



Venture Capital for East Africa

November 2015

Introduction

- ❖ \$80 million VC fund backing the “New Stars” of East Africa
- ❖ In addition to EIB’s Impact Financing Envelope, investors include CDC (DfID Impact Fund), Norfund, FMO, Proparco, JP Morgan, AXA, DGGF, Triodos Bank, family offices and HNWIs.
- ❖ EIB’s support for Novastar’s venture strategy:
 - ◆ Enabled target fund size
 - ◆ Signaled other investors
- ❖ Investment Strategy: VC, not PE
 - ◆ Multi-round investor: seed, early, venture, growth stages
 - ◆ Fail early, fail cheap / back winners through the growth cycle
 - ◆ East Africa Community + Ethiopia
 - ◆ Sector-agnostic
 - ◆ Focus on largest markets
 - ◆ Impact a result of commercial growth and success; not an end in itself

Objective: Grow Breakthrough Businesses

Novastar targets breakthrough businesses serving the aspiring mass market. Breakthrough businesses...

- ❖ Grow rapidly to scale by meeting demand for basic goods and services like education, sanitation, information and energy:
 - ◆ Satisfying latent demand, not perceived needs.
 - ◆ Joining, shaping & expanding existing markets rather than seeking to create new ones (unlike technology businesses).
 - ◆ Addressing the twin problems of access and affordability.
- ❖ Innovate business models and adapt technologies to profitably:
 - ◆ Widen market access
 - ◆ Reduce cost and price
 - ◆ Improve quality
- ❖ Thereby generate attractive financial returns and large scale social benefits for low-income consumers and producers.

What We Look For...

❖ **ENTREPRENEURIAL TEAM**

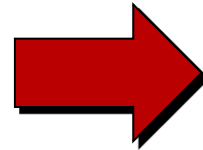
- ◆ Character
 - ◆ Capacity
 - ◆ Ambition
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- ❖ Possibility of scale
 - ❖ Clear, “simple” strategy
 - ❖ Business model innovation
 - ❖ Symbiotic relationship

Our Portfolio Illustrates the Strategy



Investing in Micro-forestry

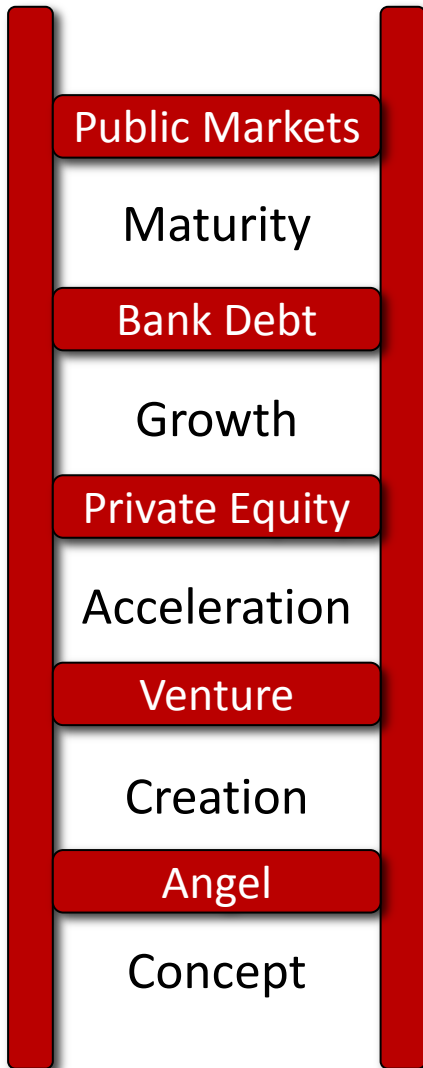
Deforestation ↔ Poverty



- ❖ Deforestation feeds a cycle of poverty
- ❖ Africa becoming an importer of wood with wood demand growing by 70% to 2030
- ❖ Charcoal prices up 3x in the last 8 years
- ❖ Limited opportunity to expand forestry plantations

- ❖ From seedlings to sawmills: vertically integrated microforestry business
- ❖ 1.8 million trees planted with 6,300 dryland farmers in Kilifi County
- ❖ No land constraint, lower planting costs, lower fire and disease risks
- ❖ Life-changing income for dryland subsistence farmers in Eastern Kenya

Bottom Rungs of the Ladder Are Broken



Africa's Capital Ladder

- ❖ Only 6 of 84 funds investing in Sub-Saharan Africa focus on early stage companies*
- ❖ Only 12% of 84 investors will consider a deal < \$500k*
- ❖ Only 4 of 128 self-identified impact investment funds invest at venture stage in Africa**

* Monitor Group, "Promise and Progress: Market-Based Solutions to Poverty in Africa" May 2011.

** ImpactBase, Global Impact Investing Network (GIIN). www.impactbase.org. One of the four is focused exclusively on West Africa. 1/12

Why the Opportunity is Ripe Now

- ❖ Sustained economic growth
 - ◆ Economic output in Africa has doubled over the last decade¹
 - ◆ 1 billion people in Africa now, rising to 2 billion by 2050, with those who are economically active growing from 56% to 66% over the period (the reverse of the West)²
- ❖ Rapid urbanization
 - ◆ 40% live in urban areas now rising to near 66% by 2050³...
 - ◆ ... Enabling easier access to, and greater sophistication of consumers
- ❖ Improving governance
 - ◆ Regulatory environment becoming more business friendly
- ❖ Emerging enabling platforms
 - ◆ Globalization of technologies, methodologies and human capital (e.g. returning diaspora)
 - ◆ Mobile technologies making consumers more connected and market 'savvy'
 - ◆ Low cost transaction platforms (e.g. Mpesa)

Together, these factors are now unlocking a consumer-led growth play.



Thank You