



LS Africa Presents: Venture Voices

Episode 2:

A Conversation with Janade du Plessis of Launch Africa Ventures: Balancing Sustainable Development with ROI

By [Deangeor Chin](#), [Raquel Smith](#), and Janade du Plessis

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Raquel Smith: Welcome to LS Africa presents Venture Voices. Before we jump in, if you'd like to learn more about our Africa practice and some of our upcoming events, visit lowenstein.com and subscribe to our mailing list to stay in the know. I am Raquel Smith and today my Lowenstein colleague, Deangeor Chin, and I will be joined by Janade du Plessis.

Janade is a South African investor, entrepreneur, researcher. He's currently a managing partner of Launch Africa Ventures and Five35 Venture. He's an angel investor and impact investor through his investment company, Abrazo Capital. With that said, let's jump right in. Janade, welcome. We'll just start, what sparked your interest in emerging company investing?

Janade du Plessis: Yeah. I am obviously South African and African, and so impact is really at the heart of our society. I think, if you're investing in Africa, you are also automatically creating impact, and that excites me. I actually started this journey about 20 years ago when I created an impact fund investing predominantly in women. There was nothing called impact investing. We called ourselves social private equity. And the gender-led investing wasn't really a big thing back then, but I knew that if you invest more in women, in communities, your dollar goes much further because women look after children, the elderly, and society at large. That's a great way to create impact with capital, and that was my journey. Since then, I have now invested in over 250 early-stage businesses across the African continent.

Raquel Smith: Wow, that's amazing to hear. We have a few guests that are coming up on the podcast that we'll be talking about these exact issues, but it's awesome to hear that you are doing a lot of the heavy lifting or you're a part of the community that's doing a lot of that heavy lifting.

Deangeor Chin: And have been for a while it seems like.

Raquel Smith: Right.

Janade du Plessis: Giving my age away.

Raquel Smith: So do you have an investment thesis? Is there something that's driving you? I think what you just discussed shows that you definitely have a focus and a mission, but do you have what you would consider a thesis, and does it align with the African startup ecosystem?

Janade du Plessis: Yes. I would say my evolution about impact has also changed over the period. I certainly, where I'm at as is today as an investment professional is that driving commercial returns in Africa does not take away from creating impact. And so with Launch Africa and our female focus fund Five35, we believe that investing in the technology and the digital transformation of Africa will fast track the development of the continent. And Africa's development is so important to us. As an African, I want our continent and our people and especially our youth to thrive and be relevant in the future world. And so our approach to it is through investing in highly scalable technology startup.

When I started this journey 20 years ago, I was at the intersection of how can we help communities thrive? And now, over the past 20 years, is how can we help technology companies thrive that can scale quickly and fast to improve the quality of life of Africa? And that is really where Africa is right now. Our industry, when I say industry, I mean the venture capital, technology, VC industry is only about 10 years old. So we're really still very nascent and we're starting this journey and we are building the guardrails for a successful industry into the future—And I've worked at a Silicon Valley fund for a period—I always say the success of Silicon Valley and the success of London is all about a relay race. And in this relay race there are many participants, but they know where they accept the baton and where they hand over the baton. It's very clearly defined and there are ecosystems to support that.

But when you're early in an ecosystem, and so when I think about Silicon Valley 30, 40 years ago and in Africa today is you have to do all the work. So in Africa today, we are running the relay race and Launch Africa specifically is running the seed stage of the relay race. But at the same time, we are building the stadium, and we are building the transport networks to get to the stadium, and we are educating the customers corporate Africa at the same time. And I like difficult challenges. I think a lot of my colleagues and my family will confirm that, but I can't just run the seed stage raise. It's not my personality.

I like the fact that at the same time you have to got the responsibility of building an entire ecosystem to make it easier for entrepreneurs and VCs and investors to invest as this ecosystem developed. And that's where we are. We are 10 years into it. The ecosystem is doing very well. I'll tell you my business partner, Zach always says he did his first deal 10 years ago, the entire VC ecosystem was \$25 million. In 2022, it was \$6 billion. So it's one of the fastest growing asset classes. And I'm excited that we can help accelerate through our funds Launch Africa specifically, that we can accelerate that building of that ecosystem.

