



Unilever

How can a trickle become a torrent?

With the right focus, impact entrepreneurs and investors can play an even bigger role in bringing safe, affordable drinking water to millions.

The better the question.
The better the answer.
The better the world works.



EY

Building a better
working world



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Welcome

EY and Unilever are united in the belief that impact entrepreneurs are crucial to achieving the United Nations Sustainable Development Goals (SDGs). Fusing the social mission of a nonprofit with the market-driven approach of business, their enterprises are critical engines for powering inclusive growth, human dignity and potential, while crafting a different narrative about poverty altogether.

Safe water enterprises (SWEs) are already changing the lives of millions by bringing safe drinking water within reach of some of the world's poorest and most marginalized communities. With this report, we aim to illustrate their potential to change hundreds of millions more, accelerating progress toward the Global Goal of equitable access to safe, affordable drinking water for all by 2030.

While we don't claim to have all the answers, we believe that what we share here can help impact investors and entrepreneurs to keep asking the right questions – questions whose answers can stimulate the rapid growth of more promising SWEs and bring a better quality of life within reach of many more people living at the base of the pyramid (BoP).



At Unilever, we believe business growth should not be at the expense of people and the planet. That's why we are changing the way we do business and want to change the way business is done. The Unilever Sustainable Living Plan (USLP), launched in 2010, is our blueprint for achieving our vision to grow our business while decoupling our environmental footprint from our growth and increasing our positive social impact. The USLP includes a specific goal to help more than 1 billion people take action to improve their health and well-being by 2020.

Safe drinking water is essential for good health and is a key component of one of the UN Sustainable Development Goals (SDG 6). In 2017, the World Health Organization estimated that 2 billion people lacked access to safe drinking water and, with a booming population, we are unlikely to reduce this number without new approaches to safe drinking water provision. By the end of 2017, through our Pureit brand, we served over 55 million people with 96 billion liters of safe drinking water.

However, we know that the biggest challenges facing the world cannot be addressed by one company alone and that we must help transform the system in which business is done, including catalyzing new inclusive business models. Safe water enterprises such as those operating decentralized water kiosks are one critical method to change the game. We believe such models can be made financially sustainable through collaborations between companies, NGOs and governments. This will reduce their reliance on philanthropic capital and increase the availability of private capital to accelerate their growth and provide millions more people with safe water.



Kees Kruythoff
President, Home Care,
Unilever

At EY, we believe a better working world is one where everyone can contribute to, and share in the benefits of, sustainable economic growth.

With billions of people still living without access to vital goods and services, such as clean water, reliable energy and improved sanitation, that may feel a long way from reality. But a new breed of impact entrepreneurs is making it their business to tackle this inequality, driving inclusive growth by innovating better answers to some of society's toughest challenges.

EY is proud to support these change makers, extending the value of our knowledge, skills and experience, on a not for profit basis, to help improve their businesses' resilience, productivity and capacity for sustainable growth.

We're equally proud to have had the opportunity to collaborate with Unilever and be part of its drive to identify and support high potential SWEs. As with similar recent reports on **container-based sanitation** and **last-mile distribution**, we hope that sharing the insights and analysis from this work can help propel the entire SWE sector forward.

The reason is simple. When impact entrepreneurship works better, the world works better. Whether by expanding affordable access to vital goods and services, accelerating creation of quality jobs, or advancing the economic participation of women, young people and other underrepresented groups, scaling impact entrepreneurship creates ripples that can change millions of lives.



Alison Kay
Chair of the EY Global Accounts
Committee

Executive summary

Imagine a life without safe drinking water. It isn't easy. Most of us take it for granted that we can just turn on a tap and fill a glass. But that's not an option for roughly one in four of the world's population – the 2.1 billion people who still lack access to safe drinking water.

With half of all hospital beds in low-income countries occupied by people with water-borne diseases, it's hard to overstate the importance of reaching the SDG of equitable access to safe, affordable drinking water for all by 2030.

While the current rate of change isn't fast enough to hit that target, we still see grounds for optimism. We see it, in particular, in the growing number of impact entrepreneurs who are innovating new models for the scalable and sustainable provision of safe water in underserved communities.

United in our desire to accelerate their progress, it's why Unilever engaged EY to help identify the most promising SWEs around the world, and to develop a deeper understanding of their business model dynamics and barriers to growth.

The market-leading SWEs whose businesses form the basis of this report are already serving more than 15 million people across Africa and India. What's more, it's our belief that, with the right focus and support, they can reach hundreds of millions more.

Our research and analysis suggests this rests on three things above all:

1. Recognizing the high fixed costs inherent in any SWE operating model, which means that only SWEs that operate at scale can achieve true sustainability
2. Recognizing that there is no "ultimate" SWE model that works best in all circumstances and that the path to scale therefore depends on finding the best fit to a particular blend of market conditions
3. Recognizing the need for investors to take a balanced view of SWEs' potential to generate returns – from a social impact as well as financial perspective – in order not to overlook promising and scalable models for safe water provision

We're extremely grateful to the extraordinary SWE management teams with whom we have worked to compile the insights in this report, and to the impact investors who back them.

