

EMPOWERING INNOVATIVE IMPACT ENTREPRENEURS IN AFRICA

WORKSHOP ENTREPRENEURSHIP AND INVESTMENT

OCTOBER 2017



GERMAN
ENTREPRENEUR-
SHIP AWARD
FOR DEVELOPMENT
2017

Strategische Partnerschaft
Digitales Afrika



THE TONY ELUMELU
FOUNDATION



GreenTec
CAPITAL PARTNERS

AGENDA



1. **GreenTec Capital Partners**
2. Myth and reality
3. The African startup funding market
4. Valuations and Funding Methods
5. Investment Readiness



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1-A. Who we are

Premier German Investor in African Startups



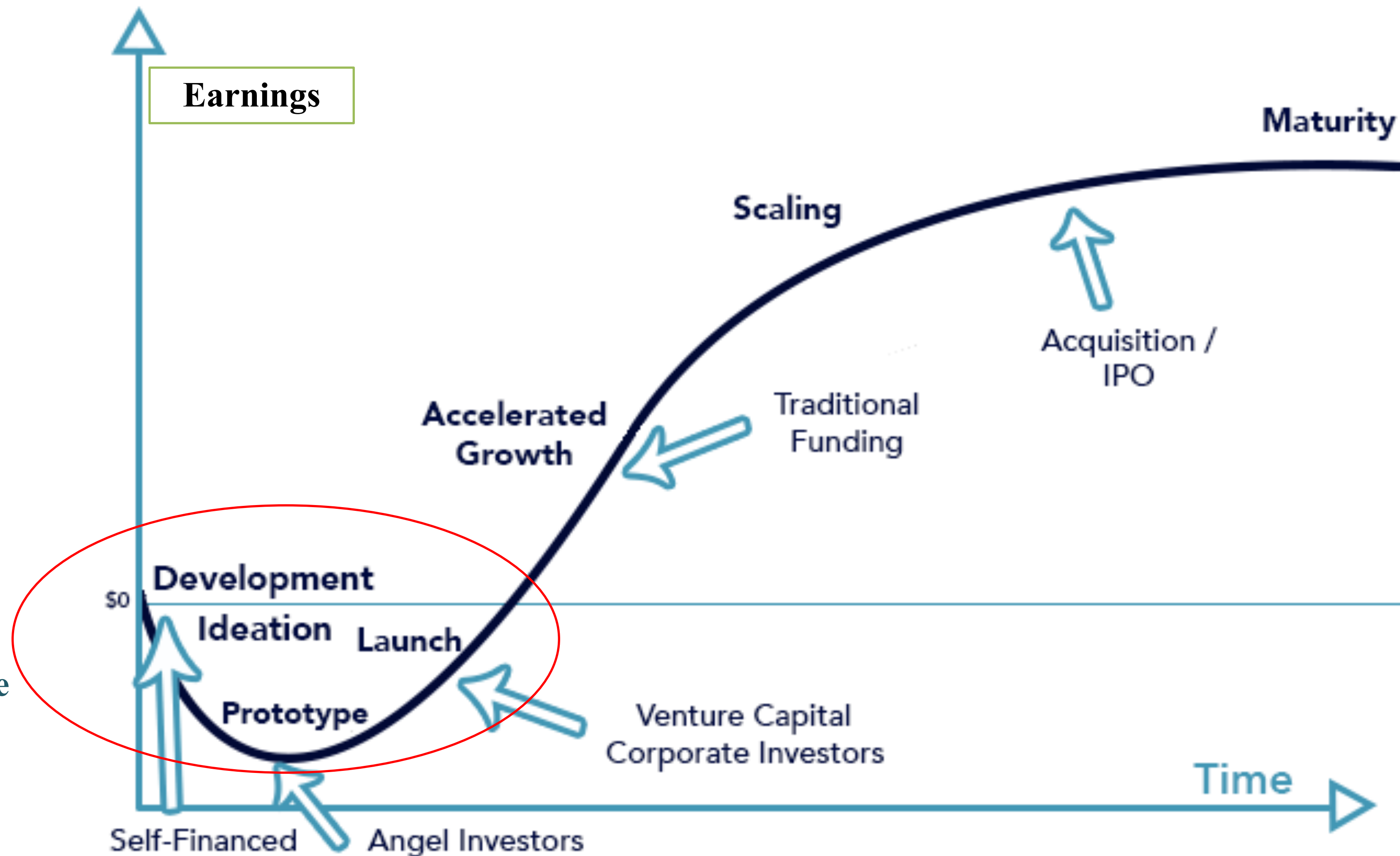
- **Erick Yong , CEO - Founder**
- **Frankfurt, Germany based Africa startup investor and company builder**
- **Impact-sector focused**
- **Early stage to SME**
- **Current portfolio includes 10+ companies across Nigeria, Ghana, Uganda, Kenya, Rwanda, Cameroun**

