

WIC SYNDICATE FUND PRESENTATION

MARCH 2018

WOMEN'S INVESTMENT CLUB SENEGAL

WWW.WICSENEGAL.COM



EXECUTIVE SUMMARY

- In Senegal, **43.9% of women entrepreneurs who borrow money do so from friends and family; only 3.5% borrow from financial institutions.** Having noticed the challenges linked to access to financing in Senegal, a group of businesswomen came together to provide financial solutions tailored to women entrepreneurs through the Women's Investment Club (WIC) Senegal. This group has now grown to include 73 women (membership as of March 2018) from different backgrounds, investing over \$900,000 (500,000,000 FCFA) in the West African Regional Securities Exchange (BRVM)
- The WIC Senegal is in the process of setting up an investment fund based on a **syndicated model** that will gather **individual investors aiming to invest in companies with high-growth potential and with a gender focus** (women-founded, women-led, women-focused)
- The Syndicate Fund model that's being developed by the WIC **does not currently exist in the region, and local governments do not have measures that promote investments, especially individual ones.** The WIC is, as a result, facing several challenges related to the **legal structure and the governance schema** of the Syndicate Fund
- On top of the challenges linked to an inexistent regulatory framework and an uncondusive investment environment in the region, a major challenge faced is the **identification of companies that are able to maximize on the funds provided to achieve significant growth**
- The financing instrument proposed being **hardly welcomed/understood by potential pipeline companies and investors in the region,** it is crucial to **raise awareness at both levels in order to allow for a better understanding of the expected impact of a Syndicate Investment Fund**

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2	WIC Syndicate Fund
3	Benchmark

In Senegal and other developing countries, despite their potential to participate in the financial markets, women's involvement rates remain suboptimal for several complex reasons (1/2)



The fact that women-led enterprises generally operate in **the informal economy** and at a **small scale** undermines their ability to grow. In Senegal, **80% of micro and small enterprises** are in the informal sector

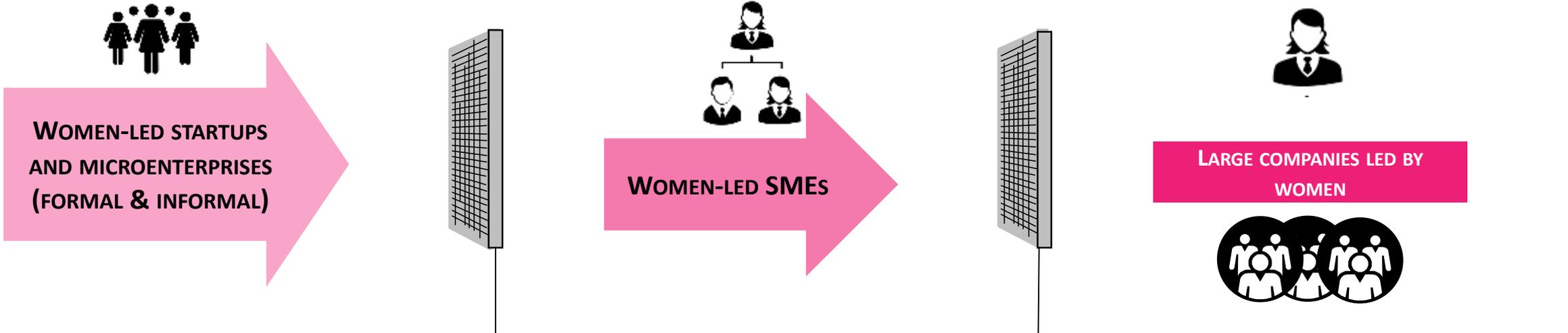
The employment to population ratio is at **57.5% for women** as opposed to **81.4% for men**



The growth of women-owned enterprises is limited by their **lack of awareness/understanding of private equity**. A study by the Global Impact Investing Network (GIIN) shows that Senegalese companies, often family businesses, are generally not open to selling capital to outside individuals/institutions

The **high societal expectations** placed on women hinders their ability to be fully active in the economy. In fact, society expects Senegalese women to be fully dedicated to their family (**5 children per family on average**) while maintaining their economic activities

In Senegal and other developing countries, despite their potential to participate in the financial markets, women's involvement rates remain suboptimal for complex reasons (2/2)



Women roles in society

- In developing countries, women invest 90% of their income in education, health and food for their children while men only invest back 30 to 40%
- In Senegal, the adult female literacy rate of 29% complicates women's search for funding
- Women in developing countries tend to spend much more time than men doing unpaid work. On top of their daily economic activities, they are also expected to manage their homes and communities