By shining a light on these issues and offering practical guidance on what to do about them, we hope to make it easier for their life-changing businesses – and others like them – to find a path to even greater impact.

Over
500 million
people lack any
access to safe
water

Another
300 million
have to travel
more than an
hour to fetch
safe water

One size doesn't fit all

Our research suggests there is no “ultimate” model for an SWE. Rather there are only models better or worse suited to different market conditions, since the challenge of sustaining a viable SWE varies from place to place.

Among other things, it depends on the daily income of potential customers and how much of it they can afford to spend on water. It depends on the particular treatment challenge that needs solving to make water safe to drink (e.g., whether this requires removing heavy metals or simply killing pathogens). And it depends on the level of competition and how this affects achievable prices and operating margins.¹

As we'll come on to in more detail later, scale is the single most important factor in building self-sustaining SWEs with the potential to reach hundreds of millions of people. Before we get to that, though, it's important to understand that achieving scale depends on finding the best fit for a particular blend of circumstances.

Insight 1 Don't over-engineer your business

Succeeding in making safe water accessible and affordable to all by 2030 means accepting that the “ideal” answer to water treatment may not always be the best one. Counterintuitive though it may seem, sometimes “good enough” is better.

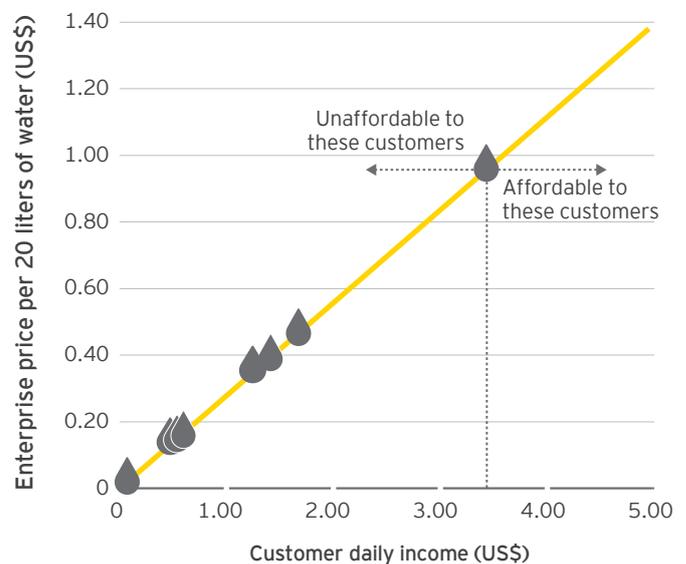
Reverse osmosis (RO) is the preferred treatment technology for raising the quality of water to World Health Organization (WHO) guidelines, as it handles both biological (i.e., pathogens) and physical contaminants (e.g., arsenic, fluoride). But it's not always necessary.

The potential customer base for any SWE is limited by the price it charges for its water, as shown in Figure 1. This takes prices charged – ranging from 10 cents per 20 liters of water to around a dollar – and maps them to the amount that customers of a given daily income can afford to spend, over the long term, to meet their daily water needs (based on WHO estimates).

Daily incomes set limits on the revenue that can be generated at a given site, which in turn determines levels of operating margin and economic viability. This fact alone rules out sustainably deploying RO in certain parts of the world.

While the economics may work in urban or peri-urban locations, where sufficiently affluent customers can be found in sufficiently high densities, it's likely to be a very different story in rural and very low-income communities. The upfront investment in RO equipment, or the costs of leasing it – while also paying for other overheads such as salaries, site rentals and energy – may simply be too high for SWEs to recoup.

Figure 1: Affordability of safe water



¹ See the glossary for definitions of all financial terms used in this report.



“The health consequences of poor water, sanitation, and hygiene services are enormous. I can think of no other environmental determinant that causes such profound, debilitating, and dehumanizing misery.”

Margaret Chan
WHO Director General 2007-2017

Especially in these areas, it's important not to overlook cheaper purification techniques that, while not achieving the “gold standard” of RO, are nonetheless fit for purpose and provide opportunities to treat much more of the water being consumed by huge numbers of people at the very base of the global income pyramid.

For example, electrochlorination enables water to be decontaminated using little more than table salt and an electric current. Perfectly suitable where the source of contamination is bacterial rather than physical (i.e., from fecal matter), it can make potable the drinking water of hundreds of millions of people at significantly lower cost.

But even this radically cheaper approach to purification has its limits. While achieving substantially lower costs than it could have done with RO, one SWE we worked with in India believes this model is still only financially viable for around one in six of the villages it wants to reach. Beyond that point, population sizes and densities simply don't allow sufficient sales volumes to cover fixed costs and break even.