1-B. Our vision

Help innovative young entrepreneurs to escape the valley of Death



Goal :
Escape from the
Valley of Death



2-C. Portfolio Summary

Sectors / Geographic Distributions / Tickets



Ticket 50 – 500 K euros

Sum of % Total	
Row Labels	Total
Agriculture	45%
CleanTech	9%
ITC	27%
FinTech	18%
Grand Total	100%

Sum of % Total	
Row Labels	Total
Germany	18%
Ghana	27%
Netherlands	9%
Nigeria	18%
Rwanda	9%
Tanzania	9%
Uganda	9%
Grand Total	100%

- Expanding sectors to Health and Education
- Expanding regions to French speaking market
- Investment fund (2018-19)

1-D. Investment theses

Joining the team of the entrepreneurs to exceed value



Company builder

Leverage on creative ideas from Impactful African entrepreneurs

Invest differently (Fund + Capacity building)

- **Team**
- **Knowledge**
- **Technologies**
- **Network**
- **Funds**

**3 TO 4 YEARS
Investment**

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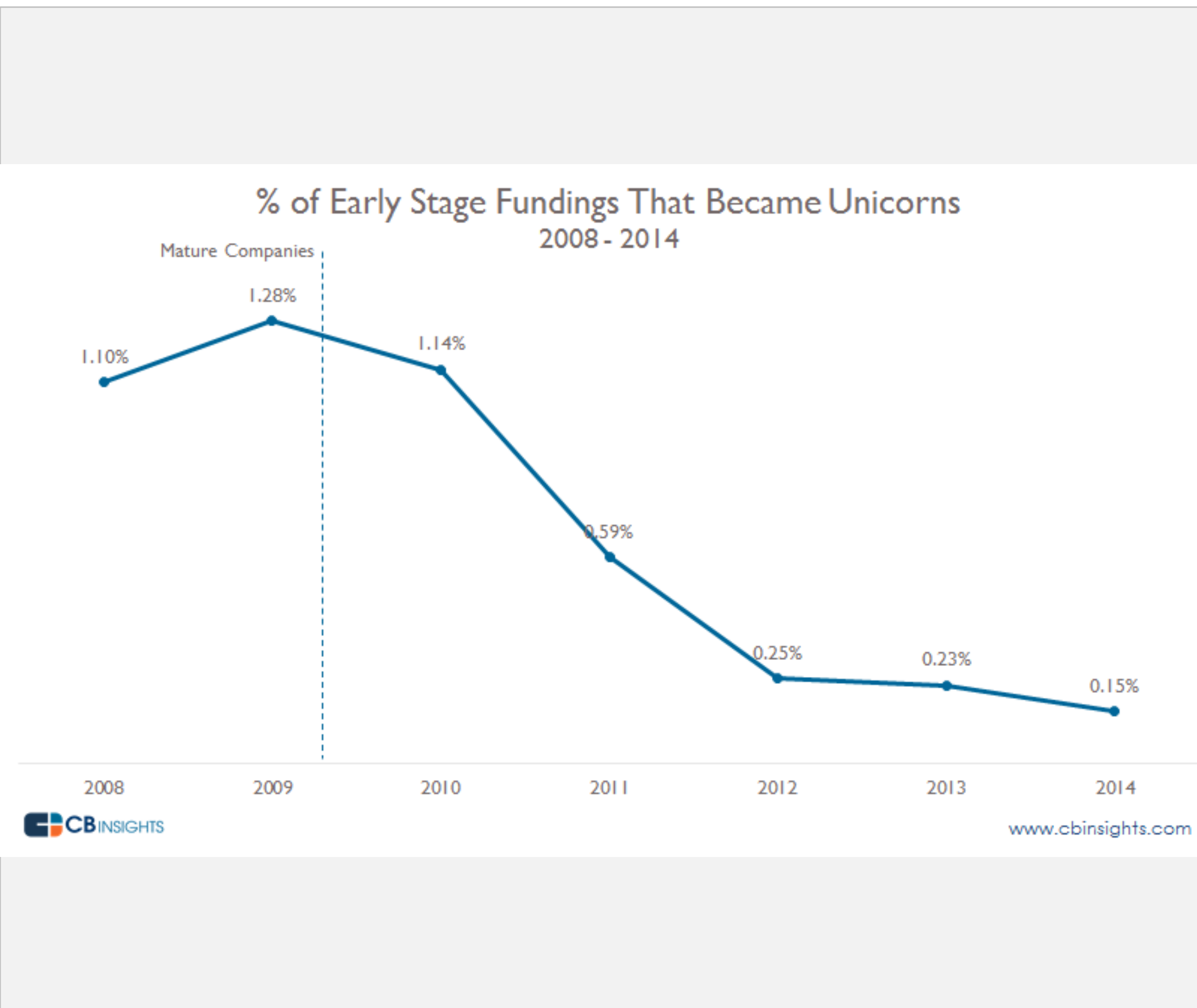


