

How we Decide Whether a Business is Investable?

Edward Allely, Head of Investments, Kula

A compelling idea is not enough to make a business investable. At Kula, we invest in businesses with cash flow and earnings. They may operate in an attractive market, address a genuine need and have strong potential for impact. But before capital can be committed, we need evidence that the business is commercially sound, responsibly structured and capable of delivering over the long term.

Our investment assessment begins with an initial viability review. We consider the underlying business model, the market opportunity and the potential to create measurable impact. We also look at whether Kula's governance approach can add meaningful value.

Businesses that pass this first stage move into a structured due diligence process covering five core areas - impact and community, legal and regulatory requirements, political risk, commercial performance and financial viability.

A business cannot rely on a strong impact case to compensate for weak economics. Equally, an attractive financial model is not sufficient if the business lacks appropriate governance, carries unacceptable legal risk or fails to demonstrate how local stakeholders will participate.

We also examine the people running the business. We need to understand who is responsible for delivery, how decisions are made and whether the leadership team has the experience and discipline required to manage both growth and risk. Ultimately, we look to back high-calibre operators with the capability and judgement to deliver.

At several points, an opportunity can be declined, returned for further work or require additional evidence. Where it progresses, the investment case is reviewed and challenged internally before moving through the appropriate committee, Board and governance stages.



Our typical investment focus is between \$1 million and \$5 million, with an expected investment horizon of five to seven years. These parameters help us identify businesses where patient capital and stronger governance can support sustainable growth.

Capital can be deployed in stages and linked to agreed milestones. After investment, financial performance, operational delivery, governance and impact targets are monitored regularly. This gives Kula and its stakeholders a clearer view of whether the business is delivering against the investment case originally presented.

No due diligence process can remove risk entirely, particularly in complex or emerging markets. Its purpose is to understand that risk, decide whether it can be managed and ensure that accountability continues after capital has been deployed.

For us, an investable business must be capable of creating real-world impact while also standing up to serious commercial, financial and governance scrutiny.

That combination provides the foundations for a sustainable, long-term investment.