Insight 2

Focus on differentiators

The primary activities of an SWE value chain typically involve water extraction, treatment, distribution, retail and quality monitoring. A typical SWE is a modular assembly of options, such as the types of water sources, or treatment and distribution technologies deployed, at each part of this value chain.

Getting these basics right is important, but there are another set of critical enablers that our research suggests are even more valuable. These are where SWEs can really differentiate themselves from one another:

Adaptive management

A culture of continuous improvement and adaptive management was found in all successful organizations we observed. SWEs need to be willing to tweak the existing models (see Insight 3), trim unnecessary overheads and seek out partners (whether government, corporate, foundations or individual investors) to bring innovative new ideas and business model configurations into play.

Life cycle financing

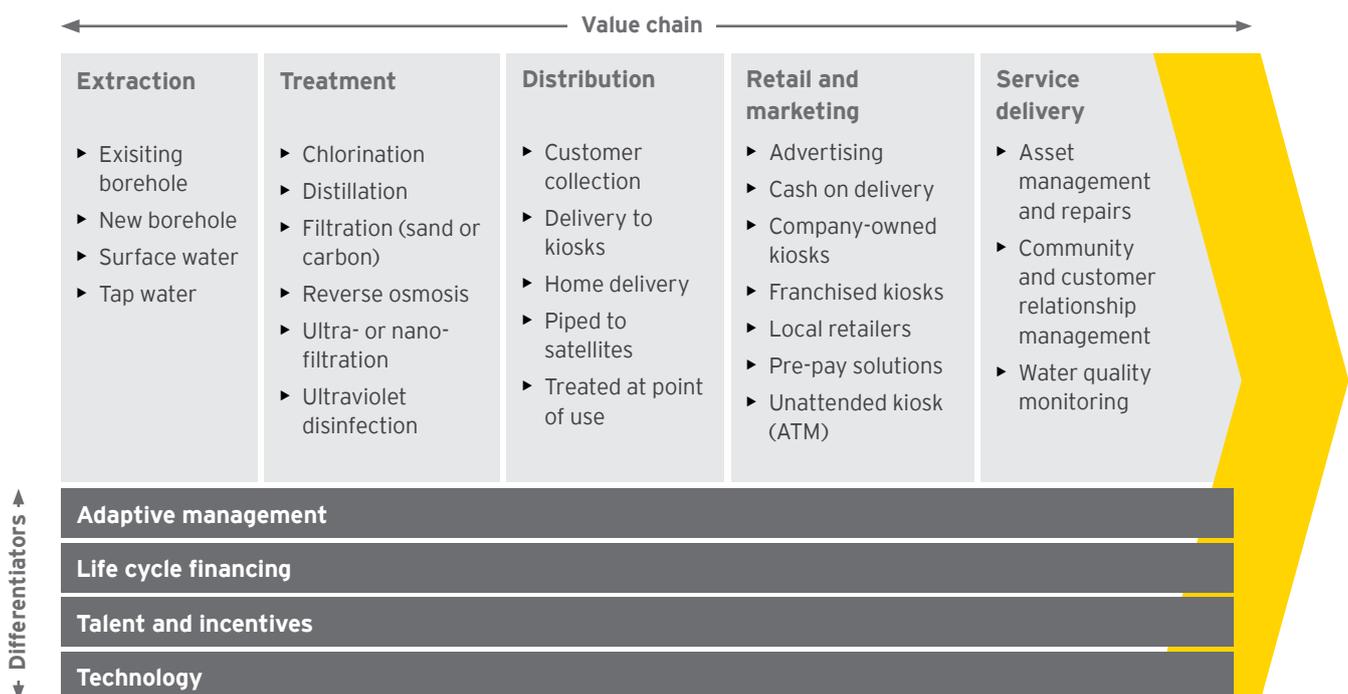
By this we mean how an SWE configures its financial model so as to generate sufficient returns to sustain existing assets (e.g., carrying out capital maintenance and accounting for eventual asset replacement) and grow the business.

Approaches to financing growth vary widely between SWE models. For example, some opt to apply heavily for grants to provide early-stage funding until they reach sufficient size and can become self-sustaining. This approach tends to be more common in, and more suited to, India, where an abundance of private investors and mandatory corporate responsibility requirements enshrined in the Companies Act mean there is plenty of capital in search of social impact projects.

Other models – more common in Africa – are configured for higher operating margins, based on the need both to recoup upfront investments (e.g., capital expenditure and loans to franchises), which they must often fund themselves, and to attract venture capital to get to scale.

In such cases, franchising can be an important tool for accessing additional capital from a wide group of entrepreneurs, who each have skin in the game. We found this approach generally more successful in India, where entrepreneurs are more able to access capital than in other low- and middle-income countries.

Figure 2: SWE value chain





250%

higher cost for building a site in America than in India



Talent and incentives

Finding the right entrepreneurs to run sites or manage franchisees requires rigorous recruitment processes and investment in skills development. SWEs that excel in these areas also create incentive structures that align each other's interests, allowing entrepreneurs to generate more money for high performance.