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2-A. Don't chase the Unicorn

Imagination at idea stage is key but ...



A **unicorn** is a **startup** company valued at over \$1 billion.

The term was coined in 2013 by venture capitalist Aileen Lee, choosing the mythical animal to represent the statistical rarity of such successful ventures.

2-B. Become The Big Elephant in the Room

Simplify the problem definition and focused on the execution of your solution



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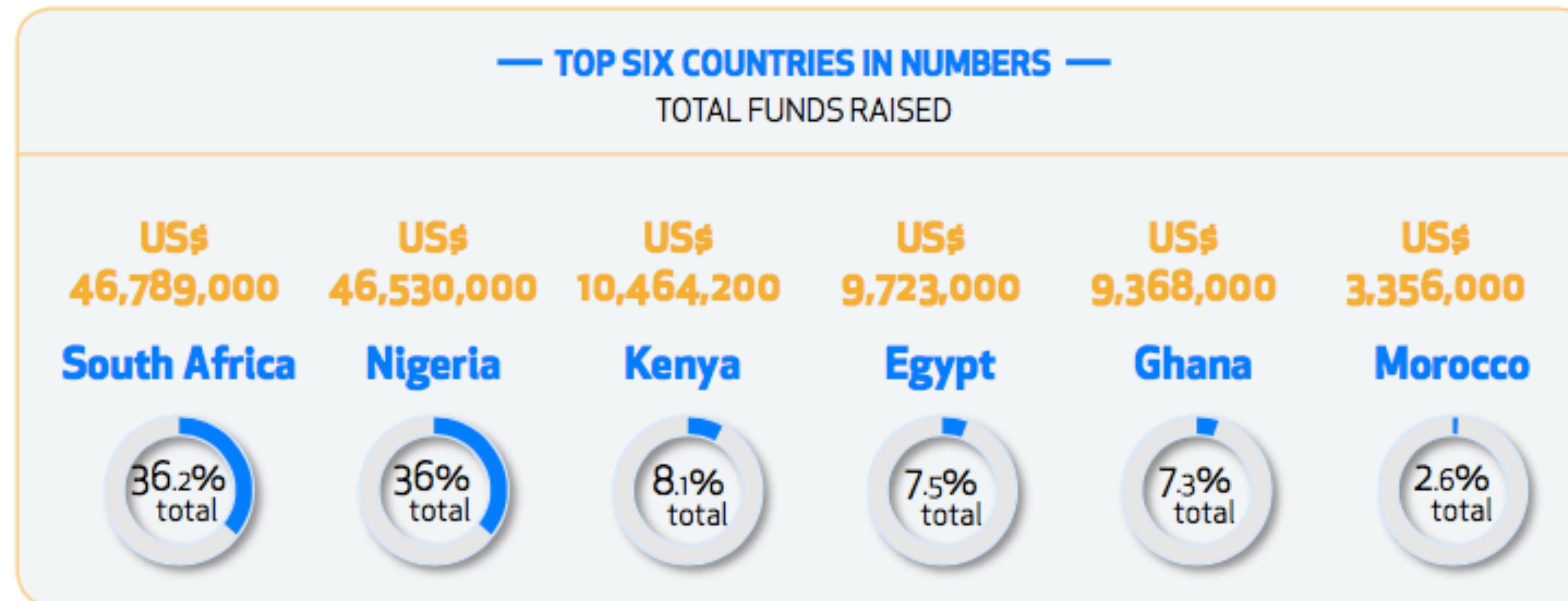


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3-A. THE AFRICAN STARTUP FUNDING MARKET

How much funding flows to African startups get reported?



