



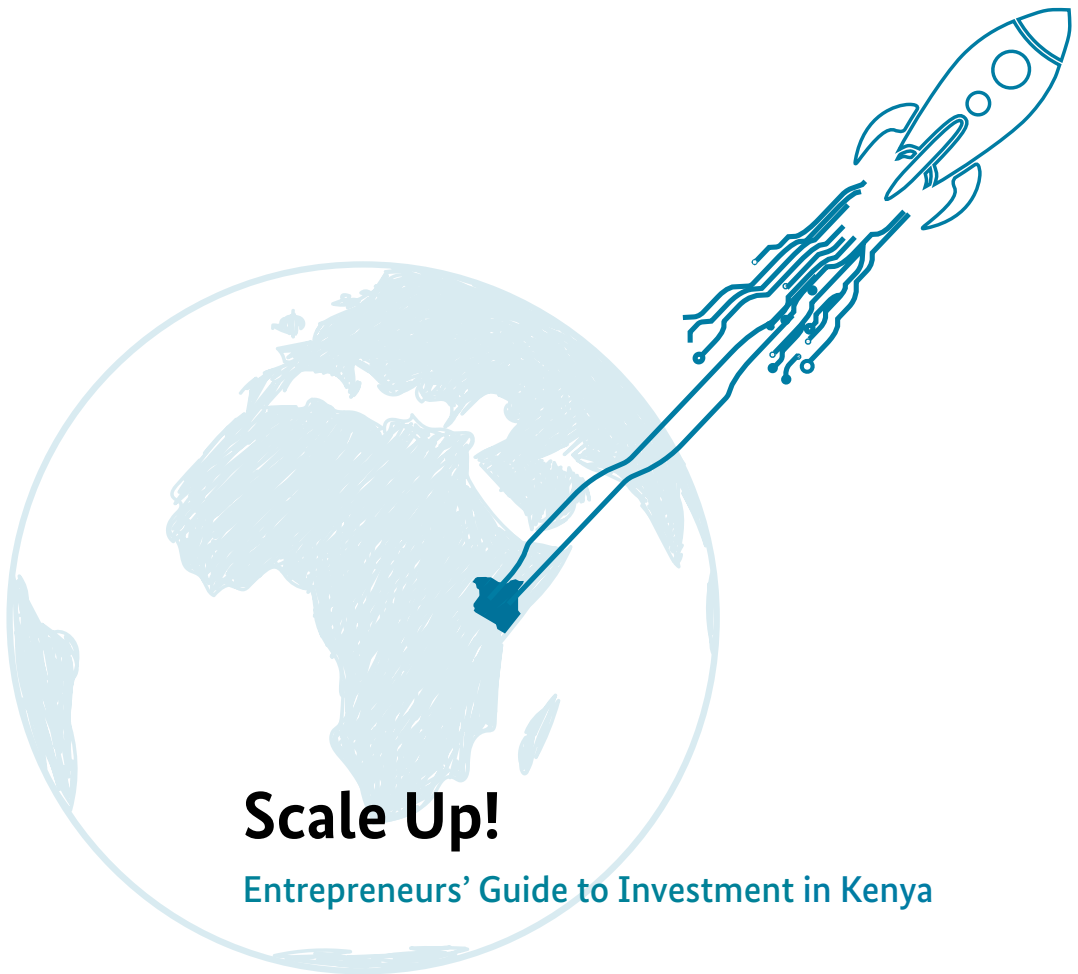
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# Scale Up!

Entrepreneurs' Guide to Investment in Kenya





## Foreword



The rapid development of digital entrepreneurship particularly in Nairobi has earned Kenya, the nickname *Silicon Savannah*. Over the past decade, Nairobi has become a global destination for those interested in working in technology.

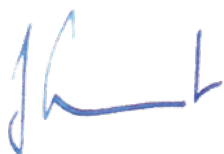
Most entrepreneurs, however, still suffer from limited access to business advice, talent, markets, and capital. These constraints are even higher for those who are young, female, or live outside of the metropolitan regions. One of the key challenges we have heard many times from start-ups, is to find the right financing option, and work on the specific due diligence requirements of these instruments.

This guide aims at helping start-ups understand and navigate the variety of financing options. These include diverse mechanisms such as grants, seed funds, angel investment, impact oriented venture capital, debt, etc. Furthermore, the guide outlines requirements, investor expectations as well as investor types in an easily accessible way, and offers practical support to entrepreneurs in asking the right questions when approaching an investor.

In order to create a comprehensive overview we reached out to more than 30 financing partners who present their portfolio and requirements in this guidebook. Some of them, like DEG, GreenTec Capital also helped us and gave valuable feedback to improve the guide. The print version will be soon also available as an interactive online version. Based on a quick self-assessment tool, the online guide will help entrepreneurs to find the best-suited financing mechanism, and identify potential financing partners.

At this point, we have to acknowledge one person especially: *Anton Root*, who shared his knowledge and experience for this guide. Thanks to him and the *Allied Crowd team* (*Lars Kroijer, Malcolm Kapuza*), who have proven to be experienced partners in navigating through the finance landscape in East and West Africa. We also received valuable feedback and support from GIZ colleagues from the finance sector *Diana Hollmann, Gabriela Rosales-Rogge* and *Annette Kleinbrod* (*Bundesverband Deutscher Stiftungen*). Last but not least, many thanks to my team from *Make-IT in Africa*: *Chiemelie Umenyiora, Mutembei Kariuki, Matthias Fröhlich, Stephanie Wiedner* and *Jonas Schug* for proof-reading and final editing.

We will frequently update the guide to include new financing partners, and improve the methodology based on your feedbacks. So, please, don't hesitate to contact us via [make-it@giz.de](mailto:make-it@giz.de)



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## Tech Entrepreneurship Initiative Make-IT in Africa

*Make-IT in Africa* promotes digital innovation for sustainable and inclusive development in Sub-Saharan Africa. *Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH* implements this project on behalf of the *German Federal Ministry for Economic Cooperation and Development (BMZ)*.

In collaboration with more than 20 corporate and financing partners, social enterprises, hubs and networks, 'Make-IT in Africa' strengthens an enabling environment for young tech entrepreneurs – to provide better access to finance for growth, international markets and entrepreneurial skills.

More information and contact:

[www.make-it-in-africa.org](http://www.make-it-in-africa.org)

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\* *The funders are ordered by average investment amount, with smaller funding amounts appearing first.*



## Glossary

**Accelerator** | a programme that takes in relatively early-stage start-ups, helps them develop their product, providing mentoring and teaching, and access to a network of potential investors or partners; at the end of the programme, the accelerators typically put on a 'pitch day' during which companies can pitch their services to investors. As a key difference from incubators, accelerators usually have a set timeframe from a few weeks to a few months

**Angel investors** | individuals with disposable income who like to invest part of their portfolio in start-ups. Usually they would invest their cash, time for coaching and mentoring and make business introductions

**Business plan** | a detailed outline of your business, including the problem it is solving, the strategy for growth, revenue projections, marketing strategy, team profiles, and more

**B2B – Business to business** | business that aims to sell products and services to other businesses

**B2C – Business to consumer** | business that aims to sell products and services to consumers

**CAPEX – Capital expenditure** | the funding needed to invest in assets that your business needs to get off the ground (e.g., computers, stock, machinery), or improving these assets

**Capitalization table** | also referred to as the cap table, this is a simple breakdown of who owns how many shares in the business, and the ownership percentage that corresponds to

**Collateral** | an asset (machinery, vehicle, etc.) used as a security when taking out a loan

**Convertible note/debt** | short-term debt that may or may not convert to equity in a future financing round. Commonly used to defer the valuation discussion to when an early-stage company has historical financials to guide the valuation process

**Crowdfunding** | raising (typically) small amounts from a large group of people

**Debt financing** | effectively a synonym for a loan, debt financing means accepting capital with the promise of repaying the principal and interest

**Due diligence** | the 'homework' that investors conduct on a business before they invest; this can include reference checks, a deeper dive into your business model and financials, and studying the market you are in

**Equity** | ownership stake in a company

**Exit** | a way for existing company shareholders to realize their returns; typically, this is done via an acquisition (trade sale), an initial public offering on the stock exchange (rare in Kenya), or secondary sale of shares

**Grant** | type of funding that typically does not obligate the recipient to repay the funds; usually, the money can only be used in the way agreed to prior to disbursement

**Incubator** | similar to an accelerator, an incubator takes in early-stage companies and helps them to narrow down their business idea and connects them to network of partners and funders; incubators focus on very early stage start-ups, however, helping them build on an idea, instead of coming in when a start-up already has a product or service

**IPO** | stands for '**initial public offering**' and it basically means that a company starts floating on a stock market, selling a significant number of their shares in the process to institutional and non-institutional investors. These large companies are that Venture Capitals dream of, as they often provide large sums of capital to all parts involved (founders, early employees and investors)

**IRR – Internal rate of return** | a measure, expressed as a percentage, used to evaluate the profitability of an investment

**Mezzanine** | type of financing that has both equity and debt features

**OPEX - Operating expenditure** | ongoing expenditures that are needed to run your businesses (e.g., salary, subscriptions to cloud services, office rent)



**Pitch deck** | a slide presentation that gives a breakdown of your solution, the market opportunity, your team, and your financials

**Principal** | the original loan amount, without interest

**Profit** | this is the company's bottom line, which is all the money made from sales of its product or service, minus expenses, taxes, depreciation, and operating costs

**Revenue** | this is the company's top line, which means it is the money generated from all activities of the company in a given time period

**Secondary sale of shares** | a way for existing investors to realize their returns; this is different from a primary sale, in which a start-up issues new shares to an investor

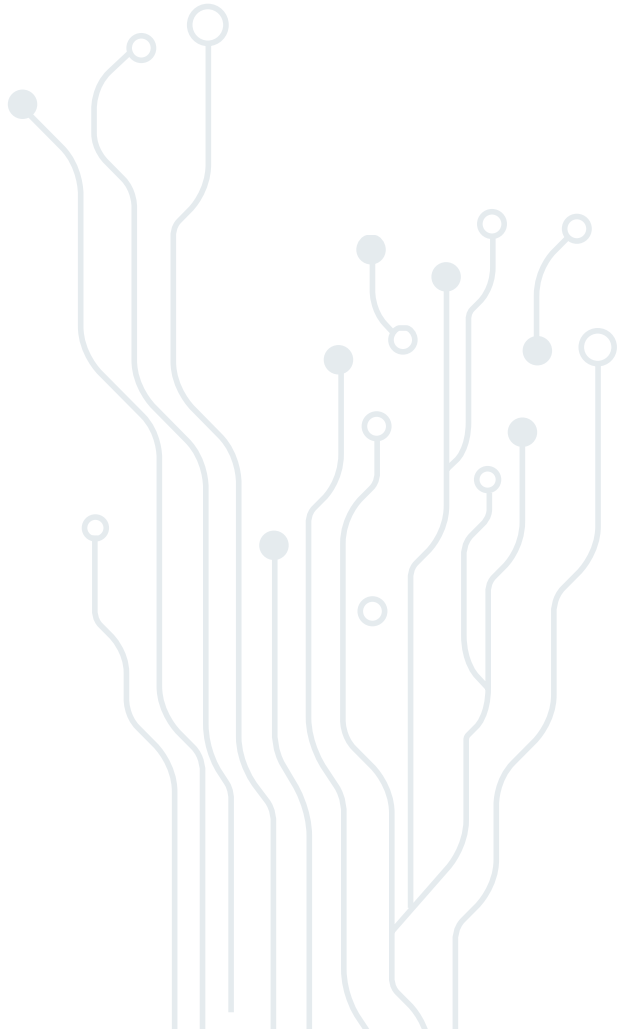
**SME – Small and medium-sized enterprise** | company classification that is defined differently by different countries; Kenya's Micro and Small Enterprises Act of 2012 defines small enterprises as having annual revenues of between KSh 500k (\$5k) and KSh 5m (\$50k), and employing between ten and fifty people

**Tenor** | the amount of time until a loan is due to be repaid

**Term sheet** | the document investors present to a company they are interested in funding; this will include details of what form of investment the investor wants to make and the terms of such an investment. Term sheets can be issued for convertible notes, equity investments and other form of investments

**Unit economics** | the costs and revenue made per product or service sold; this is important for businesses to understand and project how per unit costs and revenues will change as the business grows and acquires more customers

**Valuation** | the value of your company before (pre-money) or after (post-money) a funder invests in your business



# Introduction

All over the world, entrepreneurship is increasingly being recognised as a key driver of job creation and economic growth. Successful entrepreneurs are celebrated as luminaries, and the entrepreneurial mantra of accepting and learning from failure is being adopted by organisations of all sizes. In other words, it is a great time to be an entrepreneur.

This Entrepreneur's Guide is designed as a comprehensive, accessible, and informative tool that can be useful to entrepreneurs in all stages of their business. Its aim is to help Kenya's rising entrepreneurs to navigate the nebulous and suboptimal financing landscape. We do this in several ways:

**Chapter I** we provide an overview of funding instruments, highlighting advantages and disadvantages of each. **Chapter II** we break down the different types of investors that are covered in our guide. We examine 11 types of funders, and present other information about them, including typical funding sizes and the services that each offers in addition to funding.

**Chapter III** continues on this to discuss, in more specifics, what happens when entrepreneurs approach various types of investors. This includes an overview of the documents different types of funders will expect, the typical phase at which to approach each type of investor, and what to expect in their interactions with the investors.

**Chapter IV** shares Kenya-specific insights based on our conversations, research, and data analysis. This chapter will give entrepreneurs a better understanding of the entrepreneurial ecosystem of their country. It will highlight potential perils to look out for, and opportunities to seize on.

**Chapter V** is the Investor Directory – a look at 30 of Kenya's investors that are actively funding the country's emerging tech start-ups. In addition to providing basic information about who they are, how long they have been around for, and the types of companies they invest in, we also show more unique and insightful information, including average investment size, type of funding offered, and what benefits they provide post-funding (if any).

**Chapter VI** we conclude by providing an overview of the guide and providing further sources of information.

In other words, the first part of the guide is meant to answer the *how* of fundraising, while the directory is meant to answer the *who*.



Having introduced the purpose and the methodology, the rest of the guide is structured as follows:

|  |  |   |
|--|--|---|
|   |   |   |
| <b>Chapter I</b>   | <b>Chapter II</b>  | <b>Chapter III</b>  |
| <ul style="list-style-type: none"><li>– Overview of funding instruments</li><li>– Advantages and disadvantages of each</li></ul> | <ul style="list-style-type: none"><li>– Overview of 10 investor types</li><li>– Typical funding amounts</li><li>– Typical funding instruments</li><li>– Non-financial benefits</li></ul> | <ul style="list-style-type: none"><li>– Raising capital overview</li><li>– What makes an appealing start-up</li><li>– Documents you'll need in your pitch deck</li><li>– When to approach investors</li></ul> |
| <b>See pages 20–31</b>   | <b>See pages 32–49</b>   | <b>See pages 50–67</b>  |





#### Chapter IV

- Kenya's tech start-up overview
- Brief history
- Market focus
- Investor growth in the country

See pages 68–79



#### Chapter V

- Directory of 30 capital providers in Kenya
- Average funding amount, sector interest
- In-depth profiles

See pages 80–115



#### Chapter VI

- Key takeaways
- List of useful resources

See pages 116–121

## Funding Overview

Fundraising is a crucial part of many start-ups' journeys. While there are a few lucky entrepreneurs who can rely on funding to come from their own savings, or have wealthy friends or family members who can afford to inject capital, most business owners will need to go out of their way to raise funds from outside investors.

There are a number of things every entrepreneur needs to do before he or she thinks about fundraising. The steps will vary depending on the start-up's sector, location, etc.; but in general, the process leading up to getting investors looks like this:



**1. Generate a great idea** | often, this starts with a personal frustration. The entrepreneur should identify what pain point exists for businesses or consumers, identify a solution, and think about how to turn that solution into a product or service.



**2. Begin networking** | once you have an idea and know what market you are in, begin networking and meeting as many potential partners and investors as you can in your market. This will not only help you later down the line with fundraising and finding customers, but it will also ensure you get a good understanding of the market, and what has or has not been tried before. The earlier you can begin making connections, the better.



**3. Build your team** | every founder is great at some things, and not so great at others. For this reason, it is important to build the right team around the founder to develop the idea and the product. Choose someone who you know and trust as your co-founder, and try to find someone that complements your own skillset well.



**4. Create an early version of your product** | while having a great idea is important, not every great idea turns into a great product. Feedback is your friend. Creating something for potential customers to try out early on is important to ensure you are listening to their needs, can pivot if needed, and do not spend too much time perfecting a product that nobody can use. The *lean start-up methodology* can be useful here.

**5. Consider an accelerator / incubator program** | different accelerators and incubators will demand various criteria in the start-ups they accept into their programmes, and they are not always a good fit for entrepreneurs. Often, however, they do provide access to networks and mentorship (and sometimes funding), which can be very useful to entrepreneurs. It is also a great signalling mechanism to investors, who often have a relationship with these programmes and expect higher-quality start-ups to emerge from them. Note that it is not critical to have gone through an accelerator/incubator programme for you to be a successful entrepreneur.

**6. Gain traction** | while this will be different for every start-up, investors want to see a product or service being used. This can mean number of customers, number of users, page views, etc. If you cannot prove your product or service is being embraced by the market in some way, investors are unlikely to look very hard at your business.

**7. Do your homework** | before raising funding, it is important to ensure that you are ready for the upcoming process. This means agreeing on how much money to raise (a good financial model should help with this), preparing a good pitch deck, agreeing internally on the terms of the raise, and, most importantly, putting the key documentation for a fundraising in order. The documentation will vary but should include your incorporation documents, major contracts, audited financials, etc.

**8. Raise funding for scaling** | once the problem solution fit has been figured out – your solution addresses a problem well and money for scaling is the only challenge – it is time to raise money from investors. Not every investor who wants to give you money is a good fit. Before you fundraise, make sure you research what kinds of companies investors fund, and what they can do to help your business.







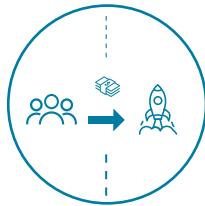
**Chapter**  
Funding Instrument  
Overview



# Chapter I:

## Funding Instrument Overview

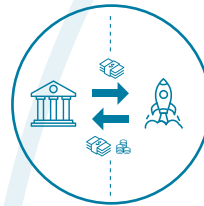
One of the first and most important decisions that entrepreneurs will need to make when raising money is deciding what type of capital they need. In this guide, we cover four types: grant, debt (loans), equity, and mezzanine (a mix of debt and equity). One or a mix of these four types of funding will apply to most entrepreneurs in Kenya, as well as other countries.