Raquel Smith: That's amazing. That's amazing to hear. So do you think there are any particular sectors within the African markets that you think are more exciting to you right now? Anything that's very promising for development?

Janade du Plessis: Well, let's think about what are we trying to do on the African continent. One is people need to transact. And so you see that in the past 10 years, but specifically since 2017, 2018, fintechs have done really well, but there are still 600 million Africans without any access to financial services. I do think that fintech will continue to be exciting. I do think that there are about 600 fintechs on the African continent. At some point, there will be a consolidation of those and I think that would be the next exciting part of the evolution.

So if you think how we built this ecosystem, people must transact and then people must move. So transport in logistics, goods must move. So e-commerce, marketplaces, education tech, health tech, and we are seeing increasingly climate related startups being developed. And of course, since ChatGPT, the entire world has gone AI, and so also not left behind. So we've just launched our new fund, Seed Fund II, and of the first nine deals, five was specifically on AI. But our approach to it is, I always say I like to see an AI startup where it only mentions AI on slide three.

It still has to solve a real-world problem and you have to have a solution for a real-world problem. And AI is there just to add fuel to the fire. For me, those are the African problems that we are still solving here, and the numbers speak to it. We've got 800 million youth, meaning people under the age of 24, 600 million people that still needs access to electricity and financial services. That is the same size of Western Europe. And so if you think about opportunity alone in Africa, everybody should be putting their money out. Now, it does come with challenges. I'm sure we'll talk about it, but the opportunity exists and that's why everyone globally thinks of Africa as the final frontier.

Deangeor Chin:

That makes sense. And to your point, I know you mentioned the youth and kind of giving them opportunities. I've also seen a couple of ed tech startups that are also popping up. Just trying to kind of fill that gap as well. How do you manage the balance between seeking returns and contributing to sustainable development in Africa?

Janade du Plessis:

Yeah, so we are a commercial fund. I have to give three times money back to our investors in seven years. That's how I approach them. But there is an opportunity to develop whatever. So our values in the organization are based on development values. So one of our questions is does this company increase the quality of life of Africans? It's our core value, it's what we live for, it's how we drive our investment process. And then we would say the same in every different sector. So we see a lot of fantastic companies in fund one. We evaluated more than 4,000 plus companies and we invested in 133 of them. All those in the 133 solves a real-world problem with real profiles of Africans and the solutions they're trying to solve. At the same time, as I mentioned, there's a great opportunity on the African continent if you are the first in market.

So Launch Africa is the fund that has invested in the most African countries compared to other African VC funds. If you look at the African continent, there are five big markets to invest in, namely Egypt, Nigeria, Ghana, Kenya and South Africa. Those are, we call the big five. We've invested in 22 different African countries. So we were the first institutional investor in the DRC in a company called Maxi Cash. Maxi Cash started off as a peer-to-peer payment system, but T Sasha alone has 19 million people. And of course it's a cash driven economy, but of course the youth and the entire population have two to three mobile phones. Of course, peer-to-peer would work, right? And so when we go into these countries, there are three things that we look for, which is really around the infrastructure layer. Are there people building ecosystems for thought to startups to thrive?

Meaning are there accelerators, incubators? Secondly, what, what is the relationship with the telcos? A lot of innovation in Africa was spearheaded and still driven by the MNOs, the telcos in Africa. And then thirdly, do we have relationships with corporates in those country for us to help these companies scale locally? And are there sets of investors that would come along? And if we can answer all of those, we are very happy to do a deal. Our top performing deal, by the way, is in Togo and Benin tool. Oh, interesting. Yeah, African countries. Our first exit is from a company in Cameroon. So this idea that you always just have to be in the big five, you're probably missing out by being first mover or changing the way consumers operate in

the other markets. And that's what we see as development and that's what we want to continue doing, telling the African story through practical examples of investing and exiting in those markets.

Deangeor Chin: That makes a lot of sense. And I mean, it's exciting stuff. And understanding that you are from South Africa and you mentioned you're investing in all these different countries, what role do you believe foreign investors should play in the African ecosystem? What role do you see them filling?

