

# Bloomberg Invest: Focus on Africa

## Tech's New Frontier

**Samuel Gebre:** Thank you, everyone, for joining us. Thank you for the previous conversation. That was a very lively conversation that actually brings us to our next topic, which is the Africa Tech Space. We take it from Togo, we expand it to the continent. As the video showed, last year was a very impressive year for the Africa Tech Space. Some 5 billion USD was raised by startups, and this compared to the previous three years is still higher. Some of the opportunities and some of the challenges that are on the continent are part of the reason why we are paying attention to this tech space.

With us to have this conversation today, we have three very distinguished guests. We have Yemi Lalude, who is at the TPG, which is one of the biggest funds in the world that are managing over 15 billion globally, I believe. Then Isis Nyong'o who has been in the space for over a decade, she has worked with Google with MTV and has run her own startups. She knows the ecosystem in and out. Then Tim Steel, who's the CEO at Copia Global, which is one of the startups that is operating in East Africa.

Luckily, we have an investor, we have an operator, and then we have someone else who knows the whole ecosystem. I would like to begin this conversation from a broader view, and then we'll get into some themes as we get into it. To Yemi, the question of 5 billion was raised last year. This is an exceptional compared to the previous years. What happened? What's changed?

**Yemi Lalude:** It's a very good question. What changed in one year? I've been a technology investor myself for the past 20 years and I moved from Silicon Valley to set up a VC firm on the continent about 12 odd years ago. I've really been waiting for this day, for us to be able to say what you just said, which is \$5 billion invested in one year. I guess there are a few things. One is that over the past several years, the underlying infrastructure that is required to be able to build technology businesses has been developed, so that's made it possible for people to go out and build businesses. I think that's a big factor.

Another factor is the influence of something called Y Combinator in Silicon Valley. A few years ago, about three years ago, where the first few African companies go through a Y Combinator, and those companies, several of them have actually done quite well. That really increased the profile of the African investment opportunity in Silicon Valley. The way things work in the Valley, once one person starts to look, all of a sudden, everybody starts to look, and then you get this flood of money coming into the continent. For me very, very exciting and hope it continues well on time.

**Samuel:** You've worked in the continent from South Africa, and now you're based in London. Isis, you have a very good view from East Africa as well, where most of these things began back then. What changes have you seen over the years to come to this [unintelligible 00:03:36] time?

**Isis Nyong'o:** Thanks. I'm glad to be here. I agree with what Yemi has already said and I think that the transformation on the infrastructure cannot be understated. It's been hugely transformative in most markets. Also, while there's always this drive to keep bringing down the cost of data and prove the infrastructure, the cost of data has really fallen significantly over the past decade.

The internet actually just being more accessible and on the skill side, I'm glad the minister mentioned that, that's a big piece of not only what needs to continue but also has been the last several years' huge efforts to develop digital skills in different ways. You actually start to have a market that is-- We always had the numbers, we didn't actually have the people online, we didn't necessarily have the access and the ability to actually start to use a lot of the applications that were being developed, certainly be innovated on the previous 10 years as well, so that's been a big piece.

I think certainly, a few exits have been really gotten because that was always the question for a number of years. Will they have any exits? Will there be-- That has also certainly stimulated a lot more interest as well.

**Samuel:** I think that trend is continuing in 2022. In the first four months alone, I think we've raised over 2 billion on the continent. One of the companies that raised money, or at least announced is Copia. You raised 50 million at the beginning of the year. Could you tell us the difference in this round compared to the previous rounds and how that investment process has changed?

**Tim Steel:** I wouldn't say the process has changed. I think investors' fundamentals are still the same. They're still looking for organizations that can scale, organizations that have built up track record, organizations that can reach profitability at an acceptable future point, and organizations that have business models that are replicable across the continent.

I think that's what we're starting to see more broadly that there are the unicorns that are emerging and not emerging as unicorns because their ideas now, they're emerging because they, like we have tried to do, is create platforms that are building a significant number of customers that are returning and adopting the value proposition that's being offered and utilizing the emerging technology that's on offer, not just from a consumer interface perspective, but actually to deliver successfully the business as well.

**Samuel:** One of the things that comes up when we're discussing tech in Africa is that there's some divisions like francophone and anglophone or Sub-Saharan Africa and then North Africa having its own space. For Copia, I found it interesting. It's an e-commerce platform but it's not the same model as say, Jumia. What's your [unintelligible 00:06:26] of scalable e-commerce businesses on the continent?

