



## Investor Readiness Series

### Topic 1: Introduction to Investor Readiness



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## OVERVIEW

The 97 Fund managed by **Ortus Africa Capital**, is an investment company that builds and invests in high growth early stage companies. **The 97 Fund adopts a Venture Builder + Fund model.**

### Sectors Covered:

Financial services, Health, Transport and Logistics, Supply Chain, Energy, Agriculture, Education, Tourism, Manufacturing, Media and Creative Arts.

### Geography Covered:

Domiciled in Uganda with East Africa coverage, The 97Fund invests at an early stage in entrepreneurs that have the potential to create jobs and opportunities of the future at scale amongst women and youth.

**Stage, Form of investment:** Active, hands on approach that leverages our entrepreneurial and early stage expertise. Provide help to entrepreneurs to increase their chance of success through extensive operational knowledge and access to networks, capital and funding.

<https://the97.fund/>

<https://the97.fund/about-covid19-relief-fund/>



**Brief:** The Mastercard Foundation's new strategy, Young Africa Works, outlines how, over the next decade, it will focus on finding solutions to the youth employment challenge and reducing poverty in Africa.

**Role:** Vehicle setup; Anchor Investor (Covid19 Relief Fund)



**Brief:** The Innovation Village is a destination entrepreneurs call home. Their purpose is to deliberately grow innovation by putting in place a platform that challenges assumption, ignites thought and questions status quo.

**Role:** Pipeline Sourcing; Venture building support

## PARTNERS



**Brief:** Ortus Africa Capital is a an Advisory and Investments firm, building Africa's largest multi-assets alternatives investments platform.

**Role:** Investment management and operations; Compliance; Venture building; Pipeline sourcing and screening



**Brief:** The Kampala Angel Investment Network (KAIN) gathers innovators, entrepreneurs and Angels under the mutual objective of bringing IDEAs to life.

**Role:** Pipeline Sourcing; Co-Investment partners

**KAIN**Kampala Angel  
Investment  
Network

## Who We Are ?

THE LARGEST EARLY STAGE INVESTMENT  
ENABLER IN UGANDA

**Kampala Angel Investment Network (KAIN)** was launched in Kampala in 2017 to mutually bring together angel investors and entrepreneurs by financing – investment relationships that will help breathe life into early stage businesses to facilitate investment flow.

[www.kain.co.ug](http://www.kain.co.ug); [info@kain.co.ug](mailto:info@kain.co.ug)

## What We Do ?



### Investor readiness Training

Tailor made training services that give the entrepreneur a true perspective of an investor



### Deal Execution

We facilitate the Negotiation process  
& Facilitate valuation if relevant



### Investor match making service

We connect you to our network of  
Angel investors



### Investor relations service

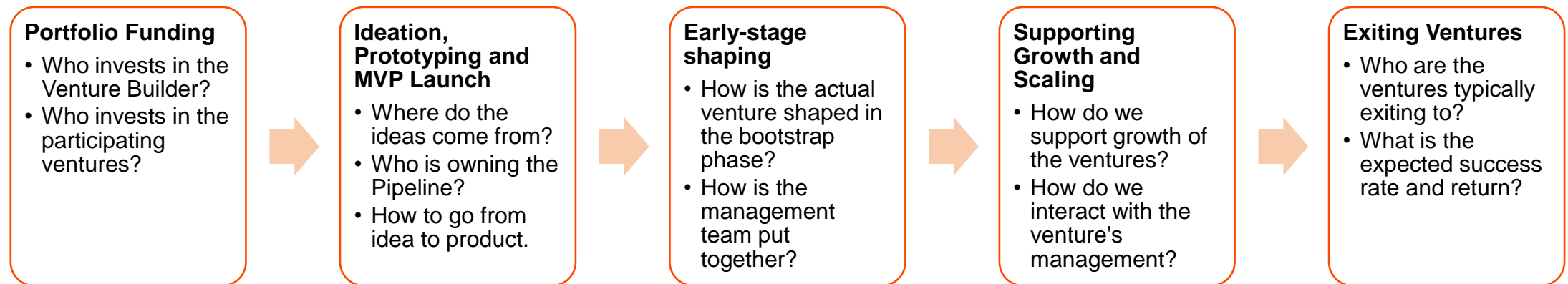
Align with VC partner on exit.

