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Scale Up!

Entrepreneurs' Guide to Investment in Nigeria

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Foreword

Lagos, Nigeria, a city of over 20 million inhabitants, has a rapidly growing sphere of tech start-ups. An estimated 400-700 active and viable start-ups in Lagos become key drivers of jobs and economic growth. The entrepreneurial ecosystem is gaining more and more international attention – and economic traction. According to Startup Genome's Global Start-up Ecosystem Report 2017, Lagos' start-up ecosystem value is the highest in Africa, valued at USD 2 billion.

Most entrepreneurs, however, still suffer from limited access to business advice, talent, markets and capital. These constraints are even higher for women, those who are young, 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 32 financing partners who present their portfolio and requirements in the 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 partner 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 (Stifterverband)*. 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 organizing, proofreading 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*

Dr. Jan Schwaab
Head of Programme
Tech Entrepreneurship Initiative **Make-IT in Africa** (GIZ)

Tech Entrepreneurship Initiative Make-IT in Africa

Make-IT in Africa promotes digital innovation for sustainable and inclusive development in Sub-Sahara 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

Contents

** 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 covert 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 Nigeria), 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

Principle | 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; in Nigeria, the National Council of Industry, 2003, defined small enterprises as having 11 to 35 employees, and revenues of ₦1m to ₦40m ($2750 to $110k)

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 Nigeria'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 10 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 that 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.

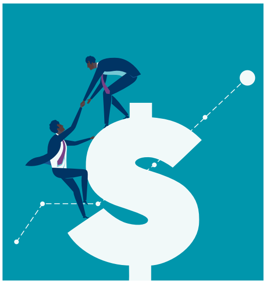
Chapter IV shares Nigeria-specific insights based on our conversations, research, and data analysis. This chapter will give entrepreneurs a better understanding of the entrepreneurial ecosystem of their country. It will highlight potential perils to look out for, and opportunities to take advantage of.

Chapter V is the Investor Directory – a look at 33 of Nigeria'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.

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:



Chapter I

- Overview of funding instruments
- Advantages and disadvantages of each

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Chapter II

- Overview of 10 investor types
- Typical funding amounts
- Typical funding instruments
- Non-financial benefits

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Chapter III

- Raising capital overview
- What makes an appealing start-up
- Documents you'll need in your pitch deck
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Chapter IV

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

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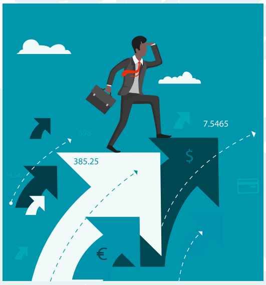

Chapter V

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

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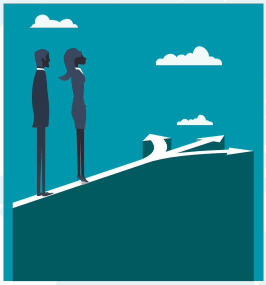

Chapter VI

- Key takeaways
- List of useful resources

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Funding Overview

Fundraising is a crucial part of the journey of a start-up. 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 that you get a good understanding of the market, and what has or has not been tried before. Multiple people stated that doing business and fundraising in Nigeria is all about who you know, so 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 in order 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.

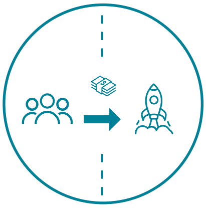
7. Do your homework | before raising funding, it is important to ensure that you are ready for the upcoming process. This means agreeing on how much money to raise (a good financial model should help with this), preparing a good pitch deck, agreeing internally on the terms of the raise, and, most importantly, compiling the key documentation for a fundraise. 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 Nigeria, 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

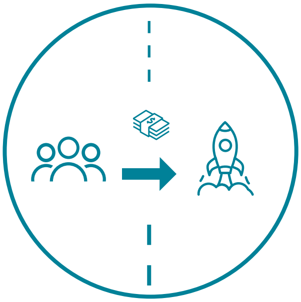
Type of funding that founders need to give up a portion of their company to obtain

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 ₦18m ($50,000). 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 selects finalists and the winner or winners are chosen from there.

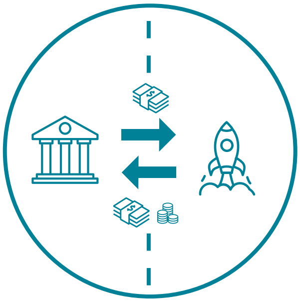
While organisations that fund grants typically do not expect any sort of financial return (i.e., a stake in the business, or a promise of repayment), they will often check on the grantees to ensure the money is being used for the intended purpose — during and after the grant has been disbursed. Some 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 Nigeria and elsewhere. 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 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 a microfinance institution (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 stable 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 ₦18m or $50,000) 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.

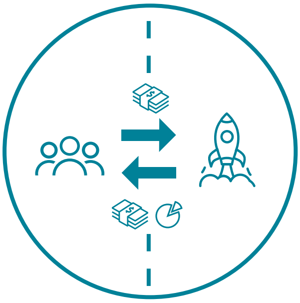
Equity is the riskiest type of financing for investors, as the funders stand to lose their entire investment should a company fail.

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*



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 in some countries 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. 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.

The most common mezzanine structure for start-ups are convertible notes (also known as convertible debt), which is a loan that is converted into an equity stake at a later point. This is sometimes used for early-stage start-ups that are difficult to value; a convertible note allows the investor and entrepreneur to push the conversation down the line to when the business is more mature.

While a mezzanine structure can be a good fit for some businesses, investors and entrepreneurs will typically avoid these funding arrangements in Nigeria. At the end of the day, investors know that funding a start-up is a risky investment, but one that carries a big payoff if it is successful.

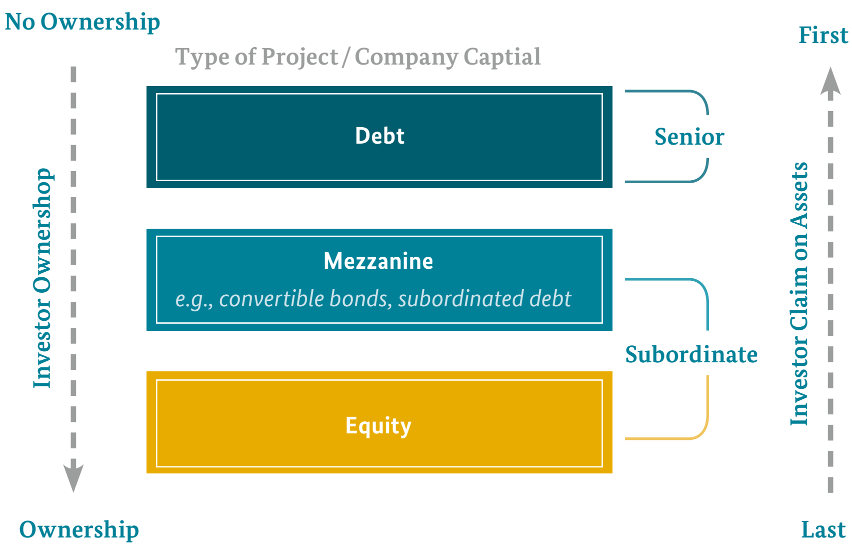
ADVANTAGE

→ *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*

This graph shows how mezzanine funding relates to equity and debt. It is riskier than debt but gives investors more protections than equity financing – it sits between the two, hence the name.



Source: http://pdf.wri.org/glossary_of_financing_instruments.pdf

Chapter
Investor Overview

II

Chapter II: Investor Overview

There are various types of investors that are active across Nigeria. 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.

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 36

ANGEL INVESTOR NETWORKS

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

See page 37

FOUNDATIONS

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

See page 39

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

VENTURE CAPITAL FIRMS

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

See page 46

CROWDFUNDING PLATFORMS

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

See page 40

PUBLIC / SEMI-PUBLIC FUNDERS

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

See page 41

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

PRIVATE EQUITY FIRMS

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

See page 48

ACCELERATORS / INCUBATORS

Typical funding instrument: *Grant + Equity*

Typical funding amounts: < ₦18m *($50,000)*

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

There are various types of investors that are active across Nigeria. 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.

These companies 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. Typically, accelerators and incu-bators are focused 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 many 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. 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 Nigeria — including the Make-IT Accelerator. Most are based in Lagos and Abuja.

ANGEL INVESTOR NETWORKS

An angel investment network is a group made up of individuals (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.

One mantra followed by *Lagos Angel Network* is to provide *money, time and access* for the entrepreneurs in which their members 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.