Challenges in accessing funds

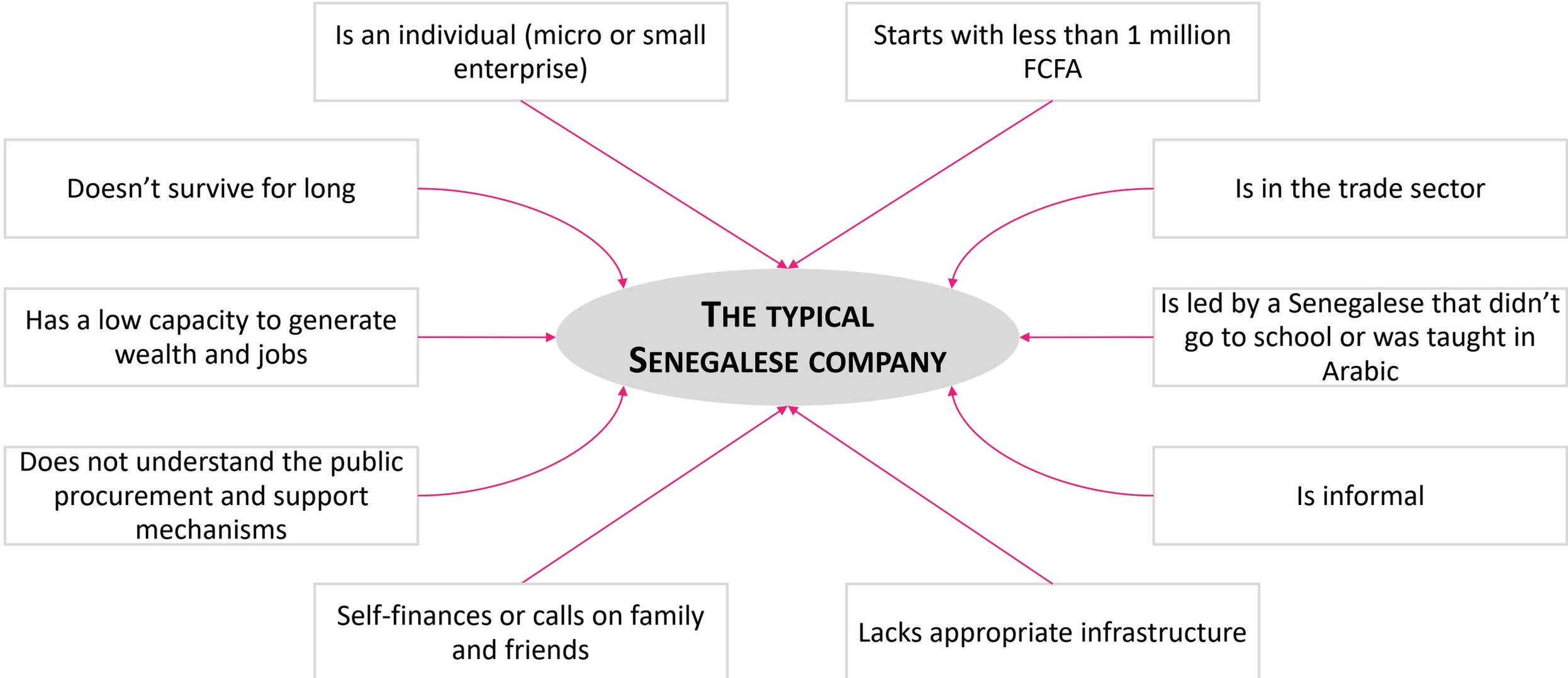
- In Senegal, 43.9% of women entrepreneurs who borrow money do so from relatives; only 3.5% of them borrow from financial institutions
- Yet, multiple studies have shown that women, especially those living in rural areas, are more reliable than men when it comes to paying off their debts
- SMEs in Senegal are also reluctant to give out equity
- Limited exit possibilities in the region may discourage investment funds from investing in Senegalese companies. Indeed, no impact investing fund in Senegal has yet make an exit through the public markets

Yet, multiple recent studies have shown that women's participation in the financial markets and in companies can generate more added value that's beneficial to all parties

- **Better performance:** In Africa, companies in the top quartile in terms of women representation in executive committees have an EBIT 14% higher than the average
- **Fair decision-making:** Women leaders generally have a higher complex moral reasoning capacity than men leaders, making them more fit for fair decision-making
- **Collaboration and consensus:** Generally, women are more likely than men to collaborate and cooperate with others to arrive to a fair consensus



The feasibility study of the investment fund conducted in 2016 allowed for a better understanding of the SME ecosystem in Senegal



Looking at the issue of access to finance, we noticed that, generally, financing options in Senegal are very limited and dominated by traditional mechanisms such as banks and microfinance institutions



COMMERCIAL BANKS

- Lack of marketing strategies and banking products designed specifically for a female clientele
- Financing options are not diversified, mainly in the form of short and medium-term loans. Rates vary widely with concessional funds from donors and public funds (such as FNPEF)



MICROFINANCE AND MESO-FINANCE INSTITUTIONS

- **Over 500 microfinance agencies across the country:** several MFIs receive funding through governmental programs aiming to support women, such as the Fonds National de Promotion de l'Entrepreneuriat Féminin (FNPEF), the Projet de Crédit pour les femmes (PCF) ...
- **COFINA: meso-finance institution** (between traditional banking offers and microfinance) with a strong women representation in its credit portfolio



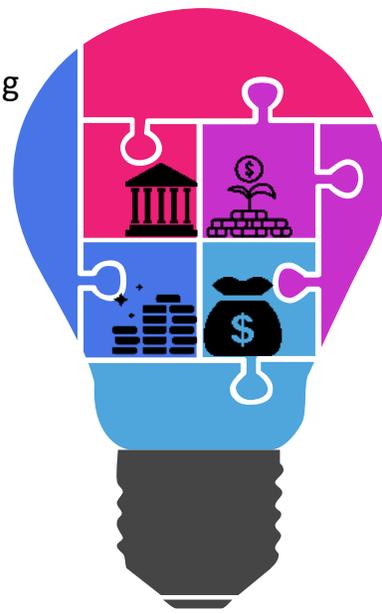
PUBLIC FUNDS

- **Fonds National de Promotion de l'Entrepreneuriat Féminin (FNPEF) Credit rates(5-8%);** ceiling of 50 million FCFA (\$100,000) for a maximum period of 5 years
- **Fonds Souverain d'Investissements Stratégiques (FONSIS):** investments in large projects with minority stake



