



Day 3 in Review: The SAVCA 2019 Southern Africa Industry Conference, 27 February – 1 March 2019, Cape Town

Today marked the day of the first official SAVCA Venture Capital Conference. The morning kicked off with a warm welcome from Lynette Ntuli – the Founding Director and CEO of Innate Investment Solutions – our MC for the remaining portion of the conference.

The strive for a better country

Looking back to last year, 2018 started off well, but then descended into gloom and despair as Trump's tariff war, a strong US Dollar, and rising US interest rates ravaged emerging markets, including South Africa. 2019, however, is looking better. Could this finally be the year when the planets align in our favour and investors get rewarded for their patience over the past five years?

Investec's Director, Jeremy Gardiner – who delivered the first keynote speech of the day – was very optimistic that 2019 would, in fact, be a great year for emerging markets. While he conceded that it was a tough year for South Africa last year – with a VAT hike, a recession, fuel price hikes, a rate hike, and low consumer confidence – Jeremy said that emerging markets are certainly the preferred markets for 2019.

South Africa, Gardiner said, just needs to be patient, as our turn will come. Which is why now is the perfect time for South Africans to be looking for opportunities. He went on to offer some tangible guidance in terms of where he believes the best opportunities are to be found if we do experience an upswing, as well as where to hide if things don't go as predicted and 2019 takes a turn for the worst.

The evolution of Venture Capital in South Africa

Up next was the day's first panel discussion, moderated by the highly esteemed Co-Founder and Partner at Knife Capital, Keet van Zyl, who unpacked expert insights on how venture capital in South Africa has developed through the years and the lessons that have been learnt, as well as where we see the industry going and how the industry should evolve.

Each panel member also took some time to speak about a particular company that they've had personal experience with. Brett Commaile, Senior Investment Partner: Hlayisani Capital and Partner: Angelhub Ventures, spoke about Snapplify, a young digital publishing company that is tackling the problem of access to textbooks by making it possible to download eBooks without an Internet connection.

Clive Butkow, CEO: Kalon Venture Partners, then touched on the roaring success of I-Pay – a smart instant EFT payment service in South Africa that allows people to make secure online payments directly into their bank account.

Speaking about machine learning specialists, Data Prophet, Andrea Böhmert, Co-Managing Partner: Knife Capital, explained how Artificial Intelligence (AI) is going to continue playing an increasingly bigger role in the future. And finally, Anton van Vlaanderen, Partner: 4Di Group, spoke about how Aerobotics – a South African aerial-data analytics startup – has boomed in a very short space of time, having recently received R29-million from local venture capital company Paper Plane Ventures in its latest round of funding.

Perspectives of investing in VC

Next on our VC agenda was a panel discussion on the perspectives of investing in VC. Moderated by Independent Trustee, Mabatho Seeiso, the session provided necessary insights from investors and industry experts on the key considerations when making allocations in the VC industry and what other investment and funding opportunities are available to venture capitalists.

Mainga Mukando, Investment Officer at arguably the world's largest DFI – IFC – discussed the difference between investing in PE and VC, noting that investment in VC is understandably perceived to be riskier, as it is earlier stage investment. The performance expectation of a VC fund, however, is much higher than a PE fund, he noted.

Unpacking what she looks for when investing in a VC fund, Thiru Pather, Principal at the SA SME Fund, said that due diligence is obviously very intense – far more intense than that of a PE fund. She said that being involved in the investment decisions was key to the SA SME Fund, so that they could have clear oversight of the fund.

Ronny Miyambo, Principal at Mila Risk Management Solutions, then discussed how VC funds can unlock greater flows from institutional investors like pension funds. He mentioned that a lack of data around VC funds proves to be a great challenge for institutional investors. As such, he urges VC funds to work on providing greater data and ultimately demystifying the VC sector in order to unlock greater flows into VC funds from institutional investors in the future.

The strive for job creation

The moderator for this session was none other than our CEO, Tanya van Lill, who delved into two case studies that truly showcased VC's impact on job creation.

The first of the two case studies featured the successful startup, SweepSouth. On the panel was SweepSouth Co-founder and CEO, Aisha Pandor, as well as Janice Johnston, who is the CE of Growth Equity Portfolio: Edge Growth – the fund that backed SweepSouth.

Aisha said that the early stages of the business required serious bootstrapping, and that they only approached investors after gaining some traction. When asked what three things stood out about SweepSouth to Edge Growth, Janice said it was a combination of a high quality team; a



scalable business model; and the potential for high job creation supporting the ability to increase earnings for the domestic workers on the platform.

In terms of challenges, Janice said that it's fair to say that things always take longer and cost significantly more than you think at the outset of the project. However, it is important to keep sight of getting through the initial hurdles in order to reach a level of real growth which will begin to reap financial rewards.

Aisha concluded that SweepSouth is about so much more than giving jobs to domestic workers. It's about upskilling, educating and uplifting South Africans through employment.

