COALFIELD DEVELOPMENT
REBUILDING THE APPALACHIAN ECONOMY FROM THE GROUND UP.

New Valuations

Updated October 16, 2023, by Murphy Poindexter in collaboration
with the Appalachian ReUse Cooridor and Coalfield Development

Introduction

Impact investing – or investing for the purpose of effecting social and environmental change – is often viewed as a decidedly unsexy cousin of venture capital. While its potential for social good is high, it's also historically expected to yield slower and lower profits. That's a turn-off in an age in which venture capital is increasingly focused on higher and higher rates of returns.

Ironically, this means promising start-ups working for social and environmental change are often passed over by the kinds of funds that could enable the swift growth they need to both make a difference in the world and turn a healthy profit. Philanthropic grants fill some of the gaps, but they often come without the benefits of the business expertise offered by venture capitalists.

Impact investing is growing in popularity, thanks partly to the influence of social-minded Millennials and Gen Z-ers. However, the overall share of impact funding as a percentage of total VC investment remains low.

That's a missed opportunity. We believe that socially impactful businesses and products have the same potential for the returns, revenue, profits, and growth that major VC-backed companies enjoy. In fact, some could be better. Issues like waste management, recycling, and plastic alternatives are frequently addressed with expensive band-aid solutions, yet they have a high impact on social and environmental welfare. A VC-backed long-term comprehensive solution in a start-up could instead become the next unicorn or multi-billion dollar listed company.

Our hypothesis is that market rate returns and impact don't have to contradict at all. The idea that high social impact leads to a sacrifice in long-term exits is, in itself, ripe for disruption – one of the core principles of venture capital. Simply put: If we took 25 billion dollars and some of the brightest minds in tech, operations, engineering, and innovation, we could build a platform that could perform socially oriented services better, similar to Uber taking down taxis and car services. Furthermore, if our guiding star is not only a return on investment but the benefit of society as a stakeholder, there will be rewards on multiple levels.

Venture Capital, Investments, and "New Ideas"

Consumer-facing tech start-ups frequently raise millions or even billions of dollars focused on disruptive technologies that change our daily lives. Snapchat, Uber, DoorDash, Airbnb, Amazon,

and Tesla – these companies raised massive amounts of cash and went on to IPO after establishing their business.

However, many of these businesses took years to generate profits, even after going public. Vox reports that Amazon operated as a public company for its first 20 years, with its share price rising with revenue and expansion – with little to no net income. And yet, today, it's worth more than $1 trillion and has infiltrated just about every form of e-commerce in existence.

Disruptive technology startups such as ridesharing further illustrate the patience and optimism of venture capital and public markets. Uber's investment journey is an illustrative case. Founded in March 2009, Uber's path to profitability has been marked by risk and resilience. Despite losing a staggering $31.5 billion from 2014 through Q1 of 2023, Uber raised $25.2 billion across 32 funding rounds, encompassing debt, equity, and going public. The company finally turned a profit in Q2 of 2023 with $326 million, as reported in August 2023, culminating in a public market capitalization of $95 billion as of August 2, 2023.

This unique investment model, accepting billions in losses while building towards a visionary future, exemplifies how startups are valued and funded. The global rideshare market is currently valued at more than $95.09 billion and is projected to reach $185.1 billion by 2026.

VC chases large-scale dreams, taps into large markets, and can change everything about modern life upon success. Yet, the road to funding has been far more difficult for sectors focusing on societal needs, climate change, and technological innovation with long-term potential.

The common perception of these areas as high-risk, alongside challenges in demonstrating immediate profitability, has often deterred investment. Climate tech, ambitious impact projects, and other stakeholder-focused ideas and projects deemed too risky by the market or not attractive enough for capital today are often overlooked, regardless of their bankability, risk/return profiles, or other value metrics. These challenges are compounded by the difficulties in benchmarking the success of a company's social and environmental objectives compared with its generation of profits.

Are Old Ideas New?

If impact projects are often shunned due to risk and profitability, what are they going up against? The S&P 500 long-term average dividend yield is 1.85%. A person who invested $100 in the S&P 500 at the beginning of 2011 would have about $436.92 at the end of 2023, assuming they reinvested all dividends – a return of approximately 12.52% per year.

Thus, the public markets demand an average of less than 2% in dividends and less than 13% returns (including reinvestment of those dividends). Uber took on more than $25 billion of capital from the markets, lost $31.5B, and is now the market leader in an industry projected to be 185B in 2026.

What about other industries with built-in, sustained public demand? Waste management and recycling are prime examples.

“As antique as it is, the garbage business is a lucrative market,” [Crunchbase reports](). “According to a study from Report Buyer, the global waste management industry ‘was’ valued at $285 billion in 2016 and will reach $435 billion by 2023.” That’s more than twice the size of the rideshare industry, albeit a much older and more established industry.

Waste Management, Inc.

