10 South African Entrepreneurs Who Landed Funding – And How They Did It

These successful business owners grew their companies into something investment worthy, and managed to land funding, here's how.

BY NICOLE CRAMPTON • JUN 11, 2019

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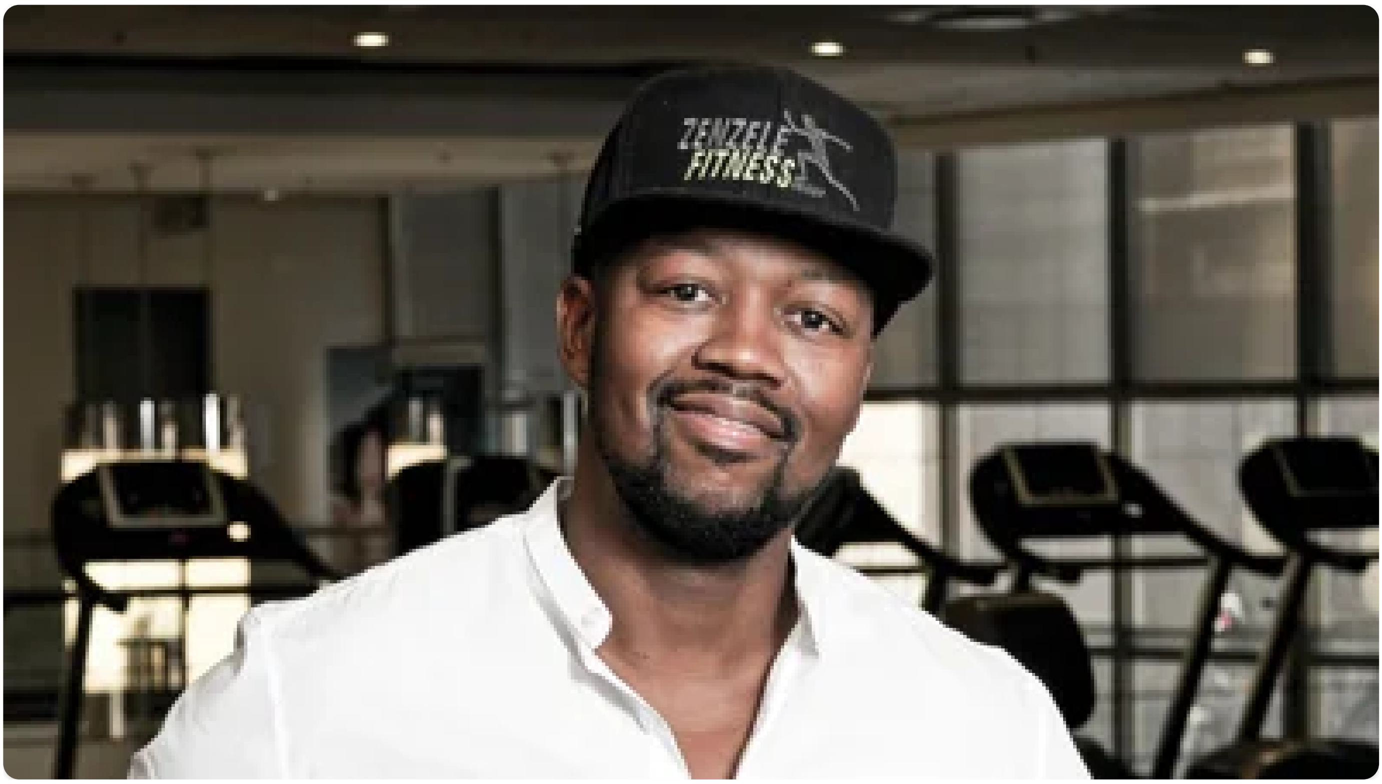
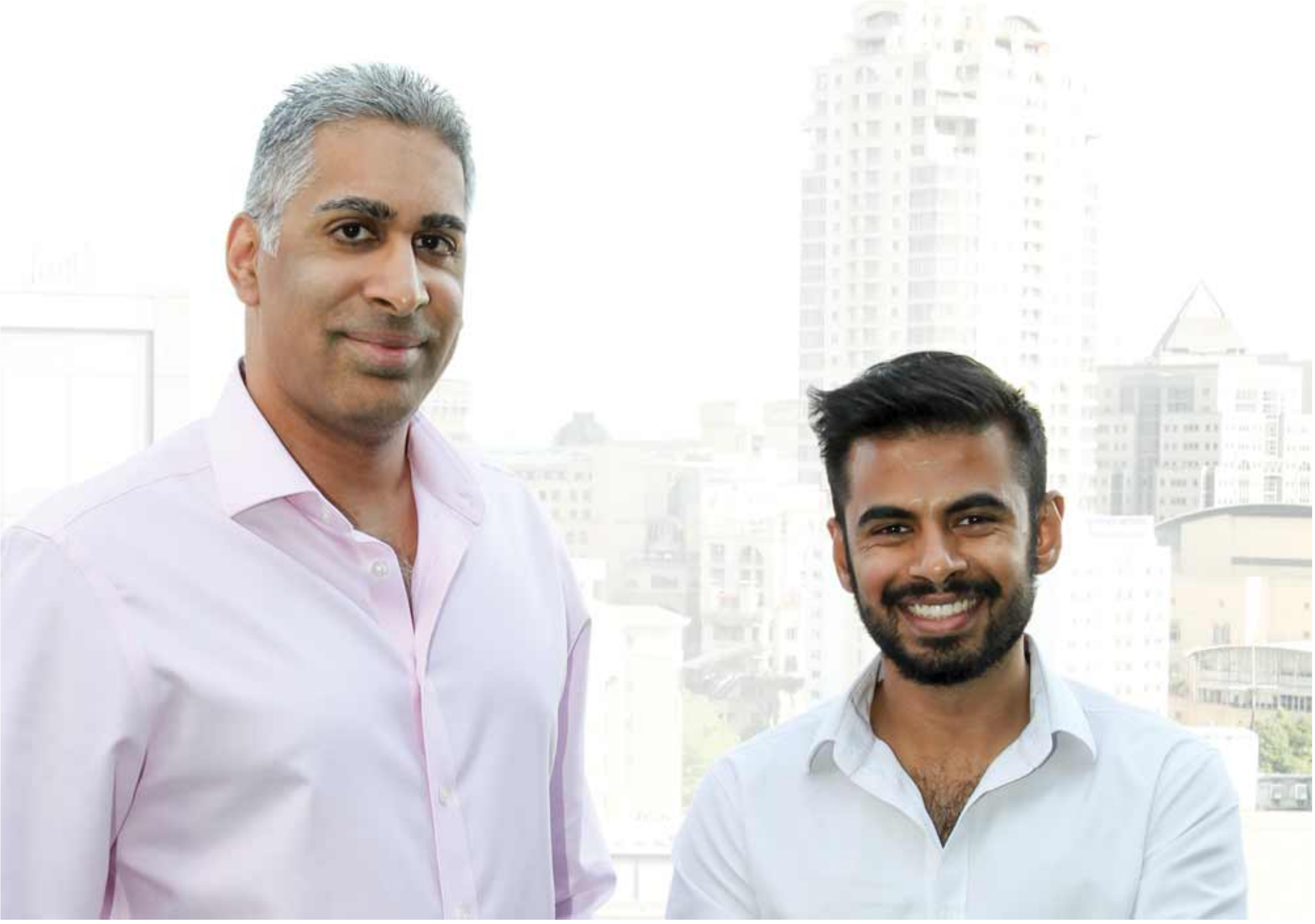