Typical funding instrument:
Equity + Mezzanine

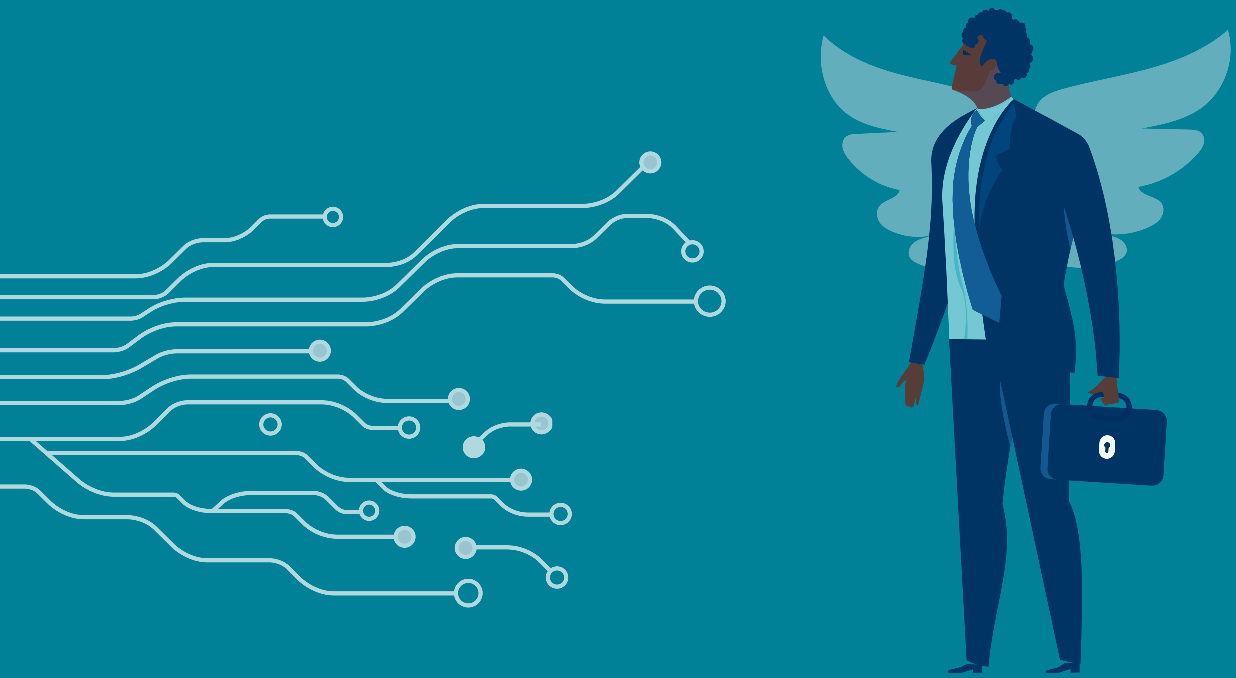
Typical funding amounts:
< ₦18m ($50,000) – per angel round

Non-financial benefits:
Mentorship, connections

Lagos Angel Network Aims to Promote Access to Finance

Collins Onuegbu has been in tech for a long time. He founded his company, *Signal Alliance*, in the mid-1990s, providing enterprise software to a variety of companies in Nigeria. He has seen the dot-com boom and crash, and is generally skeptical of hype around the tech sector, which comes in ebbs and flows. However, he believes Nigeria's current tech boom is different from the past — today, there is a budding support network around the tech firms. Accelerators, incubators, *development finance institutions (DFIs)*, pitch competitions and funders have all contributed to the creation of a more substantial scene. And Onuegbu is doing his best to bolster it, as Director of *Lagos Angel Network (LAN)*, along with his LAN colleagues.

It is not easy to promote the tech sector as an attractive investment opportunity, especially when government bonds and real estate provide high returns with relatively little risk. Slowly but surely, however, Onuegbu has managed to recruit dozens of angels to join his network, and it is getting increasingly easier to get in front of people to explain tech investing. Now, what the sector needs is some high-profile success stories.



FOUNDATIONS

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 these investors, 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 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.

Typical funding instrument:
Grant

Typical funding amounts:
< ₦36m ($100,000)

Non-financial benefits: *Access to foundation network*

CROWDFUNDING PLATFORMS

Typical funding instrument:
Grant, Debt + Equity

Typical funding amounts:
Donations-based < ₦18m ($50,000); Lending-based < ₦18m ($50,000); Reward-based < ₦36m ($100,000); Equity-based < ₦360m ($1 million)

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

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 Nigeria, entrepreneurs can access international platforms to get funding. Diaspora funding can be a solid strategy for some companies looking to crowdfund, if they are able to access networks of Nigerians living abroad.

PUBLIC / SEMI-PUBLIC FUNDERS

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 wide group that includes a broad 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.

There are various types of public/semi-public funders in Nigeria, including the aforementioned *Development Bank of Nigeria*, as well as *Lagos Innovates*, a new initiative to support the start up ecosystem. As these funders are eclectic, it is difficult to come up with specific criteria on how to approach them. In general, however, these funders may be more open to providing grants or concessionary loans, which makes them a good choice for earlier-stage companies, or those focused on impact.

Typical funding instrument:
Grant, Equity + Debt

Typical funding amounts:
< ₦72m ($200,000)

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

Lagos Innovates Looks to Support Yaba's Start-ups

The *Lagos State Employment Trust Fund* (which already supports MSMEs with subsidised loans) is rolling out an initiative to support the city's start-up ecosystem. Lagos Innovates, launched in December 2017, wants to support not only Nigeria's entrepreneurs, but also the support system that has popped up around them. It is undertaking six initiatives, three of which launched in January, and the other three coming in Q2 and Q3 of 2018. Here is a breakdown of the initiatives:

1. **Workspace Vouchers** – start-ups can apply for vouchers that will contribute ₦12,000, ₦20,000, or ₦150,000 ($33, $55, or $415) per month toward their co working space fees. The size of the reward depends on the the stage of the start-up. The state government partnered with several co-working spaces on this initiative, and the offer extends only to these hubs.
2. **Hub Loan** – tech hubs in Lagos will be able to borrow up to ₦50m ($140,000) at 0% interest rate for four years from the government in order to grow operations or open a new space.
3. **Event Sponsorship** – in order to promote the tech ecosystem's development, the government is making grants of up to ₦5m ($14,000) available for various events (pitch events, hackathons, etc.).
4. **Programme Vouchers** – like workspace vouchers, the government will be subsidising entrepreneurs who want to take part in programmes that will benefit their start-ups' development (accelerator programmes, programming courses, etc.). Expected to launch in Q2.
5. **Accelerator Programme** – Lagos Innovates will be partnering with an accelerator programme in the city for two cohorts of ten start-ups to go through a twelve-week programme. The first ten start-ups are expected to start the programme in Q2.
6. **Co-Investment Scheme** – the government will look to de-risk early stage start-ups by matching funding put in by other investors (angels, incubators, seed funds, etc.). Expected to launch in Q3.

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 Nigeria.

In recent years, the government has stepped in to incentivise banks to work more closely with SMEs. One example of this has been the *Small and Medium Enterprises Credit Guarantee Scheme*, which provided participating banks with a guarantee on loans made to SMEs that met specific guidelines. More recently, the government launched *the Development Bank of Nigeria*, with the express aim of promoting financial access to SMEs.

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, in order 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.

Typical funding instrument: *Debt*

Typical funding amounts: *< ₦90m ($250,000)*

Non-financial benefits: *None*

IMPACT INVESTORS

Typical funding instrument: *Grant, Equity + Debt*

Typical funding amounts: *₦18m – ₦720m ($50,000 – $2 million)*

Non-financial benefits: *Mentorship, connections*

Impact or social investment refers to funds that invest with the intention to create a positive social or environmental impact. In addition to the social impact, these investors aim to earn a financial return on these investments, or at least attempt to recover the funds invested. The expected rate of return for these investments is sometimes below the market rate.

Impact investors are an eclectic group *looking to invest capital with the intent of generating positive social impact beyond financial return*. They include *high net worth individuals (HNWIs)*, family offices, foundations, banks, pension funds, impact-focused VCs and angels, and *development finance institutions (DFIs)*. 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.

Nigeria's impact investment scene is only just emerging, with most investors holding the view that investing in Nigeria's companies (as long as they do not actively damage the environment or cause social ills) will likely result in a positive impact.

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 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.