## Recap – The Venture Building Series, The 97Fund

*Venture building is a business and product development approach that enables an organization to create new products, services and processes from scratch.*

*A Venture builder, also called a startup studio, startup factory, or venture studio - an organization dedicated to systematically producing new companies using their own ideas and resources, which they help grow and succeed.*

*Venture Builders take the following approach:*



## Recap – Early Stage Capital 101, The 97Fund

### Understanding stages of a business/venture

- Stages of a business/venture is defined based on the maturity of the business/operating model and revenue/cashflow that the business is making

### Defining funding needs

#### **You should ask yourself:**

- How much money will be required ? When the money will be required ?  
What will the money will be used for ? When can debt be paid back ?  
When can investors expect to see returns

### Types of Funding

- Bootstrapping
- Grants and subsidies
- Partnerships
- Investment (Equity/Debt)

## Investor Readiness: What is it?

Being Investor-Ready means *understanding the key points that investors want to know about your business opportunity so they can decide whether or not they are interested in making an investment.*

- ❑ It means putting yourself into the mind of an investor and presenting from their point of view.
- ❑ It means knowing how to position your opportunity so that it has as much chance for success as possible to attract investors.
- ❑ It means doing a lot of homework and a lot of rehearsing and mostly, at the end of the day, having a real-world viable and fundable business opportunity.



## Investor Readiness: Are you ready?

### Checklist

#### 1. The investment proposition: Why should anyone invest in you?

- a. Do you know who you're pitching to?
- b. What is your value proposition?
- c. What problem are you solving?
- d. How well do you know your target market?
- e. Have you prepared a compelling teaser proposal for potential investors?

#### 2. The pitch deck

- a. Have you prepared a revenue model?
- b. Can you provide updated financial projections?
- c. Can you demonstrate traction?
- d. Have you put together a marketing strategy?
- e. What does your product roadmap look like?
- f. Does your presentation get to the point?

#### 3. Justifiable valuation

- a. Do you have a valuation?
- b. Is it realistic?
- c. Have you thought about the future?
- d. Have you factored in the broader market context?

#### 4. Team

- a. What is your team's skill set?
- b. Does the management team have a proven track record?

#### 5. Exit Strategy

- a. Have you considered your exit strategy?
- b. Are the founders aligned on the exit strategy?

**Are you investor ready? Find out here:**

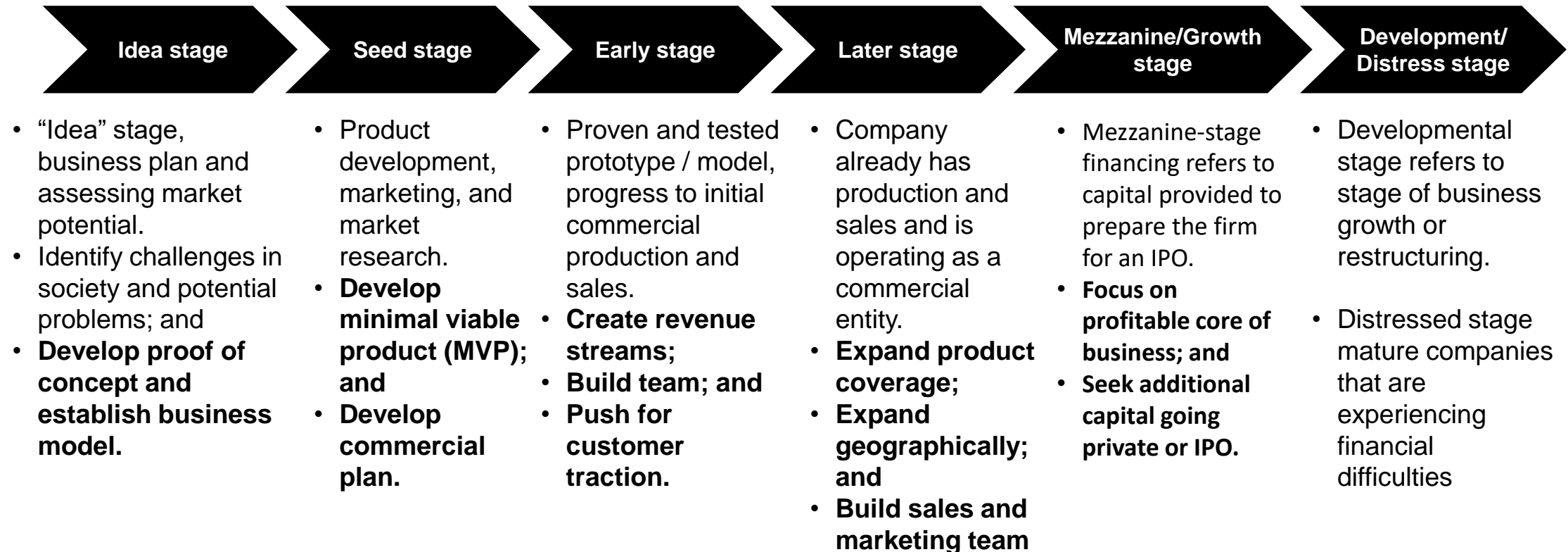
<https://key2investors.com/tools/investor-readiness-check/>