SWEs based in Africa tend to build in training programs for their entrepreneurs, not unlike a business finishing school. Conversely, Indian SWEs tend to benefit from a wider pool of entrepreneurial talent, typically working with existing entrepreneurs, as well as being able to tap into a burgeoning skills base of software developers capable of building in-house the tools needed to manage the business at scale.

Technology

Developing or investing in technology can seem challenging for an organization operating with finely tuned economics, but it's an important tool for reducing cost and improving the customer experience. For example, one of the SWEs we worked with has been able to deploy automated water dispensers with wireless reporting in a "hub-and-spoke" formation around its purification sites. Water levels at the automated dispensers are tracked remotely and a refilling truck is sent before the tank runs dry. This has allowed the SWE not only to increase its reach from one water site by a factor of 15, but also deliver a totally reliable water source for its customers.

Insight 3

Focus on key financial drivers

As a nascent sector, many of the most promising SWEs around today have spent years incrementally tweaking elements of their model, testing new strategies and ironing out creases. The difference between a successful and unsuccessful SWE often rests in these seemingly minor variances, informed by maintaining a firm grip on key financial drivers. Above all, these include:

Revenue

A combination of the achievable price that can be charged for the water and the volume of sales, the main driver of revenue is a site's proximity to a sufficient number of customers. Site selection – either placement nearby to high density populations or using home delivery to clusters of smaller settlements in a hub-and-spoke configuration – is therefore a decisive factor influencing sales and sustainability.

Fixed operating costs

Varying widely from country to country, these include staff costs, energy not used in water production, rent, maintenance and repairs, and vehicles. They are influenced by the availability of talent, local wages, as well as the modes of retailing that a kiosk operator employs. Use of automated dispensing technologies can bring down the cost of employing staff. Some SWEs have been able to drastically reduce their operating costs by agreeing concessions for land usage with local governments (similar to a public private partnership arrangement), generally passing these savings on to customers in the price charged for water.

Marginal costs of water treatment and distribution

Tending to be higher in Africa than in India, these typically include consumables (such as bottles, caps and chlorine), energy used in water production, distribution costs (driver salaries and vehicle fuel) and royalty payments. The principal driver is the method of water distribution, e.g., by motorized or manual vehicle, or through gravity-fed overhead piping.

We believe this latter approach could transform the economics of water distribution in densely populated areas by creating sales volumes high enough to rapidly shrink marginal costs.

Site development costs

These include structures, fittings, treatment systems, borehole development and solar installation. The biggest cost element is that of materials, which is again driven by the location of the SWE. We saw evidence of costs for building a site in the Americas at 87% higher than in sub-Saharan Africa, and 250% higher than in India. The choice and configuration of treatment system is also an important factor here.

Scale matters

Whether early stage or mature businesses, SWE operating models have very high fixed costs relative to the marginal costs of water production. This means that the more sites they have, the more profitable they can become, and the more likely it is that they can generate large enough returns to fund further expansion. In short, only SWEs that operate at scale can do so sustainably, without reliance on grant funding, and it's only at scale that safe water provision can be brought to hundreds of millions of people, rather than the millions we see today.

Insight 4 Sweat your assets

An SWE is an asset-intensive enterprise with a low-priced product. Like the budget airline that needs to minimize the time its planes are on the ground to turn a profit, making sure those assets are highly utilized is critical to operating successfully.

Construction costs, treatment equipment, leases for land, operator salaries, and energy and maintenance costs can all mean it's costly to get a site up and running. However, actually producing treated water involves very little additional cost. The gross profit on each liter of water sold can be more than 80%, which represents a high contribution margin.

This means two things. On the downside, it means that an SWE needs to consistently sell strong volumes of water to break even. On the upside, once that breakeven point is reached, sales of each additional liter of water produced begin accruing directly as profit on the bottom line, as illustrated by Table 1. This matters when you consider that, on average, none of the SWEs we analyzed was operating equipment at more than 50% of capacity.

Table 1 – Marginal increases in water production can drive significant increases in profitability

Liters of water sold daily	Site internal rate of return (IRR)
2,500	-24%
2,750	-7%
3,000	7%
3,250	19%
3,500	30%
3,750	40%
4,000	50%

Simply put, a highly utilized water site can outperform an average one exponentially. It's why SWEs should take great care both in tuning their business models and in site selection, taking into account population density, willingness and ability to pay for water and site accessibility.

Insight 5 Manage those sites like a portfolio

Just like any other portfolio, overall returns are dictated by the individual performance of the investments it comprises. For this reason, we believe SWEs should be prepared to divest sites that cannot achieve a minimum standard of performance. This is not to suggest the pursuit of profit should outweigh their social mission; it is simply to recognize the dependency of portfolio economics on the economics of individual sites.