Typical funding instrument: *Equity + Mezzanine*

Typical funding amounts: *< ₦360m ($1 million)*

Non-financial benefits: *Office space, mentoring*

VENTURE CAPITAL FIRMS

Typical funding instrument:
Equity + Mezzanine

Typical funding amounts:
₦36m to ₦1.1b ($100,000 – $3 million)

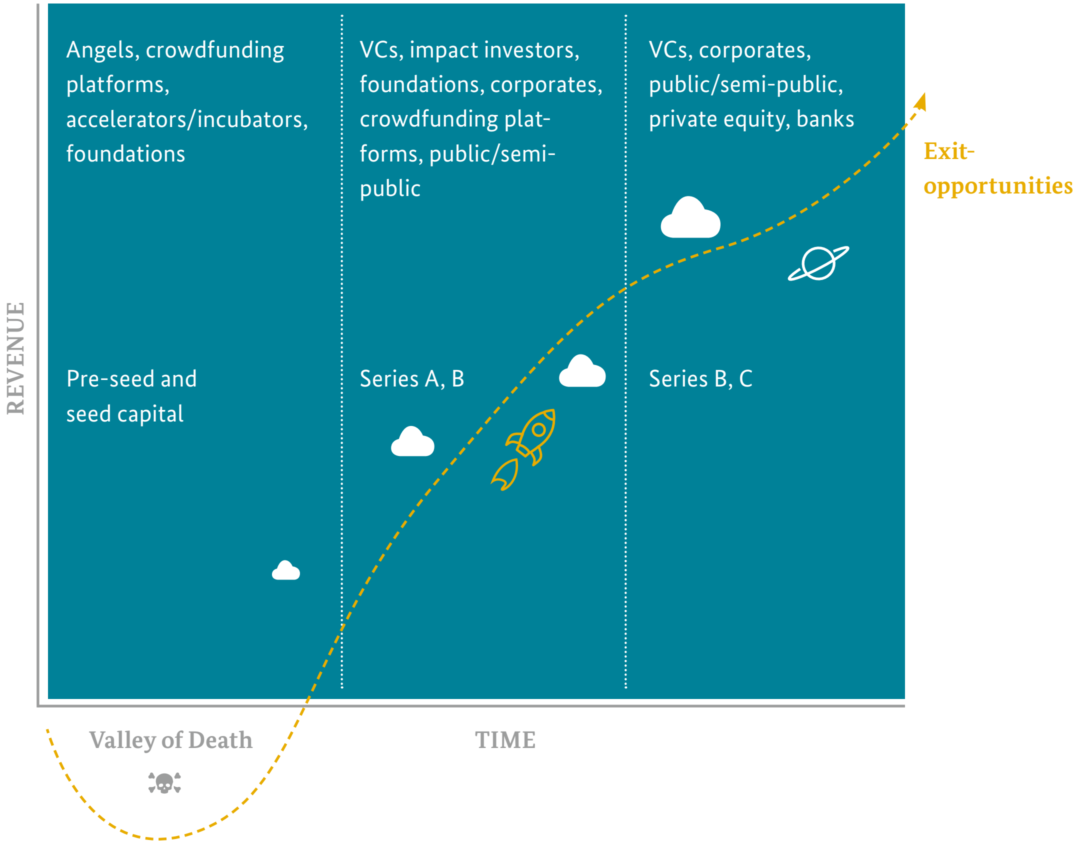
Non-financial benefits: *Mentorship, access to office space, recruiting help, help setting up governance and business processes*

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 Nigeria, 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 vally 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

Typical funding instrument:
Equity
Typical funding amounts:
> ₦360m ($1 million)

Non-financial benefits: *Mentorship, business connections*

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, they tend to invest much larger amounts than VCs — ₦1.8b ($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. In Nigeria, PE investors *typically participate in deals* via acquisitions of minority stakes, management buyouts, and restructurings. 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

In Nigeria, getting funding is all about who you know. 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 Nigeria, 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 take place around Lagos and Abuja. 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 incubawtor 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
Description	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
Approximate Funding Needs	₦0 – ₦7.2m ($0 – $20 K)	₦7.2m – ₦18m ($20k – 50k)	₦18m – ₦54m ($50k – 150k)	₦36m – ₦180m ($100k – 500k)	₦180m – ₦720m+ ($500k – 2m+)
Potential Investors	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. 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

As is stated throughout this guide, networking is crucial for businesses in Nigeria. One reason is that 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:

1. **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.
2. **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.
3. **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).
4. **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 boot-strapped 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.**

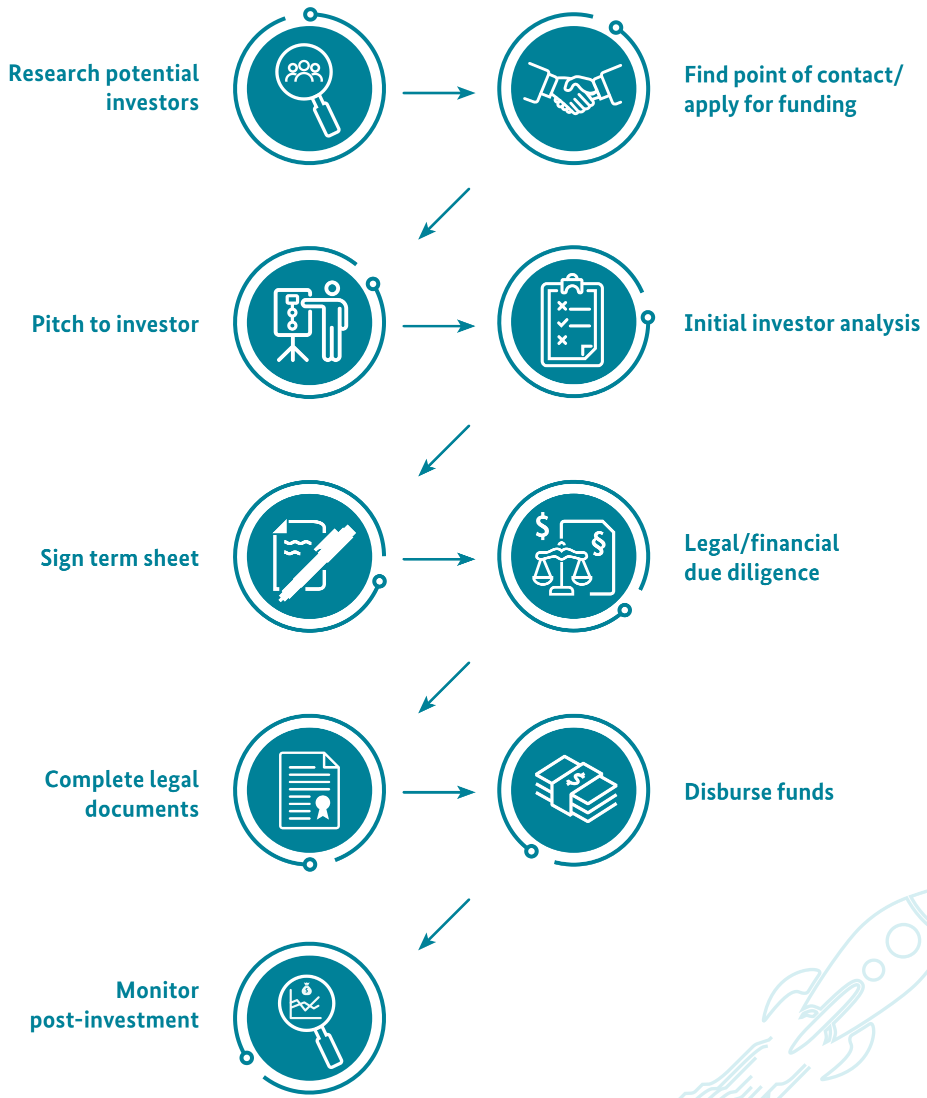
The decision on when to fundraise also depends on the founders' connections and experience in the start-up industry. If you have exited several companies in the past and have connections to investors, then the timing of the fundraising process will be different than for someone who is a first-time founder.

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 could leave behind so 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 elevator pitch)
- 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 customisation/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.

Three Fundraising Tips from Francis Sani, Acceleration Programmes Manager at CcHUB

1. **Create something unique.** Some start-ups come up with new features to add to existing solutions, but do not actually build something that is truly new. Investors will know the difference between a genuine innovation and a product with new features.
2. Have a good understanding of your market. Founders should truly understand the market situation; importantly, they should know how to make money from solving problems in the market. Some start-ups have false assumptions and struggle to gain traction.
3. Show commitment to solving a problem. Some of the most successful entrepreneurs have a proven track record of working on solving a problem — at school, in their past jobs, and in the start-ups they create. Investors like to see someone who is committed to solving a problem.