VILLAGE CAPITAL VIRAL PATHWAY <sup>SM</sup> Village Capital 2017											
Level	Name	Team	Problem and Vision	Value Prop	Product	Market	Business Model	Scale	Exit	Type of funding typically closed at this level	
9	Exit in Sight	Team positioned to navigate M&A, IPO.	Global leader in stated vision.	Cited as the top solution in the industry solving this problem.	Product recognized as top in industry.	Clear line-of-sight to industry dominance.	Minimum 2x revenue growth for multiple years.	Strong unit economics for multiple customer segments.	Growth with exit.	Acquirers	
8	Scaling Up	Team is recognized as market leaders in the industry	Systems-Level Change validated.	Multiple renewals with low sales effort. Customers in multiple markets love the product.	Strong customer product feedback in multiple markets.	Brand established. Hard-to-beat partnerships for distribution, marketing, and growth.	MOM revenue meets industry standard.	Growth of customer base accelerates month-on-month.	Team has turned down acquisition offer.	Close Institutional VC for Recurring Revenue + Growth	
7	Hitting Product-Market Fit	C-suite as good or better than founding CEO and can stay with company through its growth and exit phases.	Impact is successfully validated.	Majority of first sales in target market are inbound.	Product is built for scale and additional offerings in progress.	Sales cycles meet or exceed industry standard.	Business model validated - Validation of strong unit economics.	Evidence of strong unit economics across multiple markets.	Team has strong relationships with multiple acquirers.	Close Institutional VC for 1st Sales, Market Expansion	
6	Moving Beyond Early Adopters	Team has proven sales, product dev skills, and management ability to support a growing team for scale.	Sales validate impact tied to solution and grow as solution scales.	Sales beyond initial target customers. Customers love it and are referring the product to others.	Complete product with strong user experience feedback.	Supply/distribution partners see their success aligned with the company's success.	Sales begin to map to projections. Evidence of decreasing CAC with growing customer base buying at target price.	Company has cleared regulatory challenges and (if applicable) is implementing a strong IP strategy.	Team has identified specific acquirer(s) or other exit environment.	Close Round with Angel and Early VC	
5	Proving a Profitable Business Model	Team has clear sales/ops understanding and strategy.	Evidence of impact tied to solution-the company has evidence that by growing the business, company solves the problem.	Target customers love the product and want to keep using it.	Fully functional prototype with completion of product for wide commercial distribution in sight.	Team is having conversations with strategic partners to capture their market faster/cheaper than the competition.	Financial model with evidence of valid projections to reach positive unit economics.	Vision and initial evidence of positive unit economics in two markets.	Inbound interest from large strategics.	Angel/Seed Funding Starts	
4	Validating an Investable Market	Team has clear understanding of how their target market operates and has strong industry contacts in this market.	The company can articulate system-level change - how this solution would transform the industry.	Evidence of differentiation through initial target customer feedback that the solution solves their problem significantly better than others in the market.	Team has clear understanding of product development costs and how to build the initial product cost-effectively.	Evidence of \$1B+ total addressable market.	Team has financial model with cost and revenue projections articulated and a strategy for hitting these projections.	Initial evidence that multiple types of customers find value in the solution or in an extension of the product that the company is well-positioned to develop.	Evidence of growth trajectory that could lead to IPO, acquisition, or self-liquidating exit.	Friends and Family, BootStrap	Grants for R&D (Hardware)
3	Solidifying the Value Proposition	Team has technical ability to build fully functional product and has a clear understanding of the value chain and cost structures in their industry.	The company can articulate why they're the best ones to solve this problem.	Evidence that customers will pay the target price. For B2C - 100 customers, for B2B - 5 customers and conversations with multiple stakeholders in each.	Team has built a working prototype and a product roadmap.	Initial evidence through sales that team can capture initial target market.	Team can articulate projected costs along the value chain and target cost points to reach positive unit economics.	Clear strategy to move to multiple markets.	Initial evidence that the solution already solves the problem better than any incumbents.		
2	Setting the Vision	Team has senior members with lived experience of the problem and/or deep understanding of their target customer's problem.	The team can solve the problem and can articulate its vision at scale - what does the world look like if they succeed?	The team has potential customers who provide evidence that solution solves key pain point - product is a painkiller, not vitamin.	Team has a basic low-fidelity prototype that solves the problem.	Team understands any regulatory hurdles to entering the market and has a strategy to overcome them.	Company can point to pricing and business models of similar products in the industry as further evidence that their revenue assumptions hold.	Initial evidence that multiple markets experience this problem.	Vision for growth has company solving a large piece of the global problem in 10 years.		
1	Establishing the Founding Team	Strong founding team - at least 2 people with differentiated skillsets.	Team has identified a specific, important, and large problem.	Team has identified their hypothesis of their target customer - the specific type of person whose problem they are solving.	Team has ability to develop low-fidelity prototype and has freedom to operate - not blocked by other patents.	Team can clearly articulate total addressable market, the percentage they will capture, and initial target market.	Team has identified an outline of revenue model.	Team has identified multiple possible markets or customer segments and has aspiration to scale.	Team understands what an exit is and has a vision for how they will ultimately provide a return for their investors.	Type of funding closed at this level	
		Team	Problem and Vision	Value Prop	Product	Market	Business Model	Scale	Exit	Type of funding closed at this level	

