



Social Investment comes of age with the deal of the century:

HCT Group £10m capital raise

Not for release before 7th December

[HCT Group](#) ('HCT'), the social enterprise bus operator, has raised £10 million investment from institutional investors and lenders, making this the largest growth capital investment in the UK impact investing sector. This deal saw collaboration between a range of social and mainstream investors including [Big Issue Invest](#), [Triodos](#), [FSE Group](#), [Social and Sustainable Capital](#), [City of London Corporation](#), [Esmée Fairbairn Foundation](#), [The Phone Co-op](#) and [HSBC](#), and facilitated by impact investment bank [ClearlySo](#).

HCT is a social enterprise bus operator that uses its profits from its commercial work to provide community transport services, training, and community projects. Since its incorporation in 1982, HCT has grown to be a large scale social enterprise providing over 20 million passenger trips a year, with ~1000 employees, ten depots spread across London, Yorkshire, the Southwest and the Channel Islands, a fleet of over 500 vehicles and a 2014/15 turnover of £45.4m.

HCT intends to use this capital to fund growth, to purchase new vehicles and depots, to improve their infrastructure and deliver greater impact for the communities that it serves and operates in. In addition, HCT will also be exploring private sector acquisitions and will continue to develop innovative partnerships with local authorities.

The £10m funding package contains a range of financial instruments, including asset backed facilities, cash flow loans and a quasi-equity component, giving this deal a level of sophistication unseen before in this sector.

[ClearlySo](#), financial advisor to HCT throughout this deal, structured and facilitated the agreement of debt between investors. The deal terms include an innovative social impact incentive feature, which provides for a reduction in the debt borrowing rate if HCT meets an agreed set of impact targets. Linking social performance with financial incentives is a powerful way of aligning the mission and purpose of both the investors and the social enterprise.

Clearlyso and HCT prepared to raise this capital with groundbreaking support from the [Investment and Contract Readiness Fund](#) (ICRF). The ICRF, managed by [SIB Group](#) and funded by the [Cabinet Office](#), is the first programme of its kind to enable social ventures to build their capacity to be able to receive investment and bid for public service contracts. HCT was advised on the financing by [Bates Wells Braithwaite](#), the UK's leading charity law firm, which also acted for a number of the lenders utilising an information barrier and separate in-house team.

This investment round echoes the success of the £4m that HCT raised in 2010, which enabled HCT to grow from £26m to £46m. This initial investment was recently repaid in full and met both the investors' target financial returns of 7% overall, and also the impact targets. This latest capital raise has seen repeat investment from the likes of Big Issue Invest, and has attracted other impact funds and foundations who are investing in another social enterprise to achieve impact, as well as a mainstream bank and a cooperative.

This £10m investment in HCT is evidence of the growing demand for impact investing and it shows what can happen when the mainstream and social investment worlds combine.



Dai Powell, HCT Group explains

“In times of financial constraint, HCT has proven that high-impact and high-quality service delivery is possible, and that working with social enterprises should be a key part of any local authority’s commissioning strategy. It has been a pleasure working with ClearlySo and all our investors as together we redefine what social investment can deliver.”

Rod Schwartz, ClearlySo

“We have been proud to work with the HCT Group since 2008. It is one of the few scalable, profitable and sizable impact-oriented companies in the UK. The success of precisely such enterprises is essential if we are to bring the mainstream into impact investment.”

Ed Siegel, Big Issue Invest

“Big Issue Invest is proud to be playing the lead investor role in this latest financing round with HCT. When BII started investing in other social enterprises ten years ago, HCT was one of our first investments. BII has grown together in partnership with HCT over the past decade and with social impact at the heart of the organisation, HCT has delivered fantastically for us on its promise of expanding its social mission alongside sustainable financial returns.”

Simon Steeden, BWB

“BWB are delighted to have been involved in supporting HCT and their social lenders to make this innovative and important financing a reality. HCT are the sort of progressive social enterprise that we love to work with and we are proud to remain at the forefront of developments in recognising social impact in the business and finance worlds.”

For more information and interview requests, please contact: zoe.tabacek@clearlyso.com

Ends

Notes to editors

About HCT Group

HCT Group is a social enterprise in the transport industry. It was founded in 1982 with the formation of Hackney Community Transport, providing low cost minibuses for local community groups – a service they still provide to this day.

In 1993, with traditional grants under threat, HCT came to the realisation that the best way to become a sustainable social enterprise was to become an effective enterprise. It began to compete for commercial contracts in the marketplace to ensure it could continue to provide community transport.

This approach has seen HCT Group grow from a handful of volunteers and a couple of minibuses, with a turnover of £202k in 1993 – to a large scale social enterprise with ~1000 employees, ten depots spread across London, Yorkshire, the Southwest and the Channel Islands, a fleet of over 500 vehicles and a 2014/15 turnover of £45.4M.

Its commercial track record spans a wide range of services – from London red buses to social services transport, from school transport to Park and Ride, from community transport to education and training. HCT now delivers well over 20 million passenger trips every year.

HCT does not do this to create shareholder value. It does this to create community value. This works in three key ways:

- Profits from commercial contracts are reinvested back into further transport services or projects in the communities it serves, helping the most marginalised in those communities to get out and about;
- Delivering training services for people who are long term unemployed that specifically focus on employment and skills;
- HCT aims to create employment opportunities for people in deprived communities, contribute to local economies and actively seek new ways to make local communities better places to live and work through the way it operates.

HCT are continuing to expand their services, aiming to win new business, undertake new projects and grow into new areas. This is not growth for growth's sake, but because the better it does commercially, the more it can do socially – commercial success enables community impact.

About ClearlySo

ClearlySo is an impact investment firm, working exclusively with businesses and funds delivering social or environmental impact as well as financial return. It supports capital raising activity through financial advisory work, and introduces businesses, charities and funds to institutional and individual investors who share their values.

Since 2012, clients raising capital with ClearlySo have raised over £70m in impact investment, including £5m investment into early-stage businesses from high net worth individuals, of which the well-known Clearly Social Angels is a part. Altogether this comprises the UK's largest impact-orientated angel investor network.

ClearlySo also interacts with hundreds of European institutional investors, developing a leading insight into their impact-oriented styles and preferences

ClearlySo is committed to bringing impact to investing as a third dimension – alongside risk and return – where investors consider the social and environmental impact in every investment decision they make.

About BWB

Founded in 1970, BWB is the pre-eminent law firm in the UK advising charities and social enterprises. We have been actively involved in many of the major developments in the sector in that time, from the establishment of sustainable development as a charitable purpose to the creation of the community interest company and from the emergence of the social investment market to the introduction of B Corps into the UK. BWB recently became the first legal B Corp in the UK, the latest manifestation of its commitment to an economy and society taking a balanced approach to financial, social and environmental impact.

Further Information

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