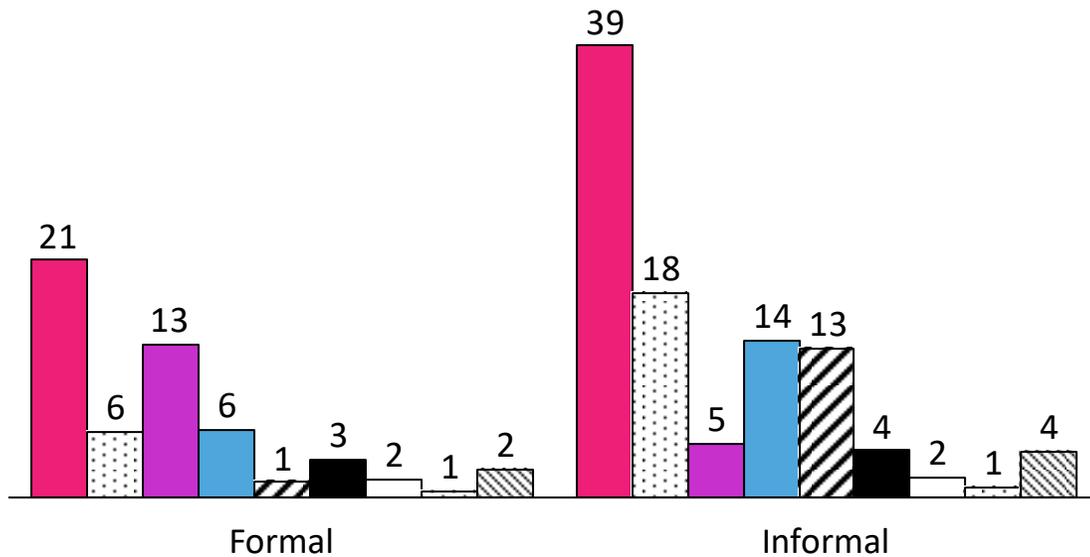
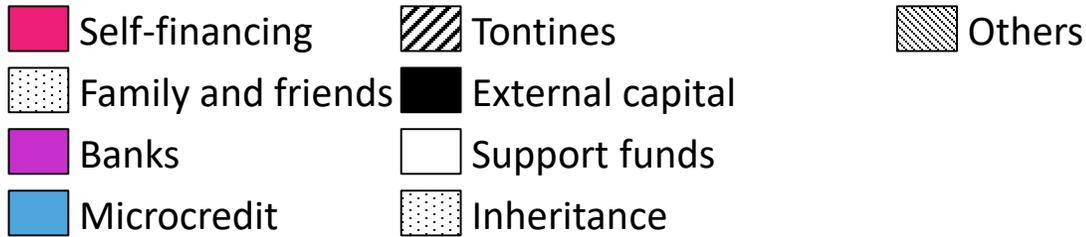
DEVELOPMENT BANKS

- **Banque Nationale de Développement Economique (BNDE):** with a department dedicated to financing startups
- **Significant flow of funding requests from women entrepreneurs:** amounts invested ranging from 5 to 300 million FCFA (\$10,000 to \$600.000)

