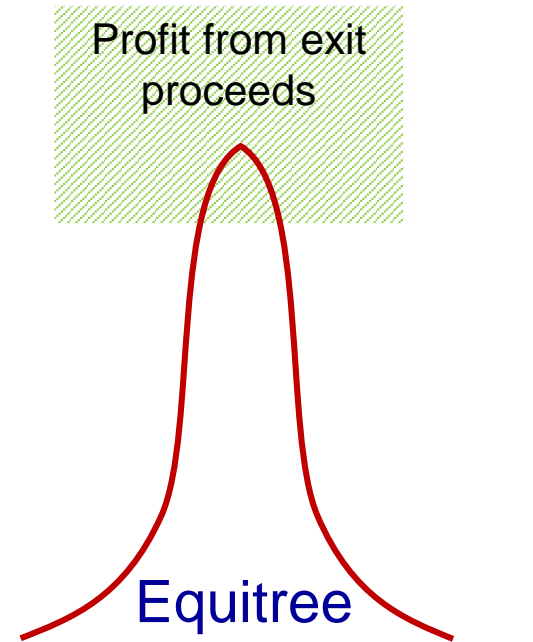
Scenario	Investment	Returned	Max. next Investment	Label
1	100%	<100%	-	Baddie
2	100%	100%	100%	Goodie
3	100%	110%	130%	Star
4	100%	120%	160%	Star
5	100%	130%	190%	Star

- 3 months grace period, 6 months max duration
- Profit sharing based (*Mudharabah*) without fixed interest rate => sharia-compliant
- Follow-up investment is guaranteed, no new assessment
- Re-investment needs to be done within 2 months, else OUT
- Baddies will still be reminded to repay

WHO HAS THE STRONGER COMPANY BUILDING DNA?



- Mass business
- Margin business
- Risk avoiding
- Short term



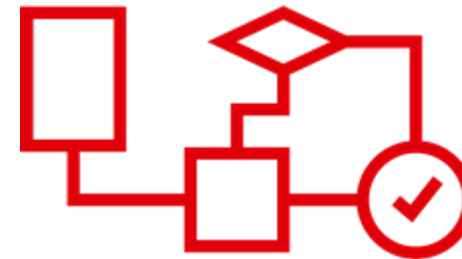
- Boutique business
- Private equity business
- Risk seeking
- Long term

WHY DIGITAL?

- **No cash allowed** - Current operations in Indonesia run on eMoney



- Selection phase *could* be fully **algorithm-based**



PUT TO PRACTICE IN INDONESIA



1st investee



1st country & city (Bogor)



1st implementor

1st investment

6 June 2016

1st Superstar

= Start of Mentoring Phase

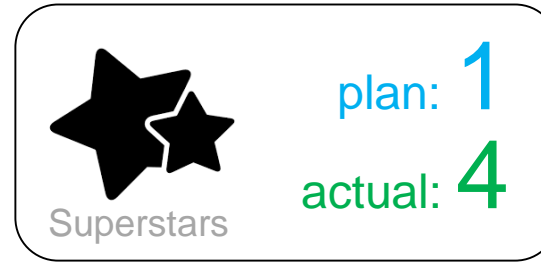
1 Jul 2017

Scaling up?

2018

PRACTICE BY NUMBERS

- 213 investments on 138 investees
- USD 147 average investment
- 58% women
- 82% recovery ratio (vs 76% plan)
- 8% referral ratio
- 3% average profit sharing
- At least 6 jobs created
- USD 40k cash outlay so far for operations & financing excl. Allianz team working time



Most KPIs are above plan

Long term viability still NOT proven

LESSONS LEARNED

- 2 types of investees
 - Subsistence and Transformational
 - Finding supported by recent investee interviews by MIT, Oxford & Sydney universities
- Younger investees (21-40) perform* better than older (41-45)
 - Equitree has since lowered maximum entry age from 45 to 40
- Young businesses (0 – 2 yrs) perform significantly better than old businesses (5+ yrs)
- Men show slightly better performance than women
- Service sector performs better than trade and productive sectors

* Performance in terms of recovery ratio only. Sample size for measurement by capacity to produce (super)stars still too small.

HOW MANY JOBS COULD BE CREATED?

- Scenario from Equitree scale up plan
- Based on 200k investments over 10 years

	Cummulative Y1 to Y10
New jobs created	7.391
New <i>full time</i> jobs created	6.217
informal	4.957
formal	1.260

Equitree is **not a quick fix** for job creation!

It will have a positive & easily measurable **long-term impact**

OUTLOOK



Mentor-mentee sharing session, Bogor, 8-Mar-2018

RESOURCES (FOR REPLICATION?)

As an open source business model,
many detailed resources are available online

- [Program brochure for investees](#) (English)
- [Blog on Equitree](#) by the Accion Center of Financial Inclusion
- [Documentary video](#)
- [30-May-2017 Lessons Learned webinar presentation](#)