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 ₦7.2m ($20k) is valued at ₦36m ($100k) it implies a value to sales multiple of five (₦36m/₦7.2m, 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 ₦14.4m ($40k) its valuation would therefore be ₦14.4m x 5 = ₦72m (or $40k x 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 Lagos 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.

Three More Tips From CcHUB's Francis Sani

1. **Do not make assumptions about your product.** While you may have a good idea about your market, be ready to accept user feedback and pivot if your early adopters are using your product in ways you did not expect. Do not force a solution that they do not want.
2. Do your homework on partners and investors. What do they bring to the table? Look for people who will truly add value to your business.
3. Understand both online and offline aspects of your business. In Nigeria, even tech start ups need to conduct at least some of their business offline. Just because you build a platform or website for your business, it does not mean clients will feel comfortable transacting there — think about how to approach offline transactions before you build your site.

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
Nigeria's Investment Scene

IV.

Chapter IV: Nigeria's Investment Scene

A BRIEF HISTORY

How did Nigeria's tech entrepreneurship ecosystem develop into what it is today? We take a look at some of the biggest developments that led to its rise

See page 72

CHOOSING A MARKET FOCUS

Not every tech company in Nigeria will interest investors equally. We explain what markets are the most appealing to investors

See page 75

INVESTOR SCENE GROWING, BUT FROM A SMALL BASE

We look at the growth of capital available to tech start-ups, how it has grown over the past decade, and what to look out for among Nigeria's investors

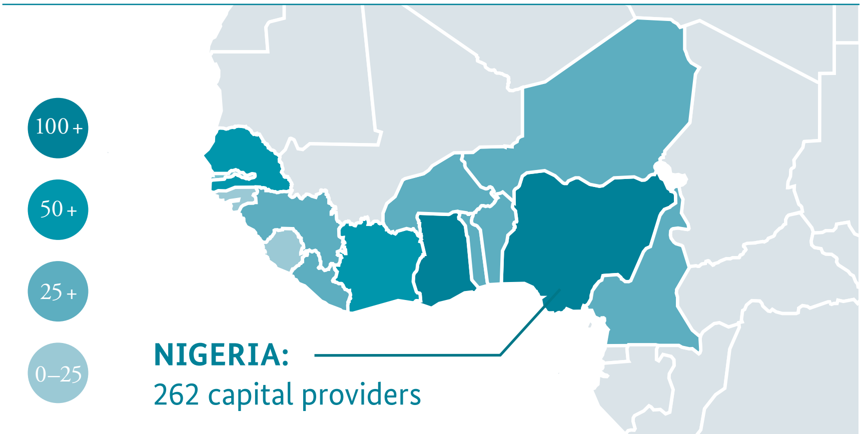
See page 76

Nigeria is the most populous country in Africa, and is also the largest economy on the continent. It is growing rapidly, and analysts are bullish on its prospects. Furthermore, of the roughly 185 million Nigerians, there are an *estimated 148 million mobile subscribers*, and *92 million internet subscriptions on mobile devices*.

The impressive number of mobile internet subscribers is likely overblown, how-ever, as people often have multiple subscriptions set up. Nigeria also has a high unemployment rate and ranks poorly on the World Bank's *Doing Business* rankings.

In short, it is a rapidly-modernising country with a number of challenges for entrepreneurs to tackle. This makes for fertile breeding ground for start-ups who want to not only create interesting, innovative, and profitable companies, but also to effect change and make life better for fellow Nigerians.

It is not surprising, then, that Nigeria has the most funders of all West African countries, according to the *AlliedCrowds Capital Finder*. We estimate 262 funders[1] are active in the country; this number includes not only local but also international investors that are active in the country and the wider region.



Nigeria has the most funders of all West African countries, according to the AlliedCrowds Capital Finder.

1 By funders we mean various types of capital providers, 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.

A Brief History

Given the size of the population, and the citizens' increased tech savvy, there is a lot of interest among investors for Nigerian tech start-ups. Most start-ups are still very young, but they are growing quickly. Among the first tech start-ups to enter the country were Jumia and Konga, who are attempting to become the Amazon for Nigeria (and beyond). They not only led the way and showed the potential of the space, but also trained a number of developers. These developers either started their own firms, or new start-ups hired them away. At the same time, people began to recognise the potential for Nigeria's tech scene and began to form a community around it; among the earliest entrants here was Co-Creation Hub (CcHub), which is Make-IT in Africa's implementing partner for its accelerator programme in Lagos. Next, Andela started up and began to channel the interest in start-ups into a training programme for developers, connecting them with talent seekers around the world. This growth in Nigeria's talent pool has made for a more sophisticated startup ecosystem in the country.

Along the way, a collaboration between *CcHUB, MainOne, Techno-Vision*, and the *Lagos State Government* embarked on an effort to solidify a tech community in Lagos. This resulted in *Yaba i-HQ*, an initiative to *stretch a 27km fibre optic cable* around the Yaba neighbourhood in 2012. Since then, the number of start-ups has grown and they have *begun to form a community*.

Top Africa- and Nigeria-Focused Tech Blogs and News Sites

Name	URL
Disrupt Africa	*http://disrupt-africa.com/*
VentureBurn	*http://ventureburn.com/*
TechLoy	*https://medium.com/techloy*
Afrinnovator	*http://afrinnovator.com/*
Timbuktu Chronicles	*http://timbuktuchronicles.blogspot.co.ke/*
TechCabal	*http://techcabal.com/*
MacJordan	*http://macjordangh.com/blog/*
TechMoran	*https://techmoran.com/*
Naija Tech Guide	*https://www.naijatechguide.com/*
TechPoint	*https://techpoint.ng/*
TechTrends	*http://www.techtrendsng.com*
TechCity	*https://www.techcityng.com/*

Universities' Interest in Entrepreneurship

Technology and IT companies have been around for a long time in Nigeria. However, this current wave of start-ups is benefiting from an increased interest in start-ups around the world, as well as better access to information thanks to the internet, and a growing support system (hubs, investors, news coverage, etc.) that has not existed in the past.

One emerging trend is universities' interest in entrepreneurship. Some of the leading academic institutions offer entrepreneurship programmes. The chart below shows some of these programmes.

Name	URL
Pan-Atlantic University	*http://www.pau.edu.ng/units/edc/*
University of Ibadan	*http://cei.ui.edu.ng/undergraduate*
Covenant University	*http://covenantuniversity.edu.ng/Colleges/CBSS#.WikEwEpl_IU*
Federal University of Technology, Minna	*http://semt.futminna.edu.ng/departments/Entrepreneurship_and_Business_Studies/*
University of Benin	*http://uniben.edu/#*
University of Abuja	*https://www.uniabuja.edu.ng/academics/institutes-centres/centre-for-entrepreneurial-studies*
Federal University, Owerri	*http://futo.edu.ng/smat/*
University of Agriculture, Abeokuta	*http://cents.unaab.edu.ng/*
Afe Babalola University	*http://www.abuad.edu.ng/entrepreneurship/*
Samuel Adegboyega University	*http://www.sau.edu.ng/colleges/colmas/ebs.php*
Federal University, Akure	*https://emt.futa.edu.ng/page.php?pageid=1465*
Bayero University Kano	*http://sms.buk.edu.ng/?q=node/10*
Babcock University	*http://publication.babcock.edu.ng/assets/form_docs/PostgradAdmissionAdvert20172018.pdf*
Michael Okpara University of Agriculture	*http://colmas.mouau.edu.ng/entrepreneurial-studies*
Federal University Oye-Ekiti	*http://cedss.fuoye.edu.ng/afilliate-programs*
American University of Nigeria	*http://www.aun.edu.ng/academics/undergraduate/majors/management-entrepreneurship*

Choosing a Market Focus

Across the continent, *fintech is a popular sector with investors*. This is also true in Nigeria, with companies like Riby and Paystack attracting significant investor interest.

Targeting Consumers

The most prominent tech start-ups globally are the ones people interact with on a daily basis, like Instagram, Venmo, WhatsApp, and the like. They target consumers, not businesses.

Many Nigerian start-ups, however, find it difficult to crack the B2C market, where the costs of acquiring a new user is high and the typical user's spending power low. Besides the *fast moving consumer goods (FMCG)* companies, few companies have been able to tap into the B2C market successfully.

Start-ups' lack of desire to target consumers is also because the potential market size is not as large as the headline numbers suggest. One entrepreneur, for instance, pointed out that telecoms sell data bundles that restrict data usage to specific apps, like WhatsApp or Facebook — they will not be able to access your start-up's online service. Multiple other start-ups and investors also stated that while the country has a large population overall, it has a small middle class.