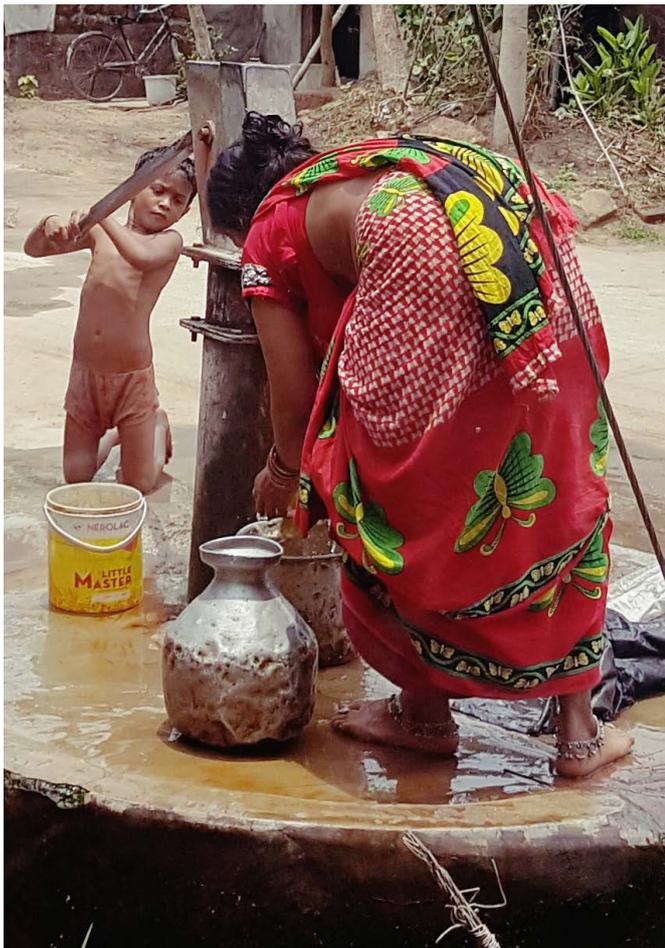
At every SWE we studied, there were wide variations in performance between sites and it wasn't uncommon for SWEs to carry loss-making sites, as well as highly profitable ones. This can be justified on grounds of meeting a social need, but it should be grounded in a conscious and deliberate strategy of cross-subsidization, not accidentally allowing underperforming sites to drag down the performance of the overall portfolio.

“Diarrhoea caused by dirty water and poor toilets kills a child under five every two minutes.”

WASHWatch.org

“Around the world up to 443 million school days are lost every year because of water-related illnesses.”

Human Development Report, 2006



Optimizing across the portfolio and minimizing the number of unprofitable sites can help impact investors see where their efforts can be best placed. SWEs need to understand the drivers behind differences in performance and design corrective actions. For example, it may be necessary to deploy more advertising, run promotions to attract new customers, or adjust prices to better match the means of the local community. Even if this means accepting breakeven at some sites, it will help bring up the average of the whole portfolio.

Insight 6 Stay lean on capital

Working capital requirements can act as a significant brake on growth for SWEs, which is why it pays to be ruthless in pursuit of capital efficiencies.

We found significant differences in the capital intensity of different SWE business models, at least partially attributable to businesses' willingness to innovate and experiment with different combinations of choices along the SWE value chain.

For example, some SWEs have been quicker to install technologies that drive down working capital requirements, such as pre-payment cards. These not only reduce the number of problems associated with cash handling, but crucially also reduce the whole organization's net trade cycle (i.e. the difference in days from when suppliers must be paid to when customers pay, or franchisees remit funds). This means less of the enterprise's funds are locked up in unproductive assets, freeing them up for use in revenue generating assets or making new investments, such as opening a new kiosk.

Other SWEs have attempted to use secondary sales – such as health and nutrition products – as a means to increase their impact and strengthen customer loyalty. However, SWEs adopting this approach need to be sure they can cope with the working capital requirements involved in carrying larger inventories and that secondary products will increase margins, not dilute them.

We observed revenue compound annual growth rates (CAGR) of over 50% in the past three years – a clear sign of a growing sector. Blended models, based on selling products other than water, run the risk of diluting growth by straddling high-growth and mature sectors. Competing for market share in established sectors could risk locking up capital in less profitable assets and acting as a brake as they try to scale.

We believe SWEs will have an easier time capturing organic revenue growth because of the overall expansion of the market segment they serve. This has been shown to be a more straightforward route to scale in many industries.



Metrics matter

If one size doesn't fit all in terms of SWE business model design, then it follows that one size shouldn't fit all when it comes to evaluating their potential to generate returns. Just as too narrow a focus on RO may lead to overlooking alternative treatment methods, so too narrow a focus on returns on invested capital (ROIC) may lead to overlooking viable investment opportunities with the potential to bring safe water within reach of hundreds of millions more people.

