A Resource for Founders Seeking Investment

PREPARE FOR INVESTMENT

OVERVIEW

Female Founders Africa™ is an initiative run by The Radical Leap Group as a gateway for investing in African women-owned businesses by building a pipeline of bankable women-owned businesses and preparing them for investment.

"Despite the fact that women control roughly $20 trillion in annual customer spending globally (70–80% of total consumer purchasing), innovation and investment remains decisively in the hands of men... Inequity in innovation and investment leads to weak pipelines for investors to access female entrepreneurs, women-centered products being viewed as a niche market, and women entrepreneurs facing systemic challenges in accessing investment capital." (Source: Global Impact Investing Network)

To help change this narrative, we plug the investment-readiness gap through coaching, mentoring and capacity-building so that founders can meet investor requirements and grow investor money. This mini-handbook is specifically for founders who are looking to raise seed or growth capital.

At The Radical Leap Group we pride ourselves in being a trusted partner to MSMEs (micro, small and medium enterprises) seeking accelerated growth. Whether they reach out to us at idea stage or when ready for investment, we are well-placed to provide strategic advisory, business transformation and linkages to potential funders or investors. By virtue of our global networks, we have successfully linked potential investors to opportunities in emerging markets.

WHERE DO YOU BEGIN?

Securing investment is not a walk in the park. Ideas are a dime a dozen and every entrepreneur believes their idea is worthy of investment. Investors are inundated with requests to view executive summaries and pitch-decks. Out of 500 pitch-decks, many investors may pick 1 or 2, sometimes none. This does not mean that your idea or business will not get investment. It simply means that you are better off being as prepared as possible before getting into the arena, especially if you are based in Africa, which is considered a high-risk market at the best of times.

We are often surprised that businesses overlook some key areas before seeking investment. At the very least we recommend that:

- Your business is legally registered with proof documents
- You have created a minimum viable product (MVP), tested it in the market to prove your concept, and generated sufficient interest through purchases or commitments. What is sufficient? The simplest answer is that the response from market testing should prove that you are solving a problem affecting a critical mass of customers over a sizeable geographic location - ideally, more than one geographic location
- You have audited accounts if you have been in business for over a year
- You, ideally, have a business plan and a pitch-deck. A business plan demonstrates that you have thought through your idea in detail even if things change down the line. A pitch-deck provides useful information to peak investors' interest in your venture.

We are committed to supporting business owners in preparing to present their opportunities to investors and negotiating for investment. We review projects submitted for viability and provide support with preparation.

PREPARING FOR INVESTMENT

01

DOCUMENTATION

We assist clients with business plans, executive summaries, pitch decks, financial models and term sheets on a case-by-case basis. If not us, we recommend seeking professional help for these because overlooking something important could cost you dearly in lost investment.

02

PITCHING

Investors seek to see three things during investee pitches; clarity, confidence and competence. We have seen cases where founders were unable to answer basic questions about their business, giving investors the feeling of uncertainty. If an investor is to trust you with any amount they want to, at the very least, know that their money is in competent hands.

03

NEGOTIATION

Negotiating can feel daunting. But it's important to remember that investors are human, want to be respected and valued, and want the same thing you do - growth and profit. In our experience, founders who come to the table without a well thought-out or clear value proposition always lose out.

04

ADVISORY OR CONSULTING

You may find that you thought you were investment-ready but are not quite there yet. In cases like these we support our clients or recommend our partners to help bridge the gap.

3 STAGES OF INVESTOR ENGAGEMENT

There are three stages in the investor engagement process. All three involve different activities and require different types of documentation. It's important to understand what each stage entails so you are adequately prepared.

01

INTRODUCTION OF YOUR BUSINESS TO THE INVESTOR(S)

You can meet a potential investor anywhere - a plane, an event, at your child's school. You never know. When linking clients with potential investors we often begin by sharing a 1-2 page executive summary of the business. To protect the interests of all parties involved, relevant agreements are signed before documents are shared with potential investors. Time is precious - yours, the investors', ours. From the executive summary, an interested party will be able to see if your business fits the criteria they seek before a meeting is arranged.