Targeting Businesses

For these reasons, many of the start-ups in Nigeria target businesses, who have more cash to pay for the start-ups' products and services; start-ups who start out as B2C end up pivoting to B2B or *business to business to consumer* (B2B2C). If your solution is a truly B2C one, potential investors will likely ask a lot of questions around how you plan to make money in a market where so many others have not had success. Expressing the sentiment that *Nothing goes viral in Nigeria*, one investor in Nigerian start-ups said it is important for start-ups to think carefully through their customer acquisition and growth strategy.

Investor Scene Growing, but From a Small Base

The proliferation of tech start-ups has led to more investors entering the scene. These range from grant-making bodies, like *Tony Elumelu Foundation's Entrepreneurship Programme*; to incubators and accelerators that run training programmes for entrepreneurs and sometimes give funding at the end of the programme; to early-stage investors like Singularity and later-stage private equity investors like Helios.

Despite the number of investors entering the market, however, there remains a gap in terms of funding for early-stage start-ups — those looking to raise ₦36m ($100k) and below. The later-stage funders can write cheques of ₦1.8b ($5m) and upwards, as long as the business matches their criteria and has promise. But, they are unable to invest in smaller start-ups.

Local vs. International Investors

As the start-up scene continues to flourish in Nigeria, it is attracting growing interest from both local and international investors. This has generally been a good thing: greater competition among investors and increased capital flows mean better opportunities for start-ups. But, generally speaking, there are differences between what local and international funders offer to start-ups. Here are a few things we heard:

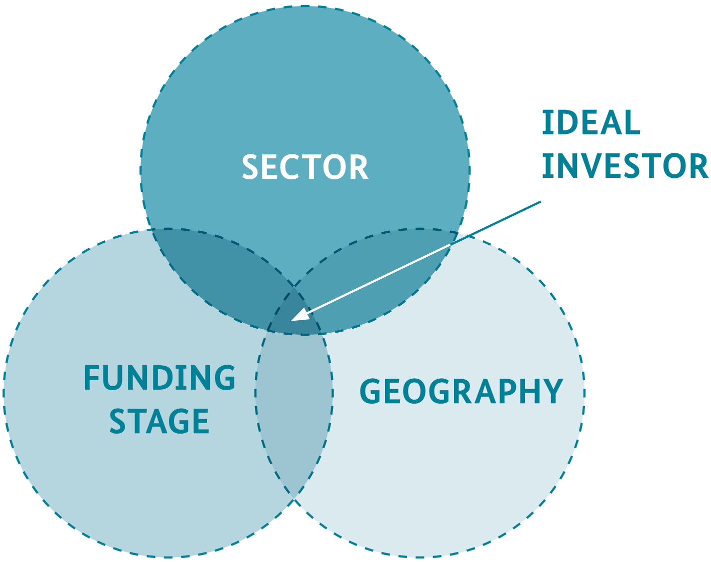
→ **International investors are more founder-friendly.** They typically take a smaller equity share and are more comfortable investing in the potential of the idea, rather than the current market share or traction to date. They may also be more comfortable with waiting longer for an exit opportunity

- **Local investors know the market players.** This is quite obvious, but something that entrepreneurs can forget. If you are creating a product exclusively for the Nigerian market, most international investors will be unable to help much with connections or industry expertise. This is especially true for B2B start-ups, where getting the right contract can pay the bills for a long time. Often, it is better to take less money at worse terms and get the right investors' connections, than be allured by a large cheque.
- International investors may not understand the country context. When pitching to them, you will need to explain not only your idea, but also the market structure and how your idea can be developed into a profitable product. Furthermore, you may need to explain macroeconomic developments when presenting your progress. One start-up, for instance, noted that following the naira depreciation over the last several years, start ups reporting their revenues in dollars had to explain why their businesses were not doing well, even if, in naira terms, they were still growing.

This has made accelerator and incubator programmes more important, and it has meant a big role for angel investors to fill the gap. While the number of such investors is growing, the demand for money still outstrips supply, meaning investors have more negotiating power and generally get to shop around before they find a start-up in which they want to invest.

That has led some entrepreneurs to chase investors that may not be a good fit. This can be ruinous to a company. Ideal investors should be able to offer a start-up time and access in addition to money. If an investor has never been active in a start-up's market, he or she is unlikely to be able to provide connections that can make or break a business. And if the investor doesn't know anything about your market, the advice he or she provides will be limited.

For that reason, both investors and entrepreneurs we spoke with in Lagos emphasised the importance of conducting research on the investors that an entrepreneur approaches. One investor stated that entrepreneurs should research an investor's: a) *typical funding stage;* b) *target geography;* and c) *target sector.* Ideal investors should fill all three criteria; at the very least, they should fill two.



One type of funding that is notably missing in Nigeria is impact investing. The attitude of many investors is that funding start-ups already brings a positive impact through job creation. This means entrepreneurs are less likely to encounter investors who ask about what Sustainable Development Goals their start-up is supporting, or how they plan to measure their impact.

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 knowledgably, 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?

Chapter V.
Investor Directory

Chapter V: Investor Directory

The following is a list of funders that fund tech and tech-enabled start-ups in Nigeria. 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 answers below have been edited for clarity and due to space constraints.

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

Company Name	**Fast Forward Student Innovation Fund**
Website	*http://fastforward.com.ng/*
Year Founded	2017
Focus Country / Region	Nigeria
Average Investment Size	**₦18k – 1.4m ($50 – 4000)**
Sectors of Interest	Tech-enabled businesses
Average Time to close a Deal	2 weeks
Type of Capital	Equity
Average IRR Sought	300%
Average Time to exit	2 – 5 years
Type of Exit Sought	Merger & Acquisition

Management Control

Board seats

Investor Vision

FastForward Student Innovation Fund identifies, funds, and supports the start-ups and innovative companies of tomorrow today, while their founders are still students or recent graduates

Funding Goals

Every 6 months, we invest in select projects/businesses from Nigerian higher institutions
Founders/Innovators must be students/recent grads and be ready to live on/near campus

Entrepreneurship Experience

25 years + combined

Technical Experience

15 years + combined

Services Additional to Funding

Mentorship, strategic partnerships

Company Name	**Enspire Hub**
Website	*http://enspire.org.ng/*
Year Founded	2009
Focus Country / Region	Nigeria
Average Investment Size	**₦360k ($1000)**
Sectors of Interest	Technology, innovation and entrepreneurship
Average Time to close a Deal	2 weeks
Type of Capital	Grants
Average Time to exit	4 months

Management Conrol

Advisory board

Investor Vision

Incubate and develop idea based start-ups that would be resident in the Abuja Technology Village Science and Tech Park

Funding Goals

Provide funding in excess of $5000 each to 100 start-ups annually

Entrepreneurship Experience

23+ years cumulative

Technical Experience

14 years cumulative

Services Additional to Funding

Incubation

Company Name	**Tony Elumelu Foundation**
Website	*https://tonyelumelufoundation.org/*
Year Founded	2010
Focus Country / Region	Africa
Average Investment Size	**₦1.8m ($5000)**
Sectors of Interest	Various
Average Time to close a Deal	A few months
Type of Capital	Grant

Management Conrol
Advisory board

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 than

Technical Experience
Significant technical experience

Services Additional to Funding
Mentoring, training, networking

"we"nnovation HUB

Company Name	**Wennovation Hub**
Website	*http://www.wennovationhub.org/*
Year Founded	2010
Focus Country / Region	Nigeria
Average Investment Size	**₦1.8m ($5000)**
Sectors of Interest	Agriculture, healthcare, education, clean energy and social impact
Average Time to close a Deal	6 weeks
Type of Capital	Equity
Average Time to exit	7 years
Type of Exit Sought	Transfer of equity

Management Control
Board seat

Investor Vision
To achieve sustainable development in Africa by fostering innovation among the youth population; inspiring and empowering entrepreneurs to provide high impact solutions to the socioeconomic challenges

Funding Goals
Our goal is to fund high impact entrepreneurs who are providing tech enabled solutions to Africa's core challenges. We fund early stage social enterprises building next generation infrastructure for Nigeria

Entrepreneurship Experience
Combined experience of over 40 years

Technical Experience
Combined experience of over 30 years

Services Additional to Funding
Incubation, mentoring, entrepreneur training, consulting, coworking and research