### GRANT

Type of funding that typically does not obligate the recipient to repay the funds

See page 24



### DEBT

Type of funding that founders borrow and need to repay, usually with interest

See page 26



**EQUITY**

Type of funding that founders need to give up a portion of their company to obtain

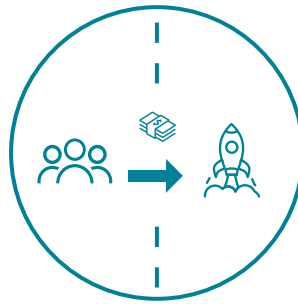
**See page 28**



**MEZZANINE**

Type of funding that combines debt and equity features

**See page 30**



## GRANT

As it is the most straightforward, we begin with **grant funding**. By *grant* we mean any source of capital that makes no financial claim on a business in return for providing the funds. This includes everything from grants offered by national and international organisations as well as foundations, to prizes and awards offered by start-up competitions, as well as donation-based crowdfunding campaigns.

The amounts that organisations grant to businesses vary widely – from thousands to millions of dollars. Most common grants, however, tend to be on the smaller side, typically under KSh 5m (\$50k). This makes them most appropriate to early-stage start-ups and entrepreneurs, or more established entrepreneurs seeking capital to ease cash flow constraints.

Typically, organisations making the grant will put out a call for applications, inviting interested start-ups to pitch their ideas. Applicants will need to show how their business or idea is relevant to the grant. A judging panel narrows down the field to several finalists and the winner or winners are chosen from there.





While organisations that fund grants typically do not expect any sort of financial return (i.e., a stake in the business, or a promise of repayment), they will often check on the grantees to ensure the money is being used for the intended purpose – during and after the grant has been disbursed. Some organisations release grant payments in stages to ensure the company is working towards its stated goals.



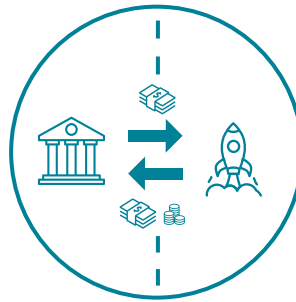
#### ADVANTAGE

- *'free' money in the sense that there is no equity or interest to pay*
- *funders have little influence in day to day operations of business*



#### DISADVANTAGE

- *little support besides funding – hard to grow networks or get targeted mentorship*
- *long applications*
- *post-funding reporting is sometimes extensive*
- *grant makers can be inflexible in accommodating start-ups that need to pivot from one business strategy to another*



## DEBT

**Debt** financing is one of the most common ways to get funding. In simple terms, debt financing means an entrepreneur takes out a loan from a financial institution, which he or she promises to repay within a predetermined time period and subject to an agreed upon interest rate.

Debt funding can come from various types of funders, including banks, online and mobile lenders, peer-to-peer crowdfunding, impact investors, development finance institutions, microfinance institutions, and others.

As start-ups need to pay interest on their loans, typically in monthly installments, debt financing is best suited to more mature start-ups with stable cash flows. The amount of funding that an entrepreneur can expect to borrow depends on two factors. First, on the organisation he or she is turning to – a bank or impact investor will be able to offer a larger loan than an MFI or mobile lender platform. Second, the size of the loan will depend on how much debt the start-up will realistically be able to take on. Early stage start-ups with no product and no customers, for example, usually cannot (and should not) borrow much, while more established companies with proven cash flows will be able to tap into larger pools of credit.

In order to apply for a loan, start-ups will need to show a business plan and financial projections; these are meant to explain how the borrower plans to repay the debt.

When taking out a loan, borrowers typically focus on two key aspects of the financing structure: the interest rate and the tenor

(the time until the entire loan must be repaid). The interest rates are seen to be correlated with the riskiness of the borrower – the less likely he or she is to pay back, the higher the interest rate a lender is going to charge, as a premium for taking on extra risk. The rates are also determined by the central bank's prevailing interest rates in the country. This is because government debt (bonds) are considered virtually risk-free, so the bank has no incentive to lend money to a riskier enterprise at a rate that is lower than what the government is willing to pay on its bonds.

In case of default, lenders get first claim on any assets the business has, meaning this is typically seen as a 'safe' financing structure from the lender's side, when compared to equity investment.



#### ADVANTAGE

→ *no need to give up ownership in company*



#### DISADVANTAGE

→ *often lenders will ask for collateral*

→ *interest payments can be difficult to make for cash-strapped start-ups*



**Debt financing can come in two forms: secured and unsecured loans. Secured loans are a financing instrument in which the entrepreneur offers some asset as collateral, making the loan less risky for the lender. This could, for instance, be a car or debenture over assets that the lender will be entitled to if the borrower defaults on the loan, offsetting some of the risk for the lender and thereby reducing interest rates. Unsecured loans do not have such protections for the lender, and therefore have higher interest rates.**



## EQUITY

**Equity** financing means an investor puts money into a start-up, in exchange for a portion of the company's shares. This means the investor becomes a part owner of the business.

Equity investment varies in amount, depending on the entrepreneur's needs. It includes everything from relatively small (less than KSh 5m or \$50k) injections of capital from family members or angel investors, to large deals financed by private equity firms that run into millions of dollars.

Prior to making an investment, equity investors go through a detailed screening process, commonly referred to as *due diligence*. At this stage, they look at the potential for a start-up to grow into a highly profitable business. Most equity investors understand that the majority of start-ups fail; therefore, they look for growth potential rather than steady cash flows. Equity investors like to back tech start-ups because of their ability to scale with relatively low capital requirements compared to traditional brick and mortar businesses.

In order to receive equity investment, entrepreneurs will typically need to have an extensive business plan, with strong financial models showing growth projections, competitor analysis, proposed approach to marketing, and more.

Equity is the riskiest type of financing for investors, as the funders stand to lose their entire investment should a company fail.



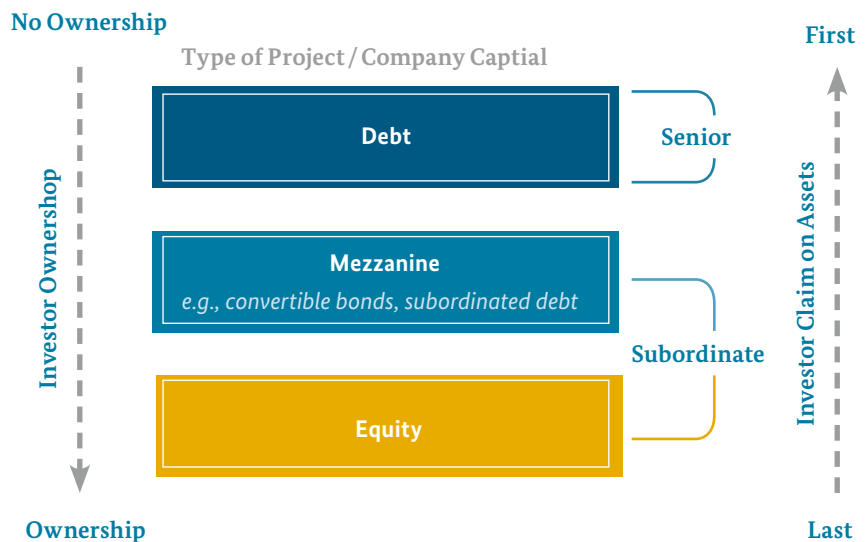
### ADVANTAGE

- no interest payments to pay back
- investors have incentive to be as helpful as possible: mentorship, advice, connections

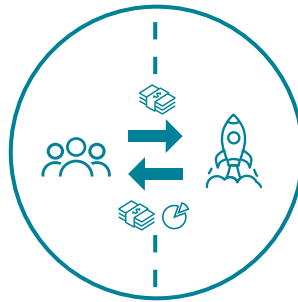


### DISADVANTAGE

- sometimes misaligned time horizons: start-ups building for the long term, while investors want to exit quickly
- control mechanisms can mean entrepreneurs are less in charge of their business



Source: [http://pdf.wri.org/glossary\\_of\\_financing\\_instruments.pdf](http://pdf.wri.org/glossary_of_financing_instruments.pdf)



## MEZZANINE

**Mezzanine** is a hybrid instrument and refers to financing that sits between equity and debt (hence the name), and combines aspects of both types. It is popular with some investors because it shields investors from certain risk associated with pure equity investment, while still providing upside if a business becomes highly successful.

There are various types of mezzanine financing, including subordinated debt, convertible notes, and equity kickers. These are *often combined into a single financing facility*; the degree to which an investor is willing to be exposed to risk will dictate the amount of equity upside versus debt for which he or she will negotiate.

Convertible notes (also known as convertible debt) are quite popular in Kenya, especially for early-stage start-ups. There are several reasons why investors and entrepreneurs may want to issue convertible notes instead of debt or equity. For the investors, it provides a level of protection in case the money is used in a fraudulent way – they have the right to pursue the debt issued (typically this is at 0% rate, so they will attempt to recoup their investment). For entrepreneurs, who expect their company's equity to be worth more in the future, issuing a convertible note likely minimizes their share dilution. Both investors and entrepreneurs are also likely to benefit from kicking the can on valuation to a later point, when an institutional investor comes in. While convertible notes can be difficult to understand, the key thing to keep in mind is that the amount an investor puts in as debt will be converted to equity at a later point, to be defined in the contract. The share price will determine how many shares that funding injection will be converted to.

To give a very brief example: a founder and an investor agree to a \$50k convertible debt, at a discount of 20%. This means that when the company raises money in the next round, the early investor is able to purchase shares at 80% of what they are worth. If, for instance, the shares are priced at \$1 each in the next round, the investor will be able to purchase them for \$0.80. That means instead of buying 50,000 at \$1 each for the \$50k lent in the convertible note, the early investor will actually be able to purchase 62,500 shares ( $\$50k/\$0.80$ ).

There are other considerations and clauses that can be agreed upon, including a valuation cap. An in-depth overview of convertible notes is outside the scope of this guide, but there are plenty of online resources, books, and individuals who will be able to walk entrepreneurs through the complexities.



#### ADVANTAGE

- *mitigates risk for investors, meaning better funding terms than straight equity*
- *can delay valuation of start-up which is imprecise in early stage companies*



#### DISADVANTAGE

- *entrepreneurs may need to make regular payments to funders*
- *can be overly complex and expensive to arrange*







# Chapter Investor Overview

iii.

## Chapter II: Investor Overview

There are various types of investors that are active across Kenya. This section provides a brief overview of each type of funder, including typical funding amounts and non-financial benefits that you can expect from each type of funder.



### MOBILE AND ONLINE LENDERS

These new types of funders use either data stored on customers' phones, or online forms to determine their credit-worthiness

See page 36



### ACCELERATORS / INCUBATORS

Work with early-stage start-ups to help them refine their idea/product, and coach them on how to realize their vision

See page 37



### ANGEL INVESTOR NETWORKS

Member organisations that recruit individuals with spare cash who are interested in investing in small businesses

See page 38



### BANKS

Well-known financing entities that are typically wary of investing in small companies; some, however, are looking to lend to more small businesses

See page 43



### IMPACT INVESTORS

Varied group of funders that look for social/environmental returns in addition to/instead of financial returns on their investment

See page 44



### CORPORATES

Companies that fund small businesses as part of their corporate social responsibility drive, or set up own venture funds

See page 45



**FOUNDATIONS**

Organisations that fund projects or companies that are within their sector of focus; typically, philanthropic in nature

See page 40



**CROWDFUNDING PLATFORMS**

Online or mobile platforms that allow companies and projects to raise funding from (typically) a large group of investors

See page 41



**PUBLIC / SEMI-PUBLIC FUNDERS**

Local, federal, and international organisations that have a mandate to promote entrepreneurship or fund small businesses

See page 42



**VENTURE CAPITAL FIRMS**

Companies that raise outside capital to invest in small businesses and start-ups

See page 46



**PRIVATE EQUITY FIRMS**

Companies that raise outside capital to invest in later-stage businesses, often funding deals of millions of dollars

See page 48



## MOBILE AND ONLINE LENDERS

**i**

**Typical funding instrument:**

*Debt*

**Typical funding amounts:**

*< KSh 1m (\$10k)*

**Non-financial benefits:** *None*

These new types of funders use either data stored on customers' phones (either feature or smartphones), or online forms to determine their creditworthiness. That makes it easier to determine prospective borrowers' potential default rate, maximum loan size, and loan tenor. These capital providers can access customers that live far away from brick-and-mortar financial institutions. The borrowers can apply for a loan through a phone or online, and will be notified when their application is approved. The money is then disbursed directly into their mobile wallets or transferred into their bank account.

While some of these funders may be able to fund larger amounts, the majority focus on relatively small funding amounts at first, and increasing the maximum loan size as borrowers establish a more solid track record. This is because they do not want to risk too much capital on one borrower before being sure they will get their money back. As they work with more borrowers and get better data on borrowers, they will be able to fund larger amounts. In the meantime, however, they can be a convenient (but expensive) source of working capital during periods of tight cash flows.

When applying for funding from these lenders, be deliberate about how you fill in the forms they ask you to submit, as some funders will take into account how a person fills in the form when making the funding decision. Taking a long time and making spelling mistakes will negatively affect your application and ultimately increase the cost of the loan.



## ACCELERATORS / INCUBATORS

These organisations work with early stage start-ups to help nurture them at a crucial stage in their lifecycle. They provide start-ups with a great environment to grow their business. Often, accelerators and incubators focus on technology start-ups.

There are some differences between incubators and accelerators. Generally, incubators are less structured and are more focused on providing a physical co-working area and access to their networks for very early stage start-ups; some fund the start-ups in the incubation programme, but most do not. Accelerators are also aimed at early stage companies, but ideally at those advanced enough to be ready to grow and scale their business. An accelerator generally takes equity in the business in exchange for access to the programme, the facilities, and their mentor network. This mentor network often includes investors and experienced business managers. As opposed to incubators, accelerators usually have a set timeframe, from a few weeks to a few months.

Accelerators and incubators typically have a selective application process, and start-ups need to prove themselves in order to be granted access. The application process typically examines the start-up's business model, financial performance to date and projections for the future, and the quality of the team. While they are typically well-run and do help entrepreneurs to refine their business, one downside of accelerators and incubators is that they often require entrepreneurs to spend valuable time away from their businesses.

There are a number of accelerators and incubators in Kenya – including Nailab, which is running the accelerator programme as part of the Make-IT Initiative. The vast majority are based in Nairobi.



**Typical funding instrument:**  
*Grant + Equity*

**Typical funding amounts:**  
*< KSh 5m (\$50k)*

**Non-financial benefits:** *office space, mentoring and training sessions, events for start-ups, connections to investors*



## ANGEL INVESTOR NETWORKS



### Typical funding instrument:

*Equity + Mezzanine*

### Typical funding amounts:

*< KSh 5m (\$50k)  
per angel round*

### Non-financial benefits:

*Mentorship,  
connections*

An angel investor network is a group made up of individuals (called business angels) who inject capital into an angel network fund in order to provide funding for start-ups in exchange for equity. The network is made up of experienced professionals, who have knowledge and contacts in the industry in which they invest.

Angels invest in companies with high growth potential, though they tend to look at a wider range of sectors than VCs, which like to invest in highly scalable sectors like tech. Angels typically step in to provide funding for companies that have exhausted any friend and family investments or personal savings they may have been able to access, and prior to investment from VCs.

While most business angels are engaged and helpful, some may see the start-up as their own company and look to obtain too much control early on. As an entrepreneur, it is important to listen to their feedback, but ensure that you do not blindly follow their advice.

Innovative sites like *AngelList* and *VC4A* have helped connect this source of capital to start-ups looking for funding around the world.

## Creating an Angel Investor Ecosystem in Kenya

There is a growing number of start-ups in Kenya, and more international funders (both impact and traditional) entering the market to satisfy the demand for finance. Local investors, however, have been slow to buy into the tech startup craze. This is for several reasons, including a lack of notable success stories and a general feeling of caution around investing in often untested entrepreneurs. “*Everyone has heard of horror stories, or experienced them first-hand,*” is how one start-up advisor put it. But, as the number of opportunities grows, local investors are starting to enter the market. Companies like *Intellectap* and *Viktoria Business Angel Network* are encouraging successful Kenyans to experiment with angel investing. Often, that means teaching them about not only about the opportunities for high returns, but also tech, more generally. Entrepreneurs approaching business angels need to keep this relative inexperience in mind. Often, it means being more patient, and underscores the importance of finding the right investor, who will help your company with introductions and mentoring based on relevant industry experience.





## FOUNDATIONS

**i**

**Typical funding instrument:**

*Grant*

**Typical funding amounts:**

*< KSh 10m (\$100k)*

**Non-financial benefits:** *Access to foundation network*

Foundations are non-profit charitable organisations that are founded with an initial endowment, typically made by an individual or business. The foundations tend to have a specific goal or sector of interest, and they fund other charities, NGOs, projects, and companies that work toward that goal. (Alternatively, the foundations may also operate projects in their sectors of interest, if they have the capacity to do so.)

The amount of funding they make available varies drastically, based on the foundation's endowment. Large foundations can fund millions of dollars' worth of projects, though the vast majority are much smaller.

In order to get funding from foundations, companies will need to go through an application process. Some foundations only accept applications from companies and projects they have invited to participate, so it is important to know who to approach within the foundation to get an invitation. Foundations will typically look for how closely a company's mission and activities match with the desired outcomes the foundation wants to achieve. For this reason, when approaching foundations, it is important to focus on the impact of your business in the funding application.





## CROWDFUNDING PLATFORMS

Crowdfunding is the practice of raising money from a large group of individuals, typically through an online portal. There are four prevalent models of crowdfunding:

- **Donation-based:** the crowd donates money to a cause, individual, project, or business, without expectation of any financial or non-financial return.
- **Reward-based:** the crowd gives money to an individual, project, or business, in exchange for a non-financial reward. The rewards are generally either items like shirts or stickers, or an early version of a product (essentially, a pre-sale via crowdfunding).
- **Lending-based:** the crowd lends money to an individual or business, with expectations of getting the principal back with interest.
- **Equity-based:** the crowd invests in a business, with hopes of sharing in the business's success as it grows.

Depending on the type of crowdfunding campaign an entrepreneur chooses, he or she will need to prepare different types of pitches. For lending- and equity-based campaigns, investors will want to see a strong business plan, financial projections, and a growth strategy. For reward-based campaigns, backers will want to see an innovative product or project in a sleek campaign video. For donation-based campaigns, backers will want to see how their donation will benefit the recipient entrepreneur(s)/people. Indeed, while crowdfunding can be effective, it is also highly time-consuming.