Janade du Plessis: Yeah. So I'm South African. I've managed to live in many countries. I lived in Tunisia, I lived for a very long time in Nigeria and Abidjan, so West Africa for a number of years. I've now been very privileged actually to travel to 50 of the 54 African countries.

Raquel Smith: Wow.

Deangeor Chin: Wow.

Janade du Plessis: When I'm tired, then I'll get to the rest, but hopefully one day. Let's focus on African investors and then we'll talk about international investors. African investors, not only VC investors, but in general, needs to have much more of a development as well as a commercial output. And this comes back to your previous question, actually. I think African investors are not willing to take the big bets or a little bit more risk because it's safe to invest in property, it's safe to invest in listed stocks and it's safe to invest in bonds, but I will challenge African investors. Has that changed the dial for us in the past 20 to 30 years? Yes, it has, but at what speed, right? And speed is what we need in the African continent.

You mentioned about the youth, there are 800 million youth, but unless we act today, we are creating a generation of youth that are mostly unemployed across so many major markets and will be forced to enter manual labor related jobs rather than real world digital jobs for the future. On average, unemployment in South Africa, Nigeria, Kenya is excess of 50% when it comes to the youth, right? African governments have to build 600 schools every day to keep up with the pace, which is obviously impossible from an infrastructure perspective. And so the only solution is through digital and technology adoption and that's why we invest in edtech.

So if you think about how do we create development opportunities at a faster pace, African investors will have to change their investment mandates and their risk profile. And then, of course, that now talks to all the Africa risks. And so when you're an international investor, you probably see a lot of opportunities and with opportunities comes high returns but also higher risk. And so we internally on the ground have to work with our governments have to be able to sit down and find the solution with governments around regulation, around corruption, around the fact that our markets are not as liquid, around currency devaluation. 78% of the world's currencies linked to the dollar devalued last year, but it was felt even to a greater extent in Nigeria, Kenya, South Africa, and Egypt in particular. That is completely out of our control. And so when we speak about the ecosystem and building the stadiums around it, we government regulation and government policies play a critical part to it.

I do think, and we've seen this at Launch Africa— in Launch Africa, our first fund, we've got 150 plus investors. These are individuals or family offices in 41 countries around the world. Often, we are provide them the pipeline, and often you will say you just need one good story in Africa for those international investors to start believing. There's a lot of education that needs to be done. A lot of people have also lost money. And so my recommendation is work through trusted partners who's got on the ground presence in order to help protect your investment.

But I would also say that their international investors need to think about the long term. If you look, I mentioned a total of 6 billion in 2023 on the equity part, which was just under 5 billion. 75% of that was international. So international global investors are certainly investing in Africa, but that number dropped dramatically in 2023. And you have to say and question what is the long-term sustainable investment strategy for international investors? It can't just be investing tourism, right? Capital tourism.

Deangeor Chin: Right. Right.

Janade du Plessis: It has to see through cycles. And so again, it comes to having the right partners, having the underground presence, and being able to understand that cycles are happening. They're happening at much shorter cadences these days, but you have to believe in the long-term value of your investment rather than just whenever there's a hiccup, you take out your capital.

Raquel Smith: That's great. And I know we talked a little bit about some of your portfolio companies and how you've managed to choose and decide the things that you're looking for when you're making a decision as to whether you're going to invest or not. How do you support your investments beyond just that capital injection? What do you do to make sure that you are protecting your investment in the way that you just described?

Janade du Plessis: Yeah, good question. So obviously, we have to do things a little differently. We are a high-volume fund. Our fund one has got 133 companies, fund two will have between 80 and 90 companies. So for us, thinking about value addition at scale becomes very important and it's almost... We do two things. We want the intimacy and the one-on-one relationship with individual companies, and we want to add value at scale. One of the big value adds that scale gives you is connectedness. We have our platform with all of our founders on a platform. And peer, we drive a lot of peer-to-peer learning and peer-to-peer connections. Now, I run funds of 15, 20. You cannot do that at a fund of that size, but if a fund of 100, I think we have 187 people on our platform now, it is really easy for us to help a company in South Africa scale to Nigeria now. One is because we've got so many Nigerian founders that will help the founder into the market, give them the learnings, and all of the things that they need to avoid. You find it on our platform.