Source:

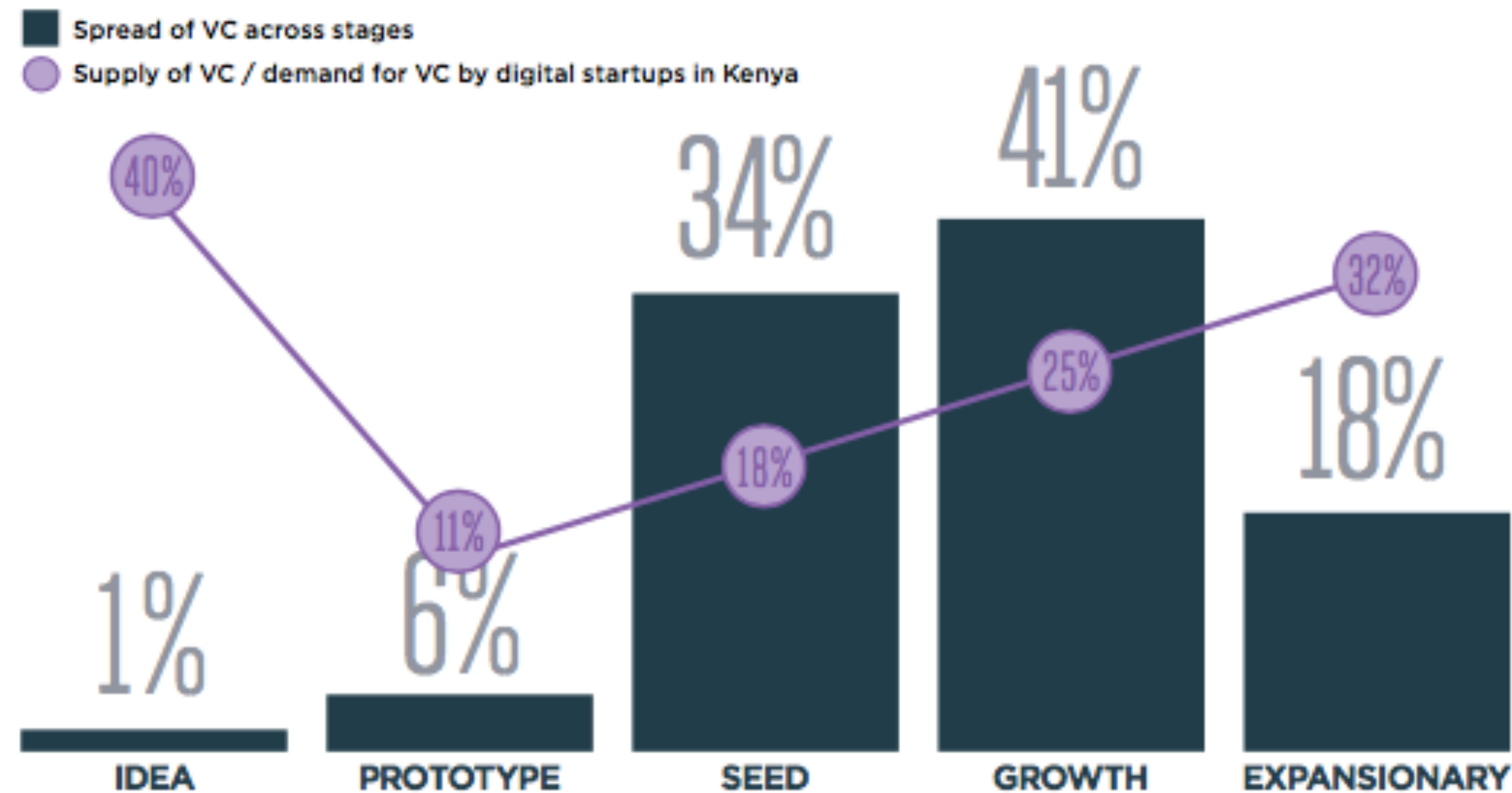
- Disrupt Africa 2017
- Annual Report tallying a total of \$126 million investments in Africa Tech Startups in 2016

3-B. THE AFRICAN STARTUP FUNDING MARKET

Where is the Funding Gap most acute?