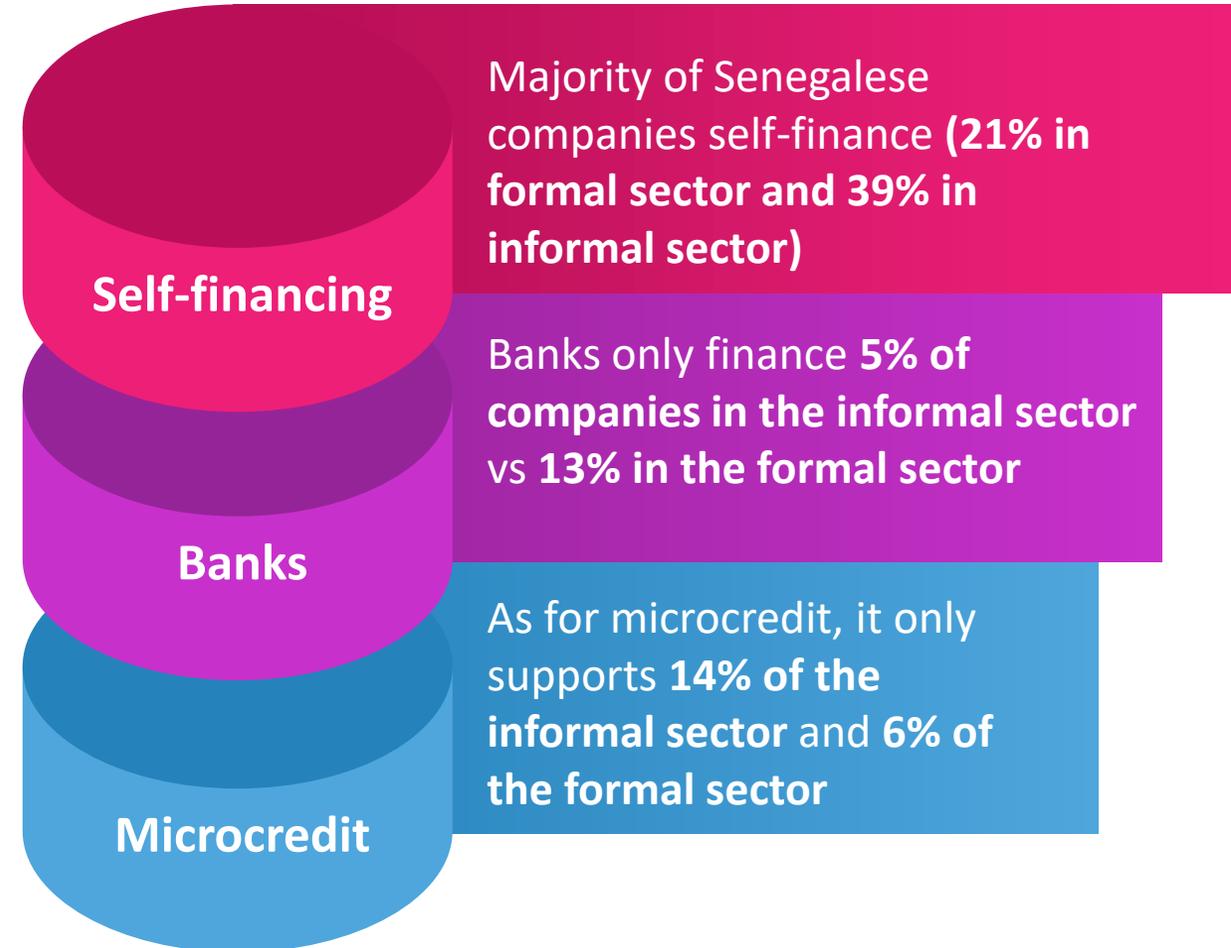


However, it looks like Senegalese companies rarely have access to these existing traditional financing instruments; they most often rely on their own funds

Legend

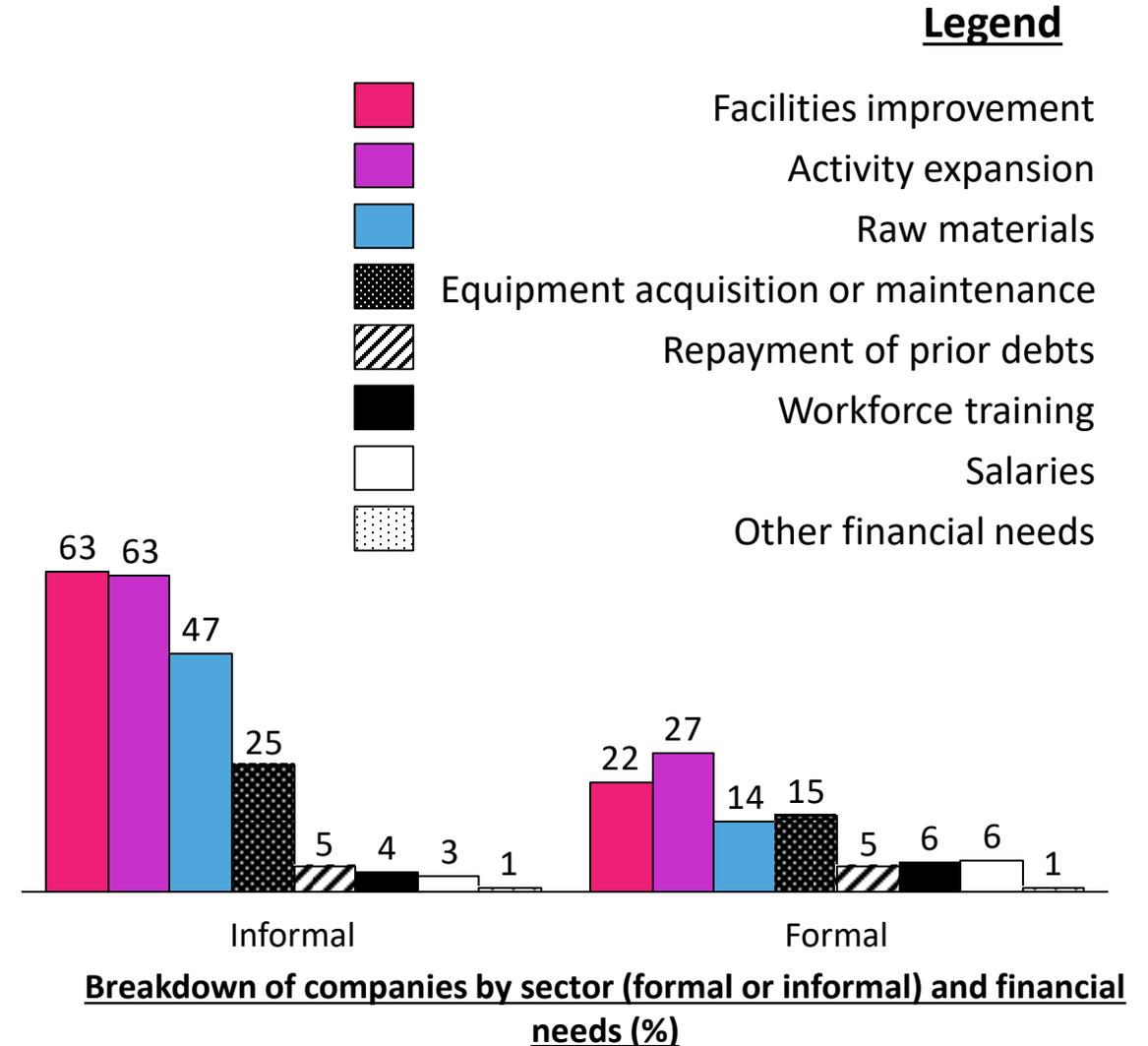
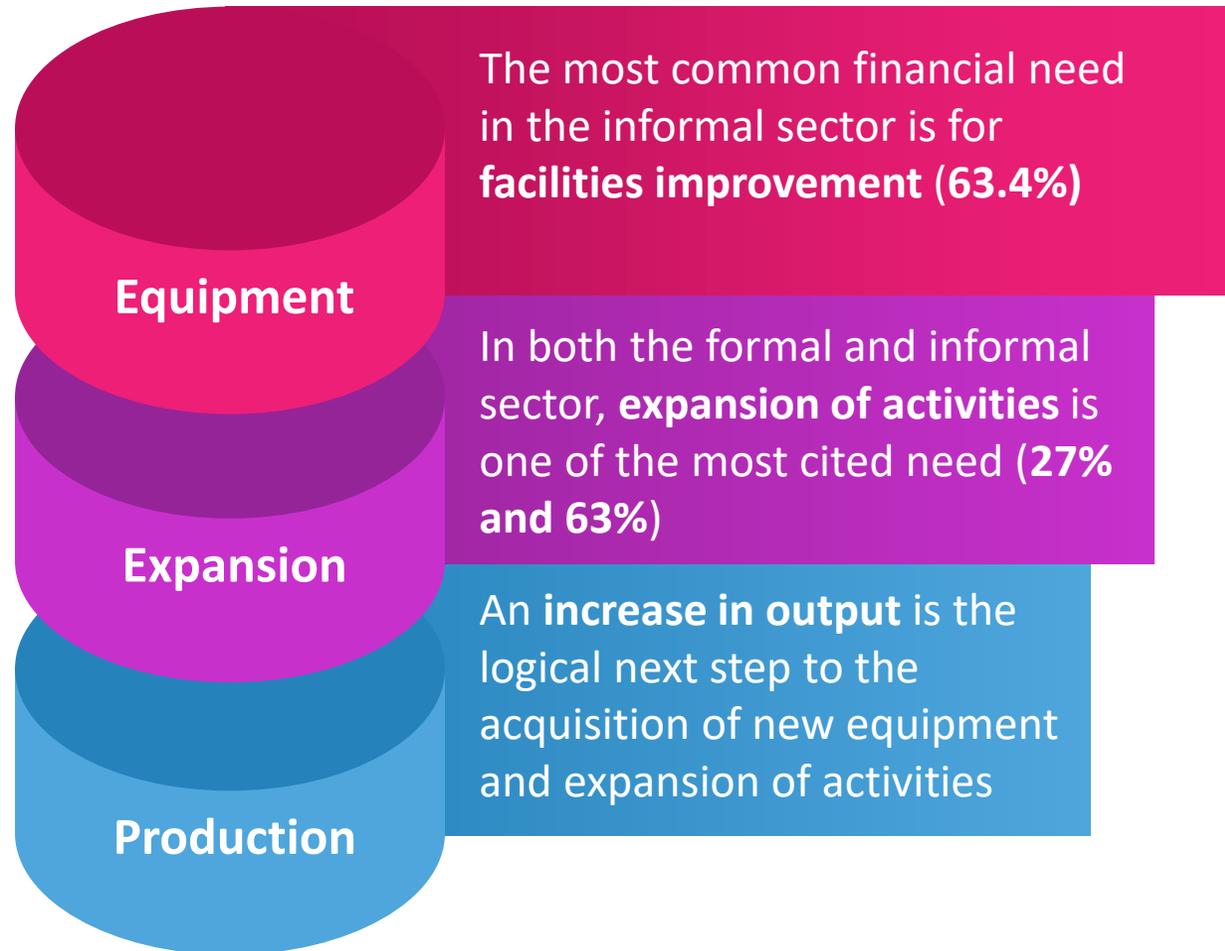