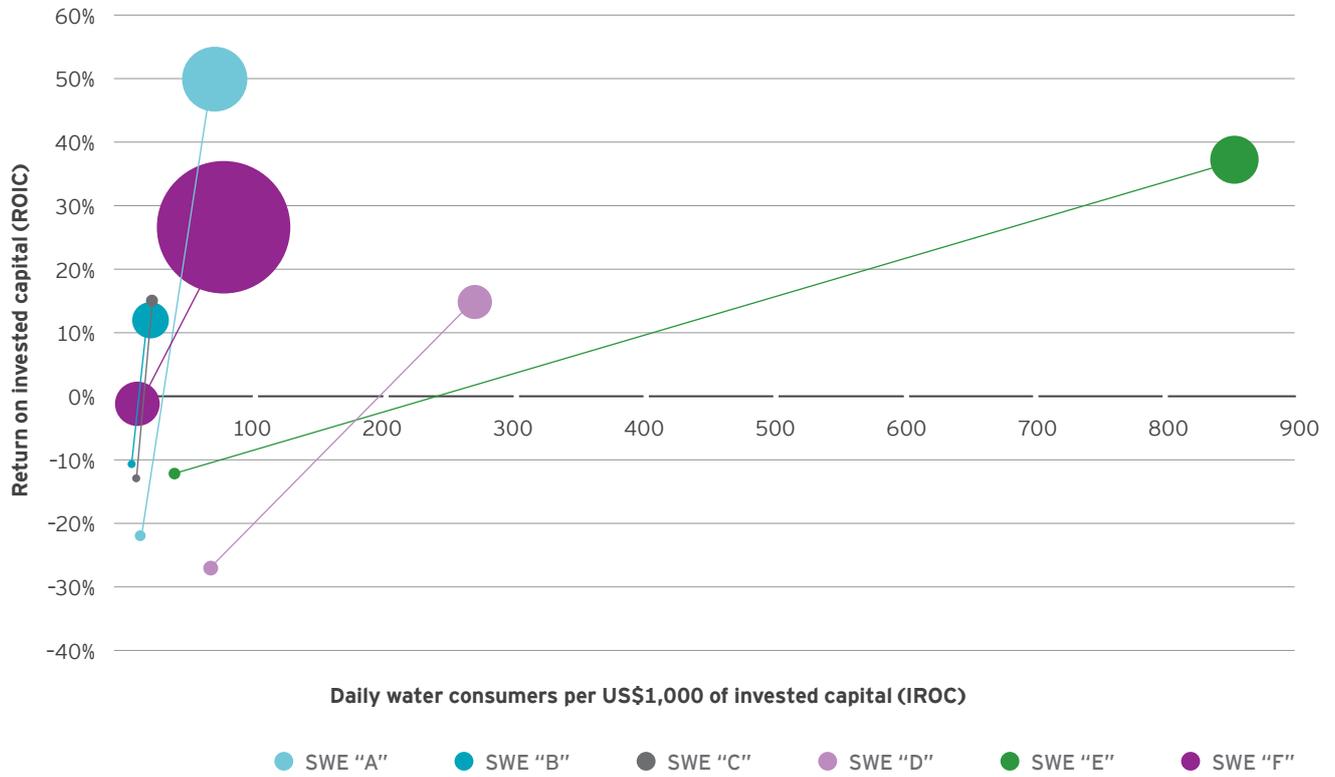
The "magic metric" of grams of carbon dioxide per kilometer (gCO_2/km) has illustrated the power of a single metric to change perspectives and behaviors across the car industry. We believe "impact return on capital," or IROC, has the potential to achieve the same across SWEs and in other social sectors.

Insight 7 **Think impact returns, not just financial returns**

Traditional methods of measuring capital efficiency center on ROIC, which provides financiers with a way of comparing economic returns across potential investments. For an impact investor, this is a necessary but insufficient lens through which to judge capital efficiency, because it does not take into account the purposeful trade-offs SWEs make in the clean water sector. SWEs are often intentionally run as close to breakeven as possible, generally to facilitate lower prices for customers.

In light of this, we developed an alternative view – IROC – which looks at the number of people capable of subsisting each day from the water production achieved by each SWE. To arrive at this measure, we took SWEs' water revenues and prices charged to calculate the amount of water sold. We then worked out how many customers could live off that amount of water using WHO daily water consumption requirements. IROC therefore represents the number of daily water consumers per thousand dollars of invested capital.

Figure 3: Financial vs. impact return on capital for six leading SWEs, 2016-2021



	SWE "A"	SWE "B"	SWE "C"	SWE "D"	SWE "E"	SWE "F"
Price per 20 liters of water (US cents)	35	96	40	16	14	15
Water treatment method	RO	RO	RO	RO	Chlorination	RO
Actual 2016 revenues (US\$ thousands)*	418	549	236	926	284	12,803
Forecast 2021 revenues (US\$ thousands)*	8,067	24,884	796	5,051	13,266	103,514

* Actual and forecast revenues are reflected by the size of bubbles in the chart above. Forecast revenues are based on EY analysis and projections.