02

PITCHING THE BUSINESS AND CLOSING THE DEAL

This happens after an investor has expressed interest in your work. It's important to have your pitch deck ready, and to have gone over the information very carefully so you are not caught off-guard when asked questions. Remember to rehearse your presentation. Should the investor(s) decide to invest, ensure your business plan, paperwork and accounts are ready. Make sure you have a qualified lawyer to go over all documents.

03

FOSTERING INVESTOR RELATIONS

At this stage, the deal is closed and agreements will have been signed to do business. You will be required to share more in-depth information about your business in line with the agreed involvement of the investor(s). Honest communication is key.

FACTORS TO CONSIDER BEFORE MEETING INVESTORS (1/3)

You can never underestimate the value of preparedness. Below are some factors for you to consider about your business. Being able to answer them will be useful not only for investor engagement but also for business in general.

Location, Sector & Stage of Development

- In which geographic location is your business? (Country, region, continent)
- In which sector is your business? Is it a key impact sector?
- At which stage of development is your business?
- How long has your business been in operation?

Target Market, Problem & Solution

- In which geographic location is your target market?
- What is the major problem/pain you are solving for that market?
- What is the impact of your solution? (E.g. Social, economic, environmental)
- Have you tried and tested your solution in the market? What was the response?

Market Size

- How big is the Total Addressable Market (TAM) in the geographical location you are targeting?
- How big is the Served Available Market (SAM) - the segment of the total market you are targeting with your solution?
- How big is your Share of Market (SOM) - the portion of the SAM you can realistically capture?
- Who are your competitors? What is their share of the market?
- Can your current market generate sizeable profits?
- Are you looking to expand locally, nationally or globally?
- How many ways can you serve your current market with your offering?

FACTORS TO CONSIDER BEFORE MEETING INVESTORS (2/3)

Traction

- How far have you built your business on your budget?
- How many customers have you signed up so far? (E.g. Over 25 paying customers (B2B), over 100 paying customers (B2C))
- What is your recurring revenue? (Monthly and annual)
- What key talent have you hired?
- Have you raised any other money? How much?

Competitiveness

- How do you stand out in the local, national or international market?
- What sets you apart from competitors - what's your edge? (E.g. faster, cheaper, better service etc.)
- Do you have market research with evidence of consumer engagement?
- Did you innovate the business you are working on?
- Do you have a trademark, patent, exclusive license, exclusive distribution rights?

Social Proof

- Who knows, likes and trusts you enough to do business with you?
- Have you hosted or attended forums and received feedback on your product(s)?
- What is your social media engagement like?
- Do you have valid testimonials from clients or users of your product(s)?
- Who has expressed interest in your product or investing in your project?

What's Your Revenue Model?

- How are you making money?
- What is your Customer Acquisition Cost (CAC)?
- Does your brand have multiple sources of revenue?
- Is what you are building scalable? (Can it be replicated?)
- What are the finance issues you may face? How are you mitigating this?
- What are the market issues you may face? How are you mitigating this?

FACTORS TO CONSIDER BEFORE MEETING INVESTORS (3/3)

Growth Potential

- Do you plan to issue shares as business grows?
- Can your company handle high growth scale?
- Can you generate sizeable profits beyond the initial product offering?
- Are you planning to raise another round of funding in the future?

Quality of Team

- Who is in your founding team?
- Do they have previous startup experience?
- What are their skill-sets or areas of expertise?
- What is their share allocation, if any?
- Are all the key roles in your business filled? If not, how will you fill them?
- Do you have a team of advisors? Who are they?
- Are there any other investors in the business? Who are they?

The Ask

- How much money are you asking investors for? And what are you offering in exchange?
- What is the breakdown of how that money will be used?
- How long will the money you raise last? (Often called "Runway")
- What is your company's valuation?
- How much of the money raised will be used monthly before it runs out? (Often referred to as "Burn Rate")

Runway / Cash Runway

- How long can your business keep operating before it runs out of money?
- How long will the additional investment last?

Exit Strategy

- How long do you want an investor involved in your business?
- Do you have a timeline and strategy to repay the investor(s)?
- Do you plan to sell your business and exit the industry?