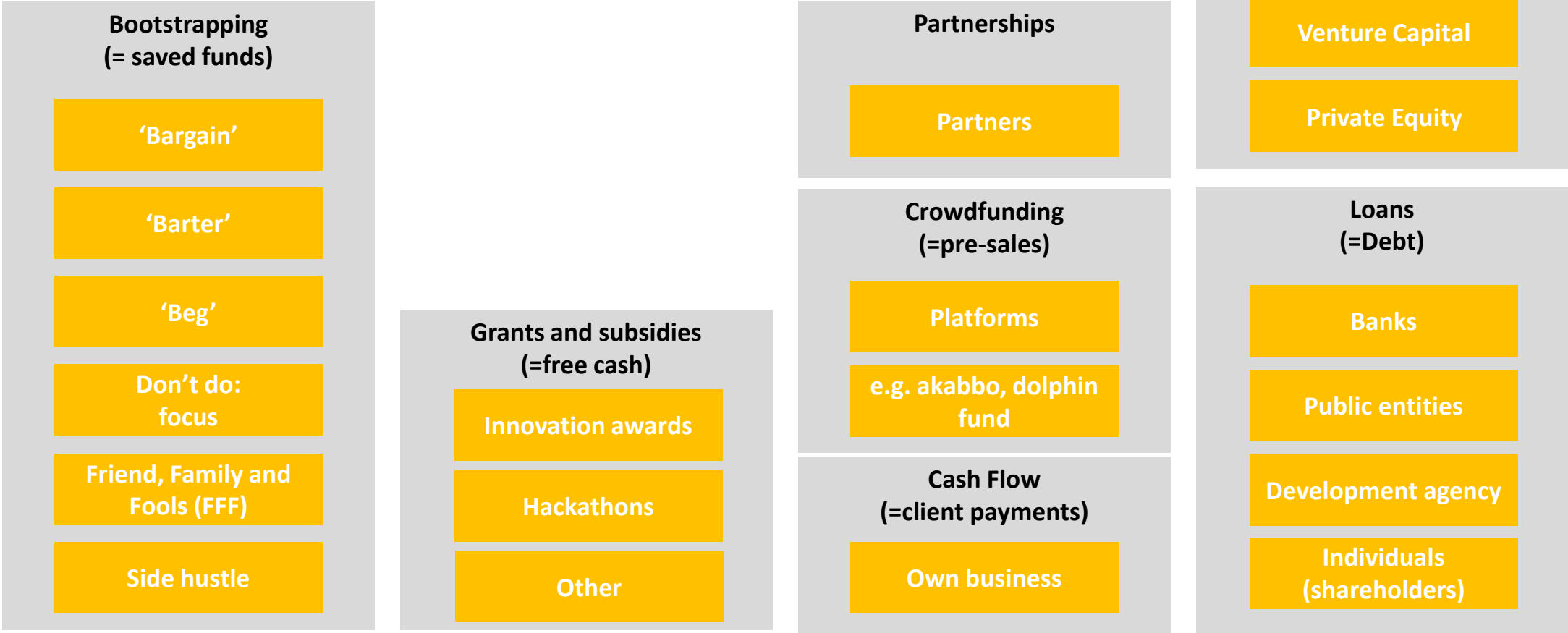
## Investor Readiness: Our Focus

Stages of a business/venture is defined based on the maturity of the business/operating model and revenue/cashflow that the business is making