GG Van Rooyen

Landing funding for any entrepreneur can make or break your business. These ten entrepreneurs successfully landed funding and grew their businesses into well-known profitable companies.

But it isn't just that investors funded them, it's how they grew their businesses into something investors would support and how they sealed the deal.



1. How the founders of Giraffe bootstrapped their way to success

Unless you're a hot Silicon Valley start-up with unicorn potential, you're unlikely to attract funding until you've shown some traction.

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Anish Shivdasani and Shafin Anwarsha didn't even think about funding during the early days of Giraffe. "We were focused on getting the platform and the business going," says Anish.

funding."

"We also found that VCs will usually be reluctant to invest if you haven't bootstrapped for a while," adds Shafin. "They want to see that your company has some traction, and they want to see that you're invested — that you've put your own money into the business and that you are committed to making it work."

The best way to build a sustainable company is to spend as little money as possible up-front and get cashflow-positive as quickly as possible.

Depending on funding for survival is risky. What if the money falls through? Create a business that can sustain itself. Rely on funding only for scaling.

Introduce yourself, but don't actually ask for money

"While we bootstrapped early on, we also met with investors. These were mostly people we had been put in contact with via our own personal networks," says Anish.

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"Importantly, we never asked for money. In fact, to this day, we haven't asked for money. We simply introduced ourselves to investors and placed Giraffe on their radar."

By introducing potential funders to the company, but not asking for money, the founders of Giraffe let the company's performance speak for itself.

"We simply stated our intentions when we met with investors. When we saw them again six or twelve months later, we could tell them that we had followed through on our plans. We had attained some real traction, which made us worth investing in," says Shafin.

potential, not start-ups struggling for survival.

So, focusing too much on attracting investment can be counter-productive. Instead, get the fundamentals right and build a sustainable business. If you do that, the money will eventually come to you.

2. How Dov Girnun Unexpectedly Landed More Investors

Less than two years into his business, Dov Girnun attracted the attention of Rand Merchant Investment Holdings (RMIH), a financial services investment company.