ANALYSIS OF THE FUNDING GAP FOR KENYAN DIGITAL STARTUPS



Source: GSMA Intelligence Kenya ICT & Mobile Entrepreneur Survey

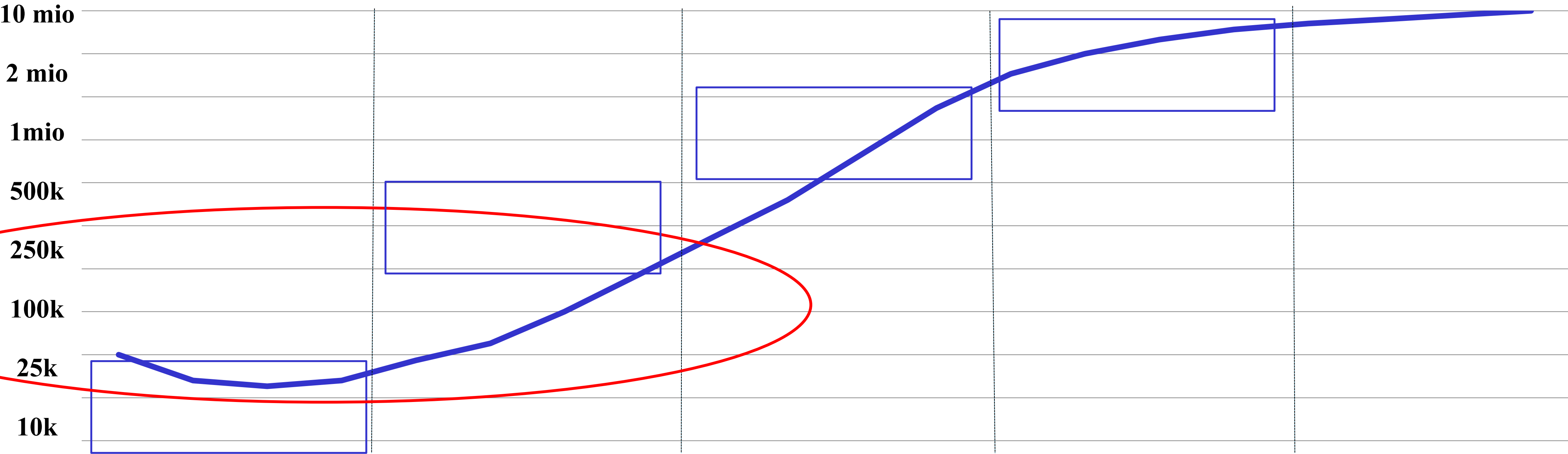
3-C. THE AFRICAN STARTUP FUNDING MARKET



Where is the Funding Gap most acute?

Typical
Investment
Ticket Size,
USD ‘000

Earnings



Stage	Pre- proof of concept	First Revenues (Proof of Concept)	Expansion/ early-stage growth	Growth stage	Mature corporation
Investors	<ul style="list-style-type: none">- Friends and family- Angels	<ul style="list-style-type: none">- Angel investors- Seed investor/ early-stage VC	<ul style="list-style-type: none">- Venture Capital- Development Banks	<ul style="list-style-type: none">- Private Equity- Development Banks- Commercial Banks	<ul style="list-style-type: none">- Public Markets- Commercial Banks

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4-A. Understand the standard frame of your valuation

Early-Stage Equity Valuations : More Art than Science



Stage	Local , moderate growth	High-growth, scalable
Idea / Concept	\$50k - \$100k	\$100k - \$500k
Proof-of-concept / first revenue	\$100k - \$250k	\$500k- \$1mio
Small Revenues (\$25-50k)	\$250k-500k	\$1mio - \$2mio
Growing Revenues (\$200k+)	\$1mio+	\$3mio- \$5mio

4-B. VALUATIONS AND FUNDING OPTIONS

Other Funding Instruments (it is not just Equity)



Features	Equity	Convertible Note	SAFE (simple agreement for future equity)	Grants
Equity Ownership	Now	Future conversion or debt repayment	Future conversion	No
Interest Rate / Maturity	No	Yes	No	No
Relevant structure/ features	Fixed Valuation (pre-money/ post money)	Cap / Discount	Cap / Discount	Milestones