**Tim:** The business that we've built is a B2C business, which is focused very much on the 750 million emerging middle and lower-income consumers across the continent. Yes, there are different operating conditions in francophone in East Africa, in southern Africa, and the Maghreb, and so on. Those conditions are different, but fundamentally, the needs of a historically underserved consumer that has a very small wallet size, that has limited access to the internet and has not had choice and

access to fair pricing and so on, and quality, that remains the same across the continent.

I think so long as Copia does stay focused on the needs of that consumer and building an offering, which is appropriate to them, then you have a model which can be adapted and adopted anywhere.

**Samuel:** Something interesting that came out about Copia was, I think, 70% of the agents that you have happen to be women as well, and it goes back to the same conversation of the Africa's economy, at least the SME part is run by women. That brings us to this conversation of if the economy is being run by women, then how comes the investment space in the tech space is not reflective of that. Isis, why is that? Also maybe go into what's being done to close that gap.

**Isis:** Sure. Just to give you a sense of order of magnitude, I mean, of the 5 plus billion raised last year going into early-stage tech, different courses, slightly different things, but the ones that have gone into women-led businesses it's like less than 1%, or something less than 2%, it's really low. It's also helpful to appreciate that of the money that's gone in, most of its going into FinTech or some mega-deal. There's some skewing around the overall pie. I think what we look forward and saying, the contest probably going to be raising 10x of this in the next five or seven years, we get to really look at what's going on with money not flowing to female founders.

I think a lot of it is, I think just it's happening not by design, certainly, but there's a number of issues that have come up in-- The way that many people are thinking about it is one, you don't have a diverse enough pool of investors. In terms of fund managers, LPs, I C members, predominantly male and predominantly foreign investment. Looking at how do you actually really drive those decision-making processes that when you look both at how deals are sourced, and very much the warm intros and networks that is in many places, and those tend to be gender-specific. If you start to diversify on the funder side, people that can actually bring in more diverse networks coming into, let's say, the pipeline deal flow. There's also a lot of-- both research but also people's lived experiences on actually fundraising and bias that comes into the process itself.

Women being looked at as more, what is your track record? More like, this is going to be really challenging versus men that are asked more future-oriented, potential-oriented types of questions in the process itself. There's a lot of very active conversations, certainly in Kenya and Nigeria. This is not like something that is not being discussed across everything from the founders to investors, and we're starting to see a lot more investors deliberately bringing in women into the funds at the partner level, et cetera, in those that were not necessarily had any gender lens, any type of gender lens aspect to their investment.

Also saying that LPs are also hardly asking questions and giving technical assistance in different ways to just bring in, widen the pool, both from the pipeline side, but also on the decision, and they're very much interlinked.

**Samuel:** We actually just had a study on this gender gap on bloomberg.com, just like women fighting this tomato seller clichés because you expect African women to be selling tomatoes on the side of the road, which is not necessarily the case, and it

shouldn't be. Just following that, Yemi, over the past year and two years, especially during the pandemic, we have seen a lot of deal flows going through, and partly, that's why we've had this \$5 billion investment. That has also raised some of these questions.

Also, the gender question has also been raised, but also of governance and due diligence. I don't want to go into the details, but there's something I think you call the Zoom deals. Can you just talk about the difference between how deals in Africa are made and how deals in San Francisco are made, and what the two sides can learn from each other?

**Yemi:** I guess the more fundamental differences between the approach of a typical venture capital investor when you go to do a deal and a private equity investor. On the African continent historically, everybody was a P investor, i.e. investor in real assets, and so forth. You spend a lot of time doing due diligence. You hire accounting firms to look at the books and so on and so forth. That's standard PE-type work. The venture business actually doesn't work that way for several reasons. One, the companies are much smaller so, many times, if you don't [unintelligible 00:12:07] books to look at anyway. Historically, it just hasn't worked like that but the whole system was contingent on-- Let's say you were going to lead a series B deal. You did that with the understanding that the institutional investors in Silicon Valley who led the series A had done their jobs.

Typically, you would do what's called a bring-down due diligence. What's changed since the series A? Which means you assume that the prior investors did their work. Now, the problem with that in a new environment is that you don't necessarily have this whole ecosystem of institutional investors who've done the work before you. If you don't do the work then there's a problem because somebody has to do the work. Somebody has to be on the board. Somebody has to be watching it. Everybody can be remote and hoping everything goes well.

That's one of the things that I think all of us in the industry is quite important to focus on. Certainly from a TPG perspective we take it very seriously. We apply the same level of rigor to all of our investments whether they're series B investments or a leverage buyer. As we get more and more money coming into Africa, certainly, if I was still at my old firm in Silicon Valley looking at a deal in Africa, I wouldn't just go do a deal without somebody who is a knowledgeable local investor investing alongside us.

