

Endeavor SA's entrepreneurs raise 4x capital YOY

Despite prolonged global market uncertainty, Endeavor South Africa has reported significant growth in their portfolio of disruptive tech businesses. The local chapter of the global non-profit organisation, which supports high-impact entrepreneurs in emerging markets, reported collective raises of R2bn in 2020 alone amongst the portfolio of 29 businesses, compared to R1.3bn combined during 2018-2019. A number of these businesses delivered strong results, one of which achieved a 300% uptick in volume.



Antonia Bothner

Antonia Bothner, capital markets lead at Endeavor South Africa, attributes this acceleration in capital raising due to the growth stage nature of these businesses and the strong underlying performance of the businesses in the tech or tech-enabled space. The portfolio is 95% tech or tech-enabled and has managed to benefit strongly from increased digitisation.

And there are no signs of momentum slowing, in fact capital raising is expected to be in excess of R4bn over the next 24 months. "This last quarter has seen entrepreneurs riding the wave of accelerated digitisation," she says. "They are growing at a rapid pace - beating budgets, increasing capital raising and hiring."

Series A term sheet guidance template

In addition to Endeavors' flagship mentorship programme, which provides access to over 174 local and 3,200 global mentors in 35 countries worldwide, the organisation recently developed a unique Series A term sheet guidance template - the first of several initiatives to help entrepreneurs and the ecosystem.

Designed to provide support in Seed and Series A capital raises in South Africa and beyond, Bothner believes it will help entrepreneurs and investors alike, firstly by having a better starting point in the capital raising negotiations and secondly by laying a solid foundation of best practice for successive capital raisings down the line. Setting a good precedent is vital not just for the entrepreneur raising capital but for the whole ecosystem.

In the provision of free, open source documents, Endeavor also aims to reduce the cost of friction for current and future deals, and this is a first example of such an initiative.

“The objective of this project, run in collaboration with the venture capital investor community, is to provide entrepreneurs and investors with a working template that can be customised to specific funding circumstances,” says Bothner. “The term sheet template includes standard terms as well as some non-standard clauses that arise in our many discussions with growth-stage companies. As a working document, it is regularly updated and we are currently building it out to include East and West Africa and further North to the MENA regions, tailored for their specifics.”

The term sheet guidance provides value-enhancing terms for investors and entrepreneurs that are supportive of business growth and attracting international follow-on investors. Avoiding punitive terms that stymie growth, it aims to cut down on the time spent agreeing term sheets. This in turn frees up entrepreneurs to focus on growing their business and ultimately create economic value. “Using the Series A guidelines, entrepreneurs have a better starting point in their negotiations which enables them to reach a better result sooner and more effectively,” argues Bothner.

The accelerated digitisation trend, coupled with tools like this, are having a noticeable impact on entrepreneurs’ businesses. Since March 2020, there has been exceptionally fast volume growth amongst entrepreneurs such as Wyzetalk, MFS Africa, Ozow and Aerobotics. Furthermore, seven entrepreneurs - go1, Skynamo, Guidepost, Aerobotics, SweepSouth, Spark Schools, and inQuba- successfully raised over R2bn in capital in 2020. To put this into perspective, this is 4x more capital raised than in 2019, with rounds closing faster and larger.

According to Bothner, Endeavor portfolio companies raising equity continue to exhibit a strong valuation uplift, financial performance and capital raising momentum. “We believe that it is a very exciting time to invest in the SA tech scale-up scene. Accelerated digitisation and remote working have enabled entrepreneurs to sell to the international markets like never before. More importantly, accelerated digitisation has led to a massive shift in the demand for tech-enabled solutions, and this is set to continue for the foreseeable future.

Investors looking for an opportunity to invest in the SA’s leading high-impact entrepreneurs and the local ecosystem, may do so via Endeavor’s Harvest Fund II. Newly launched at the end of 2020, it builds on the success of Harvest I. It is an efficient, rules-based co-investment fund, providing growth capital to high-impact entrepreneurs and driving job creation and innovation in South Africa.

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