Though there are few home-grown crowdfunding platforms in Kenya (M-Changa leads the way; Kiva, GlobalGiving, Kickstarter, and Indiegogo are some of the leading international platforms), entrepreneurs can access international platforms to get access to funding. Diaspora funding can be a solid strategy for some companies looking to crowdfund, if they are able to access networks of Kenyans living abroad.

i

### Typical funding instrument:

*Grant, Debt + Equity*

### Typical funding amounts:

*Donations-based  
< KSh 5m (\$50k);*

*Lending-based  
< KSh 5m (\$50k);*

*Reward-based  
< KSh 10m (\$100k);*

*Equity-based  
< KSh 100m (\$1m)*

**Non-financial benefits:** *Access to large pool of early adopters, marketing*



## PUBLIC / SEMI-PUBLIC FUNDERS

**i**

**Typical funding instrument:**

*Grant, Equity + Debt*

**Typical funding amounts:**

*< KSh 20m (\$200k)*

**Non-financial benefits:** *Mentorship, access to new investors*

Public/semi-public capital refers to funding providers where part or all of their funding is received from government sources. The government may place certain restrictions on how the company operates and invests.

This is a broad group that includes a wide range of capital providers. These include fully or partially publicly funded organisations that work in various sectors to promote access to capital and technical assistance. These may include annual government-funded start-up and/or innovation competitions, industry consortiums and development banks, multilateral aid organisations, credit guarantee schemes, *development finance institutions (DFIs)*, etc.

Because they are backed by the government, they enjoy trust among entrepreneurs and project owners, and can be the first port of call when they look for capital.



## BANKS

Banks are licensed financial institutions that are able to make loans and take deposits, among other services. In developed economies, banks often step in to provide capital to start-ups and SMEs. In emerging markets, however, commercial banks tend to shy away from the SME sector, seeing it as risky and costly; they tend to work with large firms. The same applies to Kenya.

Banks that work with SMEs offer various financial products, including asset financing and invoice factoring. Like other funders, they want to see a comprehensive breakdown of how the funding will be used, several years' financial history, and collateral. This is used to estimate the creditworthiness of the business, how long to lend the money, and at what interest rate.

Banks can be an efficient source of capital, but most will charge high interest rates given the risk associated with start-ups. Make sure you calculate how much you will need to pay every month and consider carefully whether that is something your company can afford.

**i**

**Typical funding instrument:**  
*Debt*

**Typical funding amounts:**  
*< KSh 25m (\$250k)*

**Non-financial benefits:** *None*





## IMPACT INVESTORS



### Typical funding instrument:

*Grant, Equity + Debt*

### Typical funding amounts:

*KSh 5m to 200m  
(\$50k - \$2m)*

**Non-financial benefits:** *Mentorship, connections, support in impact measurement and management*

Impact investor refers to funds that invest with the intention to create a positive, measurable social or environmental impact alongside a financial return. The expected range of return for these investments is often below market rate or return is measured by a different metric, e.g., social change or impact measurement.

Impact investors include *high net worth individuals (HNWIs)*, family offices, foundations, banks, pension funds, impact-focused *venture capital (VC)* firms, private equity firms, angel investor networks, and *development finance institutions (DFIs)*.

Impact investors can also provide a level of expertise to entrepreneurs and project owners in emerging markets, especially when it comes to making sustainable decisions. Because they tend to be global institutions that focus on impact as well as financial gain, however, their expertise is likely to be limited – many of GIIN's members, for example, are based in the developed world and may not have the appropriate expertise on the ground. Furthermore, they must spend resources on examining impact, which means potentially fewer resources toward providing entrepreneurs and project owners with technical expertise.

As social and environmental impact is key for these funders, it is important to show not only how your company will work toward achieving these aims, but also how you will measure and prove the impact you want to achieve. That is one of the downsides of accepting impact investment: measurement can be highly onerous.



## CORPORATES

Large firms often support entrepreneurs, projects, and SMEs financially. There are various motivations for corporates to fund businesses. One is to ensure they stay up to date on what innovative start-ups are doing in relevant sectors, and get an opportunity to invest in those companies early on. Another is a way to spend *corporate social responsibility (CSR)* funding. Additionally, corporates can run start-up pitches and competitions.

The fundraising process and amounts will vary depending on the type of funding that corporates employ. When companies are funding companies and projects via their CSR initiatives, they will often act like impact investors, asking not only for a business plan, but also a way to monitor how the money is being used, and whether it is meeting its stated social and environmental goals. Otherwise, corporates will look at how the business they invest in could grow, and how this growth may fit into the company's long-term plans.

While corporates can be a great partner for your start-up, do make sure you protect your intellectual property (IP) before opening up any business secrets.

**i**

**Typical funding instrument:**  
*Equity + Mezzanine*

**Typical funding amounts:**  
*< KSh 100m (\$1m)*

**Non-financial benefits:** *Office space, mentoring, market access*





## VENTURE CAPITAL FIRMS



### Typical funding instrument:

*Equity + Mezzanine*

### Typical funding amounts:

*KSh 10m – 300m  
(\$100k – \$3m)*

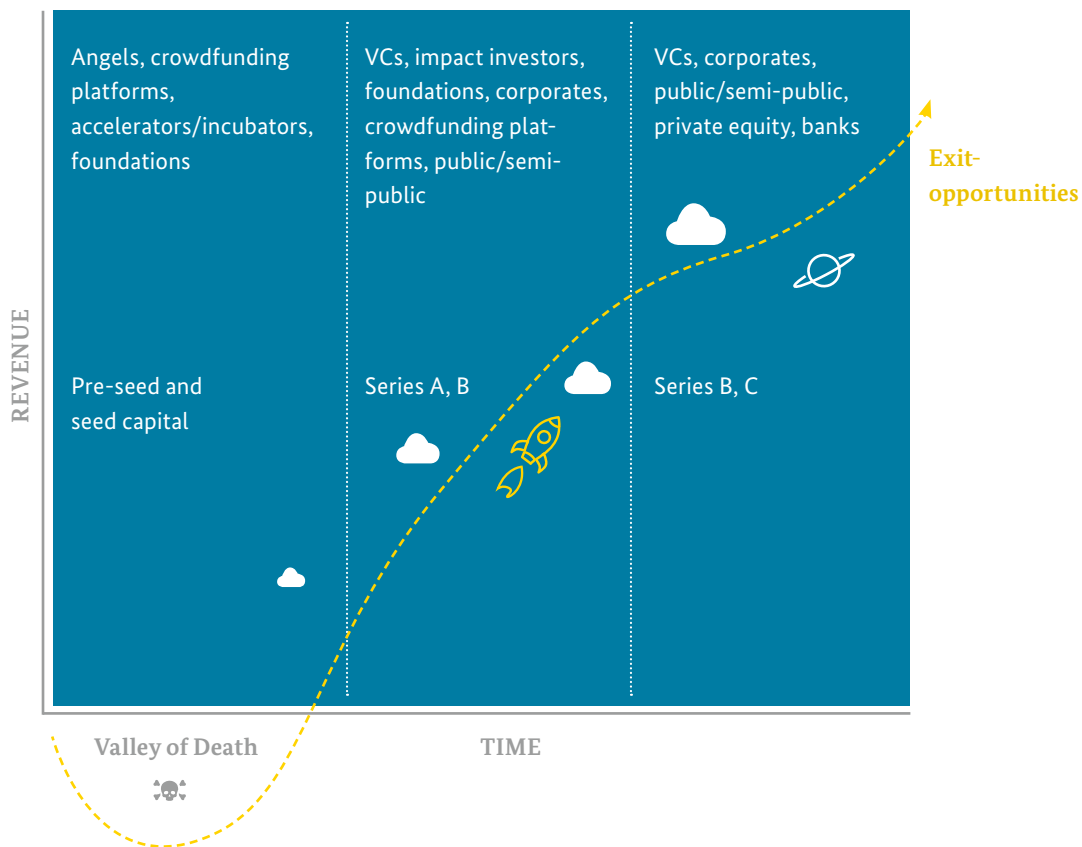
**Non-financial benefits:** *Mentorship, connections, recruiting help, help setting up governance and business processes*

*Venture capital (VC)* is a type of private equity and refers to investments made in exchange for equity in early-stage businesses. VCs are focused on funding, developing, and expanding early-stage businesses.

VCs tend to *invest in 'adolescent'-stage start-ups* which have potential to grow rapidly and earn the investors 10x to 30x return on their capital over a fairly short time period: *three to seven years* (in Kenya, as well as many other developing countries, that time horizon is often closer to seven to ten years). Typically, VCs look to invest in companies within sectors that have the capacity to tap into economies of scale and expand rapidly, often backing IT and software companies. As the percentage of companies that are able to earn such profitable returns is small, VCs tend to diversify their investments across multiple firms, often co-investing with others to minimise exposure to a single company.

VCs provide several services in addition to providing capital. They play an important role in guiding the company through the later rounds of raising capital, can help formulate and implement the business strategy, and aid in appointing the management team. Given their influence on an early-stage business, however, VCs can be overly controlling and influence decisions in a way that benefits them more than the business in the long term.

This graph shows the typical funding progression for a company, as its revenues increase over its lifecycle. The valley of death is where many startups die: unable to generate revenues and investor interest, they fizzle out before their ideas take off.





## PRIVATE EQUITY FIRMS

**i**

**Typical funding instrument:**

*Equity*

**Typical funding amounts:**

> KSh 100m (\$1m)

**Non-financial benefits:** *Mentorship*

*Private equity (PE) firms* invest directly in private companies. They tend to focus on companies that are more mature than those in VCs' remit. PE firms are often structured as a limited partnership, with institutional investors and/or HNWIs providing funds for partners to manage. As PE firms invest in more mature companies, and sometimes acquire a 100% stake in these companies, they tend to invest much larger amounts than VCs – KSh 500m (\$5m) and above. That makes them an imperfect fit for smaller firms.

Private equity is a catch-all term that captures many types of firms; venture capital, for example, is a subset of PE. As PE funds tend to make large equity investments, they typically get fairly hands-on in the management of the companies. They usually focus on larger, more established companies that they feel can improve operations and become more profitable.





## How to Connect with Funders

Entrepreneurs can struggle to find out how to contact funders when they figure out who they would like to approach. Here are a few tips from investors and entrepreneurs.

- 1 **Personal introductions are best.** Do your research and find out how you may be able to get introduced to an investor. Because the start-up scene is still emerging in Kenya, there are probably only a few degrees of separation between you and the investor.
- 2 Seek out portfolio companies. Find out who the investor has already backed and reach out to those start-ups. Most will be happy to share their experiences, and put you in touch if your idea is well-developed.
- 3 Enter accelerator/incubator/mentoring programmes. Connecting to investors is one of the key reasons start-ups apply to these programmes, and they can be good for facilitating introductions. Make sure the programme is related to your start-up's sector, so the investors will be relevant.
- 4 Networking events. These can be invite-only (in which case you can reach out to the organiser), or open to the public. Even if you do not find the right investor there, the people you meet can bring you one step closer.
- 5 Cold outreaches are a last resort. If you did your research and cannot find a connection, send a brief but informative email with your pitch deck attached. Emphasise your track record in your email (products sold, users signed up, etc.).







**Chapter**  
**Raising Capital**

**III.**

## Chapter III: Raising Capital



### STAGES OF START-UPS AND TYPICAL FUNDING NEEDS AT EACH STAGE

We break down the stages of a start-up's lifecycle, typical funding needs at each stage, and who to approach for capital

See page 54



### START-UPS 101

Here, we discuss what makes start-ups appealing to investors, which will allow you to better understand what funders look for when evaluating companies

See page 55



### WHEN TO FUNDRAISE

When should you approach potential investors? In this section, we help entrepreneurs think about the timing of raising capital

See page 58



### WHAT YOU'LL NEED IN YOUR PITCH DECK

Every entrepreneur needs to put together a pitch deck to present to investors; we highlight the most important components to include

See page 60



### MIND THE VALUATION

Valuing a start-up is one of the hardest and most contentious aspects of fundraising; we introduce the concept and examine several valuation methods

See page 64

The decision on when and how to raise capital differs for every entrepreneur. Some entrepreneurs will be able to bootstrap their start-up for years before needing to turn to an investor for additional growth capital; others will need to tap into the *friends, family, and fools* round in order to get their idea off the ground.

Raising money is an important part of every start-up's journey. Without an effective way to get funding, even the most promising start-ups may fail. After all, competition among start-ups is intense, and one of the surest ways to beat your competitors is growing fast, which is usually achieved using external financing.

Every founder's (and therefore, every company's) financial situation is different. That means each start-up's financing needs and journey will be different, too. There are, however, things that every company, project, or organisation should know when raising money; these are the fundamentals that will apply to most cases of fundraising. This guide is meant to help business owners get a firm grasp of how the funding process works, when to approach investors, the documents they will be asked for when fundraising, and more. For more tailored advice, start-ups can consult experts, or join incubator or accelerator programmes (like GIZ's Make-IT).



## Different stages of startups and typical funding needs at each stage



| STAGE                            | IDEATION  | BUILDING  | PROTOTYPE   | PROOF OF CONCEPT   | GROWTH   |
|----------------------------------|---|---|---|--|--|
| <b>Description</b>               | Pre-product and revenue, only idea  | Working on developing a product or service, hiring team   | Finished prototype in users' hands, getting feedback  | Refining product, reaching larger audience   | Early market success, expansion and growth to new geographies or new products                    |
| <b>Approximate Funding Needs</b> | KSh 0 – 2m (\$0 - \$20k)  | KSh 2m – 5m (\$20k – \$50k)   | KSh 5m – 15m (\$50k – \$150k)   | KSh 10m – 50m (\$100k – \$500k)  | KSh 50m – 200m+ (\$500k – \$2m+)   |
| <b>Potential Investors</b>       | Angel investor networks, incubators, friends/family members, grant-making foundations | Accelerators, angel investor networks, crowdfunding platforms, public/semi-public grants, foundations | Seed-stage venture capital firms, impact investors, crowdfunding platforms, corporates, public/semi-public grants | Seed-stage venture capital firms, corporates, crowdfunding platforms, impact investors | Venture capital firms, private equity firms, banks, impact investors, public/semi-public funders |

*This chart breaks down start-up stages, the typical funding amounts that each stage requires, and potential types of investors to approach at each stage.*

## Start-ups 101: What Makes a Start-up Appealing to Investors?

Before we get to the fundraising, the following is a brief overview of the signs of a successful start-up. These are things that an investor will want to see when thinking about putting money into your company.

According to Sam Altman, one of the most experienced start-up mentors in the world, there are *four essential components* to a start-up: the idea, the product, the team, and the execution. Luck plays a big role, too, but that is clearly not something that is within the control of the founders.

### Ideas

Ideas are key to setting the company's vision and to creating a compelling story around the start-up. While many companies end up *pivoting* as they develop their product, moving away from the company's founding ideas and establishing new ones, creating a unified vision for the start-up is not only a good way to focus everyone in one direction, it also makes it easier to sell the vision of the company to investors.

### Product

Once you have a good idea, you build a product around it; this is what customers actually use or buy when they are interacting with your company. A successful company will be able to translate a good idea into a great product, and will listen earnestly to early users, taking into account their feedback and understanding how the product is being used (regardless of how it was intended to be used). Indeed, it's not just the product that investors are examining. They also consider the product-market fit: does the product satisfy a demonstrable need in the market?





### Team

One of the most important success factors for any start-up is hiring the right team. The first few employees of a company will often make or break the company. Do not look to hire only when you are desperately in need of new employees, and recruit from your personal networks first, asking your friends and acquaintances to put you in touch with high-performers they have worked with. Do not be afraid to give your first employees a relatively large chunk of equity, as they will be the ones who will make the company succeed, and do not be afraid to quickly fire people who are not working out.



### Execution

Execution means putting everything together. This is the crucial aspect of the CEO's job: making sure the team is focused, motivated and growing. It means managing the team in a way that maximises the employees' efforts, and manages disagreements among team members. It also means setting clear, measurable goals so that progress and employee performance can be evaluated. Keeping these four components in mind is useful for all start-ups, and especially those that are looking to raise money, as investors will organise their thinking around the same themes – is the idea any good? How about the product the company built around this idea? What about the team? And how focused and motivated is the company to execute its vision?



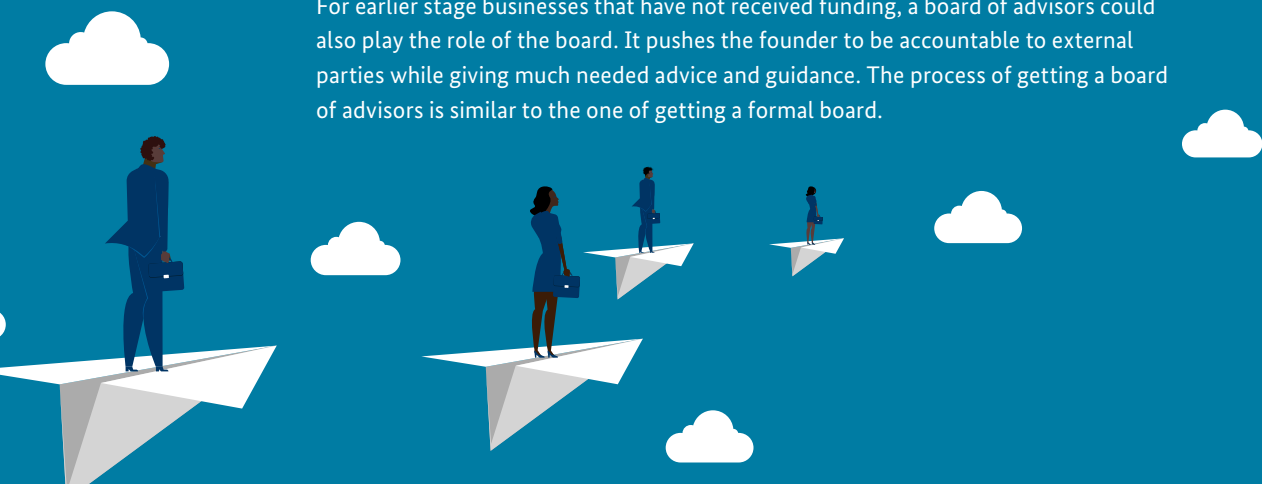


## Putting Together a Board of Directors

Networking is crucial for businesses in Kenya. One reason is to get closer to investors; additionally, it can help you to find people who you can put on your board of directors. The board is responsible for the overall direction of the company and will help you make important decisions, so it is key to get people who are engaged and have a good track record. As the founder(s), you will be on the board, along with (most likely) your investors. After this, you will be able to invite several other individuals to sit on the board – try to make this an odd number so there are no ties during voting. Here are some tips on putting together a board:

- ❶ **Do your research** – much like you want to screen the companies/individuals who invest in your business, you also need to screen potential members of your board. Look out for what other businesses they are involved in, and whether there may be potential conflicts of interest; ask those businesses about how engaged the person is.
- ❷ **Find advisors in your market** – board members are typically busy with other projects, and will tire of traveling long distances to attend meetings. So, make sure the board is made up of people who are near your target market, and who will be able to allocate reasonable amounts of time to your start-up.
- ❸ **Focus on the value-add** – the board members should have a tangible value-add to your business. As one investor put it, board members should add value in one of two ways: deep industry experience in your sector, or deep functional experience in an area crucial to your business (e.g., sales, finance, or operations).
- ❹ **Take advice seriously** – being humble and taking feedback and constructive criticism is key to keeping the board on your side. It is also a quality of successful entrepreneurs. One board member said that one of his key responsibilities is to question everything the founder thinks and does – as his or her employees may not feel comfortable questioning their boss.