They're the funders who backed Adrian Gore when he launched Discovery and Willem Roos when he started OUTsurance.

How had Dov found himself in the position to pitch to investors at this level? Months earlier, RMIH had launched a fintech incubator called Alpha Code.

The idea was to find pre-revenue start-ups that would be the next game-changers. Their research brought them to Merchant Capital.

"We didn't exactly fit their mandate because we were already operational and profitable," says Dov, "but they still really loved the business. They'd been researching the fintech space, and had recognised the potential in SME lending, which is our focus. They really wanted to invest, but at the time I was unsure if I wanted to dilute my shares further."

Is it the right time to invest?

Dov already had an investor, the Capricorn Group, whose investments include Hollard, Nandos and Clientèle, and until this point he'd been careful to maintain his shareholding.

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His relationship with Capricorn was excellent, as the investment team added huge strategic value to the business over and above capital, and so he hadn't been actively seeking additional funding.

And then a new opportunity presented itself. "We realised we have golden data on the SME space. How could we cross-sell to our base and monetise that data? We started chatting to RMIH, who were aligned to our thinking.

"Once I realised the value RMIH could add to our business, my whole perspective shifted. Here was an investor that could potentially help me to build a billion-dollar business. I'd be diluting shares but building a much bigger pie."

meant Dov and his co-founder Daniel Moritz, needed to pitch to them in person, so that they could see their energy, passion and vision for Merchant Capital.

How to effectively develop the elevator pitch

"One of my judges, a hugely successful venture capitalist from Sillicon Valley, really explained the significance of the elevator pitch to me. Imagine you've gotten into an elevator with the CEO of Goldman Sachs, he said.

If you're lucky, you've got seven floors to get them interested enough in your business to want your card, and maybe even a meeting. They can't possibly learn everything about your business there and then — they just need enough for their interest to be piqued.

"Because you don't know how much time you have, or who you'll be talking to and what their area of expertise is, you can't just learn a pitch off by heart, and you certainly shouldn't have a power point deck that you rely on. Both are very bad ideas. Instead, you need to know your business so well, inside and out, that you can tailor your pitch to the person you're talking to, based on what they care about.

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"Because of this piece of advice, I was able to tailor the first two minutes of my pitch to the RMIH board and what they care about. If I grabbed their attention, I'd be able to hold it for the next 20 minutes, which actually ended up being close on two hours. If I hadn't, we would have politely shaken hands after 20 minutes (if not earlier) and been on our way."

3. How Tumi Phake Used His Initial Investment To Secure More Funding

wasn't an option.

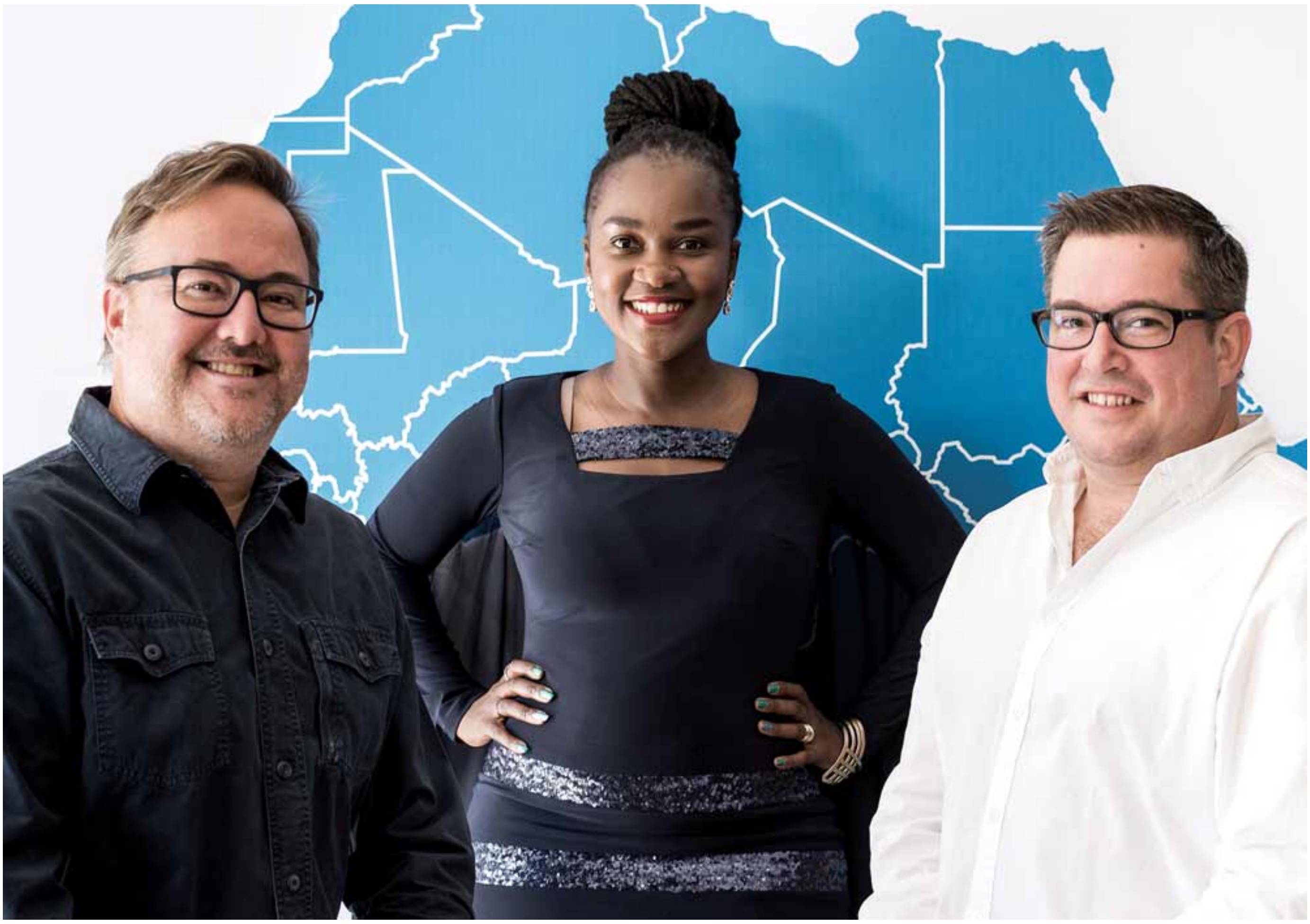
He was lucky enough to secure R5 million in funding from the Awethu Project, but this wasn't enough to get his full dream off the ground.

