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SAVCA newsletter feature: venture capital perspectives

A few weeks ago, SAVCA and Knife Capital hosted the first SAVCA Venture Capital Foundation Course. We speak to two seasoned venture capital experts about their perspectives on the local industry; Brett Commaile the CEO at [AngelHub Ventures](#) and Stephan J Lamprecht from Venture Solutions.

Venture capital is an often misunderstood. What misperceptions would you like to debunk?

BC: The biggest myth, and one that some entrepreneurs hang on to, is that venture capitalists don't invest or take any risks. There is a belief that we're pencil pushers and spreadsheet jockeys. This is simply not true, we do invest and often with our own hard-earned cash. We are just very particular on what we will invest in. Businesses are not easy to build and this means that we need to be sure that the business and the entrepreneur has what it takes to succeed. Typically, the best kinds of investments are into businesses which could potentially make it on their own. Venture capital funding helps these companies accelerate quickly and build market share.

SL: There are many myths about venture capital - it's an enigmatic and misunderstood investment class. People tend to associate venture capital with American movies and Silicon Valley technology investments. Lots of glamour and lots of money to be made. In reality, it's more about tough decisions and some really hard work.

How does South Africa's venture capital sector compare with other parts of the world?

BC: While we are far smaller and younger than the VC in developed markets, our industry has a lot in common with those in other parts of the world. Having dealt with foreign VC professionals, most recently in Switzerland, their practices and challenges are reassuringly close to our own. We have gravitated toward standardised terms and conditions and the investment structures used are fundamentally the same.

SL: The local sector is still very small, as to be expected from an economy of our size. Then again, there are only a handful of countries, such as the US and the UK where the industry is sizable. For example, a venture capital course or conference in another part of the world would attract a similar attendance. In many respects, South Africa is quite mature and compares favourably with developed markets. A venture capital firm in Europe, for example, would operate in a very similar way to one in South Africa. Our term sheets and contracts would be almost interchangeable.

What would grow venture capital investment in South Africa?

The industry needs more recognition and would grow if investors were more aware of the success stories. The industry is still under the radar and this needs to change. We certainly need more positive regulation to incentivise investment into the sector. In other parts of the world, where venture capital

investment is incentivised, many more private investors participate in this space and a significant, measurable effect has been seen on several countries' GDP.

SL: The entire venture capital ecosystem needs to grow to support the industry. We also need to foster a better understanding of what venture capital investment can bring to strong entrepreneurial companies. In general, I believe that the local venture capital industry is too focussed on technology investments. As a developing nation, I believe that there is lots of scope for great investments to be made in a variety of sectors. There are lots of great South African companies which could benefit from venture capital investment.