$160.08 ↑75.26% +68.74 5Y

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1D 5D 1M 6M YTD 1Y 5Y MAX

Waste Managemen...	$160.08	+$68.74	↑75.26%
Uber Technologies ...	$44.11	+$2.54	↑6.11%
S&P 500	4,459.00	+1,608.87	↑56.45%

On August 11th, 2023, the top three companies in the US focused on waste management by their market cap were Waste Management ($65B), Republic ($46B), and Waste Connections ($36B). (Caveat[: these data can change daily due to market fluctuations]().). Waste Management, the number one company on that date, had a dividend yield of 1.75%, and the stock has gone up 75% in the last five years – beating both Uber and the S&P 500.

Thus, waste Management has outperformed the market and pays average dividends based on long-term S&P numbers. It’s also more than twice as large as the rideshare market is projected to be in the future today.

The above would indicate a potential for objectives like sustainable waste management and more effective recycling to be accepted by the market and welcome billions of dollars funding innovation to disrupt the status quo.

A Framework for Revaluing Impact Investments

Furthermore, the investment paradigm favoring startups and tech ideas reveals an intriguing inverse relationship with society's substantial social problems. On the one hand, new companies – particularly in the tech sector – can often externalize their costs, deferring or avoiding many of the economic burdens associated with their rapid growth and development. This externalization can take various forms, such as environmental impacts, labor practices, or community dynamics, without immediate financial accountability.

On the other hand, significant societal problems such as poverty, environmental degradation, healthcare inequalities, and community disintegration present an almost diametrically opposite scenario. The public, or certain vulnerable populations, frequently bear the burdens and costs of these issues with little to no connection or exposure to the root causes. These profound challenges often manifest as complex, systemic problems that cascade throughout society, leading to public safety deterioration, escalating healthcare costs, educational disparities, exacerbated poverty, and more.

Research in this area is needed and could be a great tool to help those managing capital and resources see the potential upside in impact investing that they saw in venture capital. Below are some key research questions:

- **Scale and Nature of the Phenomenon:** What is the prevalence of startups adopting massive capital investment models like Uber? How does this trend compare to investment disparities between tech startups and initiatives focusing on societal challenges like climate tech, deep tech, and societal impact? How does this disparity correlate with externalized costs borne by society and the pressing needs that remain underfunded?

- **Time to Profit vs. Societal Impact:** From the initial investment to profitability, what is the typical timeframe for companies operating within this model, and how does this compare to investments in societal impact initiatives? Could aligning investment strategies with societal needs shorten the path to profitability while delivering significant societal benefits?

- **Metrics, Cost-Benefit Analysis, and Building Blocks:** What metrics and frameworks can be developed to understand startup investment, particularly concerning hidden and externalized costs? How can we undertake a comprehensive cost-benefit analysis of companies engaged in large-scale housing solutions, recycling initiatives, or other endeavors with immediate and long-term societal benefits? How might these insights reshape investment priorities and foster smarter building blocks for future investment in climate tech, deep tech, and impact-focused initiatives?

- **Risks, Opportunities, and Alignment with Societal Goals:** What are the associated risks and opportunities when considering similar investment approaches in climate tech, deep tech, and impact-focused areas? How might these investment strategies be tailored to seek financial returns and align with broader societal objectives such as environmental sustainability, social equity, and technological innovation?

- **The Inverse Relationship and Societal Reconciliation:** How can society reconcile the seemingly inverse relationship between the lucrative funding of tech startups and the chronic underfunding of essential societal needs? How can we recognize and address this relationship to create a more balanced, sustainable, and humane investment landscape?

- **Holistic Understanding of Value:** How can we foster a more nuanced understanding of value beyond immediate financial returns to broader societal gains? How can we promote a more holistic and responsible approach to economic development by recognizing and investing in these multifaceted benefits? This includes concepts of understanding the revenue impact potential on both the private and public sectors; for example, affordable housing solutions that reduce the burden on the health care system, public services, and real estate property values while creating a bankable system of investment and revenue streams to ensure all stakeholders are involved.

These points encompass a multifaceted examination of the intricate relationship between startup investment, societal challenges, and the prospect of reshaping the investment paradigm. By probing these questions, we stand to gain profound insights and formulate actionable strategies that hold promise for future investments in sectors ripe for economic innovation and societal impact.

Exploring underlying mechanisms and success factors that have driven startups like Uber lays the groundwork for an unprecedented investment paradigm. This new approach, as envisioned by Coalfield Development, seeks to champion economic viability and the values of sustainability, innovation, and societal enrichment, weaving them into the fabric of investment decision-making.

Addressing such questions necessitates a collaborative and data-driven approach. We present the following recommendations for carrying out the above framework:

1) **Collaborate with Key Institutions:** A partnership between a non-profit stakeholder, academia, Bloomberg with other market data companies, and other relevant stakeholders should be formed. Such an alliance would leverage each party's unique insights, resources, and expertise to conduct comprehensive research while understanding the unique market and public demands and private sector needs.

2) **Access and Integrate Diverse Data Sources:** Utilizing Bloomberg's extensive financial databases, academic research from academic institutions, and other sources like Crunchbase or governmental agencies will provide a robust foundation for analysis. Integrating these diverse datasets can uncover patterns, correlations, and insights that may remain hidden when viewing each data source in isolation.