A GUIDE TO PREPARING YOUR INVESTOR PITCH DECK (1/2)

Typically, a pitch deck consists of between 10-15 slides in a PowerPoint or PDF document, aimed at showcasing key elements of your offering so investors can get excited and request for additional information and a follow-up meeting.

KEY SLIDES TO INCLUDE IN YOUR PITCH DECK

- Cover page - of course
- Vision & Value Proposition - Basically, your 30-second elevator pitch.
- The Problem - What is the problem in the market you want to solve? Who does it affect? Where are they located? If the problem is not solved, what will happen?
- The Market Opportunity - Define the size of the market that needs this problem addressed - in terms of volume and value ($). How large is the whole market? How large is the segment you are addressing? You may state the geographical location(s). The bigger the addressable market the better.
- The Solution - What is your solution to the problem above? How does it stand out in the market? Showcase your product and its unique features. If you have a technology or physical product, do a demo or play a video demo. Show how your product differs from competitor products and highlight any changes or additions planned. Can a competitor copy you? If not, how have you ensured that? What are your key intellectual property (IP) rights?
- Business Model / Revenue Model - How do you make money? What are the different revenue streams? What do you charge? Are you positioned as premium, mid-market, or budget?
- Traction & Roadmap - Show the progress you have made so far. Number of adopters, paying customers, volume of sales, partnerships, number of downloads, press coverage, awards, patents, etc. You can also show on the slide projected milestones you intend to hit with investment.

A GUIDE TO PREPARING YOUR INVESTOR PITCH DECK (2/2)

- Marketing & Sales Strategy - What are your marketing channels? How do you plan to acquire customers? How much does it cost you to do so (per customer)? How is your marketing and sales process different from competitors? What is the lifetime value of each customer?
- The Competition - Who are your biggest competitors? What advantage do you have over them? How is what you are doing different from what they have? How has the market responded differently to you than to them? You could show the differentiation using a matrix.
- Projections - You do not have to be making a profit but you should show 3 - 5 year projections, and when you expect to break even and start making profits. No need for complicated spreadsheets at pitch stage. Limit yourself to a chart or table that show sales, total customers, total expenses, and profits.
    - For this slide, you should know your burn rate? i.e. the rate at which you are using up your capital before you begin to generate positive cash flow.
    - You should also know how much time you have left before you run out of money, if you are not yet making profit - this is your "runway."
    - What is your monthly and annual recurring revenue?
    - What are your total revenue and total expenses?
    - What is your EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)?
- The Ask - How much are you asking the investor(s) for? How much equity are you giving in exchange for the investment? Do you already have other investors? How long will the amount you have asked for last? What are you going to use the investment for? Are you planning to raise another round of investment in the future?
- The Team - Photos, titles, expertise/experience of your executive team. Include board members or advisors. No need to include middle and lower management but you can mention the number during the pitch.

THE STAND-BY SLIDES FOR YOUR PITCH DECK

You want to keep your pitch deck short. However, sometimes you may need to have a few extra slides on stand-by to help explain your business or product better. If there is no opportunity to present them during the pitch, they can be made available for investors to review after the pitch.

- Partnerships - Sometimes, the alliances and partnerships you have as a business can influence investor decision in your favour E.g. distribution partnerships, intellectual property licenses, product development JVs, partnerships to access new markets, etc. Showcase partnerships that are critical to the success of your venture.
- Exit Strategy - Though not highly recommended for first meetings, you will need to show potential investors that you have thought about how you plan on giving them a return should the question arise. Reinforce your commitment to building a profitable venture and hitting key milestones that yield liquidity opportunities down the line. Outline who your potential acquirers might be if you manage to grow successfully. If you have a high-growth startup, having an IPO (see glossary) and going public is a viable option.

