

NOVEMBER 2022

CAPETOWN VC UNCONFERENCE FEEDBACK



Digital Collective Africa



DIGITAL COLLECTIVE AFRICA (DCA)

Digital Collective Africa is a collective of African investors, incubators, accelerators, and founders who aim to support early-stage startups

We work together on projects to limit friction and offer more transparency within the ecosystems.

We believe in the power of the collective to leverage individuals' talents.

 <https://www.digitalcollective.africa/>

CAPETOWN ATTENDEES

OVER 65 INVESTORS

Over 65 Investors across 3 continents Africa, Europe and Asia were present representing over 15 countries over the 2 days



INVESTORS

Cairo Angels, Octerra, Invenfin, Nedbank, Viridian, Knife capital, Lighthouse Venture Partners, Haske Ventures, Exe Ventures, Next176, DFS Labs, British International Investment, TLcom, Edge Growth, Endeavor, Norrsken22, Savant Venture Fund, Algebra, Flying Doctors Healthcare Investment Company, TBE Ventures, Founders Factory, Hlayisani Capital, Smart Capital, Enza Capital, AfricInvest, Grindstone Ventures

ENABLERS

Furaha, TIA, London Stock Exchange, KPMG, FMO, SAVCA, Our Digital Future, Wesgro, Saint-Gobain

ACCELERATORS

Launch Lab, Grindstone Ventures, Plug n Play, Counder, Startupbootcamp, Startup Grind Korea, Kingospring Accelerator & Investment for Startup

ECOSYSTEM

Briter Bridges, Ventures 54, BFA Global, AWS, The Big Deal



KEY DISCUSSION AREAS: DAY 1

Overview of the African Ecosystem

Presentation by Maxime Bayen from the Big deal on the Performance of the African Tech ecosystem in 2022/23.

The state of foreign Investment on the Continent

Presentation by Dario Giuliani on the investment ecosystem and how foreign investment fits in the African Context.

How do we enable a bridge of innovation & investment between African regions | Africa & the world

The future of Venture Capital in Africa. Harnessing Alternative financing

**How Government can play "nice" with Venture Capital. Lessons from Local Continental and international perspectives
ents, political will and geographical nuances**





OVERVIEW OF THE AFRICAN ECOSYSTEM

Maxime Bayen, The Big Deal



Presentation Here

Dario Briter Bridges



Presentation Here



ENABLING A BRIDGE OF INNOVATION & INVESTMENT BETWEEN AFRICAN REGIONS | AFRICA & THE WORLD

Session Led by Biola Alabi , Cairo Angels

The key questions addressed in this session were around how as an investor ecosystem we could build bridges and drive investment across different regions on the continent.

The role of Incubator and accelerator programs was highlighted as critical as well as a Case study of how the Senegalese government intentionally created a conducive environment for foreign startups to establish a market in Senegal.

ENABLING A BRIDGE OF INNOVATION & INVESTMENT BETWEEN AFRICAN REGIONS | AFRICA & THE WORLD



The discussion also addressed some of the challenges that were limiting foreign investment into the continent from the UK, and Europe.

An incorrect perception of the continent results in a lack of trust was a key hurdle. Some measures such as standardizing communication around pricing and valuations on deals as well as increasing local African representation in foreign investment teams at decision-making levels were suggested as solutions to change the negative narrative on the continent

“ Investing money into Africa is not a philanthropic event, we do it because it makes money - UK





HOW GOVERNMENT CAN PLAY "NICE" WITH VENTURE CAPITAL. LESSONS FROM LOCAL CONTINENTAL AND INTERNATIONAL PERSPECTIVES

Session Led by Matsi Modise, TIA

The session covered various case studies of institutions working with and on behalf of the Government both on the continent and abroad. Perspectives were shared on the **pros of working with government** funding including:

it is a long-term capital source that enables partners a long-term perspective in developing the ecosystem as well as the versatility of Government funding enough to allow higher risk investments in the early stage.

HOW GOVERNMENT CAN PLAY "NICE" WITH VENTURE CAPITAL. LESSONS FROM LOCAL CONTINENTAL AND INTERNATIONAL PERSPECTIVES



Challenges of working for and on behalf of the Government

Some challenges of working with and on behalf of the government were shared including;



- The existence of an education gap when interacting with Government agencies on how to structure programs so that they can provide returns coupled with impact.
- Setting reporting metrics to measure success while ensuring that all stakeholder goals align
- Matching expectations of what the government and other stakeholders need eg entrepreneurs' needs



Recommendations to take to Government

The group then provided the following recommendations to take back to the government

- Get out of the way to make it easier to transact.
- Leverage the related support services of developed markets like the UK and others and look to successful fintech/tech models applied elsewhere
- Create policies to allow better B2C interactions.
- Connecting to other governments on their success stories and learning from each other eg Tunisian and Rwandese success stories.
- Create alignment of policy not creating conflicting policy
- Enact policy to ensure easier movement of people between countries.