For earlier stage businesses that have not received funding, a board of advisors could also play the role of the board. It pushes the founder to be accountable to external parties while giving much needed advice and guidance. The process of getting a board of advisors is similar to the one of getting a formal board.





## When to Fundraise

One of the most important decisions you need to make is when to actually begin approaching investors.

Each start-up is different, but nearly every start-up should be bootstrapped for as long as possible; there is no point in giving outside investors equity, paying for admin and legal fees, and spending time (that could be spent working on your product) just for the sake of fundraising. **If you can get your company to profitability without raising money from outside investors, you should.**

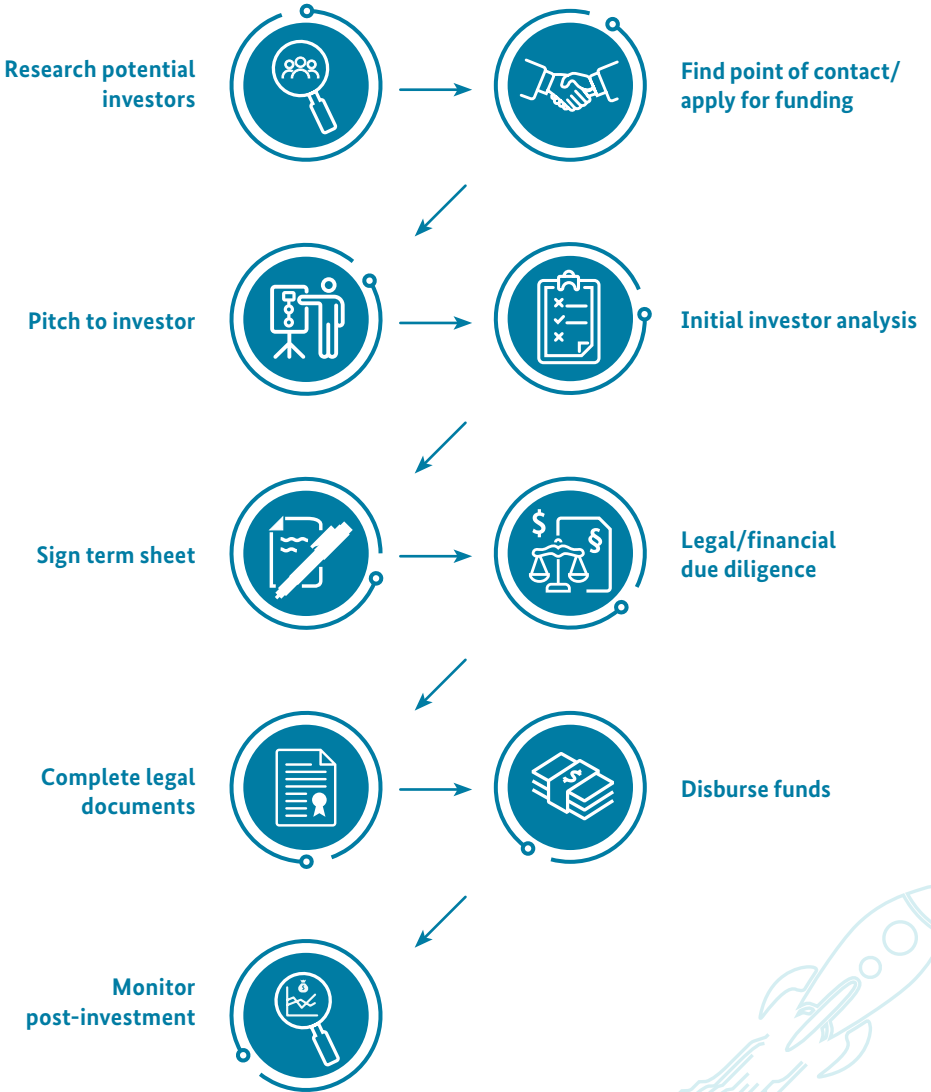
The decision on when to fundraise also depends on the founders' connections and experience in the start-up industry. If you have exited several companies in the past and have connections to investors, then the timing of the fundraising process will be different than for someone who is a first-time founder.

Most, however, are not experienced entrepreneurs, and do not have the ability to bootstrap the company indefinitely. That means they will need to seek investors sooner or later. The good news is you can raise money fairly early on in a start-up's journey. As long as you have a *strong idea*, and do some work around putting together a pitch deck that explains how this idea will become a viable business, you may be able to approach (relatively small) investors. It typically takes three to six months to raise funding from investors; sometimes, a lot less or a lot longer. Depending on how much money you have in the coffers, you will probably need to start looking for capital at least six to nine months before you find yourself strapped for cash.

### Start Small

One thing to keep in mind is that it is better to aim low and raise more than you had planned, than aim high and lose face when you do not quite meet your goal. Ideally, you will only need to raise funding just once from outside investors before you reach profitability; however, this is rare. More realistically, you are likely to raise money for the next one to two years, and will need to fundraise again after that.

### Typical Negotiating Process With Investors





## What You Need in Your Pitch Deck

The documents you will need depend on the stage of funding you are in, and who you are approaching. If you are looking to raise money from a grant-making institution or an angel investor, you are likely to get away with a one-pager articulating your idea and why it is important now, as well as a pitch deck. If you are going to a private equity firm or a bank, you are likely to need a detailed business plan, financial projections, etc.

As this guide is geared more toward younger start-ups and first-time entrepreneurs, we will focus on the documents they will need to show when going to investors.

Generally, they will want to see a comprehensive *one pager* that outlines a business idea and how the company plans to build a compelling product around this idea, outlining current and future challenges, and how to get around them. Entrepreneurs should also include a pitch deck – a set of slides that they can use to showcase their ideas, traction, and market opportunity to potential investors.

### Brief 'One-Pager'

The one pager is an important document that every entrepreneur should spend time to get just right. This should be a mini-business plan, and should include a succinct overview of what the business is, what problem it is solving, and how you plan to turn your idea into an appealing product. Include charts, images (including your company logo), and graphs as much as possible; but, do not forget to clearly articulate, in writing, the purpose of your business and how you plan to execute it. This is a document you should be able to leave behind and have someone want to read, so do make sure to balance substance with visual appeal.

### Pitch Deck

The second document every entrepreneur will need to prepare is a pitch deck. Singularity Investments, which invests in businesses in Africa and North America, recommends 10-12 slides in the following format:

- What do you do in 30 seconds
- The Problem
- Your Solution (+ 1 slide here if you need it)
- Market Fit
- Market Size
- Business Model (\$)
- Defensibility and IP
- Competition
- Distribution
- Team
- Money/Milestones
- Financials (only if it adds value)

Additional slides investors may want to see include: traction to date, use of funds and investment instrument sought, and exit route.

For both the one pager and the pitch deck, a small amount of customization/tweaking to better fit the investor can go a long way. For example, if the investor is known for wanting to see how the investment may effect social or environmental change, add a slide (or at least a few bullet points) about how your start-up may do that.

Remember that as soon as you raise money, expectations will shift. It is no longer just your money and time. Investors will expect increased reporting and tracking, as well as formalized record-keeping and the like. Do not be unreasonable, and do not make empty promises, but do come across as optimistic, hopeful, hungry, and ready for the increased scrutiny of the business.



## What to Include in Your Financials

Every investor will weigh financial in different ways, but most investors in early-stage companies will understand that start-ups' financial models are educated guesses, at best. Your financials should be more of a way for investors to judge your ability to plan ahead, conduct research, and come up with a compelling pitch. Here are the things you should include as your *financials*.

- ❶ **Key assumptions** – what is the cost of acquiring a customer? The product price? Increase of goods sold per month or year? Customer retention rate? Projected employee costs? Attainable market size? Think through your business, create a list of key assumptions, and be able to walk the investors through. Make sure the assumptions are realistic and grounded in reality. To take it one step further, create a *base case* of assumptions; a *downside case*, in which business is slower than you expect; and a *home run case*, where business is better than you expect. Assign a probability to each.
- ❷ **Cash flow statement, balance sheet, and income statement** – the three documents are linked to one another, so you should think of them as a package. They are meant to provide a snapshot of your business, as well as create a basis for future projections.
- ❸ **Use of funds** – investors will want to understand how, specifically, you plan to use their capital to grow their business. Be intentional here – specify how you plan to use the money, and how it will get you to break-even, or to the next fundraise.



## Key to Raising Money Successfully: Telling Your Story

Time after time, we heard from both investors and entrepreneurs that being able to *tell the right story* is key to raising money successfully. But what does that actually mean? We have used the insights from investors and entrepreneurs to break this down.

- ❶ **Introduction** – here, investors will want to understand who you are as the founder, and the motivation driving you and, therefore, your company. Be ready to answer questions about your leadership skills. Many investors will put money in you as the entrepreneur, more so than your company, so make sure you are clear in why you have started your company and what you hope to achieve.
- ❷ **Market** – you should be able to know your market: who are you selling to, and what problem is it solving? If you have a track record of sales, great; if not, be ready to answer questions about why someone will pay you to solve a perceived problem. Set lofty, but achievable goals, and use concrete examples.
- ❸ **Future growth** – the details here will differ based on how advanced your company is. If you have not sold a product yet, then you need to make clear, provable assumptions about how many you will aim to sell in the coming months, how much each unit will cost to produce, and how many units you need to sell before you reach the break-even point. While you should be able to tell a growth story, most investors will want to understand your process of thinking and how you come up with your projections, rather than what the numbers are, specifically – for early-stage start-ups, these are educated guesses.
- ❹ **Investment ask** – do not just ask for a random number; do your research and explain how the funding will get you to the next key milestone. This should not be an investment in people or machinery, but the outcome of that investment.
- ❺ **Finish** – use this opportunity to showcase how your company is aligned with the investor you are pitching to. Research on the funders will help a lot here. If he or she prioritises impact, talk about the potential social or economic benefits of your company; if one of the partners has experience in the field, explain what connections you would like them to facilitate. Investors want to be seen as *smart money*, so talking to them about why you think they would be good partners could be a good way to get them to warm up.





## Start-ups, Your Valuation Matters!

### Overview

Valuing a company is a highly important part of the fundraising process especially when raising money through equity. It is also, however, imprecise and highly difficult. This is because many start-ups are in the ideation stage, and it is nearly impossible to value a company that has few assets besides an idea and the promise of commitment by a few eager cofounders. One way to avoid this question early on is to consider convertible debt, a form of mezzanine funding mentioned above. At some point, however, it will be necessary to determine your start-up's value.

Valuation and why it matters is important for every start-up up to understand. This is because it affects not only the company's short-term prospects, but can also have important ramifications down the line.

There are many online resources available to entrepreneurs that will help them to better understand how valuation works. *In the box on the right*, we provide a basic example to introduce the concept, and to explain why it is important.

Of course, one of the key questions is how does the investor obtain a certain valuation and, hence, the shareholding he or she accepts in the business. Many factors come into play to determine this, key among them being the cash flows a company expects to make, current performance, and even the number of investors interested in the deal.

There are various methodologies used to come up with a company valuation. The key ones include: *discounted cash flow (DCF)*, *multiples based*, and *assets-based methodologies*.



## Valuing Your Start-up

Imagine a fictitious entrepreneur has an idea for an e-commerce company. He discusses it with a friend, and the two of them decide to set up a company around it: Widgets Ltd. The two go about working on the company for a month, developing a clearer strategy and business plan, as well as a website design to show potential investors. Because they have committed the same amount of time on the idea, they decide that it is fair to split up ownership of the company in half. They issue 1,000 company shares, and take 500 shares each, meaning each one owns 50% of the company.

After spending some time to work on their idea and the pitch deck, they approach several angel investors, one of whom is interested. He decides to invest \$10,000 in the company, to help the founders set up a functioning website and to begin building up a pipeline of products they want to sell on their site. In exchange, he gets 100 shares that the founders issue to the angel. So, he owns 100/1100 shares (9.1%), while the founders now own 500/1100 (45%) each. Because the angel's \$10,000 investment bought him 9% of the company, the post-money valuation is \$110,000. At this point, the price per share is \$100 (= \$110,000/1100).

A couple of months go by, Widgets begins to attract media attention and customers. Things continue to go well, and several VCs become interested in investing in the company. The start-up's founders are feeling bullish about their prospects and decide they need to raise \$100,000 to keep the company going for the next 6 months. They turn to an early-stage VC, who agrees to invest the money in exchange for 500 shares. That gets the VC 500/1600 shares (31.25%), and values the company at \$320,000. The price per share after this investment rises to \$200 (= \$320,000/1600). That means if the angel investor wanted to (and was able to) cash out, he/she would have made 100% return in just a few months – that helps to explain why investing in start-ups can be so lucrative, and why it is attracting so much interest.





### DCF (Discounted Cash Flow) Model

The DCF methodology computes the cash flows the start-up expects to make in future and *discounts this to the present*. This means taking all the cash in the future and making adjustments for inflation and risk to find out the value of these cash flows as at present. The discount rate is a highly debated variable, and it will be set by the funder when evaluating the investment. It is a good idea to create several scenarios with different discount rates and therefore different net present values; make sure you can explain the reasoning behind the different scenarios.



### Multiples Model

The multiples approach compares similar start-ups to obtain the valuation. This would mean if one start-up – similar to yours in terms of sector, size, business model, etc. – with sales of KSh 2m (\$20k) is valued at KSh 10m (\$100k) it implies a value to sales multiple of 5 (KSh 10m/KSh 2m, or in dollar terms \$100k/\$20k). If the start-up is truly similar to yours, you can use this multiple to value your start-up. Assuming your start-up had sales of KSh 4m (\$40k) its valuation would therefore be  $KSh\ 4m \times 5 = KSh\ 20m$  (or  $\$40k \times 5 = \$200k$  in dollar terms).



### Net Assets Model

The net assets valuation approach calculates the total value of the tangible assets it has. For start-ups, this would usually result in the lowest valuation, since most start-ups do not own a lot of assets – it is the intangible assets like the idea, the potential, and team talent that excites investors.

It is important for each entrepreneur to note that the final price in a deal is a combination of the valuation and negotiation between the investor and entrepreneur.

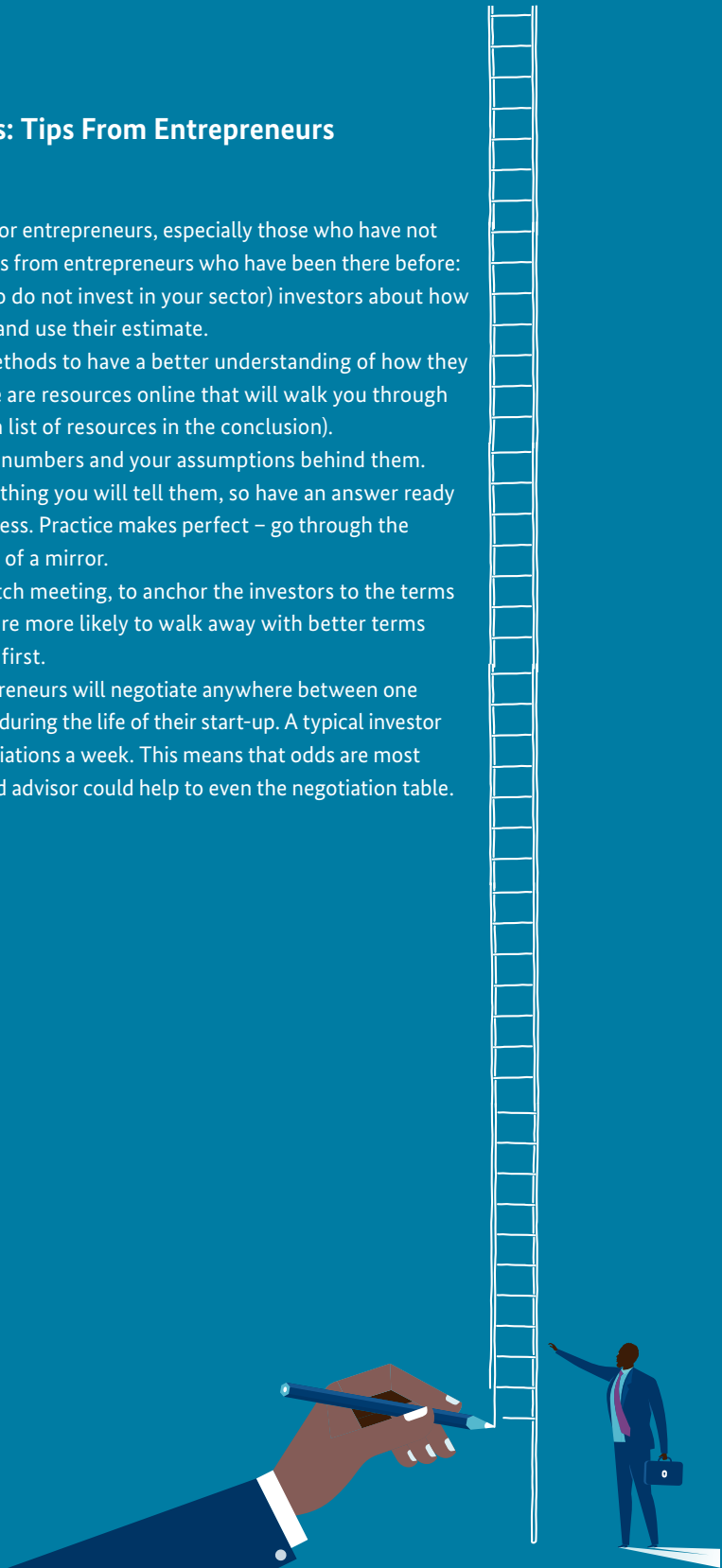


Do not raise more than you can handle! Many investors we interviewed in Nairobi warned against raising too much money too quickly. If your valuation is high early on in your company's lifecycle, investors will expect you to show similar (if not faster) growth when you raise money again in the future. If you cannot justify a rise in value, you may need to settle for a *down-round* – an investment that results in a lower company valuation than previous rounds. That not only leads to unhappy investors, but can also seriously hurt employee morale.