Breakdown of companies by sector (formal or informal) and source of funding received (%)



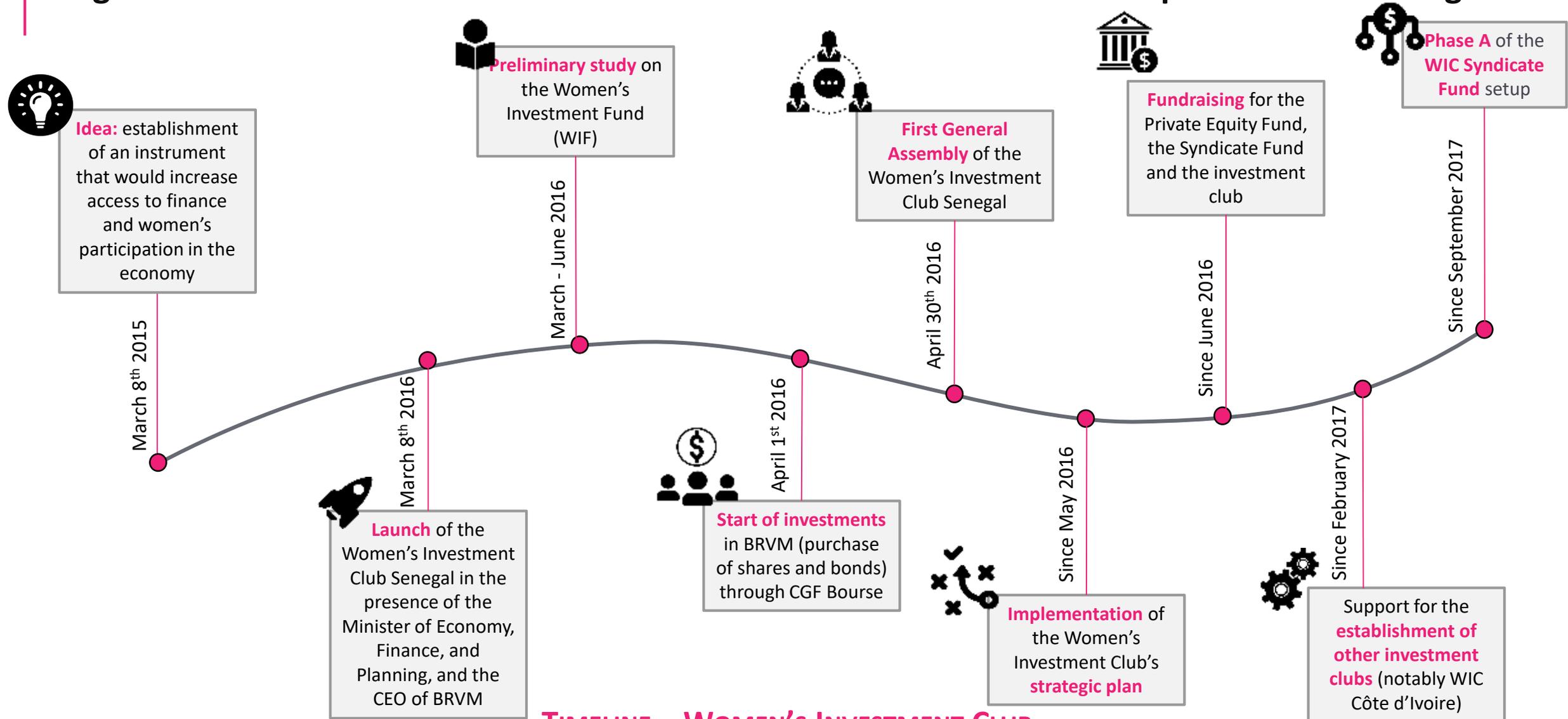
Source: Agence Nationale de la Statistique et de la Démographie (ANSD), Synthèse des résultats du projet de rénovation des comptes nationaux (PRCN), Synthèse des résultats du recensement général des entreprises (RGE) mené en 2016 et publié en 2017 portant sur toutes les unités économiques des secteurs formel et informel disposant d'un local aménagé dénombrées à 407.882 sur l'ensemble du territoire national sénégalais;