KEY DISCUSSION AREAS: DAY 2



Diversity & Inclusion

Gender diversity in investments is still far from ideal, how can we improve the statistics

Exits on the Continent

How do we achieve more viable exits on the continent and how do we prepare companies for exit

Best Practice, Sharing & Collaboration

Returns VS Impact are they mutually exclusive

Returns vs Impact, DFIs, LPs

Returns VS Impact are they mutually exclusive

Governments, political will and geographical nuances

Returns VS Impact are they mutually exclusive

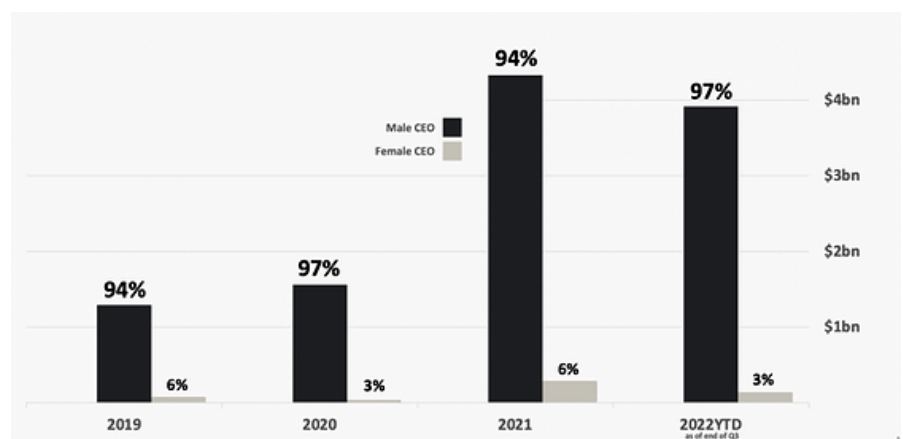
Valuations, Funding & Funding Rounds

Returns VS Impact are they mutually exclusive



DIVERSITY & INCLUSION

Following the disappointing statistics on female investment which has dropped in the last year, the group was tasked to discuss how to drive more gender inclusion within the investment space.



“ We should adopt the Glass half-full mentality vs half empty. Investing in women/ diverse groups does not take away from other groups, instead it increases value.

GENDER & DIVERSITY



Causes & challenges

- Is there a pipeline issue across the board?
- Priority is given to short-term wins vs long-term policy and real change ("VCS need a sure bet")
- Representation on VC teams at all levels
- Lack of female role models and male champions
- Women don't need empowerment or mentorship, they simply need funding
- Is Affirmative action needed?
- Diversity lacking - race, underrepresented groups
- Priorities of funders - even in this room
- Mindset (I can't) and Imposter syndrome
- Access, Inclusion, Financial exclusion



Desired Outcomes

- Pledge / Unwavering commitment starting with a progressive scale 15-20% starting point with a yearly increase to 50%
- Intentionally provide feedback to female founders who may not be investment ready
- Commit to a future roadmap so that we can measure ourselves
- Need for Male Champions, more Female Role models



GENDER & DIVERSITY



Key Actions & Outcomes

- Independent research & data needed to clarify whether we are all measuring the same thing? How do we measure, standardisation of metrics (i.e. how do we arrive at % of gender or race, is it by number or is it by capital deployed), what sectors are led by female founders, equity shares
- Reporting should be part of Annual reports (similar to ESG metrics)
- Understanding where our realm of influence is (fund level, LP level, Board, Portfolio organizational composition, portfolio company overall)
- Training on IC, LP, Advisory level —> not a checkpoint, but real impact and change
- Collaboration across implementation of policies (2X, or Board charters)

“ Women don't need empowerment or mentors they need funding.”





EXITS, MERGERS AND ACQUISITIONS

The group discussed the reality of exits in Africa, exploring the two main types of exits, IPOs and Mergers and Acquisitions. They further identified two types of MNAs. The Exit MNA - Building a business for a partner vs MNA of consolidation for the Value Chain.

“ **As we celebrate the \$5 billion dollar raises on the continent in 2022/23 we should realize that we are going to need \$25 Billion dollars of exits per year otherwise become the continent where DFI money goes to die.** ”

EXITS, MERGERS AND ACQUISITIONS

IPOs

Although IPOs have been extremely rare on the continent -the group highlighted that it is important to reprioritize the IPO market, Perhaps listing on an Exchange such as the Johannesburg stock exchange is not ideal given reporting and governance requirements but perhaps create an African-wide exchange and build our businesses to be listing ready should be a focus.