Once one organisation trusts you, it makes you seem more trustworthy to other investors and lowers the risk of investing in your business. With each person who shows a willingness to invest in you, it becomes easier to get more funding.

After receiving the funding from the Awethu Project, Phake managed to get another R7 million in debt funding, thanks to that initial investment.

Accessing debt funding can be hard, especially if you don't have many assets to be put up as collateral. Because of this, it's a good idea to try to get some outside equity funding — even if it's not the whole amount needed.

This funding could be enough to secure a loan, which would help you avoid having to give away any extra equity.



4. How Zoona raised $19 million in two investment rounds

In 2012, Zoona raised a series A round of $4 million, followed by a series B investment round of $15 million in 2016. Investors involved included Omidyar Network, Accion's Frontier Investments Group, Quona Capital, the International Finance Corporation (IFC) and local VC company 4Di Capital.

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"I think we may be one of the few businesses in South Africa that have experienced the full spectrum of fundraising activities. Brad and I bootstrapped the business for three years, then received grant funding, followed by angel investment," says Brett Magrath, co-founder of Zoona.

buy into the business. All in all, we have raised over $23 million."

Prove your business is more than just an idea

"An idea is worthless. You absolutely need to bootstrap until you gain some real traction. Once you generate revenue, you can start looking for outside investment. It's much easier to get hold of money to grow your business, than it is to launch it. Once you're making money, you can get a fair valuation. So, don't start a business with the aim of raising funds," says Brad Magrath, co-founder of Zoona.

Launch a solid business that can survive without outside funding — that's what investors are attracted to. Only raise capital when you are ready to grow aggressively, not when the business is struggling.

You need to be able to walk away from any investment negotiations. You also never want to attract just one investor, so you need to build a compelling business that attracts multiple investors and generates a bidding war.

Ensure you get a fair valuation

"When you raise capital, raise from people who know how to value start-ups. This is the main reason that Zoona's investment was raised overseas. In South Africa, many investors know how to value corporates, but are only now learning how to value start-ups. If an investor wants to value your business based on your price-earnings (PE) ratio, walk away. Only ever accept valuations that are based on growth," explains Brad