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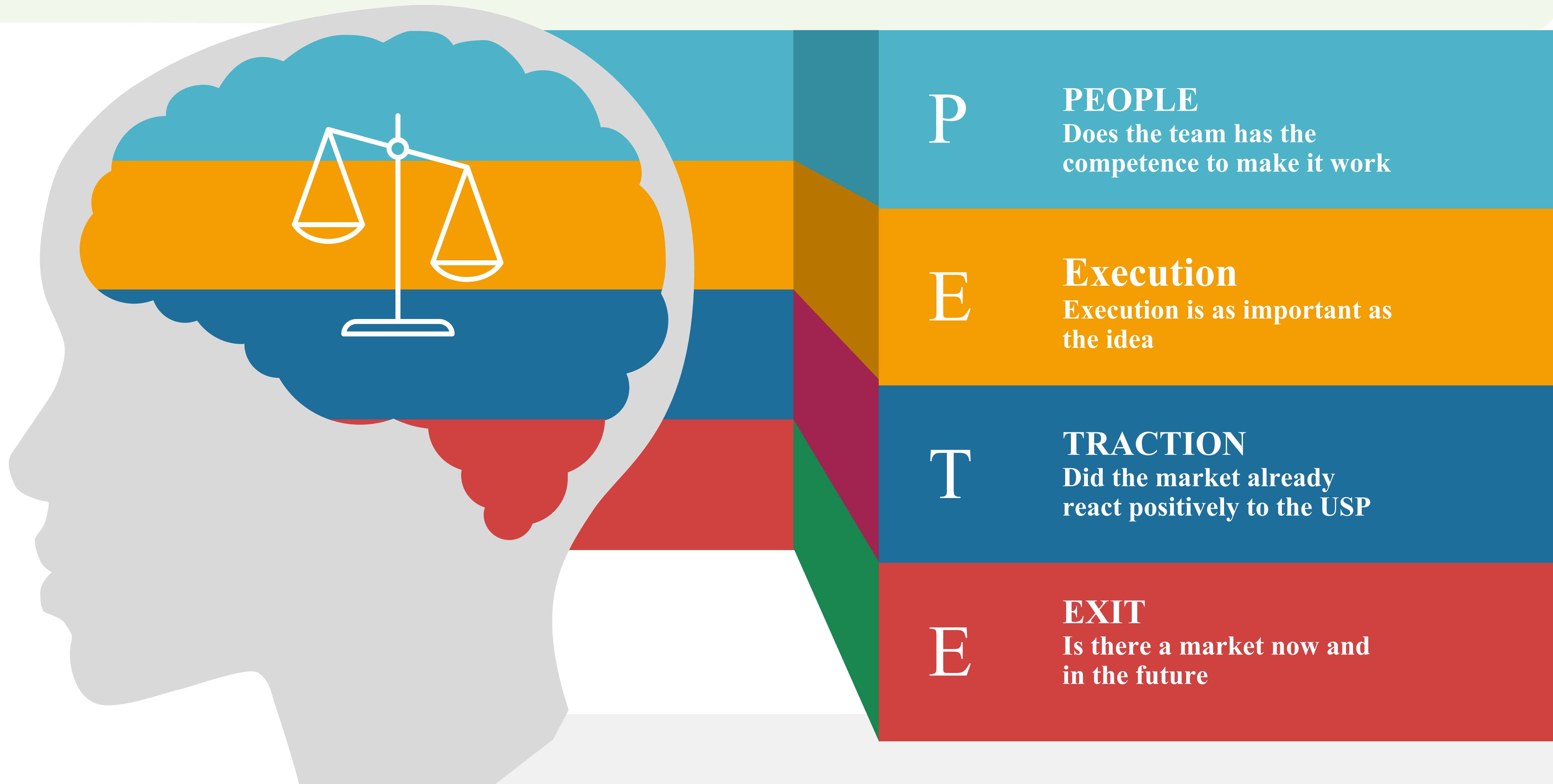


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5-A. INVESTMENT READINESS

Understand the Investor - PETE



5-B. INVESTMENT READINESS

The Whole Package



IN YOUR DEAL ROOM	COMMENTS
The Pitch Deck	The “attention-grabber” and door-opener
Business Plan	Detailed document of your holistic strategy
Financial Projections	3-5 year income statement / Cashflow estimates
Historical Financials	Accounting statements, Audit
Cap Table	Funding History and Current Ownership structure
Other Due Diligence Documentation	Commercial registry, Taxes, sales contracts

5-C. INVESTMENT READINESS

Your Pitch Deck



- ① **Market Overview**
- ② **The Problem / Opportunity**
- ③ **Your Solution (USP)**
- ④ **Service/Product DEMO**
- ⑤ **Sales and Marketing**
- ⑥ **Competition**
- ⑦ **Business Model**
- ⑧ **Forecast**
- ⑨ **The TEAM**
- ⑩ **Traction / Status**

- 10-12 page PowerPoint Marketing material
- Coherent, Concise, Condensed version of your entire business
- Content ... trade-off between enough detail to understand , yet revealing minimum amount of information to catch interest

5-D. INVESTMENT READINESS

Your Pitch Deck



Business Model

- Who do you sell to?
- What are your revenue streams?
- **Basic Unit Economics**
- How do you scale