SOME IMPORTANT DOs AND DON'Ts FOR YOUR PITCH DECK

- Do practice your pitch
- Do keep your pitch to 10 - 15 minutes
- Do have 2 versions of your pitch-deck - a short one for pitching and a more detailed one you can email to investors who want to read it in their own time before meeting with you
- Do use consistent formatting across the document - headings, font face, font size and colours. Pay attention to typos
- Do use high quality graphics and images that represent your brand
- Do prepare a video or in-person demo for your product or technology
- Do share your personal story and motivation for starting the business (keep it short)

- Don't have more than 15 slides in the deck
- Don't try to cover everything about your business in the slides or the pitch. Highlight only the key information and include an appendix with more detailed information for investors to read in their own time
- Don't include a date in the deck. Make it evergreen
- Don't comprise on the quality of the deck. Get it done professionally if you don't have the expertise to create a pitch deck
- Don't read the presentation word-for-word. It wastes time and investors may question your competence. They can see the slide so use the time to expound on the relevant information
- Don't assume investors know what your industry jargon and acronyms mean. If you have to use them, explain. Otherwise, keep it simple
- Don't speak ill of your competition. Ever
- Don't answer any question with, "I don't know." Instead, let the investor(s) know that you will double-check that information and come back to them with an accurate and up-to-date answer. Then make sure you send the information as soon as possible by email

TYPES OF INVESTORS

- BANKS - Offer debt financing and require payback with interest of a period of time. Banks are more favourable to established businesses. You will often be required to produce:
  - Proof of business registration
  - 3 years of audited accounts
  - Proof of collateral whose value can cover the debt
  - 1-year bank statement
  - List of debtors
- ANGEL INVESTORS - High net-worth individuals who use their own money to invest in early stage businesses that are not yet ready to seek out venture capital.
- ANGEL GROUPS - Individual angel investors who come together to pool money and expertise to invest in early-stage businesses. To appeal to them, you need to apply for funding and go through an evaluation and validation process.
- VENTURE CAPITALISTS - A financial intermediary that pools capital from wealthy individuals and invests it directly in businesses in exchange for equity ownership; venture capital
- FAMILY OFFICES - Family-owned private wealth management advisory firms that manage and invest private wealth in businesses
- PERSONAL INVESTORS - These are often family or friends. Amounts they can invest are limited. Due to possible familiarity that can cloud objectivity, thorough documentation and legal agreements are highly recommended

DOCUMENTS TO PREPARE

This comprehensive checklist is shared courtesy of Kiki Mwiti, Founder & Investor at www.dyvvyd.com

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COMPANY STRUCTURE/REGISTRATION

- Articles of Incorporation
- Board of Directors' documentation
- Board meeting minutes, actions
- Bylaws
- Voting agreements
- FAST Agreements [for advisors]
- Cap Table

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CONTRACTS

- Partnership contracts/agreements
- Customer contracts/agreements
- Investor contracts/agreements
- Shareholders agreements
- Supplier contracts/agreements
- Contractor contracts/agreements
- Consultant contracts/agreements
- Employee contracts/agreements
- Employee list - titles and compensation

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TECH

- API Documentation
- Tech Stack
- System Architecture
- Technology Investments [Server integration, additional software, etc]

DOCUMENTS TO PREPARE

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OPERATIONS/PITCH PROCESS

- Pitch Deck
- Whitepapers
- Competitive Analysis
- Marketing Materials/Campaigns
- Go-To-Market [G2M] Strategy
- Office/Factory/Storage Leases
- Investor Updates
- Legal Documentation [disputes, paperwork, if any]
- Profit & Loss Statements
- Vesting Schedule
- Tax Returns
- Monthly Proforma/Financial Statements
- Annual Proforma/Financial Statements
- Line of Credit/Loan Agreements

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INTELLECTUAL PROPERTY

- Trademarks
- Proprietary Software Licenses
- Pending patents
- Filed patents
- Open Source Software
- IP Strategy

GLOSSARY OF FUNDING TERMS (1/4)

- PRE-SEED: You have a crisp idea of what you want to build in the next 12 months (plus a prototype) but do not have any meaningful traction or product-market fit. You have identified a market and a pathway to that market. An investor provides you with capital (sometimes up to $2 million) to develop your product in return for 5% – 10% equity stake in the company. Essentially, an investor is taking a massive bet handing over their money to fund your idea. Amounts are typically between $50k - $250k covering between 3 to 9 months of costs. Investors could include:
  - Friends, Family & Fools - Dubbed 'FFF' in the industry
  - Business Angels - Former founders with successful exits looking to invest their own money
  - Accelerators - Provide mentorship, office space to teams and capital in exchange for equity in startups
- SEED: You have a clear product market-fit, active user metrics and a team to show that you are scaling. You need money to stoke the fire. Perhaps no revenue, or little revenue, has started coming in yet. An investor invests "seed" in exchange for an equity stake or convertible note stake in the company. Amounts are typically between $500k - $2M, depending on industry covering between 12 to 18 months of costs (runway). Investors here could include:
  - Business Angels - Former founders investing their own money
  - Early-stage Venture Capitalists (VCs) - VCs pool some of their own money plus money from external sources like high net-worth individuals, investment banks, funds and other financial institutions.
  - Crowdfunding - Typically done via online platforms like Kickstarter and Indiegogo. The public invest in an idea or business in exchange for products/services or equity