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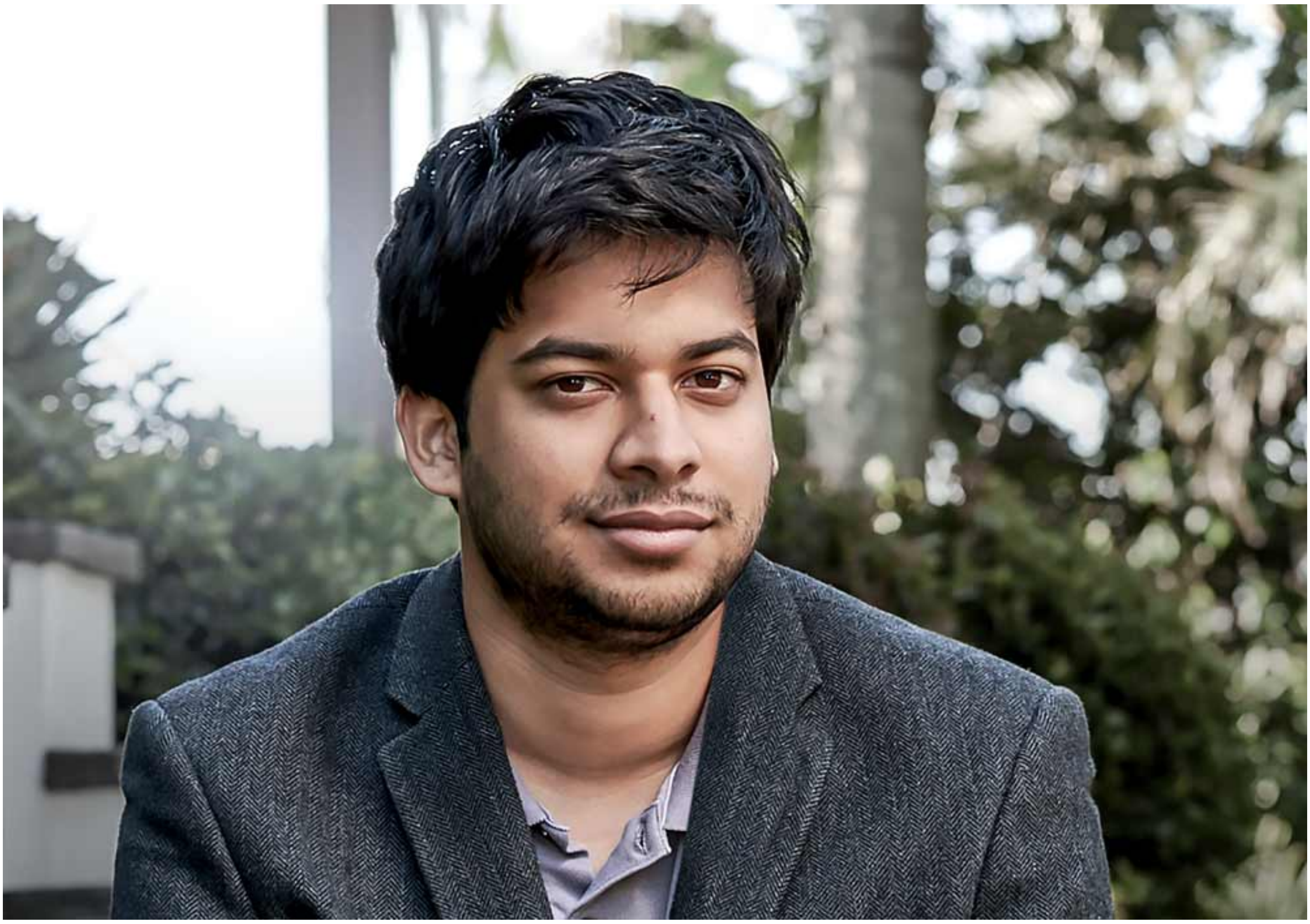
"Be aware that raising money is complex and time-consuming, and the people you'll be dealing with know what they're doing and are very sharp. So, it's important to bring them in early and be completely transparent. Don't hide any

"Investment term sheets are complex and hard for many entrepreneurs to understand, which is why you need mentors or a board of advisors who can assist. Don't sign something if you're not completely happy with it. When we received our first term sheet, it was the best day of my life. When someone actually explained the terms to me the following day, I felt like crying. Understand the term sheet, otherwise you're going to pay for it down the line."

"When it comes to measuring traction, it's important to track not only the traditional metrics, like revenue and profit, but also key impact metrics, like the number of people who are benefitting from your product in rural areas, or the jobs that your product is directly and indirectly creating," says says Lelemba Phiri, chief marketing officer of Zoona.

"There are many investors who are looking to invest in businesses that have the potential of making profit, and are also creating social, economic and environmental change. So, start measuring your impact early."

"Make sure you find the right investors who are aligned with your vision and priorities. This means you need to interview the investor, and their other investees. Do your research to know how they act when things don't go as expected, and what level of support you can expect," says Brad.



5. How Riaz Moola launched a business that makes a social impact and money

A business that makes a social impact and makes money are not mutually-exclusive. In fact, if you can launch a business that does both, you could find some heavy hitting investors knocking on your door.