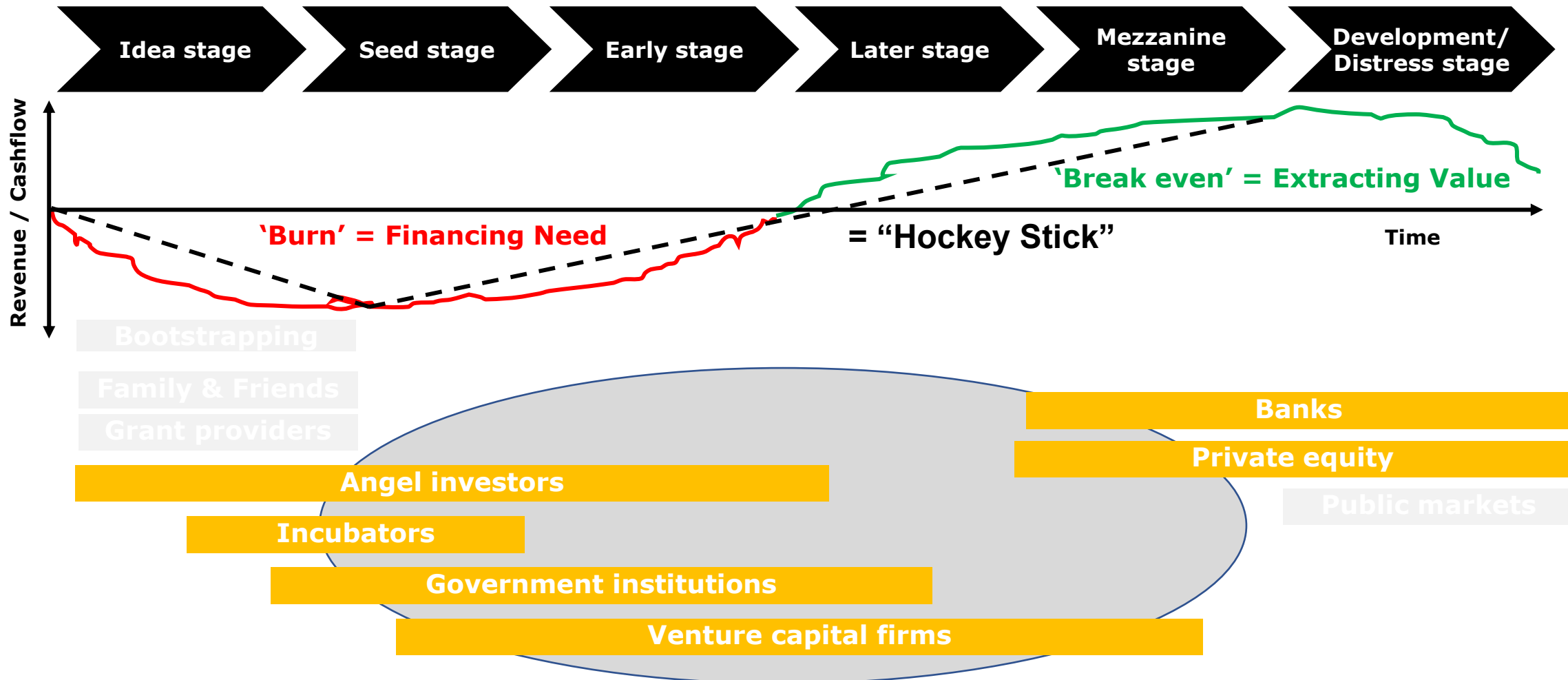
# Investor Readiness: Our Focus

Various options for funding



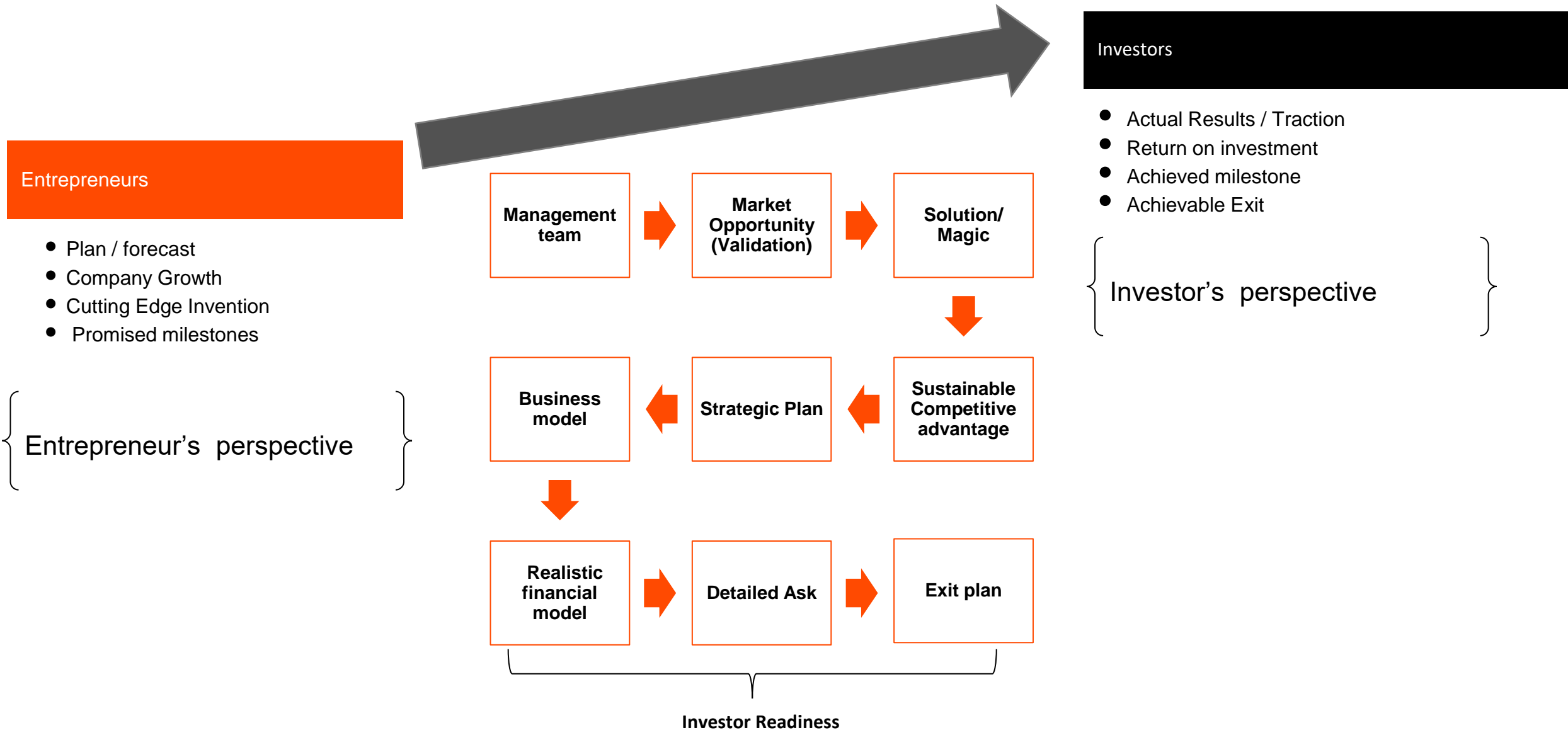
## Investor Readiness: Our Focus

- Match the stage of your business/venture to the right form of financing

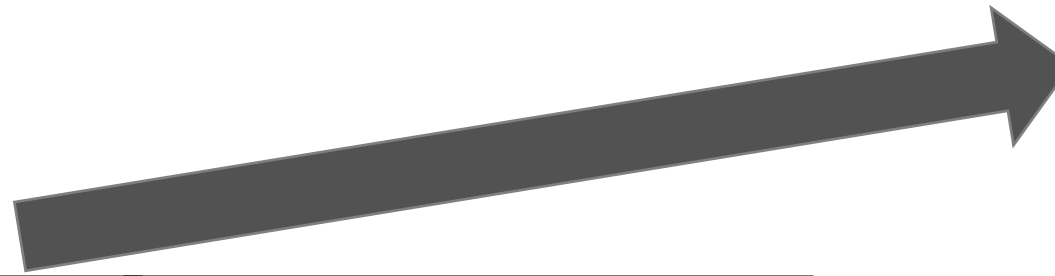


**Exercise 1 (3 mins, 5 marks):** Do you know the stage of your business, are you exploring different funding sources, do you know your target investors?

# Investor Readiness: How to Prepare




## Investor Readiness: How to Prepare



### Investors

- Actual Results / Traction
- Return on investment
- Achieved milestone
- Achievable Exit

### Investor's perspective


**Zachariah George**  
15 h • 🌐

Yesterday marked my 49th and 50th direct Angel investments into African early-stage technology ventures. Two top-notch Nigeria-based fintech startups. Never thought that I'd get to 50 investments in just the last 6 years. It's a lot of hard work, involves mentoring, growing and learning from some of the smartest founder teams on the continent. It may not be everyone's cup of tea, but is something I truly am passionate about and believe will change the future of socio-economic prosperity on the African continent.