Company Name	**Lagos Angel Network (LAN)**
Website	*http://www.lagosangelnetwork.net/*
Year Founded	2013
Focus Country / Region	Nigeria
Average Investment Size	**₦1.8m – 3.6m ($5,000 – 10k) per member**
Sectors of Interest	Tech, high growth sectors including retail, agriculture, services
Average Time to close a Deal	1 month
Type of Capital	Equity
Average IRR Sought	25%
Average Time to exit	7 years
Type of Exit Sought	Exit during higher investment rounds. trade buy, IPO

Management Control
Board representation is typical if LAN leads angel round

Investor Vision
LAN is the first members-only network in Nigeria specifically created to finance early- stage and start-up businesses. The aim of the network is to drive job creation and foster collaboration amongst individuals and institutions interested in promoting or engaging in entrepreneurship, especially in the south west region of Nigeria

Funding Goals
LAN is an association of committed members that provide early stage, seed funding and mentoring for start-up entrepreneurs. Business Angels expect to earn a healthy return on their investments while supporting the development of the Nigerian economy by strengthening start-ups and helping new small business owners grow

Entrepreneurship Experience
Varies by angel investor. Most have above 15 years

Technical Experience
Varies by angel investor, but typically extensive

Services Additional to Funding
Mentoring, access to contacts

Company Name	**Microtraction**
Website	*www.microtraction.com*
Year Founded	2017
Focus Country / Region	Nigeria
Average Investment Size	**₦5.4m – 23m ($15k – 65k)**
Sectors of Interest	Technology
Average Time to close a Deal	30 – 45 days
Type of Capital	Equity
Average IRR Sought	30%
Average Time to exit	4 – 10 years
Type of Exit Sought	Acquisition, IPO, secondary sale

Management Control

seat nomination rights

Investor Vision

To be the first and preferred investor for the very best African start-ups

Entrepreneurship Experience

Between the investment and advisory team, over 10+ start-ups and 3+ angel/venture funded companies

Technical Experience

4+ years of product design and development

Services Additional to Funding

Business development, hiring/talent network, fundraising, mentorship, corporate networking

Company Name	**Imeela**
Website	*https://imeela.com/*
Year Founded	2016
Focus Country / Region	Nigeria
Average Investment Size	**<₦18m (<$50k)**
Sectors of Interest	small businesses and tech start-ups
Average Time to close a Deal	60 days
Type of Capital	Crowdfunding

Investor Vision
Grow ideas

Funding Goals
To help eliminate barriers to creativity, innovation and passion, while making fundraising and soliciting easier

Entrepreneurship Experience
8 years

Technical Experience
10 years

Services Additional to Funding
Education

sasware
A Signal Alliance Company

Company Name	**Sasware**
Website	*http://saswarenigeria.com/*
Year Founded	2014
Focus Country / Region	Nigeria
Average Investment Size	**₦10m ($28k)**
Sectors of Interest	Technology
Average Time to close a Deal	Varies from opportunity to opportunity
Type of Capital	Equity
Average IRR Sought	About 30%
Average Time to exit	Varies
Type of Exit Sought	Sales of shares

Management Control
About 45% of board seat

Investor Vision
To have investment in all thriving sectors

Funding Goals
To provide young entrepreneurs with the tools and resources they need to develop and take their business to the next level

Entrepreneurship Experience
Enough to add value

Technical Experience
Enough to spot and evaluate opportunities

Services Additional to Funding
Mentoring, business support such as accounting, office space and marketing

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

Services Additional to Funding

Business advisory, product development, network effect, office space

Beta.Ventures

Company Name	**Beta.Ventures**
Website	*http://beta.ventures/*
Year Founded	2017
Focus Country / Region	Nigeria
Average Investment Size	**< ₦36m (<$100k)**
Sectors of Interest	Mobile, technology
Average Time to close a Deal	3 – 4 months
Type of Capital	Equity
Average IRR Sought	40 – 50%
Average Time to exit	5 – 7 years
Type of Exit Sought	Sell-down equity in future rounds

Investor Vision

We help build amazing companies that scale. Beta.Ventures invests in driven, early-stage entrepreneurs scaling tech and tech-enabled start-ups to become market leaders

Funding Goals

We invest early and support Nigeria's leading tech entrepreneurs. Beta.Ventures works closely with founders and teams from product idea to product launch through to the next stage of company development. We are focused on the opportunities made available by a 1.2 billion-person, mobile phone enabled Africa

Entrepreneurship Experience

30+ years

Technical Experience

Technical undergraduate degrees from US institutions

Services Additional to Funding

Networking, mentorship

Company Name	**Greentree Investment Company**
Website	*http://www.greentreeinvestmentcompany.com/*
Year Founded	2015
Focus Country / Region	Nigeria
Average Investment Size	**₦18m – 54m ($50k – 150k)**
Sectors of Interest	Fintech, software as a service
Average Time to close a Deal	4 – 6 weeks
Type of Capital	Equity and/or convertible debt
Average IRR Sought	30%; though based on prevailing market conditions
Average Time to exit	Long term investor; 5 – 7 year investment horizon
Type of Exit Sought	Share sale, however we are structured to hold good investments indefinitely

Management Control
Board seat and management reporting requirements

Investor Vision
To help businesses grow quickly and sustain-ably

Funding Goals
We are committed to the growth of the businesses we invest in, leveraging our extensive collective expertise to grow and add value to our portfolio companies

Entrepreneurship Experience
Over 40 years building successful and sustainable businesses

Technical Experience
Domain experts in finance, sales and marketing, management consultancy and asset management

Services Additional to Funding
Mentoring and network

STARTPRENEURS
bringing ideas to life

Company Name	**StartPreneurs**
Website	*http://startpreneurs.com.ng/*
Year Founded	2016
Focus Country / Region	Nigeria
Average Investment Size	**₦36m ($100k)**
Sectors of Interest	Broad sector approach (artificial intelligence, augmented reality)
Average Time to close a Deal	3 months
Type of Capital	Equity
Average IRR Sought	10%
Average Time to exit	5 years
Type of Exit Sought	Acquisition

Management Control
Director advisor

Investor Vision
Build and exit socially impactful start-ups

Funding Goals
To speed up all entrepreneurial development through a combination of financial support and hands-on guidance

Entrepreneurship Experience
Over 25 years

Technical Experience
Over 30 years

Services Additional to Funding
Accelerator, mentorship, finance

Company Name	**Afvest**
Website	*http://www.afvest.co/*
Year Founded	2012
Focus Country / Region	*Sub-Saharan Africa*
Average Investment Size	**₦36m ($100k)**
Sectors of Interest	Sector-agnostic
Average Time to close a Deal	2 – 3 months
Type of Capital	Equity
Average IRR Sought	25%
Average Time to exit	Indefinite; A long-term view(investments with no plans to exit)
Type of Exit Sought	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
Over 20 years

Technical Experience
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

Company Name	**FINCA Ventures**
Website	*https://www.finca.org/our-work/social-enterprises/finca-ventures/*
Year Founded	1985
Focus Country / Region	Nigeria
Average Investment Size	**₦18m – 126m ($50k – 350k)**
Sectors of Interest	Agnostic; but, focus on energy, WASH, education, health, agriculture, FinTech
Average Time to close a Deal	2 – 3 months
Type of Capital	Equity, quasi-equity, convertible debt
Average IRR Sought	No mandate
Average Time to exit	No firm timeline
Type of Exit Sought	No preference

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.

Company Name	**Global Partnerships/Eleos Social Venture Fund**
Website	*http://www.globalpartnerships.org/social-venture-fund/*
Year Founded	1994
Focus Country / Region	Sub-Saharan Africa
Average Investment Size	**₦36m ($100k) seed, ₦126m ($350k) Series A round**
Sectors of Interest	Education, energy, health, livelihoods, sanitation, water
Average Time to close a Deal	6 – 9 months
Type of Capital	Preferred equity, convertible debt, revenue-based securities, demand dividend securities, other
Average IRR Sought	Capital preservation with up to 2.50% annual return
Average Time to exit	7 – 10 years
Type of Exit Sought	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

Funding Goals

Expand opportunity for people living in poverty in East Africa

Entrepreneurship Experience

Jim Villanueva, the SVF's Managing Director, is a longtime entrepreneur and investor in growth companies

Technical Experience

In his role as Executive Director of the Eleos Foundation, Villanueva provided enterprise support to a portfolio of 10+ social enterprises

Services Additional to Funding

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

Company Name	**GreenTec Capital Partners**
Website	*www.greentec-capital.com*
Year Founded	2015
Focus Country / Region	*Sub-Saharan Africa*
Average Investment Size	**₦36m – 1.4b ($100k – $500k)**
Sectors of Interest	Agriculture, resources (e.g., energy, water), digital, ITC
Average Time to close a Deal	3 months
Type of Capital	Equity (Results4Equity approach)
Average IRR Sought	>20%
Average Time to exit	4 – 5 years
Type of Exit Sought	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