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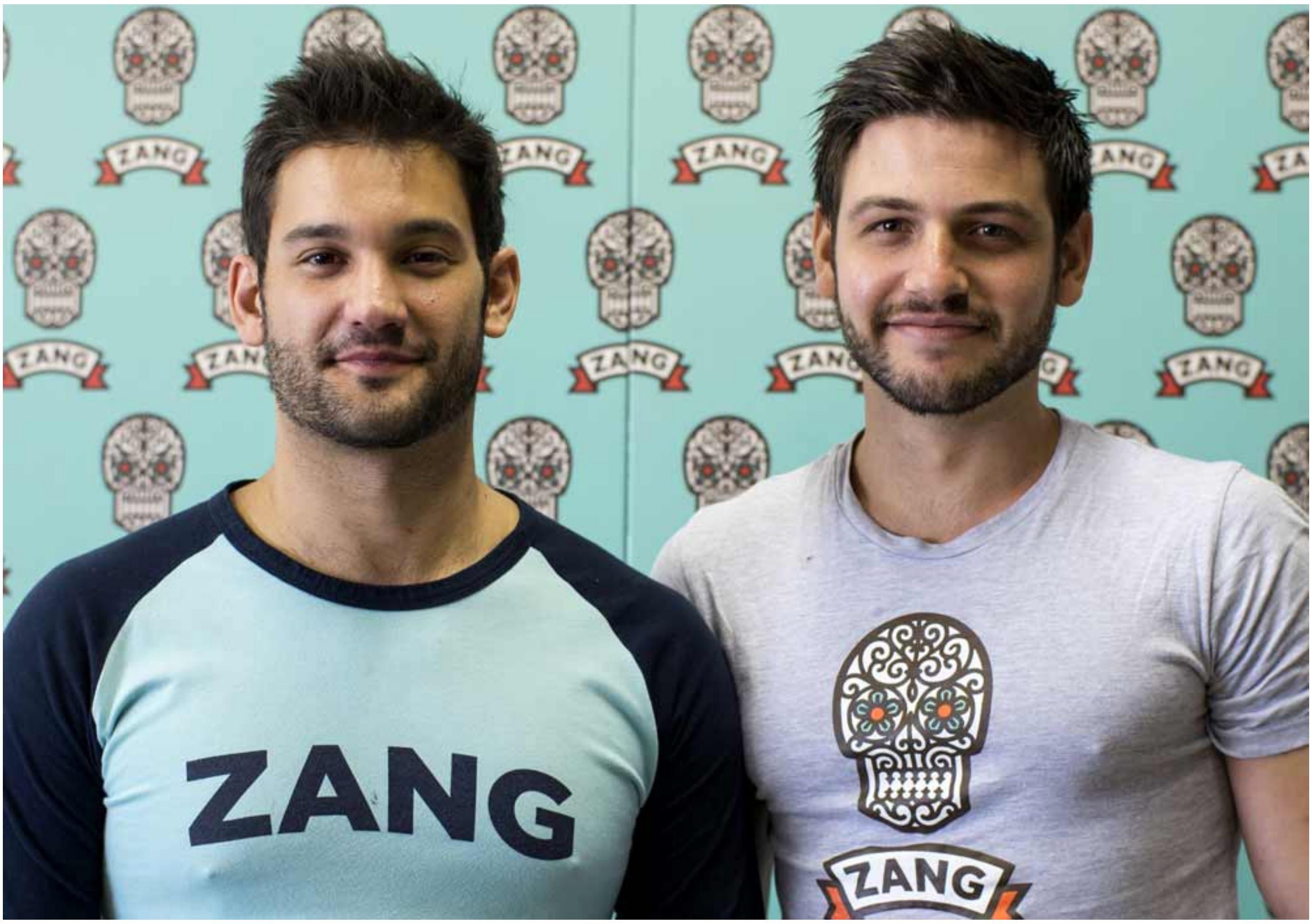
Become a social conscious profitable company will also help you to attract funding and become sustainable in the long-term.

"We've managed to get funding from both Google and Facebook, for example, because we are a sustainable social enterprise," says Riaz Moola. "We're

"We're making money. Just look at an investment firm like Omidyar Network. It is interested specifically in social enterprises that can turn a good profit."



6. How Zang caffeinated chocolate landed funding and an industry expert at the same time

After the complex process of developing their product, a caffeinated chocolate bar, Zang founders Jethro Braun and Brett Horwitz needed to find an investor.

"FMCG products are extremely expensive to launch; you can't bootstrap this kind of business if you want to target mainstream retail."

investment until they'd run the idea past a friend, Grant Rushmere, the founder of Bos Ice Tea.

"Ian wanted to hear whether Grant thought the product would find a market in South Africa," explains Brett.

In fact, not only would Grant love the idea, but he wanted to partner with the startup as well.

Related: How Stacey Brewer Raised R200 million in Funding to Build Spark Schools

"Grant had been working on a brand for a relaxation drink. He had the concept design, branding and name developed, but he thought our chocolate was a better fit for it than the relaxation drink he had been working on."

The young entrepreneurs jumped on the idea. Not only were they receiving capital from Evolve, but an industry expert whose advice would be invaluable, not to mention the brand that he had developed. And so Zang caffeinated chocolate was born.