At least we know there's somebody who understands the local environment that can help do the groundwork and ensure we don't run into any issues. That's actually quite important. The reality is, look, in an upmarket, there's a big fear missing out. Everybody wants to get deals done so you're going to have this everywhere in the world because deals are getting done in five minutes. Obviously, we have a correction now so hopefully, there'll be some more discipline in the process going forward.

**Samuel:** It's just you bring out the formal part but apparently there's also JOMO which is the joy of missing out on some bad deals. Tim on this, how do you prepare your company? How do you prepare yourself when you're approaching investors so

that this metrics are met. This due diligence and governance issues are already addressed.

**Tim:** In establishing a business like Copia, you continually wear two hats. The one that runs the business and the one that raises money and they frankly take virtually equal amount of time and you need to put effort into both of them. As a very early stage company and speaking as a company now that's come through three significant fundraising rounds, you just have to get better and better. Really, where it starts I think is with the people.

The that you have on your board are absolutely critical and we've put a lot of effort into having the strongest, most diverse, most locally knowledgeable board that we can. The investors that you build up in your history, who are credible, reputable, and locally knowledgeable, again, who can, as Yemi was saying, give that level of recommendation I think is extremely important. Just being prepared, trying to understand the way that investors think, the language they speak, and making sure that you are continually in a state of fundraising and ready to have the conversation.

**Samuel:** Speaking of people on your board, I think Copia got an ex-Amazon director to join the team so such valuable experience comes in handy.

**Tim:** Yes, Amazon obviously is a great shining example of success to all of us and the principles with which they operated the business that Jason Lombard recently appointed board director. Jason Murray rather brings to us is estimable really. The knowledge and learnings that we can get from him, allow us to make great leap forwards very, very quickly.

**Samuel:** Isis, and I'll ask this question with one of the questions that has come through and treats what other digital services and tech enable solutions does Africa need, like remote healthcare, etc, and expand that just to where is the Africa tech space going? What opportunities and what is in the future for the tech space?

**Isis:** It's definitely a really exciting point in time. **[unintelligible 00:16:31]** may have been working in the space my whole career and never been things you dreamed over happening now. I think looking ahead, there's certainly I think a lot more just volume of companies being founded, different types of people coming into found companies, a lot of activity outside of the big four markets. The big four being Nigeria, Kenya, South Africa and Egypt and other markets on the continent.

Certainly, just the question here was actually specific about healthcare, but in Kenya, we're certainly seeing a lot of healthcare startups getting funded, just the different types of services in the health tech space, as well as education. That also looking forward, I think there is definitely-- I'm definitely seeing more growth in local investors so in terms of at the early stage, Angel, Precede a lot of activity there, as well as increased interest and activity around local corporate venture as well into this space. I think that's going to be quite interesting and something that hasn't been necessarily as active.

**Samuel:** I think that conversation is very-- Now we're always having it about having local investors in local startups. Partly because it also solves one problem and I think Yemi, you've talked about this before and one of the challenges is currency issues

that you have when you're investing in some of the African countries. In addition to currency, and maybe you can speak about it. What else do you see to be also a challenge struck opportunity?

**Yemi:** Currency, of course, is a challenge, given what we've seen in many countries. One of the ways to try to-- well, there are several ways to address it. We look for businesses that operate across multiple African countries as a way to **[unintelligible 00:18:22]** risk from a currency perspective. The ideal situation would be to have a business that has local currency costs and high currency revenue. That's the holy grail and we've been able to find one or two of those.

Beyond that, you just have to be able to outgrow the currency issues, which is one of the reasons why a lot of the interests we're seen in Africa is really-- To the point, Isis was making earlier around female founders and where they tend to be focused and where the money's going. The reality is most of the money is going into tech because these are hypergrowth businesses. If I have a business that's grown 50% a year, am I concerned that the currency is going down 7%, 10%? No, not really at the end of the day, but if I'm investing in a business where I'm underwriting into a 25% growth, well, 10% currency depreciation really eats into my returns.

The focus then naturally has been on hypergrowth businesses. That's the other way to try to address it. There are a lot of different lenses to look at it because the other point here is that almost all of the private equity broadly define it, including VC, capital and on the continent is in US dollars. Fundamentally, there's a currency mismatch, because if we had local pension funds investing in local fund managers in local currency, then you wouldn't care.

Nobody in the US worries about currency mismatch because there's no mismatch in the currency. That's a different point around where the money is coming from, but just fundamentally, those are the ways we try to address the problem.

**Samuel:** Unfortunately we have come to-- Our time has run out, but we have so many other things we could have talked about for hours. With that, I'll just say thank you for listening attentively and thank you for the panelists for those very insightful comments. Thank you.

**[00:20:35] [END OF AUDIO]**