

FEATURED CASE STUDY

W.K. KELLOGG FOUNDATION, BLACKROCK & THE BUILDERS FUND

INVESTMENT:

ACELERO

Early childhood education platform offering tech-enabled and Head Start services primarily in low-income communities.

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ACELERO LEARNING

INVESTMENT STRATEGY	W.K. KELLOGG FOUNDATION, BLACKROCK, THE BUILDERS FUND	INVESTMENT TYPE	BUYOUT
SECTOR	EDUCATION	OWNERSHIP STAKE	MAJORITY
INVESTMENT DATE	OCTOBER 2022	IMPACT VALUE CREATION MODALITY	GROWTH AND SYSTEMS
GEOGRAPHY	UNITED STATES		

INVESTOR & COMPANY OVERVIEW

In 2009, THE W.K. KELLOGG FOUNDATION (WKKF) invested in Acelero Learning to expand their high-quality early childhood education services. In April 2022, WKKF became a Limited Partner (LP) in the **BlackRock Impact Opportunities Fund (BIO)**. As part of their LP-GP relationship, WKKF introduced BIO to Acelero recognizing the strong values alignment on advancing racial equity. In October 2022, BIO and **The Builders Fund** co-led a syndicate of impact investors, including A-Street Ventures, for growth equity into Acelero.

W.K. Kellogg Foundation (WKKF) invests in fund managers and entrepreneurs advancing inclusive capital market systems by investing in larger scale, later stage businesses aligning with the Foundation's three mission areas of thriving children, working families and equitable communities. With a focus on addressing systemic racial inequities and historical bias in the financial systems, the majority of WKKF's Mission Driven Investments focus on BIPOC communities and are made to diverse managers and founders and those that ultimately serve these communities.

BLACKROCK IMPACT OPPORTUNITIES FUND (BIO) is a multi-asset fund investing in private equity, private credit, real estate, and infrastructure across impact themes of Education, Healthcare, Housing and Financial Inclusion. BIO specifically focuses on businesses

founded, led, or managed by people of color, as well as companies that serve undercapitalized communities of color.

The **BUILDERS FUND (Builders)** makes equity investments into high-growth North American businesses across the themes of Climate Solutions, Regenerative Food Systems, Equity & Social Justice, and Health & Wellness. Approximately 50% of Builders Fund investors are former C-Suite executives and founders who are uniquely well positioned to support investments as operating partners.

ACELERO is an early childhood education (ECE) platform serving low-income communities, as a direct operator of Head Start centers ("Acelero Learning") and through tech-enabled services to other Head Start operators, states, and municipalities ("Shine Early Learning" and "Shine Advance"). Acelero was founded in 2001 and currently serves more than 5,000 children and their families across four states. The company also provides training, technical assistance and consulting services to bring its innovative practices to other childcare centers across the country.

INVESTMENT THESIS

As part of its effort to increase the amount of growth capital available for impactful companies, WKKF became an LP in the BIO Fund. In its role as an LP, the foundation supports BIO in a number of ways, includ-

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ing by providing feedback on impact levers for BIO’s portfolio companies, reference checks with other impact investors and institutional investors, and sharing deal flow that results in co-investments, including in the case of Acelero.

As the sole double bottom line ECE platform serving low-income communities at scale, both Builders and BlackRock observed clear alignment between

Acelero and their own commitments to underserved stakeholders. At the time of investment, the company sought growth capital to expand the business. Builders and BlackRock were interested not only in growing the number of students and families the business serves, but also in enhancing the business’s existing commitment to equity through workforce engagement, aligned with both investors’ philosophies.

FINANCIAL MATERIALITY OF IMPACT

WKKF, Builders and BIO demonstrate GROWTH and SYSTEMS impact value creation approaches:

IMPACT VALUE CREATION MODALITY	VALUE CREATION ACTIVITY	FINANCIAL VALUE DRIVER	VISIBILITY OF FMI
 <p>GROWTH</p>	<p>WKKF enabled Acelero’s growth stage fundraising by introducing the company to mission-aligned investor, BIO Fund</p>	<ul style="list-style-type: none"> • Access and cost of capital through introduction between BIO and Acelero 	<p>The benefits from introducing a mission-aligned GP with the business were obvious, but were made possible from WKKF’s deep understanding of the business and GP’s impact objectives.</p>
	<p>BlackRock and Builders supported the institutionalization of business processes including marketing, hiring, finance, and sales to enable growth and greater impact</p>	<ul style="list-style-type: none"> • Revenue growth through accelerated investment in value-added services with significant market demand 	<p>The value in institutionalizing practices to foster growth and operational efficiency is commonly understood.</p>
	<p>BlackRock and Builders elevated Acelero’s strategic marketing and sales efforts to more effectively communicate and resonate with the ECE markets to scale the business</p>	<ul style="list-style-type: none"> • Revenue growth through profile raising and marketing to drive new business 	<p>The opportunity to enhance the business’s impact positioning to support expansion of the populations served, and therefore scale the business, was discernible.</p>
 <p>SYSTEMS</p>	<p>BlackRock and Builders supported workforce compensation improvements to encourage workforce equity through a living wage roadmap and employee ownership plan</p>	<ul style="list-style-type: none"> • Long-term productivity through motivated and incentivized employees 	<p>Both investors’ equity-centered investment philosophies allowed them to further support Acelero’s efforts to enhance workforce equity practices, an opportunity that may have been obscured to other investors.</p>