Forecast

Inputs

- # Employees
- # Customers
- # Sales Volume

Outputs

- \$ Revenue
- \$ Expenses
- \$ Profit

5-E. INVESTMENT READINESS

Your Pitch Deck



Unit Economics

Sales Price = \$10

- Purchase Cost = \$ 5

- Delivery Fee = \$ 1

Gross Margin = \$ 4

- CAC * = \$ 2

Operating Profit = \$ 2

Forecast

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Customers	100	10,000	100,000
Revenue	\$1k	\$100k	\$1mio
Expenses	\$10k	\$90k	\$850k
Profit	-\$9k	+\$10k	+\$150k

5-F. INVESTMENT READINESS

The Business Plan

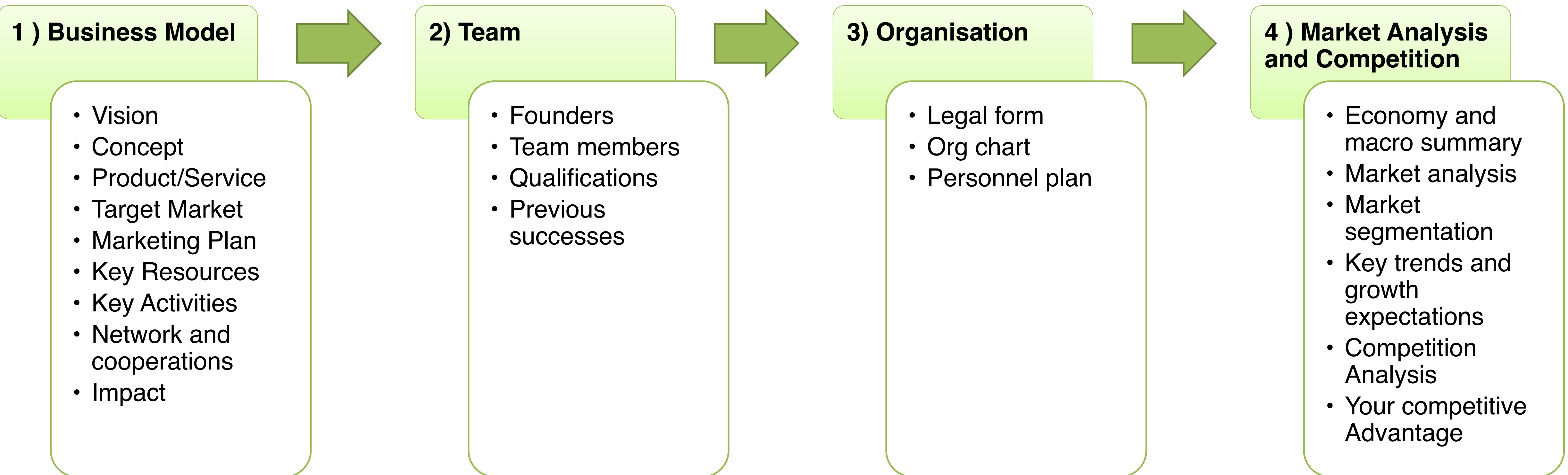


Your Business Plan should

- Build-up along the main key points from your Pitch Deck, with a lot more emphasis on detailed strategy, operations, execution and support/proof for why it works
- Typically be anything from 20-50 pages
- Research and supporting evidence is key to understand why your approach will be effective
- Demonstrate you are the most knowledgeable of your market and **why you can outcompete and execute on the plan**
- It is a rolling document which should be updated every 2-3 months with your Traction, new achievements, updated financials...

5-G. INVESTMENT READINESS

The Business Plan



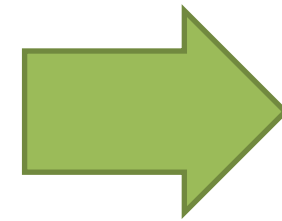
5-H. INVESTMENT READINESS

The Business Plan



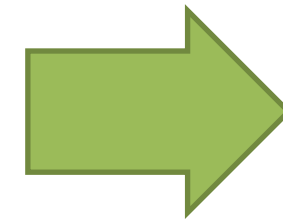
5) Implementation Plan

- Definition Project
- Define Milestones
- Project Management Chart / Strategy Chart



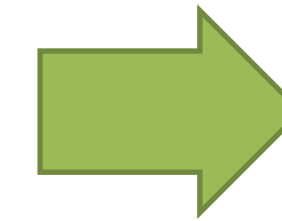
6) Risk Analysis

- SWOT analysis
- Decisive success factors
- Dealing with weaknesses and risks
- Contingency planning



7) Financial Analysis

- Sales forecast
- Estimate for Operating resources and expense
- Investment estimate
- Brief Financials
- Break-even analysis
- Capital requirement and financing



8) Supporting materials

- Detailed Financial statements
- Balance sheet
- CVs, certificates
- Marketing brochures
- Contracts
- Co-operation agreements
- Market research, industry figures