Once received, these funds can be used to begin operations, as working capital, to pay for equipment, or to expand the business



Source: Agence Nationale de la Statistique et de la Démographie (ANSD), Synthèse des résultats du projet de rénovation des comptes nationaux (PRCN), Synthèse des résultats du recensement général des entreprises (RGE) mené en 2016 et publié en 2017 portant sur toutes les unités économiques des secteurs formel et informel disposant d'un local aménagé dénombrées à 407.882 sur l'ensemble du territoire national sénégalais

Aware of all these challenges, a group of women decided to put their resources together to tackle the issue of access to finance for women entrepreneurs in Senegal



TIMELINE – WOMEN'S INVESTMENT CLUB

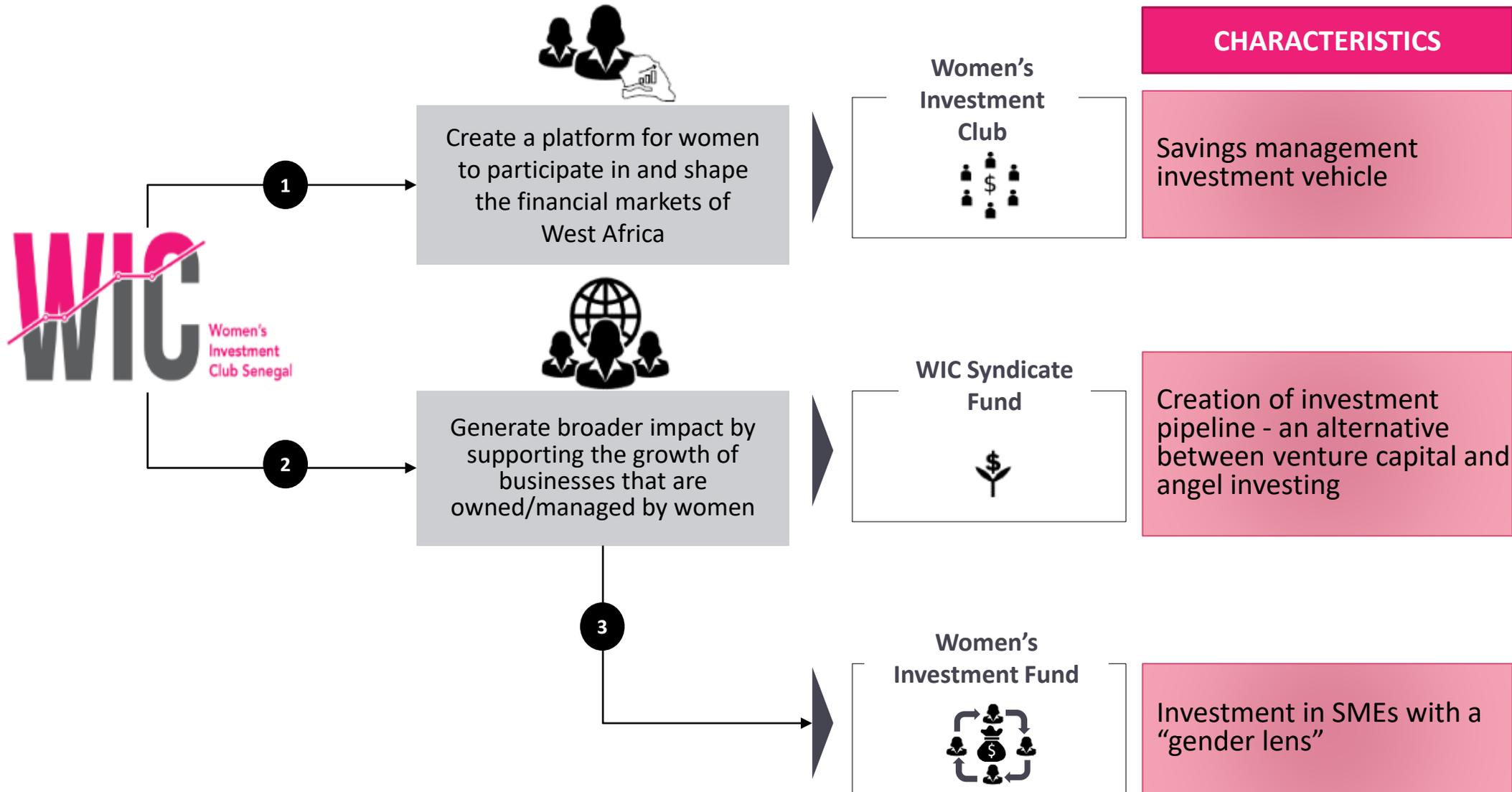
Wishing to turn the tide, the Women’s Investment Club (WIC) Senegal is committed to taking action that will change the economic landscape of women in Africa