3) **Develop a Structured Data Framework:** A well-structured data framework must be created to answer the crucial research questions above. A framework should involve identifying key metrics, standardizing data formats, and ensuring alignment with the specific research objectives related to startup investment dynamics.

4) **Conduct In-Depth Analysis:** Engage in rigorous data analysis to explore the questions around the phenomenon's size, the average time to profitability, critical metrics,

investment patterns, and more. This should include both quantitative analysis and qualitative insights, involving interviews with venture capitalists, startup founders, and other key stakeholders.

5) **Focus on Climate, Deep Tech, and Impact-Focused Investments:** With the foundational understanding gleaned from analyzing startups like Uber, apply these insights to craft investment strategies tailored to the climate tech, deep tech, and societal impact sectors. This involves understanding these areas' unique dynamics, risks, and opportunities and creating investment models that align with societal goals.

6) **Disseminate Findings and Engage Stakeholders:** Share the research findings with a broader audience, including investors, policymakers, entrepreneurs, and academics. Engaging these stakeholders increases the research's reach and impact and may lead to actionable initiatives and policies that support responsible and impactful investment.

7) **Consider Future Collaborations.** Recognize that this research is a starting point and seek to establish ongoing collaborations to explore, refine, and apply the insights gained. Collaboration could involve regular forums, joint publications, or creating an interdisciplinary working group focused on innovation in sustainable investment.

In summary, by forming strategic collaborations and leveraging comprehensive datasets, we aim to uncover new insights into the dynamics of startup investments. This research has the potential to forge a path toward a more innovative and socially responsible investment paradigm, resonating with the pressing needs and values of our time.

Reinventing the Wheel without Reinventing the Wheel

The central hypothesis of this paper is a simple yet transformative idea: that all the money required to make our world a better place is already available, and it merely awaits the correct alignment and mobilization via the same economic and finance models already in place.

The pathway to this new reality requires rearranging existing cash flows creating a system that serves both profits and a larger societal mission. The following elements illuminate this hypothesis:

- **High-Risk Initial Capital:** The journey towards creating social impact begins with accepting high-risk capital, akin to venture capitalism. Pioneering innovations in deep tech, climate tech, and societal impact initiatives need initial support, even though they might appear risky.

- **Mid and Late-Stage Capitalism Strategies:** Beyond the high-risk initial stage, there must be a clear pathway through mid and late-stage capitalism. This entails financial backing and a deep understanding of the market potential, societal needs, and

collaboration between various stakeholders. The creation of bankable business models that bring together various spending streams that may not connect will be critical here. For example, the value local hospital organizations receive from unhoused populations needs to be quantified and brought into alignment to show spending in one place results in larger operating margins in another.

- **The Final IPO – Public Understanding and Value Recognition:** The ultimate goal is to arrive at a point where the public, including potential ESG buyers and government entities, understands the intrinsic value of these mission-driven companies. These firms are not mere social endeavors; they can generate profits, dividends, and financial growth like traditional companies.

- **Profitability Comparison with Recent Startups:** The hypothesis asserts that social impact companies can be more profitable than many recent tech startups such as Snapchat, Uber, and even Facebook, which took years to break even or generate profits. The same capital investment deployed for these tech giants can be strategically channeled towards social-impact companies, likely resulting in similar sustainable profits.

- **Government Support and ESG Alignment:** Recognizing the synergies between government objectives, ESG guidelines, and mission-driven companies is vital. It fosters an environment where these firms are supported for their social impact and potential to generate financial returns.

- **Dividends and Economic Benefits:** Mission-driven companies should not only be seen as vehicles for social change. The businesses must also be recognized for their potential to provide dividends and economic benefits to shareholders, just as any other profitable enterprise would.

The hypothesis posits a shift in economic paradigms in which available money can be redirected and amplified to create a world that thrives on economic prosperity and societal well-being. This new reality demands a profound rethinking of investment strategies, embracing a future where profits and purpose harmoniously coexist. It calls for a courageous venture into new territories of investment, regulation, and public perception, where the conventional barriers between financial success and social responsibility are reimagined and redefined.

At the apex of this hypothesis lies a visionary and strategic approach that combines financial instruments with moral objectives, creating a synergistic economic and societal growth model. This sophisticated financial approach could be amplified with the support and loyalty of massive financial entities such as BlackRock and others, who might invest in the stock with a long-term view and an understanding of the broader mission. The collaboration between these financial giants and impact-driven companies could forge a new frontier of capitalism, where profits are not the sole end but a means to achieve global betterment.

Add to this the concerted reminder of buying based on principles and objectives, and it opens up an avenue to push the valuations to a proper level through coordinated events. This approach leverages the power of capitalism for good, utilizing some of the same tools traditionally used to generate capital gains or profit. It signifies a reimagining of capital flows, emphasizing the inherent value in aligning investment decisions with ethical considerations and societal goals.

This strategic alliance between financial acumen and social conscience represents a landmark concept with the potential to redefine the boundaries of investment and social responsibility. It promises a world where the financial markets become powerful tools for social equity, environmental stewardship, and overall societal enrichment. This apex idea transcends traditional investment paradigms, marrying financial innovation with the profound desire to create a more humane world.