Mergers and Acquisitions

Mergers and acquisitions were identified as a more likely type of exit on the continent. However, it was noted that building a business to become acquirable although positive comes with the risk that the strategy might not lead to building a sustainable business.

MNA of consolidation for the Value Chain

Venture consolidation was identified as a positive exit opportunity, given that current companies are too small. However, it would potentially hinder a competitive environment which is also good. The below issues were identified as challenges with venture consolidation.

Challenges with Venture consolidation

- valuation mismatches
- Founders egos
- Differences in ecosystem characteristics

EXITS, MERGERS AND ACQUISITIONS



Key Actions

- We need to work together for the consolidation of MNAs.
- We need to build relationships with corporates need to improve acquisitions for existing portfolio companies.
- We need to work to develop our capital markets because IPO should still be a viable exit strategy. Case study 20% of companies in the USA still exit via IPO
- Ensuring businesses have recurring revenue and diverse leadership teams that are equipped to run a listed business.

“ Our companies need to become bigger through organic growth but also through value chain acquisitions. Fund managers can play a role in chatting about different portfolio companies to facilitate potential MNAs.





GOVERNMENTS, POLITICAL WILL AND GEOGRAPHICAL NUANCES

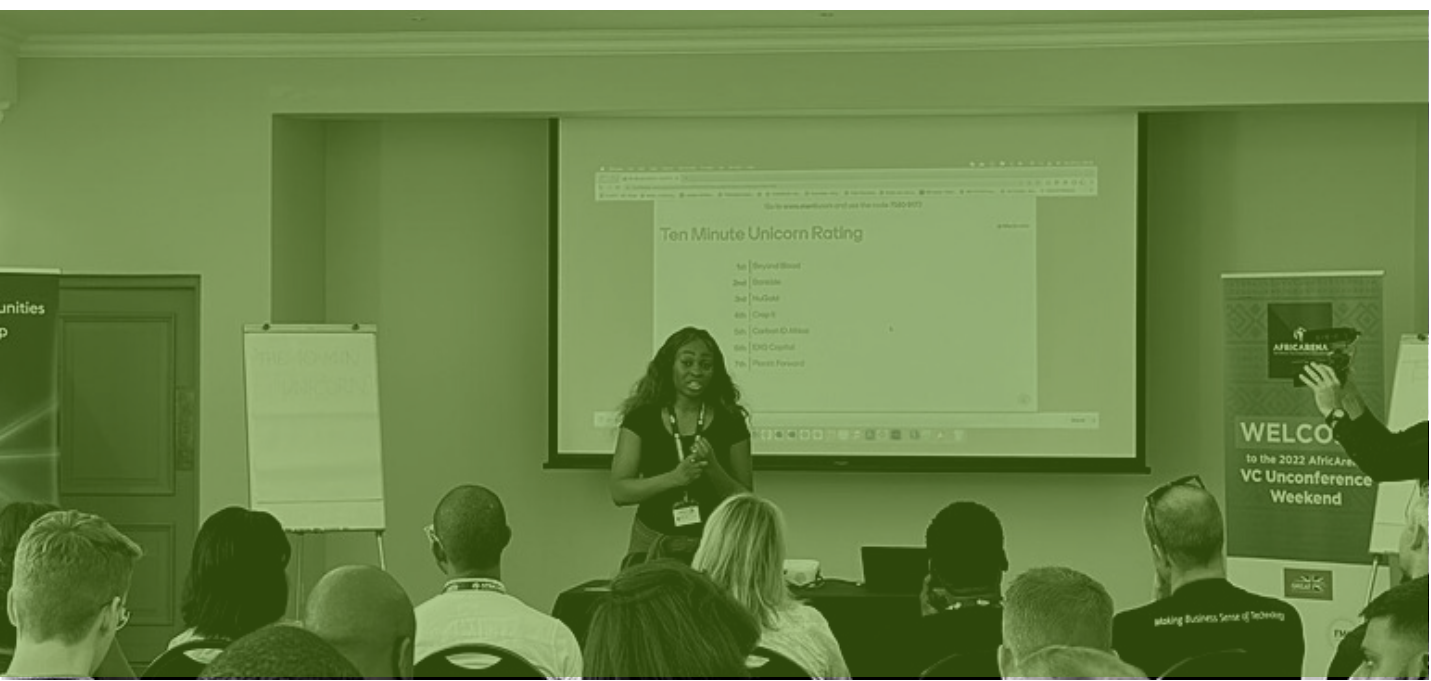
The group discussed the government and political realities across different geographies in Africa as well as in other Ecosystems such as Asia. They established that there are different realities in the 54 African countries where some countries are at foundational points to improve the technology ecosystem while others such as Tunisia, Morocco, and Rwanda which have National plans to improve the technology ecosystem.