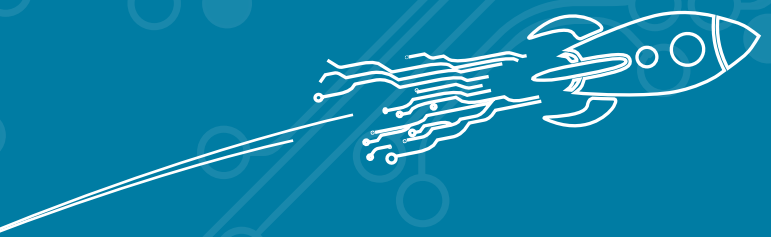
## Negotiating With Investors: Tips From Entrepreneurs

Negotiations can be a difficult time for entrepreneurs, especially those who have not been there before. Here are some tips from entrepreneurs who have been there before:

- Speak to objective (i.e., those who do not invest in your sector) investors about how they would value your company, and use their estimate.
- Run through several valuation methods to have a better understanding of how they might structure their pitch. There are resources online that will walk you through how to value your company (see a list of resources in the conclusion).
- Be able to explain your projected numbers and your assumptions behind them. Investors will push back on everything you will tell them, so have an answer ready for multiple scenarios of the business. Practice makes perfect – go through the pitch with your friends or in front of a mirror.
- Bring a draft term sheet to the pitch meeting, to anchor the investors to the terms of the deal you would like – you are more likely to walk away with better terms if you put your cards on the table first.
- Get external advice – most entrepreneurs will negotiate anywhere between one to five times with equity investors during the life of their start-up. A typical investor handles a similar number of negotiations a week. This means that odds are most often with the investor, and a good advisor could help to even the negotiation table.







**Chapter**  
Kenya's Investment  
Scene Overview

**IV.**

## Chapter IV: Kenya's Investment Scene



### A BRIEF HISTORY

How did Kenya become Africa's Silicon Savannah? We review some of the reasons and key events that led the country to the rise of tech start-ups

See page 71



### REALITIES ON THE GROUND

Tech entrepreneurs in Nairobi have diverse backgrounds, which has had both positive and negative effects; we take a look at some realities for entrepreneurs to be aware of

See page 74



### PITCHING TO IMPACT INVESTORS

Impact investing is taking off in a big way in the country — we look at how impact investors are different from more traditional types

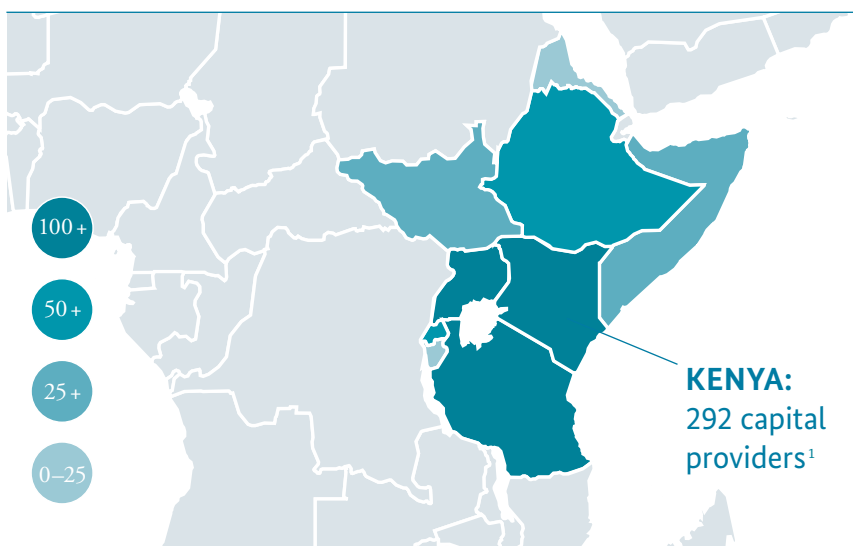
See page 76

## A Brief History

Kenya's tech start-up ecosystem is often touted as a success for other nations to emulate – it is the Silicon Savannah after all.



There is substance behind the hype. Kenya's start-ups are *consistently among the leaders* in getting investment among the continent's nations. Kenyans are well-connected to the web, *internet is fastest on the continent*, and the country is the leading East African economy. Kenya is home to UN's Africa headquarters, and it has served as the entry point for countless companies and organisations looking to break into the continent. The fact that its capital, Nairobi, is home to various organisations' headquarters means new initiatives are often piloted there before being rolled out to other countries.



Kenya has the most funders of all East African countries, according to the *AlliedCrowds Capital Finder*.

<sup>1</sup> By capital providers we mean various types of funders, including banks, accelerator/incubator programmes, angel investor networks, microfinance institutions, impact investors, public/semi-public funders, foundations, venture capital firms, private equity firms, and others. These are both local investors, and international ones active in the country.

These trends have meant the country has seen investment pump into the economy, which has fuelled the start-up sector. Kenya's start-up ecosystem began to flourish, in earnest, around the year 2010. Fibre-optic cables laid on its coast began to stretch into the country, providing fast and reliable internet service to millions of Kenyans. Start-ups slowly began to emerge, and, fuelled by accelerators like Nailab and iHub, they grew and began to have a moderate level of success. The start-ups attracted talented individuals from around the continent and beyond, and Nairobi developed to have the start-up ecosystem that it does today.

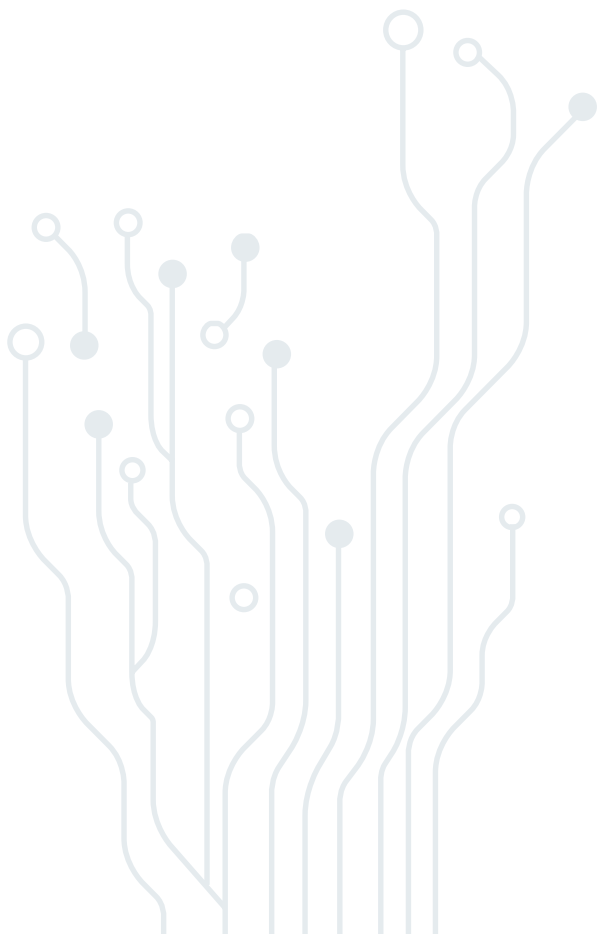
### Top Africa- and Kenya-Focused Tech Blogs and News Sites

| Name                | URL   |
|---------------------|---|
| Disrupt Africa      | <a href="http://disrupt-africa.com/">http://disrupt-africa.com/</a>                               |
| VentureBurn         | <a href="http://ventureburn.com/">http://ventureburn.com/</a>                                     |
| TechLoy             | <a href="https://medium.com/techloy">https://medium.com/techloy</a>                               |
| Afrinnovator        | <a href="http://afrinnovator.com/">http://afrinnovator.com/</a>                                   |
| Timbuktu Chronicles | <a href="http://timbuktuchronicles.blogspot.co.ke/">http://timbuktuchronicles.blogspot.co.ke/</a> |
| TechCabal           | <a href="http://techcabal.com/">http://techcabal.com/</a>   |
| MacJordan           | <a href="http://macjordangh.com/blog/">http://macjordangh.com/blog/</a>                           |
| TechMoran           | <a href="https://techmoran.com/">https://techmoran.com/</a>                                       |
| TechWeez            | <a href="http://www.techweez.com/">http://www.techweez.com/</a>                                   |
| Kachwanya           | <a href="http://www.kachwanya.com/">http://www.kachwanya.com/</a>                                 |
| TechArena           | <a href="http://www.techarena.co.ke/">http://www.techarena.co.ke/</a>                             |
| TechTrendsKE        | <a href="http://techtrendske.co.ke/">http://techtrendske.co.ke/</a>                               |



Currently, Nairobi is home to dozens of tech start-ups, with new ones popping up on a regular basis. It is also home to many investors, both international and local, who have poured a significant amount of capital into these companies.

A more recent development is the entrance of impact investors into the country. In part, it is driven by the development finance institutions' desire to move from grant-making to a more sustainable form of financing projects, companies, and initiatives. This is not a uniquely Kenyan trait, but it is one that has taken off in the country in a big way. It is forced entrepreneurs to think about how their companies' stories can be told in a more impact-focused way.



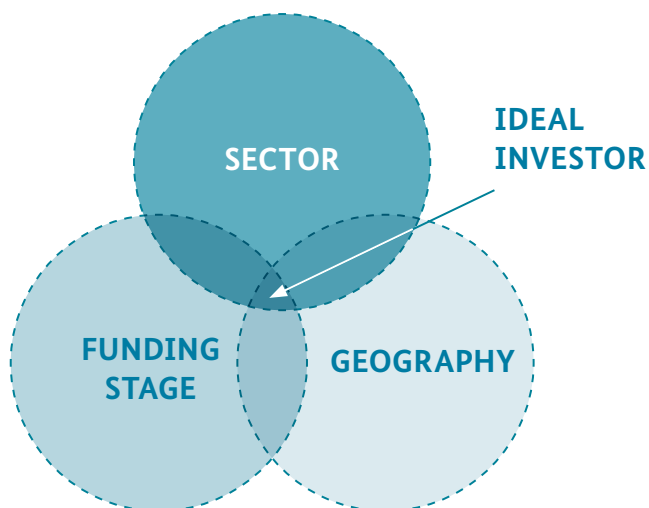


## Realities on the Ground

Nairobi attracts entrepreneurs who have graduated from some of the top universities around the world, many of them non-Kenyans. A reality on the ground is that international investors are often more comfortable investing in non-Kenyan start-ups. A *Village Capital report published last year* found that 90% of funding for East African start-ups went to foreign founders.

One reason for this problem is the lack of local investors in the market – especially for early-stage start-ups that are looking for sub-KSh 10m (\$100k) investments. This is likely due to a lack of experience investing in tech, as well as the relative absence of success stories. Another potential reason is international investors' subconscious biases that may result in them preferring founders with backgrounds similar to theirs.

Despite inefficiencies in the market, the tech start-up ecosystem in Kenya is growing quickly and tech figures to be an important sector in the country going forward. It will likely continue to grow in the coming years. An important factor to watch out for is how investors are able to exit out of the companies they funded.



*The ideal investor will invest in companies in your location, sector, and funding stage.*

The following is a list of entrepreneurship programmes across universities in Kenya:

| Name   | URL   |
|--|---|
| University of Nairobi                                  | <a href="http://business.uonbi.ac.ke/uon_degrees_details/811">http://business.uonbi.ac.ke/uon_degrees_details/811</a>   |
| Moi University   | <a href="https://business.mu.ac.ke/index.php/11-programmes/150-bachelor-of-business-management-bbm">https://business.mu.ac.ke/index.php/11-programmes/150-bachelor-of-business-management-bbm</a>                                   |
| Egerton University                                     | <a href="http://www.egerton.ac.ke/index.php/Summary-of-Programmes/summary-of-programmes.html">http://www.egerton.ac.ke/index.php/Summary-of-Programmes/summary-of-programmes.html</a>   |
| Kenyatta University                                    | <a href="http://www.ku.ac.ke/2015-12-11-06-09-13/2015-12-11-06-15-10/masters-programmes-a-z">http://www.ku.ac.ke/2015-12-11-06-09-13/2015-12-11-06-15-10/masters-programmes-a-z</a>   |
| Strathmore University                                  | <a href="http://sbs.strathmore.edu/">http://sbs.strathmore.edu/</a>   |
| Jomo Kenyatta University of Agriculture and Technology | <a href="http://www.jkuat.ac.ke/colleges/cohred/about-us/">http://www.jkuat.ac.ke/colleges/cohred/about-us/</a>   |
| United States International University                 | <a href="http://www.usiu.ac.ke/study/academic-affairs/chandaria-school-of-business/41-undergraduate-programs">http://www.usiu.ac.ke/study/academic-affairs/chandaria-school-of-business/41-undergraduate-programs</a>               |
| Mount Kenya University                                 | <a href="http://www.mku.ac.ke/index.php/2013-10-18-07-54-58/school-of-business-and-public-management#programs">http://www.mku.ac.ke/index.php/2013-10-18-07-54-58/school-of-business-and-public-management#programs</a>             |
| Catholic University of Eastern Africa                  | <a href="http://www.cuea.edu/index.php/academics/faculty-of-commerce">http://www.cuea.edu/index.php/academics/faculty-of-commerce</a>   |
| Maseno University                                      | <a href="http://maseno.ac.ke/index/index.php?option=com_content&amp;view=article&amp;id=114&amp;Itemid=150">http://maseno.ac.ke/index/index.php?option=com_content&amp;view=article&amp;id=114&amp;Itemid=150</a>                   |
| Technical University of Kenya                          | <a href="http://sbms.tukenya.ac.ke/departments/91-department-of-economics-development-studies">http://sbms.tukenya.ac.ke/departments/91-department-of-economics-development-studies</a>   |
| Daystar University                                     | <a href="http://www.daystar.ac.ke/SBE-list-of-programs.html">http://www.daystar.ac.ke/SBE-list-of-programs.html</a>   |
| South Eastern Kenya University                         | <a href="http://www.seku.ac.ke/academics/south-eastern-kenya-university-schools/48-school-of-business-and-economics">http://www.seku.ac.ke/academics/south-eastern-kenya-university-schools/48-school-of-business-and-economics</a> |
| Chuka University Pwani University                      | <a href="http://chuka.ac.ke/index.php/faculties/business-studiesm/business-administration">http://chuka.ac.ke/index.php/faculties/business-studiesm/business-administration</a>   |
| Dedan Kimathi University of Technology                 | <a href="https://sbme.dkut.ac.ke/programmes/">https://sbme.dkut.ac.ke/programmes/</a>   |
| St. Paul's University                                  | <a href="http://www.spu.ac.ke/index.php/master-of-business-administration-and-management">http://www.spu.ac.ke/index.php/master-of-business-administration-and-management</a>   |
| Zetech University                                      | <a href="http://zetech.ac.ke/diploma-in-entrepreneurship/">http://zetech.ac.ke/diploma-in-entrepreneurship/</a>   |



## Pitching to Impact Investors

Impact investors are funders who seek to effect positive social or environmental change in addition to making a financial return. They vary widely in their emphasis on impact. Some will screen out investments that have potential to make a negative impact, but will not specifically look to invest in companies that have a stated aim to make a positive impact; in these firms' view, the act of investing in Kenya is likely to have direct and indirect positive effects, including job creation.

Others have a much more specific view on what counts as impact, and will ask entrepreneurs to report the impact metrics they agree upon. Some will forgo potential financial returns as long as the company's social and environmental impact is high enough; others will not sacrifice financial returns.

Typically, when approaching impact investors, you will need to prepare the same documents as you would for other funders. Additionally, you will need to show how you plan to effect positive social/environmental change.

The first task will be to choose which metrics to track. Often, this will be a natural fit – if your company is involved in renewable energy, for example, tracking the number of households affected and the amount of CO<sub>2</sub> emissions foregone makes sense.

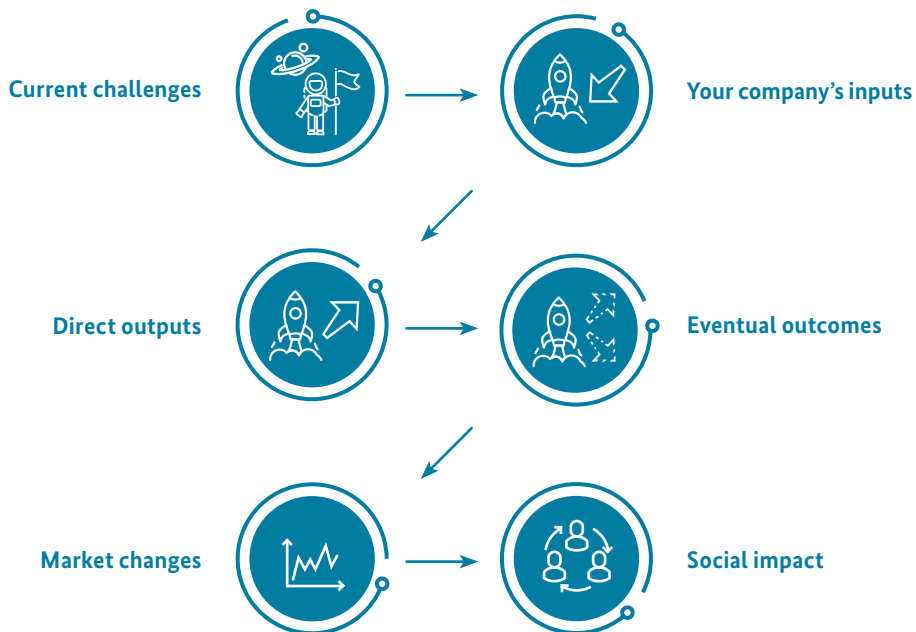
## Pitching Effectively

Every entrepreneur has a different pitching style, and the start-up's business model/maturity will affect what exactly the pitch looks like. Likewise, every investor will ask different questions. But, there are similarities around what investors will want entrepreneurs to cover:

- ❶ **Traction so far.** A good idea will typically not be enough for investors to put money into a start-up. They want to see what your start-up has achieved. *Has anyone parted with their money for your product or service?* is how one investor put it. If you are not there yet, get letters of interest from interested businesses. Or show how many active users you have. Simply put, investors want to see positive signals from the market that your product or service is in demand and solves a true need.
  - *How many units have you sold?*
  - *How many sign-ups do you have?*
- ❷ **What makes your team special?** Investors often look at the entrepreneur more closely than the businesses those entrepreneurs started. After all, investing in a company means forming a partnership that will last years. If an investor is not sold on your team, they will not invest in your business no matter how much potential the idea has.
  - *Why is your team uniquely-positioned to solve this market problem?*
  - *What is the team's experience in this field?*
- ❸ **Know your market well.** Investors will ask about your market, why you are focusing on the segment, and potential challenges in the future. You need to be able to answer their questions knowledgeably, backing up your assertions with hard data. Importantly, investors are looking not at just how well you know the market, but also how well you know how to make money in the market.
  - *Has anyone else tried to solve this problem? How is your solution different?*
  - *What are the challenges you foresee in the future, and how will you navigate around them?*
- ❹ **Your track record.** If you are a first-time entrepreneur, you will not be able to show what your previous companies have done. But you should be able to talk about what you have done since you graduated from school – how did you do, what companies have you worked for, what problems have you tried to solve? Investors will often do reference checks, so keep up with old contacts who may be asked to vouch for you.
  - *What have you done in this space already?*
  - *Do you have people who will vouch for you?*
- ❺ **Your thinking process is important.** Investors understand that as a start-up, projecting growth numbers is difficult; at best, it is an educated guess. While you should ground your financial projections in reality, the most important thing about the numbers is being able to clearly talk through them, and to explain your hypotheses.
  - *How do you justify your growth plans?*
  - *How did you evaluate the size of the market?*



Next, you will want to plan a results chain, also known as a *theory of change*. This is a mapping of how the actions your company takes will eventually lead to the desired social impact. Often, making a model in a spreadsheet or visualizing it in another way will be most effective. Each entrepreneur and investor will have different templates they look for. Typically, however, you want to show the following causalities:



Additionally, you should integrate impact into your financial model. Just as you make assumptions about annual customer growth, customer retention rate, etc., you can also estimate how much impact each additional customer/product will bring. Above all, investors want to see how your company affects the *bottom of the pyramid (BOP)* – the poorest citizens in a country.