7. How Benji Coetzee eventually found funding and kept her business thriving

EmptyTrips founder, Benji Coetzee was a management consultant before quitting her job to launch her own business.

She was a highly experienced business professional with an innovative and disruptive business idea – and yet she still struggled to find an investor.

"After months of trying to find an investor, I decided that Venture Capitalists don't know what they want," she says.

"The ladder of proof just keeps getting longer — big white space, addressable market, an MVP (minimum viable product), traction, first users — there's a long

What Benji learnt was that the corporate funders who would eventually choose to back her were interested in two core things.

First, did she have skin in the game? By that stage, she had invested R3 million of her own funds into the business, and so the answer was decidedly yes. She was already backing herself.

The second was that they wanted to back her — not necessarily the business. They were interested in her passion, dedication, experience and networks.

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"You still need everything I mentioned before," she says. "But ultimately an investor backs the entrepreneur, not the business."

The unexpected benefits of impressing venture capitalists

Two local venture capitalists, Clive Butkow, ex-COO at Accenture and CEO of Kalon Ventures, a tech-focused VC firm and Keet van Zyl, a venture capitalist and co-founder of Knife Capital, were unable to back EmptyTrips, but both kept in touch with Benji, which is an interesting lesson for other entrepreneurs.

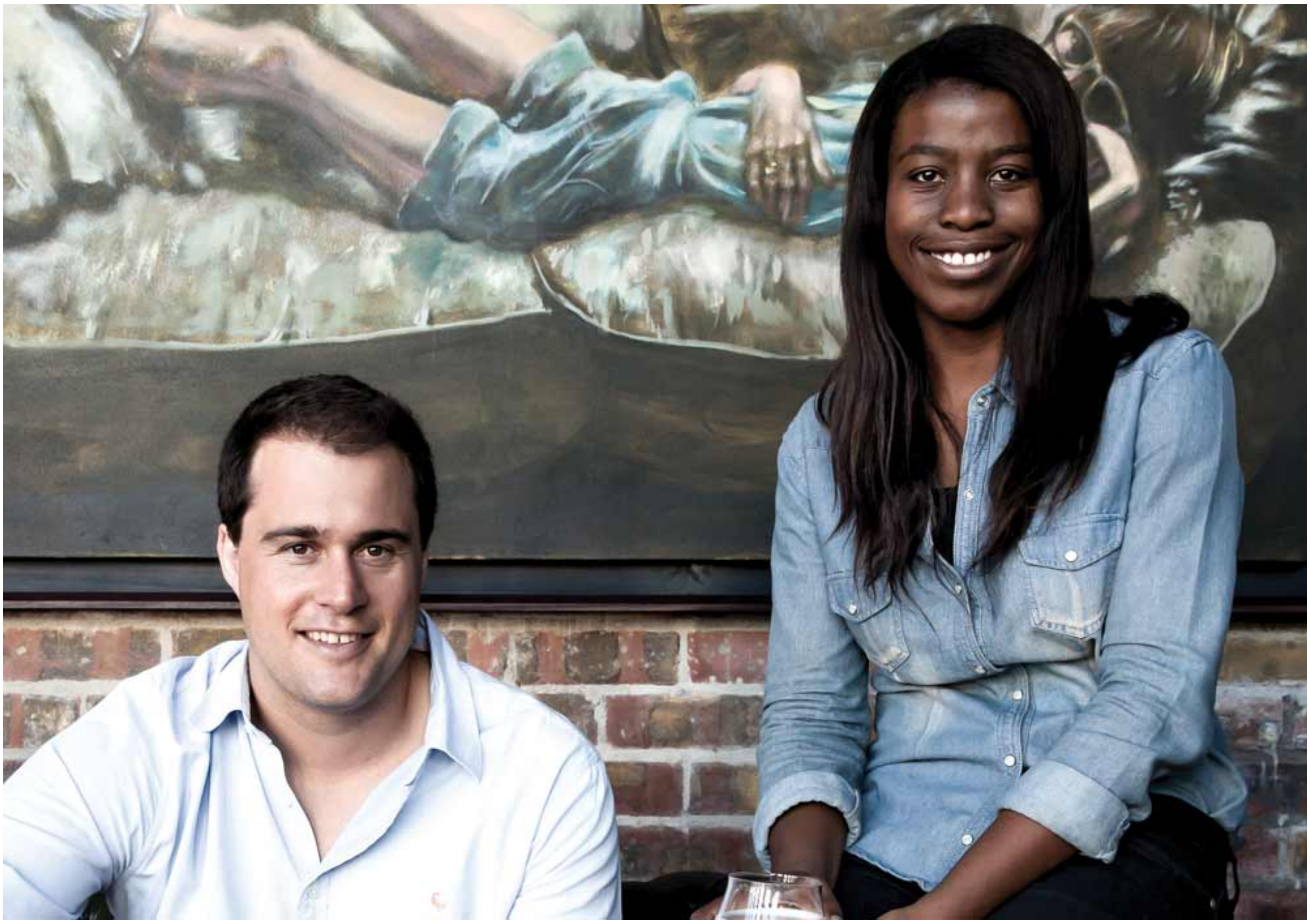
They followed Benji's growth trajectory, and supporting her where possible, either with advice or connections.