WIC’s vision is to give women privileged access to modern financial instruments for inclusive economic development. The club aims to:



- Solidarity
- Leadership
- Culture of excellence
- Innovation
- Empowerment
- Collaboration
- Entrepreneurship

To achieve the two main objectives set by the WIC, three distinct vehicles have been thought of, and are being used or put in place



WIC has decided to focus on start-ups and microenterprises by putting in place a vehicle that is better suited to them: a syndicated investment fund, while at the same time continuing to set up the Private Equity Fund (WIF)



Target Market

The syndicated angel investing model is better suited to startups and microenterprises. These represent a very large portion of women-led enterprises in Senegal



Base for future

The financing and support of start-ups and microenterprises will create a pool of companies with high economic growth that will become potential targets for the Private Equity Fund (WIF)



Control

The Syndicate Fund investors will be able to freely and independently invest in ideas and people they like and trust



Assistance

The Syndicate Fund will allow each investor to provide advanced technical assistance tailored to the needs of the companies he/she finances

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WIC Syndicate Fund

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Benchmark

A syndicate is a semi-formal network of angel investors who combine their resources to invest in companies



A **syndicate** is a **network of angel investors** who put their money and resources together to invest in companies



Investors also **save time** by sharing the workload with other syndicate investors

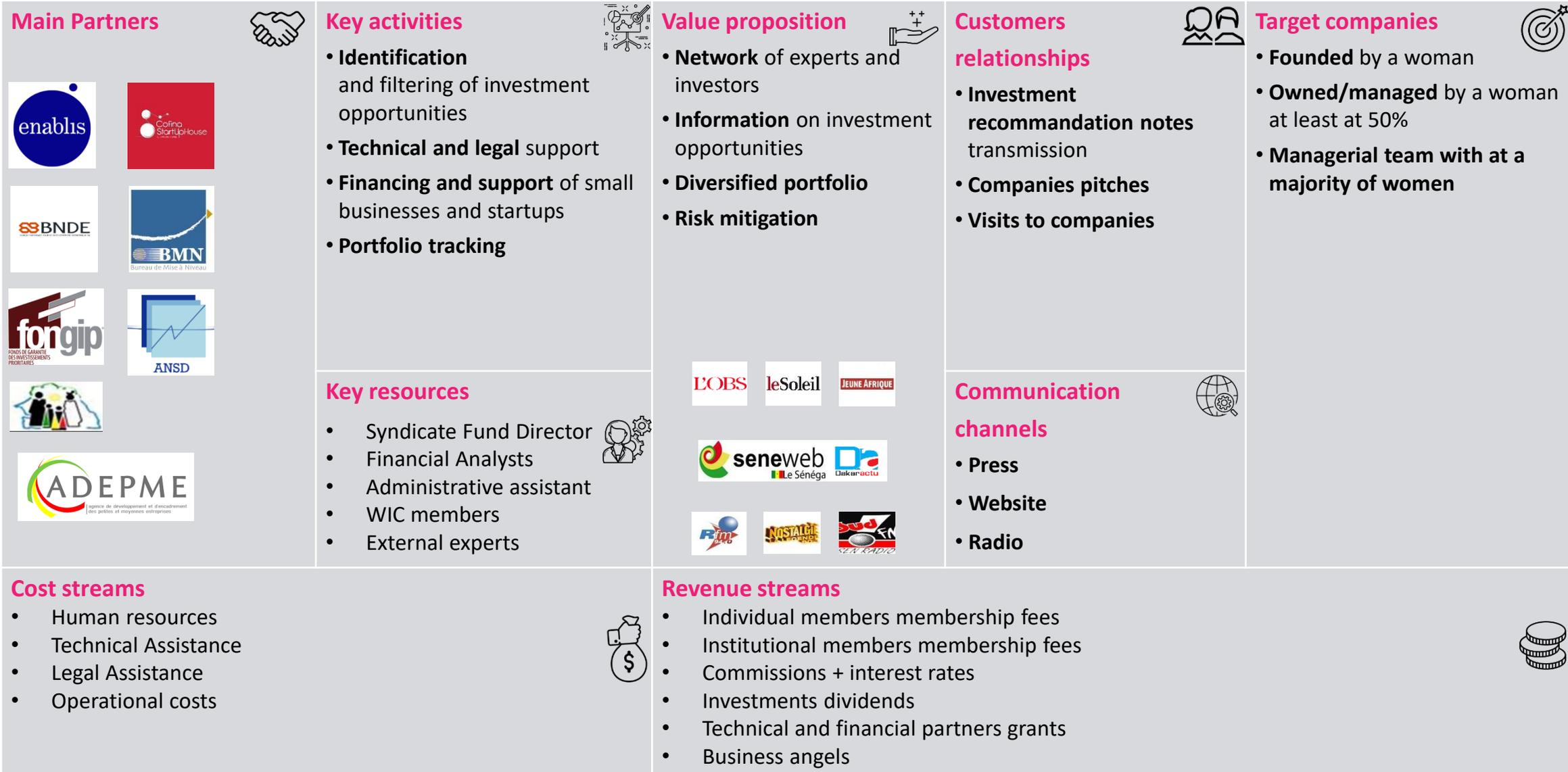


The syndicated investment model allows investors to **save money** by sharing the investment amount