Viewed through this lens, we saw massive variation in the performance of different SWE models – from as low as 12 to as high as 70 daily beneficiaries per thousand dollars of invested capital among RO operators, and often exceeding 200 in the case of chlorination models, which benefit from much lower capital requirements.

Combined with the more traditional ROIC lens, as shown in Figure 3, an interesting picture emerges. While some SWEs are clearly geared towards stronger economic returns, others are configured for higher social impact.

SWE “E” is particularly noteworthy as the only featured enterprise to use chlorination. As highlighted earlier, while this is only sufficient to remove fecal pathogens and not suitable for dealing with other contaminants, its lower capital costs compared to RO allow for a very high IROC.

SWE “D” also stands out for its higher IROC compared with other enterprises using RO. This is largely due to its use of innovative monitoring and reporting technology, which allows it to utilize its assets much more efficiently.

While all featured SWEs currently show a negative spread in terms of financial returns on capital, all are also forecast to achieve substantial improvements in ROIC by 2021. We believe these forecasts to be broadly credible in the context of a nascent sector. It could be argued that a greater than 20% return for investors can be justified by a desire to attract commercial capital, rather than impact investment, to fuel early growth. Equally, it could be argued that they create room for price reductions.

The point is not for SWEs and impact investors to build or evaluate an investment case on the basis of one measure or the other, be it ROIC or IROC. Rather it’s to recognize the value and importance of taking a balanced view and looking at value creation from multiple perspectives.

Insight 8

Build a balanced scorecard to blend perspectives

Taking into account all the insights we have presented in this report, we recommend that SWEs adopt a balanced scorecard similar to the one shown in Table 2 in the next page. This blends traditional investor metrics with impact metrics and sufficient financial data to provide clarity on historical and forecast performance at both site and portfolio levels. It could also be supplemented with additional metrics – for example, in relation to operational efficiency or customer and employee satisfaction – according to SWE board wishes.

Bringing all these measures together in one place would provide a solid management dashboard, focused on the critical metrics that really drive performance, and which empower SWEs to strike an appropriate balance between financial and impact returns on capital.



Table 2 – Example scorecard based on a real SWE with numbers changed for anonymity

USD \$ thousands	Historic			Forecast			
	2015	2016	2017	2018	2019	2020	2021
Financial, enterprise level							
Revenues	125	406	759	2,305	5,748	11,077	18,414
Revenue growth (yoy)	0%	226%	87%	204%	149%	93%	66%
Gross profit	107	226	432	1,310	3,268	6,297	10,468
Gross profit margin (%)	86%	56%	57%	57%	57%	57%	57%
EBITDA	(98)	(296)	(886)	(403)	1,383	4,224	8,188
EBITDA margin (%)	▼ -79%	▼ -73%	▼ -117%	▼ -17%	24%	38%	44%
Operating profit (EBIT)	(98)	(325)	(1,069)	(730)	797	3,299	6,882
Operating profit margin (%)	▼ -79%	▼ -80%	▼ -141%	▼ -32%	14%	30%	37%
Financials, site/franchise level year							
		0	1	2	3	4	5
Site discounted cash flow		(22,000)	226	5,663	10,373	9,020	7,843
Site ROI			1%	26%	47%	41%	36%
Five-year internal rate of return (IRR)		29%					
Net present value (NPV) @ 15%		11,125					
Capital efficiency							
Total invested capital	554	1,504	6,727	6,909	9,361	12,252	13,705
Return on invested capital (ROIC, %)	▼ -18%	▼ -22%	▼ -16%	▼ -11%	9%	27%	50%
Operating fixed assets	249	612	1,579	2,701	4,703	7,165	9,669
Return on fixed assets (ROA, %)	▼ -39%	▼ -53%	▼ -68%	▼ -27%	17%	46%	71%
Fixed-asset turnover ratio	0.50	0.66	0.48	0.85	1.22	1.55	1.90
Enterprise value							
Enterprise value (EV)							7,164,189
EV/EBITDA	(73.13)	(24.22)	(8.08)	(17.78)	5.18	1.70	0.87
EV/Revenue	57.43	17.63	9.44	3.11	1.25	0.65	0.39
Years of operation			5				
Impact							
Price per 20L water (US\$)		0.65					
Affordability (customer income, US\$ per day)		2.32					
Estimated water dispensed annually (thousand liters)	7,162	18,769	47,500	144,188	359,604	692,993	1,152,035
Liters of water per US\$ total invested capital	9.6	9	5	15	28	42	62
Water consumers per day	7,848	20,568	52,055	158,014	394,087	759,444	1,262,504
Paying customers per day	1,570	4,114	10,411	31,603	78,817	151,889	252,501



Conclusions

While substantial progress has been made in recent years, the stark reality is that roughly a quarter of the world's population still lacks easy access to safe drinking water. If we are to change that picture and reach the SDG target of equitable access to safe, affordable drinking water for all by 2030, then identifying and supporting scaleable SWEs is undoubtedly a vital part of the equation.