Finally, you should include a separate spreadsheet in your model that makes it clear how you plan to measure the impact you are setting out to achieve. This should link to your financial model and your theory of change. Impact metrics should be easily attainable – do not promise to get in-depth survey responses from each of your customers if you are not sure each one will respond. Measuring outcomes should not get in the way of running your business, especially early on, so be reasonable about what you can show. If investors want to see more impact, they will ask for it.

While these concepts may be foreign to many entrepreneurs, they do matter to a growing number of investors in Kenya. You should think carefully before you attempt to position your company as an impact investment. It may be a natural fit for some, but less so for others. If your company is not positioned to make an impact, getting funding from impact investors will create a big burden in regards to reporting and in board meetings. In the long term, it will lead to a breakdown in your relationship with the investor and will likely be a net negative, even if it does result in more funding early on.

## Spotlight on Female Founders

One group that is anecdotally overlooked when it comes to fundraising are female founders. Hard data on whether women are over- or under-funded relative to men is difficult to come by says Andia Chakava of New Faces New Voices, an advocacy group that promotes women in finance. She says that often, however, women need to battle negative perceptions and stereotypes, in addition to overcoming the many other challenges entrepreneurs face on a daily basis. Furthermore, female entrepreneurs may not have access to networks and sub-networks of potential mentors and partners that are often crucial in helping entrepreneurs to develop; that is something New Faces New Voices is looking to remedy. Additionally, the organisation is looking to promote younger female voices to showcase a new generation of entrepreneurs in Kenya and beyond. Chakava says female entrepreneurs need to become more comfortable with networking and turning connections into funding or business partners; visibility as key, as people will invest in your business if they have seen you around and read about your start-up. Ultimately, however, Chakava says focusing on female or male entrepreneurs only is misguided – after all, companies that are built on and embrace diversity typically end up doing the best.









# Chapter Investor Directory





## Chapter V: Investor Directory

The following is a list of funders that fund tech and tech-enabled start-ups in Kenya. While this is not an exhaustive list, it does provide a good start for entrepreneurs who are looking to raise money for their ventures, with extensive information about each funder. The data collected comes from the AlliedCrowds Capital Finder, publicly-available sources, and self-reporting. Some of the responses below have been edited for clarity and due to space constraints.

**The firms are ranked by average funding amount, with funders investing smallest amounts appearing first.**



|   |   |
|---|---|
|  <b>Company Name</b>                 | M-Changa  |
|  <b>Website</b>                      | <a href="http://changa.co.ke/">http://changa.co.ke/</a> |
|  <b>Year Founded</b>                 | 2012  |
|  <b>Focus Country / Region</b>       | Kenya   |
|  <b>Average Investment Size</b>      | KSh 10k – KSh 500k [varies by campaign] (\$100 – \$5k)  |
|  <b>Sectors of Interest</b>          | Various   |
|  <b>Average Time to close a Deal</b> | ~30 days per campaign                                   |
|  <b>Type of Capital</b>              | Donations   |

#### Investor Vision

*M-Changa is Kenya's premier fundraising platform. With M-Changa you can manage your next fundraiser start to finish on your phone (via SMS) or online!*

#### Funding Goals

*Varies by campaign*

#### Entrepreneurship Experience

*Both founders started businesses before*

#### Technical Experience









*50% of the team has technical backgrounds*

#### Services Additional to Funding

*Access to pool of early adopters/funders*



## THE TONY ELUMELU FOUNDATION

|   |   |
|---|---|
|  <b>Company Name</b>                 | Tony Elumelu Foundation   |
|  <b>Website</b>                      | <a href="https://tonyelumelufoundation.org/">https://tonyelumelufoundation.org/</a> |
|  <b>Year Founded</b>                 | 2010  |
|  <b>Focus Country / Region</b>       | Africa  |
|  <b>Average Investment Size</b>      | KSh 500k (\$5k)   |
|  <b>Sectors of Interest</b>          | Various   |
|  <b>Average Time to close a Deal</b> | A few months  |
|  <b>Type of Capital</b>              | Grant   |

### Investor Vision

*To create 1 million jobs and 1 billion in revenue by 2024*

### Funding Goals

*To empower 10,000 viable start-ups across Africa*

### Entrepreneurship Experience

*A mixture; some have over 10 years, others have less*

### Technical Experience

*Significant technical experience*

### Services Additional to Funding

*Mentoring, training, networking*



|   |  |
|---|--|
|  <b>Company Name</b>                 | HEVA Fund LLP  |
|  <b>Website</b>                      | <a href="http://www.hevafund.com/">http://www.hevafund.com/</a>  |
|  <b>Year Founded</b>                 | 2013   |
|  <b>Focus Country / Region</b>       | East Africa  |
|  <b>Average Investment Size</b>      | <b>KSh 840k (\$8,400)</b>  |
|  <b>Sectors of Interest</b>          | Creative economy: fashion and apparel, crafts and handmade items, photography, interior design, natural cosmetics, digital media |
|  <b>Average Time to close a Deal</b> | 3 months   |
|  <b>Type of Capital</b>              | Loans, convertible debt, LPO financing   |
|  <b>Average IRR Sought</b>           | 19%  |
|  <b>Average Time to exit</b>        | 2 years  |
|  <b>Type of Exit Sought</b>        | Full loan repayment  |

### Investor Vision

*To be in the forefront of helping producers of cultural goods and services build high-value, profitable businesses where new ideas will come to life, and where the highest potential for great profits, great jobs and happy people will be found*

### Funding Goals

- To create innovative financial instruments that are flexible and specific to the creative economy*
- To achieve high portfolio returns while at the same time build creative enterprises that are profitable and sustainable*

### Entrepreneurship Experience

*Previous experience as actors in the creative economy: fashion experts, film makers, photographers, designers*












### Technical Experience

*Enough experience in both the creative sector and finance*

### Services Additional to Funding

*Networking, events, mentorship, business support*



|   |   |
|---|---|
|  <b>Company Name</b>                 | <b>Nailab Seed Fund</b>   |
|  <b>Website</b>                      | <a href="http://nailab.co.ke/seed-fund/">http://nailab.co.ke/seed-fund/</a> |
|  <b>Year Founded</b>                 | 2016  |
|  <b>Focus Country / Region</b>       | Kenya   |
|  <b>Average Investment Size</b>      | <b>Up to KSh 2.5m (\$25k)</b>   |
|  <b>Sectors of Interest</b>          | Technology  |
|  <b>Average Time to close a Deal</b> | 2 months  |
|  <b>Type of Capital</b>              | Convertible loan  |
|  <b>Average IRR Sought</b>           | 12%   |
|  <b>Average Time to exit</b>         | 2 years   |
|  <b>Type of Exit Sought</b>          | Varies per start-up   |

#### **Management Control**

*Varies per start-up*

#### **Investor Vision**

*To scale promising technology start-ups*

#### **Funding Goals**

*To achieve high growth*

#### **Entrepreneurship Experience**

*We are seasoned entrepreneur*

#### **Technical Experience**

*We are seasoned financial experts and professionals*

#### **Services Additional to Funding**

*Mentorship, financial support*



---

|   |   |
|---|---|
|  <b>Company Name</b>                 | <b>Growth Capital by CcHUB</b>  |
|  <b>Website</b>                      | <a href="http://www.gc.fund/">http://www.gc.fund/</a>   |
|  <b>Year Founded</b>                 | 2016  |
|  <b>Focus Country / Region</b>       | Africa  |
|  <b>Average Investment Size</b>      | <b>₦18m (\$50K)</b>   |
|  <b>Sectors of Interest</b>          | Financial technology, health technology, education technology, digital security, governance, smart infrastructure |
|  <b>Average Time to close a Deal</b> | 8 weeks   |
|  <b>Type of Capital</b>              | Equity  |

---

#### **Services Additional to Funding**

*Business advisory, product development, network effect, office space*



|   |   |
|---|---|
|  <b>Company Name</b>                 | Grey Elephant Ventures  |
|  <b>Website</b>                      | <a href="http://greyelephantventures.com/">http://greyelephantventures.com/</a> |
|  <b>Year Founded</b>                 | 2016  |
|  <b>Focus Country / Region</b>       | East Africa   |
|  <b>Average Investment Size</b>      | KSh 5m – KSh 20m (\$50k – \$200k)   |
|  <b>Sectors of Interest</b>          | Tech-enabled businesses   |
|  <b>Average Time to close a Deal</b> | 3 – 4 months  |
|  <b>Type of Capital</b>              | Equity  |
|  <b>Average Time to exit</b>         | 8 – 10 years  |
|  <b>Type of Exit Sought</b>          | M&A   |

### Management Control

*Board seat*

### Investor Vision

*Catalyze the growth of technology in East Africa to improve its people's lives*

### Funding Goals

*We are a group of entrepreneurs turned investors. Not only do we obsess over great ideas, but we also have the passion to see them manifest. Using technology, Africa can create social and environmental progress while solving its business problems. This is the concept we focus on. We have experience launching companies and growing them with accelerated momentum. Our hands-on approach helps both start-ups and newly established companies make a positive impact in Africa*

### Entrepreneurship Experience

*We have experience in starting up and running social enterprises globally*

### Technical Experience

*We have extensive experience in financial/consulting sectors, as well as technology and innovation*

### Services Additional to Funding

*Mentoring, access to networks, business development*





|   |   |
|---|---|
|  <b>Company Name</b>                 | Safaricom Spark Venture Fund  |
|  <b>Website</b>                      | <a href="https://www.safaricom.co.ke/spark/">https://www.safaricom.co.ke/spark/</a> |
|  <b>Year Founded</b>                 | 2014  |
|  <b>Focus Country / Region</b>       | Kenya   |
|  <b>Average Investment Size</b>      | <b>KSh 6m – KSh 25m (\$60k – \$250k)</b>  |
|  <b>Sectors of Interest</b>          | Any leveraging mobile as an enabler   |
|  <b>Average Time to close a Deal</b> | 6 months  |
|  <b>Type of Capital</b>              | Convertible debt  |

#### **Investor Vision**

*Support the successful development and growth of high potential mobile tech start-ups*

#### **Funding Goals**

*To provide transformative funding options for mobile tech based start-ups and developers and give them a platform for business capacity and economic empowerment*

#### **Entrepreneurship Experience**

*Our fund manager (TBL Mirror) has over 10 years experience and Safaricom-Innovation have over 5 years experience working with start-ups*












#### **Technical Experience**

*Safaricom-Innovation have over 20 years experience*

#### **Services Additional to Funding**

*Commercial partnership, technical advisory, business development, and mentorship*

# AFVEST

|   |  |
|---|--|
|  <b>Company Name</b>                 | Afvest   |
|  <b>Website</b>                      | <a href="http://www.afvest.co/">http://www.afvest.co/</a>  |
|  <b>Year Founded</b>                 | 2012   |
|  <b>Focus Country / Region</b>       | Sub-Saharan Africa   |
|  <b>Average Investment Size</b>      | <b>KSh 10m (\$100k)</b>  |
|  <b>Sectors of Interest</b>          | Sector-agnostic  |
|  <b>Average Time to close a Deal</b> | 2 – 3 months   |
|  <b>Type of Capital</b>              | Equity   |
|  <b>Average IRR Sought</b>           | 25%  |
|  <b>Average Time to exit</b>         | Indefinite; we take a long-term view in all our investments with no plans to exit                                  |
|  <b>Type of Exit Sought</b>         | We do not take up stakes with an intention to exit; we would, however, prefer the IPO route should we want to exit |

## Management Control

*Board seats*

## Investor Vision

*To back companies with a differentiated value proposition, strong and highly-accountable management teams with a passion to grow their businesses using innovative models that disrupt incumbents*

## Funding Goals

*We look to commit capital at reasonable valuations and believe in working closely with our portfolio companies through all stages of their development*

## Entrepreneurship Experience

*Combined team experience of over 20 years*

## Technical Experience

*Combined team experience of over 30 years*

## Services Additional to Funding

*We seek to add value to our Fund's investment positions through active investment management, deep involvement in the operations of the business and participation in all issues affecting an investment's outcome*



|   |   |
|---|---|
|  <b>Company Name</b>                 | Viktoría Business Angel Network (VBAN)                                      |
|  <b>Website</b>                      | <a href="http://www.viktoria.co.ke/vban">http://www.viktoria.co.ke/vban</a> |
|  <b>Year Founded</b>                 | 2017  |
|  <b>Focus Country / Region</b>       | East Africa   |
|  <b>Average Investment Size</b>      | KSh 5m – KSh 30m (\$50k – \$300k)   |
|  <b>Sectors of Interest</b>          | Technology  |
|  <b>Average Time to close a Deal</b> | 3 – 6 months  |
|  <b>Type of Capital</b>              | Equity and convertible debt   |
|  <b>Average IRR Sought</b>           | 35%   |
|  <b>Average Time to exit</b>         | 3 – 5 years   |
|  <b>Type of Exit Sought</b>          | Venture capital sale  |

### Management Control

1 board seat

### Investor Vision

Viktoría Business Angels Network (VBAN) syndicates local and international investor capital into seed stage investments in tech start-ups in East Africa

### Funding Goals

VBAN bridges the gap between start-ups and angel investors by building trust relationships and providing the necessary infrastructure to facilitate investment flow

### Entrepreneurship Experience

Over 10 years combined experience

### Technical Experience

Over 10 years combined experience

### Services Additional to Funding

Mentoring (at least 1 hour/month), connections to industry experts, coaching on finance and business aspects

# VIKTORIA

## VENTURES

|   |   |
|---|---|
|  <b>Company Name</b>                 | Viktoria Ventures   |
|  <b>Website</b>                      | <a href="http://www.viktoria.co.ke/">http://www.viktoria.co.ke/</a> |
|  <b>Year Founded</b>                 | 2015  |
|  <b>Focus Country / Region</b>       | Kenya   |
|  <b>Average Investment Size</b>      | KSh 5m – KSh 30m (\$50k – \$300k)                                   |
|  <b>Sectors of Interest</b>          | Technology  |
|  <b>Average Time to close a Deal</b> | 3 – 6 months  |
|  <b>Type of Capital</b>              | Equity and convertible debt   |
|  <b>Average IRR Sought</b>           | 35%   |
|  <b>Average Time to exit</b>         | 3 – 5 years   |
|  <b>Type of Exit Sought</b>          | Venture capital   |

### Management Control

1 board seat

### Investor Vision

Since 2011, the ViKtoria team has been actively supporting the growth of entrepreneurial ecosystems in various sectors in East Africa

### Funding Goals

Financial and non-financial support to build sustainable businesses

### Entrepreneurship Experience

Over 10 years combined experience






### Technical Experience

Over 10 years combined experience

### Services Additional to Funding

Mentoring, business advisory, networking, deal structuring, negotiations, coaching



|   |   |
|---|---|
|  <b>Company Name</b>                 | <b>FINCA Ventures</b>   |
|  <b>Website</b>                      | <a href="https://www.finca.org/our-work/social-enterprises/finca-ventures/">https://www.finca.org/our-work/social-enterprises/finca-ventures/</a> |
|  <b>Year Founded</b>                 | 1985  |
|  <b>Focus Country / Region</b>       | Sub-Saharan Africa  |
|  <b>Average Investment Size</b>      | <b>KSh 5m – KSh 35m (\$50k – \$350k)</b>  |
|  <b>Sectors of Interest</b>          | Agnostic; but, focus on energy, WASH, education, health, agriculture, fintech   |
|  <b>Average Time to close a Deal</b> | 2 – 3 months  |
|  <b>Type of Capital</b>              | Equity, quasi-equity, convertible debt  |

### Management Control

*Flexible; happy to take board seat if in best interest of company and us*

### Investor Vision

*To build a global network of sustainable and scalable social enterprises that improve lives worldwide*

### Funding Goals

*FINCA Ventures leverages a global microfinance network to catalyse market-based solutions to poverty by providing patient, early-stage capital, and pre- and post-investment support to launch and scale high-impact for-profit social enterprises and promote extremely affordable, high-quality, life-improving products and services for people at the BOP*

### Entrepreneurship Experience

*Early employee at Fenix International; founder and entrepreneur behind FINCA*

### Services Additional to Funding

*Connection to our microfinance network (customers, brand, end consumer financing, distribution), mentorship, strategy, HR, communications, etc.*



|   |   |
|---|---|
|  <b>Company Name</b>                 | <b>Global Partnerships/Eleos Social Venture Fund</b>  |
|  <b>Website</b>                      | <a href="http://www.globalpartnerships.org/social-venture-fund/">http://www.globalpartnerships.org/social-venture-fund/</a> |
|  <b>Year Founded</b>                 | 1994  |
|  <b>Focus Country / Region</b>       | Sub-Saharan Africa  |
|  <b>Average Investment Size</b>      | <b>KSh 10m – KSh 35m (\$100k – \$350k)</b>  |
|  <b>Sectors of Interest</b>          | Education, energy, health, livelihoods, sanitation, water   |
|  <b>Average Time to close a Deal</b> | 6 – 9 months  |
|  <b>Type of Capital</b>              | Preferred equity, convertible debt, revenue-based securities, demand dividend securities, other                             |
|  <b>Average IRR Sought</b>           | Capital preservation with up to 2.50% annual return to investors  |
|  <b>Average Time to exit</b>         | 7 – 10 years  |
|  <b>Type of Exit Sought</b>          | Acquisition, revenue-based  |