GOVERNMENTS, POLITICAL WILL AND GEOGRAPHICAL NUANCES



Key Actions

- There is a need to change the narrative of the African Tech ecosystem and showcase more success stories of startups on the continent not only sharing information on fundraising
- Pledge for recruitment of the private sector to tell the story of success and be brand ambassadors for the African Story
- Create capacity building of jobs for tech-related jobs and skills in acquiring skill tech and strategies to retain talent in Africa which is a huge issue





BEST PRACTICE, SHARING & COLLABORATION



The group built on work that is already in progress in the DCA particularly discussing the standardization of the terms sheets and due diligence checklists.

The ultimate goal is to have adoption of standardized documentation on the continent drawing inspiration from the Y combinator safe note.



BEST PRACTICE, SHARING & COLLABORATION



Why we should standardize documentation

- This leads to savings on Legal fees for startups & founders if there are standard templates
- Leads to a speed-up of processing investment transactions
- The standardised documents will serve as an educational tool for founders which prepares them as they go into conversations with investors especially at early-stage startups getting angel money
- Helps ensure good terms and best practices. This can be helping educating investors to be better aligned and weed out the bad investors giving bad terms to starts
- Adoption of standardized documents and highlighting those organizations will help better map the ecosystem.



Key Actions

- Secure Funding for 2 dedicated resource people to produce the documentation covering English, French, and Arabic.
- Drive participation of a collective of investors who will endorse the documents.

Month 3

Engage key investors to provide input/feedback to create agreed-upon final best practice documents

Month 12

Roll out documents for adoption testing to ecosystem investors to ensure documents fit for markets

Get investors to endorse



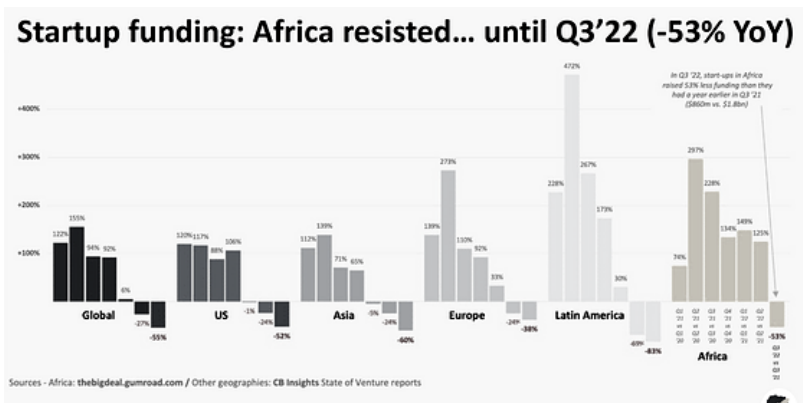
VALUATIONS, FUNDING & FUNDING ROUND



Following the recent downturn and the price adjustment in the market, the group shared their experience and sentiments around valuations.

They expressed shared frustrations with founder expectations around valuations and agreed that there was a need to provide a framework around multiples to help determine valuations.

VALUATIONS, FUNDING & FUNDING ROUNDS



Key Actions

- The group agreed to create a framework for revenue and EBITDA multiples on what VC fund managers are willing to pay per industry, per stage, and per country.
- Savant to build the model and manage access/create the management process for the working document.
- Need to recruit other funds to help populate the database.
- Speak to Dar or Maxime about dovetailing their efforts. The model will be forward-looking, not historic.

The framework mentioned above will touch on the following areas:

- Stage of investment
- Stage of investment
- Ticket size
- **Metrics**
 - Per stage
 - Per industry
 - Runway period
 - Geography
- **Multiples:**
 - Net revenue
 - EBITDA



VALUATIONS, FUNDING & FUNDING ROUNDS



Proposed Implementation Plan

- Build out master data table
- Build out the form
- Decide on the process for transforming data into a publishable format
- Get feedback and iterate among the working group
- Circulate broadly for more feedback & iterate
- Beta launch
- Campaign to populate in key industries and territories
- Load onto DCA
- Keep on campaigning

What are your thoughts?

Yeesh Will has massive biceps. Are those guns legal?

Intentionality needed in determining how to fix the gender gap

Various pillars need to be addressed to discuss funding gender gap, LPs, pipeline, fund managers, etc

Representation in female funders will impact funding for female entrepreneurs - in certain geographies we see more senior associate/principals that are women and hopefully that will translate into more female GPs

Deployment objectives have driven higher valuations and hurt the overall ecosystem?

Founders not understanding the importance of 'fair' terms preventing down rounds?

Root causes (prioritised) of the gender gap?

Relevant Data and Intents drives every change. How do we collaborate the gather relevant data to allow for intentional action to address real gaps (e.g. gender).

Does international 'impact' funding end up causing a market pricing problem?

SHARED THOUGHTS FROM THE SESSIONS



THANK YOU

2022 KEY SPONSORS