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VALUE CREATION

THE KELLOGG FOUNDATION'S VALUE CREATION: PROVIDING IMPACT-ALIGNED CAPITAL

In its role as board observer, WKKF was closely involved in Acelero's search for growth capital and its focus on finding impact-aligned investors that would not dilute the company's mission. Having made the investment in BIO to address such capital gaps, the foundation introduced Acelero to the BIO Fund which ultimately became the lead investor to help secure financing. WKKF recognized the strong alignment between BIO's mandate and Acelero's model of diverse management and workforce serving largely low-income families and communities of color. WKKF also recognized the potential for BlackRock's value creation for Acelero given the team's expertise in both education and racial equity as well as its operational expertise in supporting companies at this growth stage.

"WKKF has changed Acelero's trajectory at three distinct, crucial junctures. When Acelero was a young, small, and unprofitable company, WKKF invested needed capital, demonstrating confidence in our impact and long-term prospects for sustainable growth. When we entered the high-growth phase, WKKF's philanthropic arm provided grant funding for impact research we otherwise could not have completed. Then when Acelero became a more mature company, WKKF directly laid the groundwork for our recapitalization with larger institutional investors, preparing us for the next chapter of growth. It is no exaggeration to say the impact we have had, and the growth of our company could not have occurred without WKKF."

VALUE CREATION

BLACKROCK AND BUILDERS' VALUE CREATION: SCALING THE BUSINESS

The investor syndicate, consisting of Builders, BlackRock and A-Street Ventures, focused on supporting Acelero's expansion of its Shine Early Learning and Shine Advance vertical. They identified the Shine vertical, the technology services division of the business, as the segment with the greatest growth and profitability potential, while also fulfilling a need not addressed elsewhere.

- **BlackRock** and **Builders** prioritized the institutionalization of the vertical as a key strategy to foster growth. This encompassed codifying and productizing strong intellectual property, adopting a strategic hiring approach, implementing incentives to enhance employee retention, professionalizing the finance department, and establishing a robust process for responding to new customer RFPs.
- **BlackRock** and **Builders'** approach to expanding Acelero's reach centered on enhancing the company's impact positioning through the development of a strategic marketing, communications, and public relations function. The investors elevated Acelero's market profile through thought leadership, webinars, and marketing support to drive new business. They also supported the growth of the sales and marketing team by encouraging investment in resources focused on more broadly reaching the early childhood education market.

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VALUE CREATION

**BLACKROCK AND BUILDERS' VALUE
CREATION: WORKFORCE EQUITY**

Builders and BlackRock supported Acelero's efforts in pursuing an equity-centric approach to hiring and employee compensation supporting anti-bias curriculum offerings and Diversity, Equity, Inclusion and Belonging (DEIB) leadership training, consistent with the company's inclusive values.

The investors worked alongside the Compensation and HR Committee to align workforce incentives and

promote employee motivation, including development of a five-year living wage roadmap to ensure parity across the workforce and address competitive pressure. To develop a stronger sense of belonging and equity, the investor syndicate allocated 10% of the company's capitalization to be awarded to existing and new management to align incentives, with the support of external experts and consultants.

LESSONS LEARNED

- **Unlocking synergies through aligned co-investors:** This strategically aligned syndicate of impact co-investors facilitated complementary and multifaceted approaches to impact value creation. BlackRock and Builders, united by shared objectives of accelerated growth and systems change, collaborated in efforts around workforce enhancements and business growth.
- **Advantages of a mission-aligned Limited Partner:** LPs, with an intimate understanding of a fund's mandate and a wide network, make them a powerful connector between GPs and mission-aligned investment opportunities. WKKF was able to identify a strong fit between BIO's impact objectives, specifically related to diverse entrepreneurs and target beneficiaries, and Acelero's business model.



BlackRock