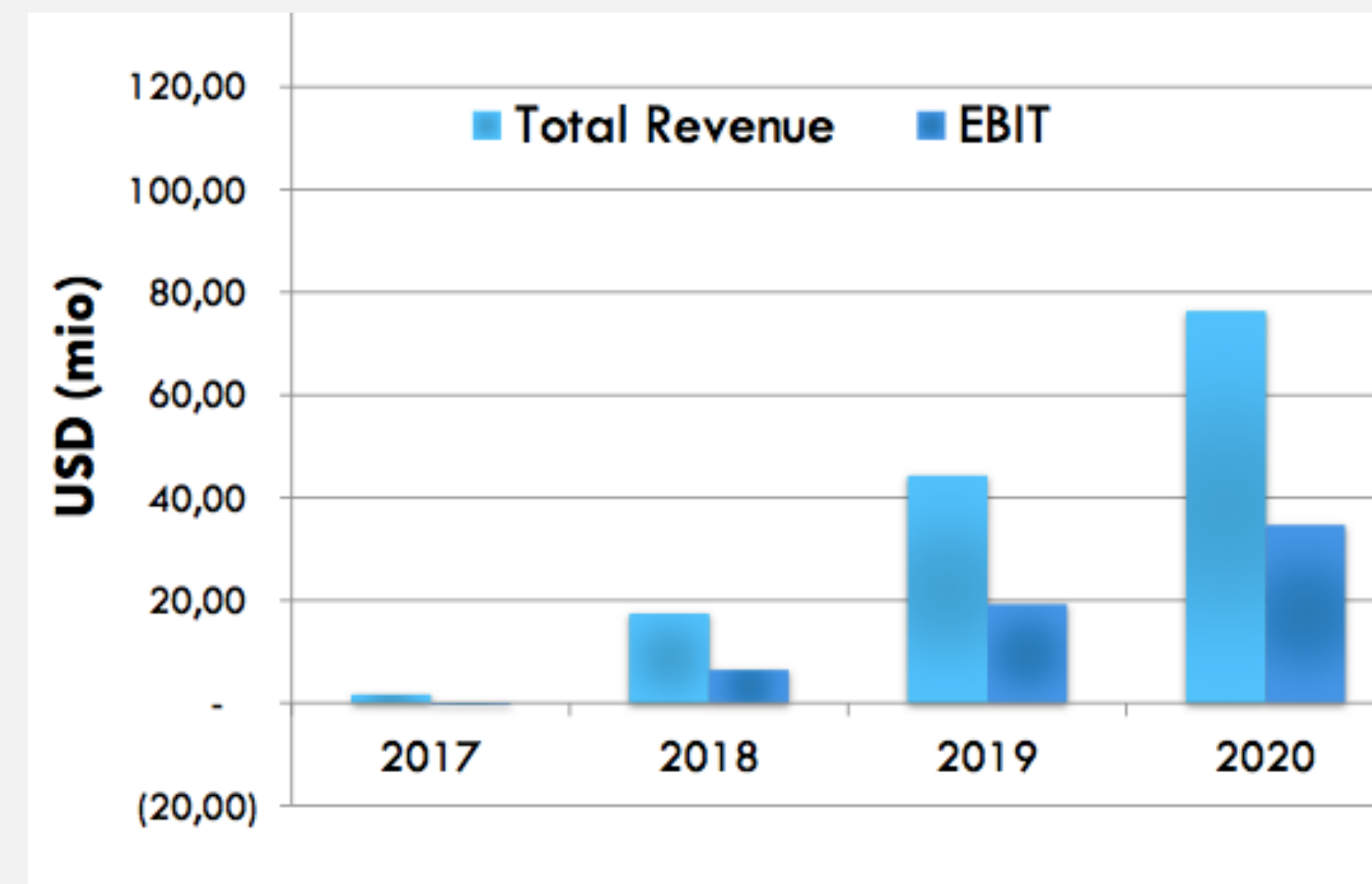
5-I. INVESTMENT READINESS

The Financials



- **Bottom-up Sales / Revenue** forecast
- **Cost of goods** sold are directly correlated
- **Gross Margin** – OK to state it and relate to industry
- Build-up Expenses first with **Direct Costs** - proportional to resources required for those Sales
- Indirect Costs / **Overhead**
- Operating Margin / **EBIT margin**
- Net Income after tax / **profit margin**

Justify your **growth** in future years 2-5, based on industry, expectations or your own traction (M-o-M Growth of XX%)



THANK YOU



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