The Syndicate Fund allows investors to **better manage/share** risks by building a more diversified portfolio

The Syndicated investment model is the first in Francophone Africa and one of the first in Africa



The WIC Syndicate Fund main objective is to promote financial inclusion through the integration of women as accelerators of economic development

Thesis	Objectives	Scope
<p>The performance of Senegalese women-led-businesses can be significantly improved by:</p> <ul style="list-style-type: none"> • The creation of a network made of influential people • The support to other entrepreneurs • Small Investments in startups and SMEs 	<ul style="list-style-type: none"> • Short term Identify and develop promising startups et SMEs in Senegal 	<ul style="list-style-type: none">  ICT  Real Estate
	<ul style="list-style-type: none"> • Long term Companies with strong economic growth that can participate in the expansion of public and private markets 	<ul style="list-style-type: none">  Packaging  Education  Financial services
	<ul style="list-style-type: none"> • In numbers Approximately 2 billion CFA invested in 5 years in at least 50 companies 	<ul style="list-style-type: none">  Agriculture  Safety ... Etc.

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Benchmark

In order to test and improve the model and procedures of the Syndicate Fund, the WIC team ran a pilot with two preselected Senegalese companies



Pilot

The pilot of the Syndicate Fund was held over a period of 3 weeks. The two companies that participated were preselected by the WIC team. The investors were composed of members of the WIC Governance Committee



Procedures

After conducting interviews and analysis of the companies, the WIC team wrote a two-page summary note on each company that was shared with the investors. The companies then made a 20-minute pitch



Results

The WIC team used the pilot to establish the Syndicate Fund's investment procedures and to finalize the choice of governance model with the legal firm CABEX



Astia, recently joined by the WIC as a "family office", has a Syndicate Fund that invests in companies that have at least one woman founder or manager



General information

- Network of angel investors targeting women-founded or women-led companies
- **Astia Access:** a network of 5,000 experts that perform the filtering and due diligence
- **Astia Investment:** pool of investors
- **Astia Think:** in charge of Astia's promotion and pipeline identification



Filtering Procedure

- **Online application** through the GUST platform (around 6,000 companies)
- Filtering carried out by a **network of 5,000 experts** at different levels
- Companies that pass the screening stage are invited to **pitch in front of the pool of investors**
- About 10 companies receive an investment



Gender Focus

- Investment in companies that have at least **one woman founder**
- The pool of investors and network of experts are composed of both **women and men**
- Gender focus is limited to companies in which Astia invests



Investment

- **Ticket size:** varies - averages between \$250,000 to \$500,000
- **Instrument:** mix of debt and equity; case-by-case negotiation
- **Portfolio:** mainly in Technology, Health and Medical Devices
- **Technical assistance:** technical support provided by investors

The 500 Women Syndicate of 500Startups invests in companies with at least one woman founder who owns at least 10% of the company



General information

- Syndicate Fund launched on AngelList with the organization 500Startups as lead
- 500 Startups : global investment group with more than \$390 million in committed capital in 4 investment funds and 13 microcredit funds



Filtering Procedure

- The Syndicate fund invests in about **10 companies every year**
- The fund's pipeline is fed by **500Startups portfolio of 1,600 companies**
- The due diligence and investment recommendations are done by a **team of 4 women who work full-time in other companies**



Gender Focus

- **Gender investment criteria:** the company must have at least one woman founder who owns at least 10% of the company
- **No gender restrictions** are imposed at the Syndicate Fund investor level
- The team conducting the due diligence and making recommendations is composed solely of women



Investment

- **Fund lead:** 500Startups
- **Ticket size:** \$300,000 to \$600,000
- **Instrument:** Equity
- **Assistance:** network of 160 volunteer experts
- The lead (500 startups) **invests directly** in the company
- Syndicate investors **invest in a special fund** (LLC series) created to invest in the company

Gender-lens investing can also happen at the investor level. New York-based 37Angels Syndicate Fund aims to train more women to angel investment



- Community of **79 women angel investors** focused on investment training
- Membership through an angel investment bootcamp - \$10,000 investment required
- Direct Network Membership - \$25,000 investment required
- Online application (~ 2000 companies/year)
- 20 minute call for first impression
- Due diligence by investor network and 3 Investment Analysts
- Bimonthly presentation to investors (50-100 companies/year)
- 10-12 investments per year
- Do not waste promoter's time. Be as honest as possible from the first call
- Ask important questions and look for warning signs
- Do not overwhelm portfolio companies with technical assistance from investors
- Share deal flow with family offices and partners

Investment

Investment criteria

- Startups
- Evaluated between 3 to \$8 million
- Raising between \$500,000 and \$2 million

Ticket size

- \$50,000 to \$150,000 per company, about \$25,000 per investor

Instrument

- Negotiated on a case-by-case basis (debt and equity)

Portfolio

- 85% in the Technologies sector
- 1/3 of companies run by women

Governance

- Investment process coordinated as a syndicate
- Company's cap table reflects individual investors

Source: 37Angels official website;

**For more information on the WIC Syndicate Fund
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THANK YOU