We started this as our community and it's wonderful to see how it evolves and it's wonderful to see how founders are thriving, what are the topics to discuss and how they're helping. The other thing that we are seeing, there's a lot of M&A opportunities within our own communities. So either through JVs where one founder in Nigeria has got the market, but the tech is maybe not that good. And another founder in Tunisia, great tech, but small market. And I'm giving you a live example, those two are now talking to see how can we dominate in both markets, right? We've taken a South African company and Nigerian company and said, "Well, why don't you both work and enter a new market together?" We are seeing a lot of those M&A opportunities coming together.

So how do we do this? I'm an old investment banker. My partner is an older investment banker, so we run ourselves like an investment bank. We've got front office, middle office, back office and coverage, and our staff complement of 20 plus are working in each one of those pillars. Front office all about investments, finding the deal, finding the best deals, and preparing those deals in order to get approval from our investment committee, middle office, all about how do we add the best value to our companies? So we run weekly Mondays and Thursdays office hours where we try to solve at scale some of our founder issues. I would say this quarter, it's all about strategy. How do I prepare? How do I survive the next year? What do I do to create the strategic roles in my business? There's always themes as founders all go through the same thing.

Then back office is predominantly around fund valuations, fund reporting, investor feedback. And coverage is what we call what I think is the intimacy in our business, which is one-on-one monthly check-in with our founders, setting KPIs, reporting back on KPIs, and solving individual company issues. It does mean that our team works a lot harder than at other teams, but that is our hiring strategy. We know the types of personalities that will thrive working in high volume environments, and so our recruitment strategy is definitely aligned to that.

In 2021, we did a research study, 350 founders, to understand what are the real needs, and a few things came up, which was interesting. Founders globally will tell you access to capital. What was interesting was after that is that access to expert advice. And for me, as somebody who's been in the industry for a long time, that almost is to me that I'm probably a technical founder. I've worked in corporate Africa for a while. I've now been brave enough to step out and do my own thing, but I probably need to surround myself with people that think commercially that understand about how corporate Africa works and how do you scale a business, and probably some other technical skills as well.

So African founders are yearning for experts, especially global experts, to help them think through key strategic and operational issues in their business. And often you'll find that African founders are more open to inviting advisors or experts in exchange for equity in their business because that handholding is quite important. We have a retired CEO, a US American CEO, from one of the world's largest asset managers, and he invested in our fund and now he's an advisor to six of our fintechs. And I can tell you that tangibly his advice and guidance has made them probably the six best performing fintechs in our portfolio. So access to expert advice.

Thirdly was access to talent. Africa, we've got a lot of good talent, but at the base level, and as soon... Let's take software developers for example, we have plenty of junior software developers, great companies like Andela has been producing them for the last couple of years, but as soon as they get experienced and soon as they can especially manage other software developers, they get poached and they go to Europe, go to Canada, they go to Europe, and rightly so I would do the same thing if somebody can give a hard currency salary, right? In a way, we hope that they come back one day with the experience and build businesses, which we already see in the signs of that, but access to talent globally is an issue and it's accentuated in Africa.

And then I think the last one was very interesting for me personally, and this is the era of research that I do, is I need to know myself better as an entrepreneur how can I go about doing it? So access to personal development. And I do a lot of research in this space, and it's probably one of the few markets, certainly not in Western Europe, where founders are that open and seeking that level of coachability that I've seen anywhere else, and perhaps it's an emerging markets thing, but yearning for personal development, leadership development and management development is certainly an attribute that we as part of our portfolio value add give to our founders.

For example, we've invested in a company that specifically does mental health and all of our founders gets access to that, and in a way, free credits too. On the access to talent one, we've invested in a company that is now part of the portfolio that helps company. It's a tech recruitment model, but all of our companies now get very reduced fees on that. So the way we've also designed our investment strategy and the types of companies is also to alleviate some of those aspects that founders need and want.