The inherent challenge in this is that there is no "cookie cutter" approach to building SWEs that are individually capable of becoming self-sustaining, and collectively capable of reaching hundreds of millions of people, rather than the millions we see today. There is no ultimate SWE model that works best in all circumstances; there are only models that are better suited to different market conditions.

This requires that SWEs pay close attention to the particular blend of circumstances in which they are operating and tailor their business models accordingly, in particular being careful not to over-engineer solutions to the extent that they limit economic viability and capacity to scale. Further, a clear focus on differentiators and key financial drivers, and a portfolio management approach to optimizing performance at both individual site and enterprise levels, can offer investors a more credible growth story.

Transforming the reach and impact of SWEs also requires that investors adopt a more balanced view of returns to encompass not only financial returns on invested capital, but also impact returns. Estimating the number of daily water consumers reached per thousand dollars of invested capital, a new "impact return on invested capital" (IROC) measure offers the means for a more holistic approach to building and evaluating investment cases that can help guard against promising and scalable models for safe water provision being overlooked.

Glossary of terms

Term	Definition
Breakeven point	The point at which revenue received equals the costs associated with receiving the revenue.
Compound annual growth rate (CAGR)	The mean annual growth rate of the enterprise over a specified period (in this case, three years).
Contribution margin	The product's price minus its total variable costs. It is useful in determining production efficiency without taking into account fixed costs (which are often outside of the control of the SWE).
Discounted cash flow (DCF)	DCF is a valuation method used to determine the attractiveness of an investment with consideration to the time value of money. It analyzes projected future free cash flows and discounts them using an interest rate to understand the present value.
Fixed costs	The costs incurred by the SWE that do not change with increases or decreases in sales or productivity.
Gross profit	Profit the enterprise makes after deducting the costs associated with making and selling its water. $\text{revenue} - \text{cost of sales}$
Internal rate of return (IRR)	IRR is the discount (or interest) rate at which the net present value of net free cash flows is 0%.
Marginal costs	The marginal costs of production is the change in total cost from producing one additional liter of water. It is helpful in identifying the optimum production level.
Net present value (NPV)	The value of the cost of the investment today netted off against the value of the cash flows the investment is expected to generate in the future, discounted to reflect the decreasing value of money over time. It is used to analyze the projected profitability potential investments.
Operating profit (EBIT)	Earnings before interest and taxes (EBIT) is an indicator of a company's profitability, calculated as revenue minus expenses, excluding tax and interest.
Operating margin	Operating profit expressed (EBIT) as a percentage of revenue. $= \text{EBIT} / \text{revenue}$
Overheads	All business expenses not related to the direct labor or materials involved in producing water. This includes management time, R&D and head office costs.
Return on invested capital (ROIC)	Used to assess a company's efficiency at allocating the capital under its control to profitable investments. Return on invested capital gives a sense of how well a company is using its money to generate returns.

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About Unilever

Unilever is one of the world's leading suppliers of Beauty & Personal Care, Home Care, and Foods & Refreshment products with sales in over 190 countries and reaching 2.5 billion consumers a day. It has 161,000 employees and generated sales of €53.7 billion in 2017. Over half (57%) of the company's footprint is in developing and emerging markets. Unilever has more than 400 brands found in homes all over the world, including Persil, Dove, Knorr, Domestos, Hellmann's, Lipton, Wall's, PG Tips, Ben & Jerry's, Magnum and Lynx.

Unilever's Sustainable Living Plan underpins the company's strategy and commits to:

- ▶ Helping more than a billion people take action to improve their health and well-being by 2020.
- ▶ Halving the environmental impact of our products by 2030.
- ▶ Enhancing the livelihoods of millions of people by 2020.

The USLP creates value by driving growth and trust, eliminating costs and reducing risks. The company's sustainable living brands are growing 46% faster than the rest of the business and delivered 70% of the company's growth in 2017.

Unilever was ranked number one in its sector in the 2017 Dow Jones Sustainability Index. In the FTSE4Good Index, it achieved the highest environmental score of 5. It led the list of Global Corporate Sustainability Leaders in the 2017 GlobeScan/SustainAbility annual survey for the seventh year running, and achieved four A ratings across Climate Change, Water, Forests and Supplier Engagement in CDP's 2018 Global Supply Chain report. Unilever has pledged to become carbon positive in its operations by 2030, and to ensure 100% of its plastic packaging is fully reusable, recyclable or compostable by 2025. For more information about Unilever and its brands, please visit www.unilever.com. For more information on the USLP: www.unilever.com/sustainable-living/

Contacts

EY

Jon Shepard

+44 20 7951 5153

+44 7919 691916

jshepard@uk.ey.com

Unilever

Clive Allison

clive.allison@unilever.com