### Management Control

*The size of the Fund's holdings in a particular issuer, or contractual rights obtained by the Fund in connection with an investment, may enable the Fund to designate one or more directors to serve on the boards (or comparable governing bodies)*

### Investor Vision

*The Social Venture Fund (SVF) invests impact-led capital in early stage social businesses in sub-Saharan Africa. The Fund seeks to return capital to investors with a modest return, as well as address the „pioneer gap“ facing high potential, early stage social enterprises*

### Funding Goals

*Expand opportunity for people living in poverty in East Africa*

### Entrepreneurship Experience

*Jim Villanueva, the SVF's Managing Director, is a long-time entrepreneur and investor in growth companies. Before joining GP, he led the development of the impact investment portfolio at the Eleos Foundation as their Executive Director and a founding board member*



### **Technical Experience**

*In his role as Executive Director of the Eleos Foundation, Villanueva provided enterprise support to a portfolio of 10+ social enterprises. Karishma Menon, the SVF Portfolio Director, spent five years at Intellectap in India*

### **Services Additional to Funding**

*SVF extends enterprise support to portfolio companies in the form of business and marketing mentorship as well as fundraising support*



|   |  |
|---|--|
|  <b>Company Name</b>                 | GreenTec Capital Partners  |
|  <b>Website</b>                      | <a href="http://www.greentec-capital.com">www.greentec-capital.com</a> |
|  <b>Year Founded</b>                 | 2015   |
|  <b>Focus Country / Region</b>       | Sub-Saharan Africa   |
|  <b>Average Investment Size</b>      | <b>KSh 10m – KSh 50m (\$100k – \$500k)</b>                             |
|  <b>Sectors of Interest</b>          | Agriculture, resources (e.g., energy, water), digital, ITC             |
|  <b>Average Time to close a Deal</b> | 3 months   |
|  <b>Type of Capital</b>              | Equity (Results4Equity approach)                                       |
|  <b>Average IRR Sought</b>           | >20%   |
|  <b>Average Time to exit</b>         | 4 – 5 years  |
|  <b>Type of Exit Sought</b>          | Various  |

### Management Control

*Being an active part of the team, board seat possible*

### Investor Vision

*GreenTec Capital Partners invests in African start-ups and SMEs with a focus on combining social and environmental impact with financial success. Jointly, we seek to transform innovative local businesses with a proof-of-concept into successful and sustainable enterprises that have growth perspective in Africa and beyond. We do more than just invest: we provide tailor made support to entrepreneurs and guide them through start-up funding gaps and early crucial phases*

### Funding Goals

*We want to give up to 15 companies per year access to our model, resources and funding*

### Entrepreneurship Experience

*GreenTec Capital is built by entrepreneurs for entrepreneurs; cumulative experience of 50+ years*

### Technical Experience

*Our company building team has significant technical experience and involves our partner network where appropriate*

### Services Additional to Funding

*Capacity building, business model optimization as well as access to our network are core ingredients of our investment philosophy*



# ACCION

|  |   |
|--|---|
|  <b>Company Name</b>            | Accion Venture Lab  |
|  <b>Website</b>                 | <a href="https://www.accion.org/venturelab">https://www.accion.org/venturelab</a> |
|  <b>Year Founded</b>            | 2012  |
|  <b>Focus Country / Region</b>  | Pan-Africa/global   |
|  <b>Average Investment Size</b> | KSh 30m – KSh 50m (\$300k – \$500k)   |
|  <b>Sectors of Interest</b>     | Fintech   |
|  <b>Type of Capital</b>         | Equity  |

## Management Control

*Board director or observer when appropriate*

## Investor Vision

*Expand access, improve quality and decrease cost of financial services for the underserved*

## Funding Goals

*Building a financially inclusive world with economic opportunity for all, by giving people the financial tools they need to improve their lives*

## Services Additional to Funding

*Board level and direct portfolio company support — portion of team is designated to assisting with operational challenges including but not limited to customer acquisition strategies, product/pricing, technical, HR, partnerships/business development*

# FACTOR[e]

## VENTURES

|   |   |
|---|---|
|  <b>Company Name</b>                 | Factor[e] Ventures  |
|  <b>Website</b>                      | <a href="http://www.factor.com">http://www.factor.com</a>                                       |
|  <b>Year Founded</b>                 | 2013  |
|  <b>Focus Country / Region</b>       | Sub-Saharan Africa, India, South Asia, Latin America  |
|  <b>Average Investment Size</b>      | <b>KSh 20m – KSh 70m (\$200k – \$700k)</b>  |
|  <b>Sectors of Interest</b>          | Energy, agriculture, waste and resource management (including sanitation), sustainable mobility |
|  <b>Average Time to close a Deal</b> | 8 months  |
|  <b>Type of Capital</b>              | Equity  |
|  <b>Average IRR Sought</b>           | Depends on investment context   |
|  <b>Average Time to exit</b>         | Depends on investment context   |
|  <b>Type of Exit Sought</b>          | Depends on investment context   |

### Management Control

*Board seat, high-touch involvement in operational and technology matters through closing working partnerships with management teams (including as specified in transactional documents)*

### Investor Vision

*Disruptive technologies that will improve 10+ million livelihoods*

### Funding Goals

*Improve lives in the developing world through increased access to sustainable energy and related services*

### Entrepreneurship Experience

*Seed stage experts with a strong track record supporting 100+ start-ups. FACTORe has a skilled team of investors, technical advisors, and board members*

### Technical Experience

*We have deep technical knowledge and experience. We focus on techno-economic analysis (TEA) to drive our investment decision making*

### Services Additional to Funding

*We are incredibly hands on and have a unique process based on sustained engagement. We stay with our companies through multiple rounds of funding*



|   |   |
|---|---|
|  <b>Company Name</b>                 | <b>Singularity Investments</b>  |
|  <b>Website</b>                      | <a href="https://www.singularityinvest.com/">https://www.singularityinvest.com/</a>               |
|  <b>Year Founded</b>                 | 2014  |
|  <b>Focus Country / Region</b>       | Sub-Saharan Africa, North America   |
|  <b>Average Investment Size</b>      | <b>KSh 10m – KSh 100m (\$100k – \$1m)</b>   |
|  <b>Sectors of Interest</b>          | Technology, media, telecommunication  |
|  <b>Average Time to close a Deal</b> | 2 weeks, depending on the lead investors  |
|  <b>Type of Capital</b>              | Equity  |
|  <b>Average Time to exit</b>         | 3 years   |
|  <b>Type of Exit Sought</b>          | Trade sales to strategic buyers, secondary buy-outs, IPO (this is rare in this part of the world) |

### Management Control

*Minority interest with significant protection, board representation and advisory*

### Investor Vision

*Build portfolio companies into more competitive and profitable enterprises*

### Funding Goals

*Accelerating the growth of early-stage companies in Africa and North America*

### Entrepreneurship Experience

*Principals have grown early stage companies to a portfolio of over \$1 billion in assets*

### Technical Experience

*7 years experience in local and international investments across industries*

### Services Additional to Funding

*Access to network, mentoring*



|   |   |
|---|---|
|  <b>Company Name</b>                 | eVentures Africa Fund   |
|  <b>Website</b>                      | <a href="http://www.eva-fund.com/">http://www.eva-fund.com/</a> |
|  <b>Year Founded</b>                 | 2010  |
|  <b>Focus Country / Region</b>       | Sub-Saharan Africa  |
|  <b>Average Investment Size</b>      | <b>KSh 10m – KSh 100m (\$100k – \$1m)</b>                       |
|  <b>Sectors of Interest</b>          | Internet, mobile apps, e-commerce                               |
|  <b>Average Time to close a Deal</b> | 3 – 6 months  |
|  <b>Type of Capital</b>              | Equity and mezzanine  |
|  <b>Average IRR Sought</b>           | 20%   |
|  <b>Average Time to exit</b>         | 4 – 6 years   |
|  <b>Type of Exit Sought</b>          | Trade sales   |

### Management Control

*Board seat*

### Funding Goals

*Strengthen small and medium sized internet related enterprises thus securing and creating jobs and income for large African communities*

### Entrepreneurship Experience

*Extensive*

### Technical Experience

*Extensive*

### Services Additional to Funding

*Mentoring*

# KFW DEG

|   |   |
|---|---|
|  <b>Company Name</b>                 | <b>DEG Up-Scaling Programme</b>   |
|  <b>Website</b>                      | <a href="https://www.deginvest.de/upscaling">https://www.deginvest.de/upscaling</a> |
|  <b>Year Founded</b>                 | 2013  |
|  <b>Focus Country / Region</b>       | Africa and India  |
|  <b>Average Investment Size</b>      | <b>KSh 62m (\$615k)</b>   |
|  <b>Sectors of Interest</b>          | Sector-agnostic; focus on innovative firms  |
|  <b>Average Time to close a Deal</b> | 5-6 months, depending availability of client documentation/models                   |
|  <b>Type of Capital</b>              | Repayable grant; to be repaid in 5 years if agreed milestones are met               |
|  <b>Average Time to exit</b>         | Max 5 years   |
|  <b>Type of Exit Sought</b>          | Repayment in two equal tranches   |

## Management Control

*Passive investor, but do track whether company is on track to repay grant*

## Investor Vision

*With the Up-scaling programme, DEG finances investments of small and medium enterprises (SMEs) that intend to scale up innovative business models with high developmental impact. The programme addresses companies whose financing needs lie somewhere between microfinance and the traditional financing by commercial banks*

## Funding Goals

*DEG provides funding of €500,000, which constitutes a maximum of 50% of the total investment volume. Private sponsors must contribute the matching equity. DEG's funds must be repaid in the event of success of the investment (depending on pre-defined financial criteria such as cash flow, revenue or profit)*

## Entrepreneurship Experience

*Limited*

## Technical Experience

*Professional investors*

## Services Additional to Funding

*Access to DEG network*



|   |   |
|---|---|
|  <b>Company Name</b>                 | <b>Acumen Fund</b>  |
|  <b>Website</b>                      | <a href="http://acumen.org/manifesto/">http://acumen.org/manifesto/</a>     |
|  <b>Year Founded</b>                 | 2001  |
|  <b>Focus Country / Region</b>       | East Africa, West Africa, America, Latin America, India, Pakistan           |
|  <b>Average Investment Size</b>      | <b>KSh 75m (\$750k)</b>   |
|  <b>Sectors of Interest</b>          | Agriculture, financial inclusion, education, energy, health, housing, water |
|  <b>Average Time to close a Deal</b> | 4 – 6 months  |
|  <b>Type of Capital</b>              | Equity, loans, and mezzanine  |
|  <b>Average IRR Sought</b>           | 17%   |
|  <b>Average Time to exit</b>        | 7 – 10 years  |
|  <b>Type of Exit Sought</b>        | Trade sale, management buyout, sale to co-investor                          |

### Management Control

*Board seats, management control*

### Investor Vision

*Changing the way the world tackles poverty*

### Funding Goals

*Bridging the gap between the efficiency and scale of market-based approaches and the social impact of pure philanthropy*

### Entrepreneurship Experience

*Combined 20 years experience*





### Technical Experience

*Combined 50 years experience*

### Services Additional to Funding

*Leadership development programme, lean data (impact measurement), post investment management support*



|   |   |
|---|---|
|  <b>Company Name</b>                 | <b>Africa Enterprise Challenge Fund (AECF)</b>                      |
|  <b>Website</b>                      | <a href="http://www.aecfafrica.org/">http://www.aecfafrica.org/</a> |
|  <b>Year Founded</b>                 | 2008  |
|  <b>Focus Country / Region</b>       | Sub-Saharan Africa  |
|  <b>Average Investment Size</b>      | <b>KSh 25m – KSh 150m (\$250k – \$1.5m)</b>                         |
|  <b>Sectors of Interest</b>          | Agriculture, renewable energy                                       |
|  <b>Average Time to close a Deal</b> | 6 months  |
|  <b>Type of Capital</b>              | Grants, zero interest loans on a challenge model (i.e. con          |
|  <b>Average IRR Sought</b>           | 0% on loans   |
|  <b>Average Time to exit</b>         | 6 years   |
|  <b>Type of Exit Sought</b>          | Full repayment of principal (if zero-interest loan provided)        |

### Management Control

*Investees required to report twice a year; disbursements made contingent on business and impact milestones, or specific conditions of contract*

### Investor Vision

*To unlock the power of the private sector to transform the lives of rural and marginalized communities in Africa*

### Funding Goals

*Reducing rural poverty, promoting resilient rural communities and creating jobs through private sector development*

### Entrepreneurship Experience

*AECF has invested in over 250 enterprises in sub-Saharan Africa across 24 countries. Our experience has allowed us to build a team that is adept at assessing and identifying promising early-stage companies that may not have strong business plans but have significant potential to scale*












### Services Additional to Funding

*Assistance with financial management and business reporting; specialised technical assistance in selected cases; brokerage and transaction services to investees to match them to external commercial and impact investors and to secure follow-on capital (AECF Connect service)*



## Pearl Capital Partners

Mauritius • Uganda • Kenya

|   |   |
|---|---|
|  <b>Company Name</b>                 | Pearl Capital Partners  |
|  <b>Website</b>                      | <a href="http://pearlcapital.net/">http://pearlcapital.net/</a> |
|  <b>Year Founded</b>                 | 2006  |
|  <b>Focus Country / Region</b>       | East Africa   |
|  <b>Average Investment Size</b>      | <b>KSh 25m – KSh 250m (\$250k – \$2.5m)</b>                     |
|  <b>Sectors of Interest</b>          | Agriculture and climate change                                  |
|  <b>Average Time to close a Deal</b> | 6 – 9 months  |
|  <b>Type of Capital</b>              | Equity, quasi-equity, debt                                      |
|  <b>Average IRR Sought</b>           | 15%   |
|  <b>Average Time to exit</b>         | 5 – 7 years   |
|  <b>Type of Exit Sought</b>          | Equity buy back, third-party sale, self liquidation-debt        |

### Management Control

*Board seats*

### Investor Vision

*Agriculture impact investing*

### Funding Goals

*Delivering high social impact and strong financial returns*

### Entrepreneurship Experience

*20 – 30 years collectively*

### Technical Experience

*10 years*

### Services Additional to Funding

*Business development support and technical assistance (in the following areas: governance, systems, controls, mentoring, training, risk analysis, Environmental, Social and Governance (ESG), networking)*



# africatech

## V E N T U R E S

|   |   |
|---|---|
|  <b>Company Name</b>                 | Africa Tech Ventures  |
|  <b>Website</b>                      | <a href="http://www.africatechventures.co">www.africatechventures.co</a>  |
|  <b>Year Founded</b>                 | 2016  |
|  <b>Focus Country / Region</b>       | East Africa, Nigeria, Ghana, southern Africa  |
|  <b>Average Investment Size</b>      | <b>KSh 10m – KSh 500m (\$100k – \$5m)</b>   |
|  <b>Sectors of Interest</b>          | Tech enabled in sectors of agriculture, education, employment, financial inclusion, healthcare and infrastructure |
|  <b>Average Time to close a Deal</b> | 3 months  |
|  <b>Type of Capital</b>              | Equity  |
|  <b>Average IRR Sought</b>           | 25%   |
|  <b>Average Time to exit</b>         | 6 – 8 years   |
|  <b>Type of Exit Sought</b>         | Trade sale or sale to another investor  |

### Management Control

*Board seat, minority interest, standard minority investor protections*

### Investor Vision

*We aim to provide both capital and support in areas of HR, partnerships, sales, strategy and expansion, helping to build scalable businesses. We thereby create superior financial returns and real impact through increased access of affordable essential goods and services and job creation*

### Funding Goals

*Accelerate the growth and scalability of innovative tech-enabled businesses*

### Entrepreneurship Experience

*50% of our team has entrepreneurial experience*

### Technical Experience

*50% of our team has proven track record in investing; and all of our team has worked in/with tech businesses before*

**Services Additional to Funding**

*Board seat comes with advice on finance, HR, strategy, opening networks. We sit with our businesses almost weekly to see where else we can help: recruiting, clients introductions, partnership introductions, improve financial reporting, etc. Then we can attach 3 month interns and longer-term venture partners to assist with specific projects*



|   |   |
|---|---|
|  <b>Company Name</b>                 | V8 Capital Partners   |
|  <b>Website</b>                      | <a href="https://www.linkedin.com/company/v8-capital-partners/">https://www.linkedin.com/company/v8-capital-partners/</a> |
|  <b>Year Founded</b>                 | 2016  |
|  <b>Focus Country / Region</b>       | Pan-African   |
|  <b>Average Investment Size</b>      | KSh 50m – KSh 500m (\$500k – \$5m)  |
|  <b>Sectors of Interest</b>          | Technology  |
|  <b>Average Time to close a Deal</b> | 2 – 3 months  |
|  <b>Type of Capital</b>              | Equity, mezzanine   |
|  <b>Average IRR Sought</b>           | 50%   |
|  <b>Average Time to exit</b>         | 3 – 5 years   |
|  <b>Type of Exit Sought</b>          | Trade sale or IPO   |

### Management Control

*Board seat, venture builder*

### Investor Vision

*To build the best African technologies that accelerates growth and wealth on the continent*

### Funding Goals

*Deal by deal*

### Entrepreneurship Experience

*10+ years*


### Technical Experience

*15+ years*

### Services Additional to Funding

*Coworking, master classes*



|   |   |
|---|---|
|  <b>Company Name</b>                 | Novastar Ventures   |
|  <b>Website</b>                      | <a href="http://www.novastarventures.com/">http://www.novastarventures.com/</a> |
|  <b>Year Founded</b>                 | 2014  |
|  <b>Focus Country / Region</b>       | East Africa   |
|  <b>Average Investment Size</b>      | <b>KSh 10m – KSh 600m (\$100k – \$6m)</b>                                       |
|  <b>Sectors of Interest</b>          | Sector-agnostic, with focus on businesses that target the BOP                   |
|  <b>Average Time to close a Deal</b> | 3 – 6 months  |
|  <b>Type of Capital</b>              | Equity  |
|  <b>Average Time to exit</b>         | 5 – 7 years   |
|  <b>Type of Exit Sought</b>          | Strategic sale  |