Deangeor Chin:

That's awesome that you build your success into your actual business model, like supporting the companies that will support your founders. What advice would you

give to startups in Africa looking to attract venture capital? Like you mentioned a few of the things that these founders look for. How would you advise them to get it?

Janade du Plessis: Yeah, this list is long, so just stop.

Deangeor Chin: I would.

Raquel Smith: And this will be our last question to you, so...

Janade du Plessis: Okay. Be prepared, right? So I always tell founder, have your 30-second, one minute, two minute, five minute elevator pitch. I can walk into any environment, assess the environment, and I know how to pitch Launch Africa. Be sure that you do your research before you talk to anybody. Never go on a call cold and you are now pitching to your investors. Often investors like to hear about themselves first, be engaging and make sure that you are able to understand their investment strategy. What we do at Launch Africa is often we give back more than we ask for initially. So we inquire about their lives, their careers, what opportunities they're looking for in Africa, and as a result we are able to use our network and our reach to give back. And as soon as you draw in people, you have them locked in. So do your research.

Know your competitor set. Often, I look at founders and because we see so much, I am surprised that founders do not know equivalent businesses in different countries. Africa is a big market. It's very fragmented, but in a way it's also very small if you think about it on a regional basis. So at least know what companies are similar on a regional basis. Know always that you are competing against other asset classes and other industries for the same dollar that investor needs to know. So have a broader view of the economy, the sectors, the different markets, because at the end of the day, we are all competing for the share of wallet, right?

And so a fintech in Nigeria and a edtech in Kenya talking to an American investor, they are competing for the same dollar. So understand your business fundamentals and your business ratios better than anybody else. So understand what your LTVs, your CAC, how much it costs to acquire a customer, and all the different metrics that you measure yourself on and what the industry will measure yourself on. That should be a given, and a founder should never be flustered when they ask those questions.

Know that you are talking to a human being, and human beings like to hear their own voices. They like to be engaged. They like to talk about themselves. So be a little personable, don't be a robot. Ask about their please. Everybody wants to believe that there is a whole system around them. Ask about the kids where they grew up. You want to build rapport and you want to have a level of comfort that you want to create. I think that founders don't really think about the teams that they build around them, and this is so important because as a founder, especially at the early stage, we back the jockey as much as we back the horse. So the founder becomes very important for us. And the business gets evaluated from investment perspective. But often you would also, investors certainly at Launch Africa, we look at your hiring because that's an indicator for us of what are the gaps in your own skills and your own management ability.

Founders might not know that, right? But investors look for those signals, so make sure that who you surround yourself, your team is complimentary to you as the founder and definitely valuable within the business. I would also say that capital is scarce, treated like that, and so you have to throw your net wide but have a single-minded focus, right? What I often think is that founders don't interview the investors much. Ask them what have they invested in? How much value do they add? Similar to what you've asked me today, ask them about the investment strategy. Ask them, most importantly, when do they want to exit and does that fit within your timeframe?

All money is not always smart money. You want to follow the smart money. So people that will write a check and add a lot of value post investment, and sometimes you have to do the hard thing about walking away if that investor is not the right investor for you.

And then thirdly, I would say is have a work-life balance, right? A lot of people, and work-life balance is very contentious issue because founders need to work all the time to begin with, but have other interests outside of this because that's only good for your own mental health and often the joy and the fulfillment that you get in doing the other things will bring you back enjoyment into your business. And people like people that are completely focused in their business, but they also want to have the comfort that they can build relationships and networks and communities outside of the business.

Deangeor Chin: That was awesome and very insightful. We talk a little bit on another one of our episodes about getting capital and smart money like you mentioned, and situations where it may make sense to walk away or situations where you can get more for the equity that you're giving, so that's very insightful. Thank you so much, Janade, for joining us. This was awesome. It was great to hear your thoughts and to gain more insight into the market.

Janade du Plessis: Yeah. Thank you for the opportunity.

Raquel Smith: Yeah.

Deangeor Chin: Before you go, if you like this episode, make sure you subscribe to our Venture Voices podcast, so you do not miss out on any new upcoming episodes. And make sure to visit lowenstein.com to learn more about our Africa Practice Services. View the transcript of today's episode and subscribe to our mailing list for client alerts and upcoming events.

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