For those that are interested, here are some high-level stats -

**Geographical Spread:**  
Southern Africa - 60%  
West Africa - 22%  
East Africa - 10%  
Other - 8%

**Sector Spread:**  
Fintech / Insurtech - 42%  
Ecommerce / Marketplaces - 24%  
Big Data / A.I. - 14%  
Mobility / Logistics - 6%  
HealthTech - 6%  
EdTech - 4%  
Funds - 2%

Returns (based on exits, most recent institutional priced rounds or valuation caps of completed Convertible/SAFE financings):  
Folded: 16%  
At Par: 30%  
1x - 5x: 20%  
5x - 10x: 14%  
10x - 20x: 10%  
>20x: 10%

Aggregate Return on Invested Capital: 8.8x  
Annualized return (IRR): 102%

**Exercise 2 (7 mins, 5 marks): On a scale of 1 to 5, how well do you understand the post?**

## Investor Readiness: Our Focus

### **BUSINESS AND TEAM**

- Fundamental areas of due diligence

### **CORPORATE FINANCE LAW**

- Fundamentals of term sheets and how negotiate them

### **INVESTMENT STRUCTURE**

- Fundamentals of business valuation





## Preliminary Question Areas

### 1. TEAM

- ☐ Have you created a winning team?
- ☐ Can you fulfil the CEO Role?
- ☐ Are You Coachable?
- ☐ Who do you need as partners/ advisors?
- ☐ Are you willing to do what it takes to be successful?

### 2. FINANCIAL KNOWLEDGE

- ☐ Unit economics of your business
- ☐ The risks and drivers of your business
- ☐ The different types of capital
- ☐ Business Valuation

### 3. UNDERSTANDING OF THE MARKET

- ☐ Do you understand your addressable market ?
- ☐ Can you deliver on your forecasted product/ service performance?
- ☐ What is your “go to market” strategy?
- ☐ Do you know who your competition is?
- ☐ What is your “distinctive advantage” over your competition?

### 4. CEO's Character

- ☐ Are You Coachable?
- ☐ Are you likeable as CEO
- ☐ Can you exhibit trust ?
- ☐ Can fulfil the leadership role?