The second case study that was examined in this session was that of Mdluli Safari Lodge, which saw Malcolm Segal, the Non-Executive Director and Co-founder of Grovest Corporate Advisory, take attendees through the amazing 20-year story of the development of a luxury safari lodge within the borders of the Kruger National Park – a joint venture with the Mdluli community.

Malcolm says that the fundamental commercial drivers of the project were clear – there was a high demand for better quality accommodation in the Kruger National Park which presented a great investment opportunity – but there was also a huge social impact that the project was able to make.

Not only was the project able to secure long-term access to the land for the Mdluli community, it also allowed for active participation in governance structures. Additionally, it procured community support and engaged with authorities to secure support. Lastly, the project identified community members to participate in the project, which drove job creation and social upliftment throughout the area.

Imagine

Up next was an intimate reflection of the current state of the entrepreneurship ecosystem and how the VC sector should continue to RISE. In this session, Vusi Thembekwayo, the Founder and CEO of MyGrowthFund and IC Knowledge Bureau, talked about the reality that young businesses face in getting off the ground.

He also touched on the VC industry's challenge of being somewhat disconnected from where the country, as well as the world, finds itself at the moment. As such, he said that the industry is trying to use competencies we've learned over time in a construct that has changed. He challenged the industry to stop talking change, and start doing it.

This, he said, will only work if we learn how to share and collaborate, and create a system of trust. Only then will the South African VC industry be able to truly build effective models in the VC space that are aligned to where we are as a country.

The role of Corporate VC in South Africa



Corporate Venture Capital, which refers to the investment of corporate funds directly in external startups, is a fast-growing industry. In fact, in 2018 globally, there were 264 new, unique Corporate VCs that did deals.

In the final panel discussion of the conference, Michelle Yorke, the South African Regional Chapter Manager of Aspen Network of Development Entrepreneurs (ANDE), moderated an expert panel of players in the Corporate VC space in order to get a better idea of the role corporates plays in the broader South African VC industry. In this session they explored the opportunities this presents for the VC ecosystem.

Panellists Minette Havemann, the Strategy Director at Naspers Ventures; Valerie Hayter, the Managing Director of Lireas Holdings and Akash Maharaj, the Head of Transactor Private Capital: Emerging Companies at Investec, discussed and debated a number of thought-provoking topics in order to help delegates to better identify opportunities for co-investing in the future.

Finish big!

The last session for the day was a remarkable keynote presentation delivered by Bo Burlingham, the Editor at Large of Inc. Magazine and the author of five books, the most recent being *Finish Big: How Great Entrepreneurs Exit Their Companies on Top* (Portfolio/Penguin, 2014).

Last, but most definitely not least, Bo offered attendees invaluable insight on how to evaluate different opportunities to exit an investment, based on international research and best practice. He spoke about his extensive past experiences with entrepreneurs who had successfully exited their business, as well as the often long and challenging process that the sale of a business entails.

Below are a few snippets of the wisdom offered by Bo during this session:

The 5 elements of a good exit:

1. You feel that you have been treated fairly during the exit process and appropriately compensated.
2. You have a sense of accomplishment and can look back knowing you have contributed something of value to the world.
3. You are at peace with what has happened to the people who helped build the business.
4. You have discovered a new sense of purpose outside the business.
5. The company is going on without you and doing better than ever.

The 4 stages of an exit:

1. Exploratory: Investigating the many possibilities, doing the necessary introspective work and deciding what you do and don't care about in and exit.
2. Strategic: Learning to view your company as a product and building into it the qualities and characteristics that will maximise its value.
3. Execution: The process you go through to get a deal done, whatever type of exit you may be looking for.
4. Transition: It begins with the completion of the deal and ends when you're fully engaged in whatever comes next.

7 (and a half) key factors determining the kind of exit you'll have:

1. You know who you are, what you want, and why.
2. You build a business that can be sold when and to whom you want to sell it – for an amount you consider fair.
3. You give yourself enough time to prepare – measured in years, not months.
- 3.5 In choosing a successor, you give yourself enough time to fail.
4. You get help and advice from people who've been through it themselves.
5. You do right by the people who've shared the journey with you.
6. You analyse why potential buyers want to own your business and figure out what they will do with it.
7. You figure out and become fully engaged with whatever comes next.

As every journey ends, Bo concluded that entrepreneurs need to accept that they are ultimately going to leave any business they start building, so the best advice is to start planning their exit as early as possible. The exit is not an event, but rather an inevitable phase of any business.

About SAVCA:

The Southern African Venture Capital and Private Equity Association (SAVCA) is the industry body and public policy advocate for private equity and venture capital in Southern Africa. SAVCA represents about R165 billion in assets under management through 170 members that form part of the private equity and venture capital ecosystem. SAVCA promotes the Southern Africa venture capital and private equity asset classes on a range of matters affecting the industry. SAVCA also provides relevant and insightful research, offers training on private equity and creates meaningful networking opportunities for industry players.

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