### Management Control

*Board seat*

### Investor Vision

*Novastar is a venture catalyst firm assisting the next generation of exceptional entrepreneurs who are designing and executing innovative business models to profitably serve East Africa's aspiring mass market. These 'New Stars' are the catalysts for innovation, accountability, efficiency and the accumulation of wealth for the common good*

### Funding Goals

*Proving that venture in East Africa can provide commercial returns and catalysing the venture asset class in East Africa*









### Entrepreneurship Experience

*Extensive team experience in starting and running companies*

### Services Additional to Funding

*Coaching entrepreneurs, connecting them with global and local networks, help with further fundraising, recruitment and talent*



|  |   |
|--|---|
|  <b>Company Name</b>            | Energy Access Ventures  |
|  <b>Website</b>                 | <a href="http://www.eavafrica.com">http://www.eavafrica.com</a> |
|  <b>Year Founded</b>            | 2015  |
|  <b>Focus Country / Region</b>  | All of sub-Saharan Africa except South Africa                   |
|  <b>Average Investment Size</b> | <b>Up to KSh 800m (Up to \$8m)</b>                              |
|  <b>Sectors of Interest</b>     | The energy ecosystem  |
|  <b>Type of Capital</b>         | Equity  |
|  <b>Average Time to exit</b>    | 5 – 7 years   |

### Management Control

*Board seat, hands-on management*

### Investor Vision

*EAV is an Africa-based Venture Capital firm. We partner with entrepreneurs building scalable companies that employ technologies and innovative business models to improve industrial productivity and consumer benefit in Africa*

### Funding Goals

*To overcome the lack of access to electricity in Sub-Saharan Africa*

### Entrepreneurship Experience

*The team has extensive entrepreneurial experiences in Africa*











### Technical Experience

*The team has technical experience too*

### Services Additional to Funding

*Strategic hands-on management, technical assistance, access to a broad network*

# TLcom Capital LLP

|   |  |
|---|--|
|  <b>Company Name</b>                 | TLcom Capital  |
|  <b>Website</b>                      | <a href="http://www.tlcomcapital.com">www.tlcomcapital.com</a> |
|  <b>Year Founded</b>                 | 1999   |
|  <b>Focus Country / Region</b>       | Sub-Saharan Africa   |
|  <b>Average Investment Size</b>      | KSh 50m – KSh 1b (\$500k – \$10m)                              |
|  <b>Sectors of Interest</b>          | Tech-enabled businesses  |
|  <b>Average Time to close a Deal</b> | Varies, typically 2 – 4 months                                 |
|  <b>Type of Capital</b>              | Equity   |
|  <b>Average IRR Sought</b>           | Varies   |
|  <b>Average Time to exit</b>         | 5 – 8 years  |
|  <b>Type of Exit Sought</b>          | Varies   |

## Management Control

*Board seat, minority protection rights*

## Investor Vision

*Supporting strong, passionate African entrepreneurs, and helping them grow*

## Entrepreneurship Experience

*Extensive experience*

## Technical Experience

*Decades of experience among the team members*

## Services Additional to Funding

*On the ground support, connections to networks, business mentoring, recruitment, etc.*



|  |   |
|--|---|
|  <b>Company Name</b>            | IFC Venture Capital   |
|  <b>Website</b>                 | <a href="http://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Venture+Capital">http://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Venture+Capital</a> |
|  <b>Year Founded</b>            | 1956  |
|  <b>Focus Country / Region</b>  | Global  |
|  <b>Average Investment Size</b> | KSh 300m min (\$3m min)   |
|  <b>Sectors of Interest</b>     | Tech and tech-enabled companies   |
|  <b>Type of Capital</b>         | Equity  |












### Management Control

Board seats

### Services Additional to Funding

Any assistance required by our portfolio companies to help them grow; this includes access to networks, additional funding, mentorship, building capacity, etc.



|   |  |
|---|--|
|  <b>Company Name</b>                 | Creadev  |
|  <b>Website</b>                      | <a href="http://creadev.fr/">http://creadev.fr/</a>  |
|  <b>Year Founded</b>                 | 2002   |
|  <b>Focus Country / Region</b>       | For the Africa office:– sub-Saharan Africa, currently focused on East Africa   |
|  <b>Average Investment Size</b>      | <b>KSh 200m – KSh 2b (\$2m – \$20m) with high follow on capacity</b>   |
|  <b>Sectors of Interest</b>          | Sustainability, healthcare, skills (recruitment, training, etc.), food and agriculture, customer experience (CRM, big data)  |
|  <b>Average Time to close a Deal</b> | Varies   |
|  <b>Type of Capital</b>              | Equity   |
|  <b>Average IRR Sought</b>           | 20 – 25%   |
|  <b>Average Time to exit</b>         | Evergreen fund, no pre-determined exit timeline  |
|  <b>Type of Exit Sought</b>          | Not exit-oriented (we are long term investors) but may exit alongside other PE funds we co-invest with on case by case basis |

### Management Control

*Board seats, reserved matters*

### Investor Vision

*We look to invest in and support companies able to scale-up and become worldwide best players in their sector*

### Entrepreneurship Experience

*>100 years*

### Technical Experience

*B2C expertise through the Mulliez businesses*

### Services Additional to Funding

*Mentoring, connections, long-term timeline, strategic support*



# CONVERGENCE

## PARTNERS

|   |   |
|---|---|
|  <b>Company Name</b>                 | Convergence Partners  |
|  <b>Website</b>                      | <a href="http://www.convergencepartners.com/">http://www.convergencepartners.com/</a> |
|  <b>Year Founded</b>                 | 2006  |
|  <b>Focus Country / Region</b>       | Sub-Saharan Africa  |
|  <b>Average Investment Size</b>      | KSh 500m – KSh 2.5b (\$5m – \$25m)  |
|  <b>Sectors of Interest</b>          | Technology, media, telecommunications   |
|  <b>Average Time to close a Deal</b> | 6 months  |
|  <b>Type of Capital</b>              | Equity  |
|  <b>Average IRR Sought</b>           | >25%  |
|  <b>Average Time to exit</b>         | 5+ years  |
|  <b>Type of Exit Sought</b>          | All forms   |

### Management Control

*Board representation is required with certain veto rights*

### Investor Vision

*As impact investors, Convergence Partners brings its skills, experience and capital to accelerate communications access and ICT infrastructure development on the continent, focusing on initiatives that increase availability of communications, broadband services and new technology offerings to the people of Africa*

### Funding Goals

*Convergence Partners is a seasoned pan-African private equity player, experienced in developing businesses to deliver enhanced returns while underpinning continental development*

### Entrepreneurship Experience

*The team has seeded some companies, and supported management in various initiatives*

### Technical Experience

*The firm only invests in technology and telecom, and the team composition supports the vision*

### Services Additional to Funding

*Portfolio company support including reporting, recruiting, cash management, incentive planning, etc.*

# HELIOS

## INVESTMENT PARTNERS

|   |   |
|---|---|
|  <b>Company Name</b>                 | <b>Helios Investment Partners</b>   |
|  <b>Website</b>                      | <a href="http://www.heliosinvestment.com/">http://www.heliosinvestment.com/</a>   |
|  <b>Year Founded</b>                 | 2004  |
|  <b>Focus Country / Region</b>       | Pan-African   |
|  <b>Average Investment Size</b>      | <b>KSh 3b – KSh 10b (\$30m – \$100m)</b>  |
|  <b>Sectors of Interest</b>          | Retail and consumer products, telecommunications, media and technology, financial institutions and services, power and energy, transportation, logistics and distribution |
|  <b>Average Time to close a Deal</b> | Very variable given proprietary nature of what we do; estimate: 9 months  |
|  <b>Type of Capital</b>              | Equity, loans   |
|  <b>Average IRR Sought</b>           | 25%   |
|  <b>Average Time to exit</b>        | 5 – 7 years   |
|  <b>Type of Exit Sought</b>        | Sale to strategic or IPO  |

### Management Control

*In the start-ups, we take control or joint control positions. We always take board seats - applicable to all of our investments*

### Investor Vision

*To build the leading Africa-focused investment firm, generating globally competitive returns by combining world-class investment capabilities, an entrepreneurial business-building approach, and unparalleled local and global connectivity*

### Funding Goals

*Buying and building market-leading, diversified platform companies operating in core sectors of important economies, with an emphasis on portfolio operations as a creator of value*

### Entrepreneurship Experience

*Helios has founded and built numerous businesses on the continent. In the underdeveloped African environment, private equity can be a creator of businesses, not merely as an optimizer of existing ones. There are numerous economic white spaces which makes it possible to create large and profitable companies within a relatively short time period, leveraging globally established business models, adapted as appropriate for Africa*



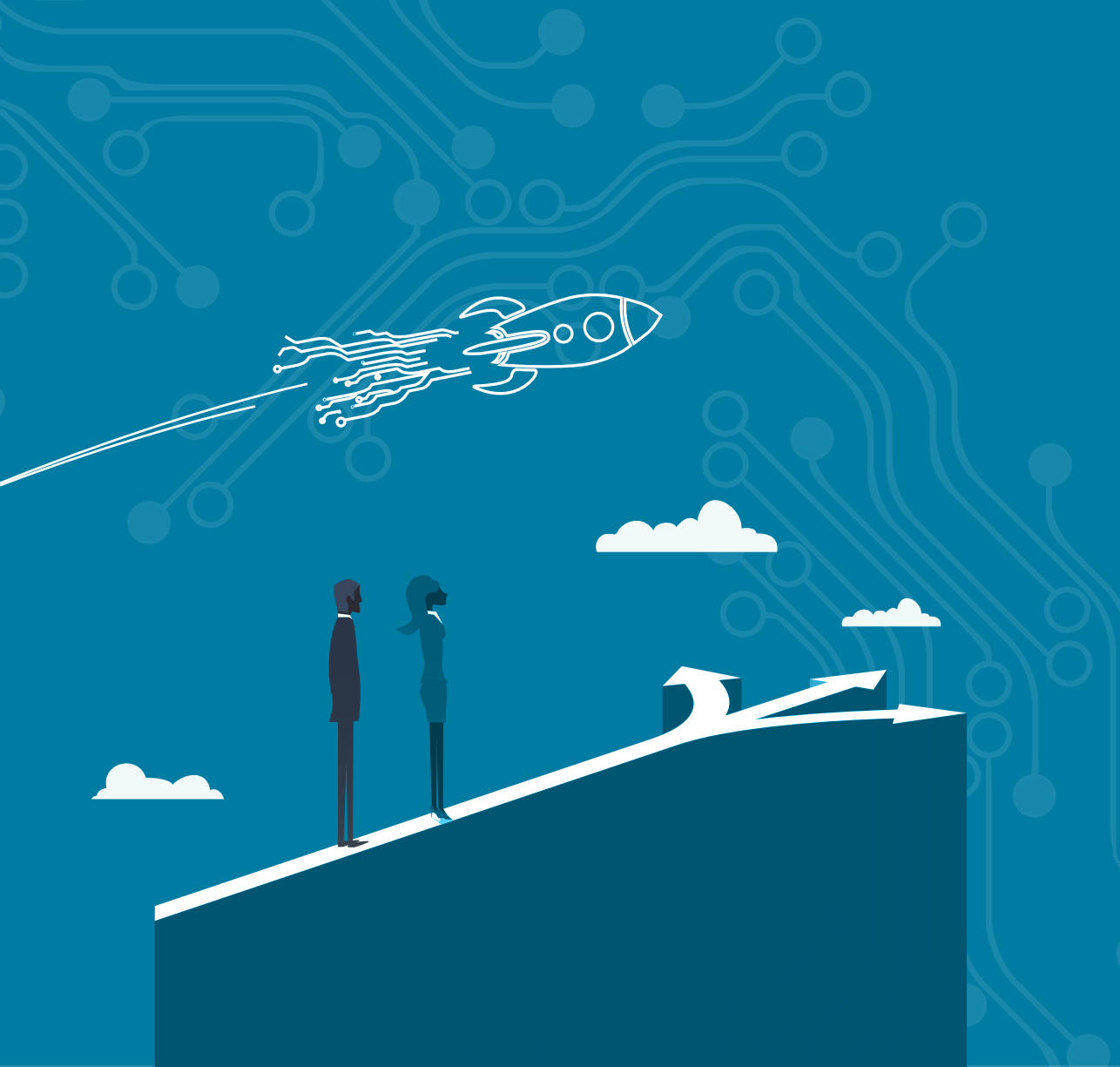
**Technical Experience**

*22 years average experience across investment, portfolio operations, and finance & admin team partners. The professionals on our investment team come from leading developed market PE firms including TPG, Bain Capital, Warburg Pincus and Carlyle*

**Services Additional to Funding**

*We are active with our portfolio companies throughout our ownership. Our Portfolio Operations Group focuses on three key pillars in terms of value creation: organisation design, incentives and development; continual process improvement (Lean Six Sigma); and top-line growth (including pricing strategies)*





**Chapter**  
Conclusion

## Chapter VI: Conclusion

Raising money for your start-up is not easy. It will take enormous amounts of patience, determination, and persistence. Nevertheless, it is also an extremely rewarding process that will teach you a lot about yourself, your business, and your market.

This guide is a high-level overview of what you need to think about as you begin preparing for fundraising: the general processes involved, the documents you need to have, what types of investors are out there and the instruments they use when funding companies. We include insights gathered from investors, entrepreneurs, and others in the start-up ecosystem, so you can learn from the people who have successfully raised money in the past, and who are looking to fund companies today.

Every company's fundraising process is different, and the stage at which you approach investors will also be different. But, by distilling some of the most salient points from our conversations, we hope this guide will serve as a good starting point for entrepreneurs on how to fundraise.

Furthermore, by providing a directory of potential funders and detailed information about them, we hope that you as the entrepreneur will have a better understanding of the different types of funders in this market, their average investment size, and the sectors they are active in. While this is not an exhaustive list, it does highlight some of the key players in the market, and shows the sort of information you need to know before you approach investors for funding.

**Key Takeaways:**

1. Do research on the investors you approach: you should find someone who is a truly good fit
2. When approaching investors, introductions are best: try to meet investors at a pitch event, a conference, or through one of their portfolio companies
3. Enter accelerator/incubator programmes: while they may not be a great tool for every entrepreneur, they will help you get exposure and learn how to think about your business
4. Know your market: you should be able to explain not only the intricacies of your market, but also challenges you foresee, the offline aspects of your business, and back up your assertions with facts
5. Know how much you should look to raise, and why: do not ask for a million dollars just because it is a round number; do your research, and explain how this round of funding will get you to your next key milestone, and where you will go from there
6. Do not raise too much money too quickly: if you cannot keep raising your company's valuation in future rounds, you will likely sputter and burn out
7. Local vs. international investors: there has been an uptick in interest among international investors in Kenya – find out how they are different and if they are a better fit
8. Consider impact investors: this may be a good fit with your company, or it may not; think hard before you approach impact investors whether you have the capacity to report metrics they will want to see
9. Promote trust: investors are wary of entrepreneurs who are not serious about their companies; find several credible references (professors, mentors, employers) who will vouch for you if a potential investor calls.

Useful resources to learn more:

*EBAN's List of Document Templates, Including Term Sheet*

*YCombinator's List of Resources, Including Document Templates*

*BVCA's List of Document Templates*

*Sequoia Capital Business Plan Template*

*IRIS Metrics Overview for Impact Investors*

*Paystack's YCombinator Application*

*Sample Capitalisation Table*

*Khan Academy Videos on Start-up Valuation*

*Valuation Methods Overview*

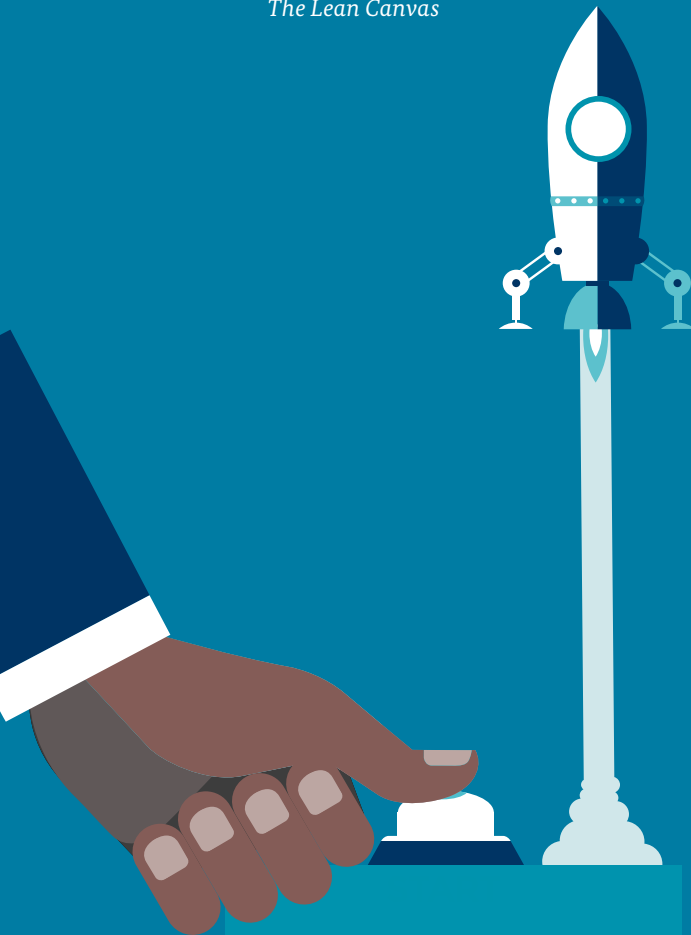
*Grey Elephant Application Form*

*(Showing What Investors Want to Understand About Your Business)*

*HEVA Fund's Investment Tutorial Videos*

*Novastar Ventures Questions to Consider*

*The Lean Canvas*





# Acknowledgement

In order to write this guide and compile the funder directory, we relied on several sources of information. As mentioned already, we spoke with numerous investors, entrepreneurs, and industry stakeholders in Kenya to get a clear lay of the land from people who know it best. In total, we spoke with over 25 people who are active in Kenya's tech start-up scene. The introductions were facilitated by members of the *ViKtoria Business Angel Network (VBAN)*, and *Lagos Angel Network (LAN)*, which also provided discerning comments and insights as part of this research.

We also relied on our *AlliedCrowds Capital Finder*, a data ecosystem that underpins the original data findings in this guide. The Capital Finder is a database of 7000 funders in emerging markets (excluding China), including a wealth of data points that are relevant to entrepreneurs, investors, analysts, academia, and many others. Finally, we conducted an extensive literature review to better understand the market and the latest trends.

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