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

Company Name	**Singularity Investments**
Website	*https://www.singularityinvest.com/*
Year Founded	2014
Focus Country / Region	Sub-Saharan Africa/North America
Average Investment Size	**₦36m – 360m ($100k – 1m)**
Sectors of Interest	Technology/media/telecommunication
Average Time to close a Deal	2 weeks, depending on the lead investors
Type of Capital	Equity
Average Time to exit	3 years
Type of Exit Sought	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

eVA Fund

Company Name	**eVentures Africa Fund**
Website	*http://www.eva-fund.com/*
Year Founded	2010
Focus Country / Region	Sub-Saharan Africa
Average Investment Size	**₦36m – 360m ($100k – 1m)**
Sectors of Interest	Internet/mobile apps/e-commerce
Average Time to close a Deal	3 – 6 months
Type of Capital	Equity and mezzanine
Average IRR Sought	20%
Average Time to exit	4 – 6 years
Type of Exit Sought	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

GreenHouse CAPITAL

Company Name	**GreenHouse Capital**
Website	*http://greenhouse.capital/*
Year Founded	2016
Focus Country / Region	Nigeria
Average Investment Size	**₦90m ($250k)**
Sectors of Interest	Fintech
Average Time to close a Deal	5 months
Type of Capital	Equity
Average IRR Sought	32%
Average Time to exit	8 years
Type of Exit Sought	M&A and secondary offering

Management Control

At least one board seat, protective clauses, milestone based capital deployment strategy

Investor Vision

To be the largest owner of African fintechs (by portfolio market cap)

Entrepreneurship Experience

20+ years collectively

Technical Experience

Strong technical experience led by the founding partners

Services Additional to Funding

Business development, mentoring, administrative services

Company Name	**Factor[e] Ventures**
Website	*http://www.factore.com*
Year Founded	2013
Focus Country / Region	Sub-Saharan Africa, India, South Asia and Latin America
Average Investment Size	**₦72m – 252m ($200k – $700k)**
Sectors of Interest	Energy, agriculture, waste, and resource management (including sanitation); sustainable mobility
Average Time to close a Deal	8 months
Type of Capital	Equity
Average IRR Sought	Depends on investment context
Average Time to exit	Depends on investment context
Type of Exit Sought	Depends on investment context

Management Control

Board seat, high-touch involvement in operational and technology matters through closing working partnerships with management teams

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.

Company Name	**Africa Tech Ventures**
Website	*www.africatechventures.co*
Year Founded	2016
Focus Country / Region	East Africa, Nigeria, Ghana, Southern Africa
Average Investment Size	**₦36m – 1.8b ($100k – 5m)**
Sectors of Interest	Tech enabled in sectors of agriculture, education, employment, financial inclusion, healthcare and infrastructure
Average Time to close a Deal	3 months
Type of Capital	Equity
Average IRR Sought	25%
Average Time to exit	6 – 8 years
Type of Exit Sought	Trade sale or sale to another investors

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 and number 1-3 players in their niche, and thereby creating superior financial returns and real impact through increased access of affordable essential goods and services and job creation

Funding Goals

To 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

Company Name	**Accion Venture Lab**
Website	*https://www.accion.org/venturelab*
Year Founded	2012
Focus Country / Region	Pan Africa/Global
Average Investment Size	**₦108m – 180m ($300k – 500k)**
Sectors of Interest	Fintech
Type of Capital	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

Company Name	**Africa Enterprise Challenge Fund (AECF)**
Website	*http://www.aecfafrica.org/*
Year Founded	2008
Focus Country / Region	Sub-Saharan Africa
Average Investment Size	**₦90m – 541m ($250k – 1.5m)**
Sectors of Interest	Agriculture, renewable energy
Average Time to Close a Deal	6 months
Type of Capital	Grants/zero interest loans on a challenge model
Average IRR Sought	0% on loans
Average Time to Exit	6 years
Type of Exit Sought	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

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

KFW DEG

Company Name	**DEG Up-Scaling Programme**
Website	*https://www.deginvest.de/upscaling*
Year Founded	2013
Focus Country / Region	Africa and India
Average Investment Size	**₦220m ($615k)**
Sectors of Interest	Sector-agnostic; focus on innovative firms
Average Time to Close a Deal	5 – 6 months, depending availability of client documentation/models.
Type of Capital	Repayable grant; to be repaid in 5 years if agreed milestones are met.
Average Time to Exit	Max 5 years
Type of Exit Sought	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

Company Name	**Acumen Fund**
Website	*http://acumen.org/manifesto/*
Year Founded	2001
Focus Country / Region	East Africa, West Africa, America, Latin America, India, Pakistan, Latin America
Average Investment Size	**₦271m ($750k)**
Sectors of Interest	Agriculture, financial inclusion, education, energy, health, housing, water
Average Time to close a Deal	4 – 6 months
Type of Capital	Equity, loans, and mezzanine
Average IRR Sought	17%
Average Time to Exit	7 – 10 years
Type of Exit Sought	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 program/lean data (impact measurement)/ post investment management support

Energy innovations.
Powerful collaborations.

Company Name	**All On**
Website	*http://www.all-on.com/*
Year Founded	2016
Focus Country / Region	Nigeria (Niger Delta focus)
Average Investment Size	**₦18m – 1.1b ($50k – 3m), depending on stage of firm**
Sectors of Interest	Clean Energy
Average Time to close a Deal	2 – 3 months
Type of apital	Equity, debt, mezzanine
Average IRR Sought	5% – 15%
Average Time to exit	Varies, but All On is a long term investor
Type of Exit Sought	Management buy out, larger investor purchasing our stake, acquisition, IPO

Management Control
Board role

Investor Vision
Our mission is to stimulate the development of collaborative partnerships for innovative solutions that facilitate increased access to affordable, reliable and sustainable energy source in Nigeria

Funding Goals
Supporting and investing in existing energy solution providers to help grow and achieve scale

Entrepreneurship Experience
Team is new and small

Technical Experience
Team is new and small

Services Additional to Funding
Business development, access to wide network of energy stakeholders, broader industry building, short term office space

Company Name	**V8 Capital Partners**
Website	*http://www.v8cap.com/*
Year Founded	2016
Focus Country / Region	Pan African
Average Investment Size	**₦180m – 1.8b ($500k – 5m)**
Sectors of Interest	Technology
Average Time to close a Deal	2 – 3 months
Type of Capital	Equity, mezzanine
Average IRR Sought	50%
Average Time to exit	3 – 5 years
Type of Exit Sought	Trade sale or IPO

Management Control
Board seat, venture builder

Investor Vision
Build the best African technologies that accelerates growth and wealth on the continent

Funding Goals
Deal by deal

Entrepreneurship Experience
10+ yrs

Technical Experience
15+ yrs

Services Additional to Funding
Coworking/master classes

TLcom Capital LLP

Company Name	**TLcom Capital**
Website	*www.tlcomcapital.com*
Year Founded	1999
Focus Country / Region	Sub-Saharan Africa
Average Investment Size	**₦180m – 3.6b ($500k – 10m)**
Sectors of Interest	Tech-enabled businesses
Average Time to close a Deal	Varies, typically 2 – 4 months
Type of Capital	Equity
Average IRR Sought	Varies
Average Time to exit	5 – 8 years
Type of Exit Sought	Vaires

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

Company Name	**IFC Venture Capital**
Website	*http://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Venture+Capital*
Year Founded	1956
Focus Country / Region	Global
Average Investment Size	**₦1.1b ($3m) minimum**
Sectors of Interest	Tech and tech-enabled companies

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.

Company Name	**Doreo Partnerst**
Website	*http://www.doreopartners.com/*
Year Founded	2012
Focus Country / Region	Nigeria
Average Investment Size	**₦1.8b – 3.6b ($5m – 10m)**
Sectors of Interest	Agriculture
Average Time to close a Deal	12 – 18 months
Type of Capital	Equity and loans

Management Control

Board seats and equity

Investor Vision

Create 10 million commercial farmers and 40 million jobs by 2030

Funding Goals

Job creation and food security through investing to unlock the productivity potential of the African farmer

Entrepreneurship Experience

Loans is truly an organisation where the employee base has grown in depth and experience alongside the growth of the company. It is a dynamic environment where employees have successfully displayed the flexibility to take on different roles within the company if/when the need arises

Technical Experience

Our employees are very experienced in areas integral to the collective knowledge and operation of the company. These sectors span across agriculture, computer science, accounting, corporate finance, sales, procurement, distribution and human resources

Services Additional to Funding

Kola Masha spends approximately 60% of his time with his direct reports, providing invaluable insights and guidance in their respective roles on a day-to-day basis

Company Name	**Convergence Partners**
Website	*http://www.convergencepartners.com/*
Year Founded	2006
Focus Country / Region	Sub-Saharan Africa
Average Investment Size	**₦1.8b – 9b ($5m – 25m)**
Sectors of Interest	Technology, media, telecommunications
Average Time to close a Deal	6 months
Type of Capital	Equity
Average IRR Sought	>25%
Average Time to exit	5+ years
Type of Exit Sought	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.