**Exercise 3 (3 mins, 10 marks): What was your score out of 10?**



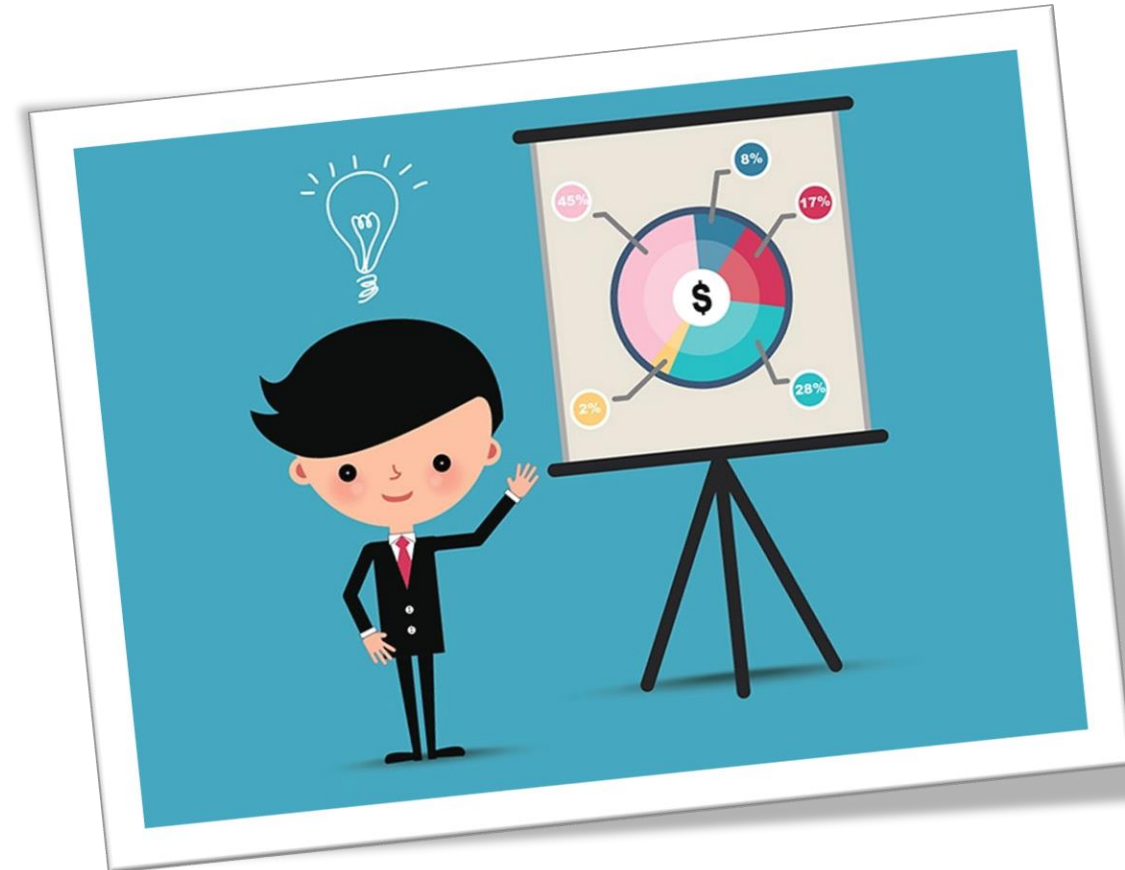
## Making the Presentation

### MULTIPLE VENUES

- Elevators, Conferences and Cocktail Conversations
- Executive Summaries
- PowerPoint Presentations
- Business Plan Write-ups
- Private Placement Memos

### CONSIDER AUDIENCE BACKGROUND / MOTIVATIONS:

- Generally: “What’s in it for me?”
- Specifically: What ROI is achievable / in what timeframe?



## The End Game

### When to exit, how and for how much?

Exit Valuation (M&A/Sale, IPO, Leveraged Buyout)	\$ 300,000,000								
Exit Multiple (X)	10.0								
Exit Metric (Revenue, EBITDA, Profit, Cashflow, etc.)	30,000,000	Sales, EBITDA, Users, Net Income, Profit, Etc.							
Name	Investment Amount	Number of shared (before dilution)	Number of shares Dilution	Number of shares (fully diluted)	Percentage (before dilution)	Percentage (fully diluted)	Implied Valuation (Post Money)	Cash on exit	Cash Multiple
<u>Common Stock</u>									
Founder 1		70.00	64.05	5.95	35.00%	2.98%		8,925,000	
Founder 2		40.00	36.60	3.40	20.00%	1.70%		5,100,000	
Founder 3		50.00	45.75	4.25	25.00%	2.13%		6,375,000	
Founder 4		20.00	18.30	1.70	10.00%	0.85%		2,550,000	
Employee Stock Options		20.00	18.30	1.70	10.00%	0.85%		2,550,000	
Investor 1 (Angel)	\$ 10,000			8.00	N/A	4.00%	\$ 250,000	12,000,000	1200.00
Investor 2 (Pre-Seed)	\$ 50,000			20.00	N/A	10.00%	\$ 500,000	30,000,000	600.00
Investor 3 (Seed)	\$ 250,000			25.00	N/A	12.50%	\$ 2,000,000	37,500,000	150.00
Investor 4 (Series A)	\$ 1,000,000			40.00	N/A	20.00%	\$ 5,000,000	37,500,000	60.00
Investor 5 (Series B)	\$ 3,000,000			25.00	N/A	12.50%	\$ 24,000,000	37,500,000	12.50
Investor 6 (Series C)	\$ 5,000,000			15.00	N/A	7.50%	\$ 66,666,667	22,500,000	4.50
Investor 5 (Series D)	\$ 10,000,000			20.00	N/A	10.00%	\$ 100,000,000	30,000,000	3.00
Investor 6 (Series E)	\$ 25,000,000			30.00	N/A	15.00%	\$ 166,666,667	45,000,000	1.80
	\$ 44,310,000	200	183	200	100%	100%			

**Exercise 4 (3 mins, 5 marks): Do you have a cap table for your business?**

## Key Takeaways

1. **See your business through an investor's eyes** - It is important to always seek investor and stakeholder interests, concerns and hot points.
2. **Patience** - Remain open to new learning. Investors are smart (and want to show you)
3. **Valuation is important, but focus on delivering value first;**
4. **Persistence** - Repetition breeds retention and persistence fosters success
5. **Continue to question and answer** - Understanding and overcoming objections builds character.



## Exercise Results

**How did you score out of 25?**

## **NEXT SESSIONS**

**Topic 2: Fundamentals of Key Due Diligence – Thursday  
24<sup>th</sup> September 2020.**

**Topic 3: Fundamentals of Business Valuation – Wednesday  
30<sup>th</sup> September 2020.**

## Resources

<https://www.firstventureassociates.co.uk/investorreadiness#:~:text=In%20simple%20terms%2C%20being%20Investor,from%20their%20point%20of%20view.>

<http://www.oecd.org/global-relations/45324336.pdf>

<https://www.pioneerspost.com/dealspace/20130223/investment-readiness-what-s>

<https://key2investors.com/tools/investor-readiness-check/>

<https://fastforwardadvisors.com/investment-readiness-checkup/>

<https://www.envestors.co.uk/investment-ready-checklist/>



Q&A

# Connect

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