GLOSSARY OF FUNDING TERMS (2/4)

- Syndicate Investing by Angel Investors - Angel investors pool finances, led by a lead angel investor, to invest in a startup of their choice

- SERIES A: Generally the first or second round of funding for a startup depending on whether there was a seed round or if the business was self-funded. Investors put money into your growing company in exchange for 15-30% equity, or partial ownership of that company. The raise, often between $2M and $15M, could be intended to 6 months to 2 years worth of capital (runway) as the company develops products, performs marketing and branding, hires talent, and undertakes early stage business operations. Some of the factors investors consider when determining valuation of your business, based on the equity you offer, include past sales, growth rate, risk and size of market.
- SERIES B: Companies that have gone through seed and Series A funding rounds have already developed a strong user base and proven to investors that they are prepared for success on a much larger scale. Series B is used to grow the company so it can expand - flood the market, refine the brand or develop new product lines to capture a wider audience of paying customers. The equity requested may be higher than Series A based on the risk factor. This round of funding is usually provided by private equity investors and venture capitalists. Ticket sizes can range from $6M upwards of $10M.
- SERIES C: Series C rounds and onwards are for later stage and more established companies preparing for rapid growth. The success of the company has been proven with increased market share, and new products/services. Companies at this stage may want to acquire competing companies to maintain competitive edge. Rounds average $50M and attract private equity, hedge funds, and late-stage VCs.

GLOSSARY OF FUNDING TERMS (2/4)

- PRE-IPO: The last private fundraising round of a company before its goes public in an 'Initial Public Offering' (IPO)
- INITIAL PUBLIC OFFERING (IPO): When a private company goes public by selling its stocks to the general public. IPOs are issued to raise capital to pay off debts, fund growth, raise the profile of the company, or to allow the company to create liquidity by selling all or a portion of their private shares.
- POST-IPO EQUITY: This round takes place when firms invest in a company after the company has already gone public.
- POST-IPO DEBT: This round takes place when firms loan a company money after the company has already gone public with the company promising to repay the principal as well as interest on the debt.
- POST-IPO SECONDARY: This is a rarely publicised round where a company has gone public and an investor purchases shares of stock in a company from existing shareholders rather than from the company directly. In this round, early stage investors or employees can earn a profit on their investment.

GLOSSARY OF FUNDING TERMS (3/4)

- PRIVATE EQUITY: A late stage round led by a private equity firm or a hedge fund. It is a less risky investment because the company is more firmly established, and the rounds are typically upwards of $50M.
- CONVERTIBLE NOTE: An 'in-between' funding round to help a company keep going until they want to raise their next round of funding. When they raise the next round, the note 'converts' with a discount at the price of the new round.
- DEBT FINANCING: In this round an investor lends money to a company, and the company promises to repay the debt with added interest.
- GRANT: A company, investor, or government agency provides capital to a company without taking an equity stake in the company or requiring payback.
- CORPORATE ROUND: When a company (not a VC firm) invests in another company for the purpose of forming a strategic partnership or profit.
- INITIAL COIN OFFERING (ICO): A company holds crowdfunding campaign where investors (called "backers") purchase a percentage of a new cryptocurrency (called a "token" or "coin) using another cryptocurrency (like Bitcoin) as capital, with the hope that the new cryptocurrency grows in value.
- NON-EQUITY ASSISTANCE: A non-equity assistance round occurs when a company or investor provides office space or mentorship and does not get equity in return.

Got Questions or Need Help?

GET IN TOUCH

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