Company Name	**Energy Access Ventures**
Website	*www.eavafrica.com*
Year Founded	2015
Focus Country / Region	All of Sub Saharan Africa except South Africa
Average Investment Size	**Up to ₦2.9b ($8m)**
Sectors of Interest	Energy ecosystem
Type of Capital	Equity
Average Time to exit	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
Overcome the lack of access to electricity in Sub-Saharan Africa

Entrepreneurship Experience
Yes, 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, and access to a broad network

HELIOS INVESTMENT PARTNERS

Company Name	**Helios Investment Partners**
Website	*http://www.heliosinvestment.com/*
Year Founded	2004
Focus Country / Region	Pan-African
Average Investment Size	**Average is c. ₦25b ($70m); range is ₦11b – 36b ($30m – 100m)**
Sectors of Interest	Retail and consumer products, telecommunications, media and technology, financial institutions and services, power and energy, transportation, logistics and distribution
Average Time to close a Deal	Very variable given proprietary nature of what we do; estimate: 9 months
Type of Capital	Equity, loans
Average IRR Sought	25%
Average Time to exit	5 – 7 years
Type of Exit Sought	Sale to strategic or IPO

Management Control

In the start-ups, we take control or joint control positions. We always take board seats

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 companies operating in core sectors of important economies, with emphasizing portfolio operations as a creator of value

Entrepreneurship Experience

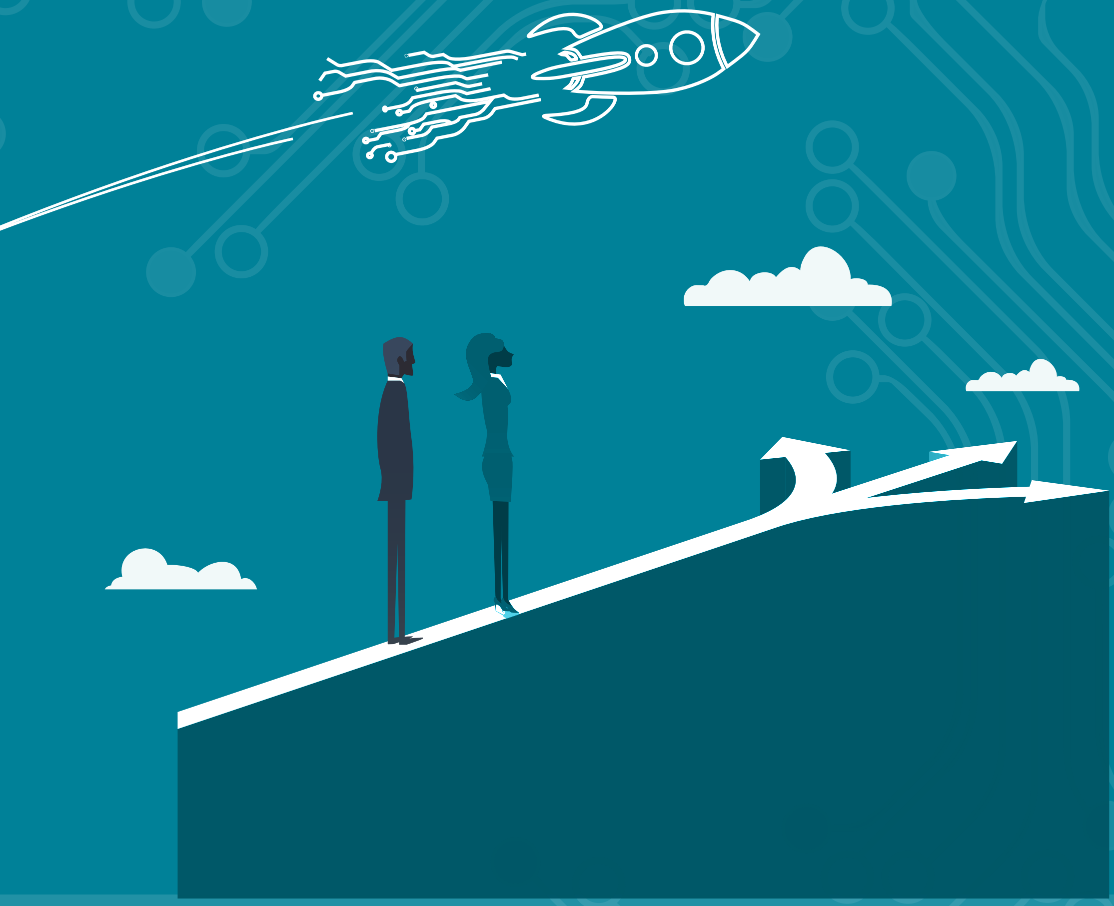
We founded and built numerous businesses on the continent. In the African environment, private equity can be a creator of businesses, not merely an optimizer of existing ones

Technical Experience

22 years average experience across investment, portfolio operations, and finance & admin

Services Additional to Funding

Organisation design, incentives and development; continual process improvement (Lean Six Sigma); and top-line growth (including pricing strategies)



Chapter
Conclusion

VI.

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

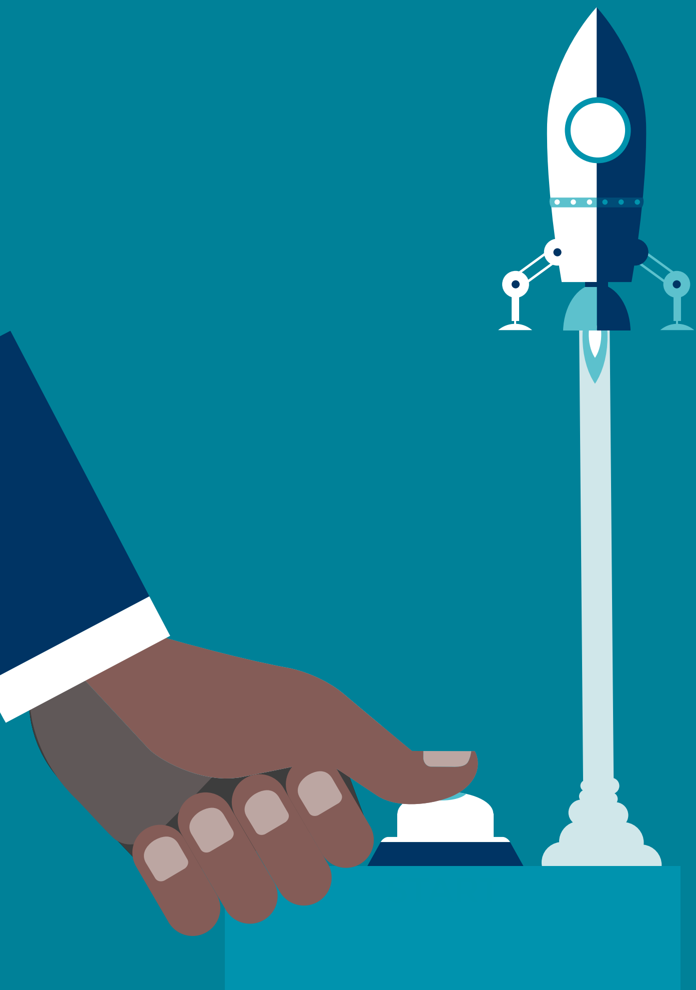
6. Do not raise too much money too quickly: if you cannot keep raising your company's valuation in future rounds, you will likely sputter and burn out

7. Local vs. international investors: there has been an uptick in interest among international investors in Nigeria – find out how they are different and if they are a better fit

8. 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:

ANDE's Lagos Entrepreneurial Ecosystem Snapshot
ANDE's Abuja Entrepreneurial Ecosystem Snapshot
EBAN's List of Document Templates, Including Term Sheet
YCombinator's List of Resources, Including Document Templates
BVCA's List of Document Templates
EchoVC's Application Process – Overview of What Investors Want to See
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
Nigerians in Diaspora Organisation



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 Nigeria 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 Nigeria'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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