"Keet opened me to the angel network," says Benji, "and his partner, Andrea, introduced me to Lionesses of Africa. It was that involvement that allowed us to build a relationship with Siemens and Deutsche Autobahn. VCs aren't just about funding — they enable ecosystems too."

Ultimately however, the lesson Benji learnt was closer to home. "We spend so much time asking what VCs want — and I was guilty of this too — when we should be asking what our clients want and need, and then building those solutions for them. That's how you get clients to fund your business."

channels can help pay the bills while your business gains traction. Benji, who is still consulting, agrees.

"My consulting work ensures I have revenue coming in to support the business if we need it," she says.



8. How Sugarbird Gin crowdfunded their way to victory

The idea conceived of by a four-person company called Steel Cut Spirits, Sugarbird Gin managed to raise R1 086 973 through crowdfunding.

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African desire to put our produce on the global map, and an interest in great local gins that can use fynbos to create amazing flavours," says Steel Cut Spirits CEO, Rob Heyns.

Despite having already had success in the industry, Rob and his co-founders identified crowdfunding as one of the best ways to bring Sugarbird Gin to the market.

Why you should consider crowdfunding

"All FMCG products face the three-part challenge of competition, barriers to scale and working capital constraints. The model of rewards-based crowdfunding addresses all three of these challenges at the same time," says Rob.

"By launching via a crowdfunding campaign, we were able to stand out from many other products on the market and involve our new friends and fans in our ongoing mission at the same time."

"We were able to operate at scale from day one by consolidating these first orders and thus produce great gins at a better price by working with the volumes of more established gin companies. We were also able to access funds upfront before producing batches, which provided the cash flow needed to grow quickly."

"There are very few better ways than crowdfunding to test a concept, solve cash flow issues, scale to proper production from day one and stand out from the competition. When I decided to go ahead, I studied crowdfunding thoroughly for two months while ensuring that our team had the required skillset to be able to execute."

9. How Stacey Brewer made a little spark a huge success

In 2012, Stacey Brewer raised R4.5 million in her first round of funding. It gave her an 18-month runway to focus on launching her low-fee private school model, SPARK Schools.

This was followed by R28 million from an international fund, the Pearson Group's Affordable Learning Fund. The business's most recent round of funding was a Series B round that raised R150 million in 2016, taking SPARK's overall funding to R200 million.

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"patient' capital, designed to support impactful business models. Educational companies are highly valued.

They provide a good annuity income, but investors also love what we do because we're focused on achieving systemic change, and funds are looking for that. More and more, funding mandates are focused on the greater good.

"This is still a business though. One school is not a business — you can't scale it, and so there's no growth opportunity. If you can build a network of schools however, you can benefit from economies of scale."

Is your business something investors are looking for?

Once Stacey and her co-founder Ryan had their big idea, they needed to launch. A school (or more specifically a network of schools) requires capital. You can't bootstrap a school.

This is one more reason why you need an idea that will drive real change (and returns) — something investors are increasingly looking for.

"David Gibb gave us some seed funding and bridged the gap to find formal investment, and GIBS introduced us to a network of angel investors. This was how we raised our first round of funding of R4.5 million to launch our first school."

Interestingly, raising funding isn't just about pitching your business to investors — it's also a dialogue between the entrepreneurs and their investors. At the end of the day, it's in everyone's best interests for the business to do well.

"At that stage, we were looking at buying or building a school," says Stacey. "Our investors disagreed. Their advice was that we prove the model instead of focusing on property. We needed to focus all of our attention on the problem at hand. What makes education expensive?"

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economies of scale, which is when investors start seeing their returns.

"Once we were introduced to the blended learning model, we realised it was exactly what we were looking for. The traditional model doesn't support low fee solutions. We needed a different solution. I did not want to rely on donor funding."

Using the blended learning model Stacey Brewer and Ryan Harrison launched Sparks Schools in 2013, and plan to grow it to 20 schools and 12 000 students by 2019.

10. How Bevan Ducasse convinced his investors to hang in there while he pivoted his business

business.

Today, he has a turnover of over R100 million and operating across six countries. His sights are set on how to become a $1 billion global business. But it wasn't all smooth sailing.

Before launching in 2008, Bevan had spent four months raising capital. He'd quit his job in 2007 with enough saved up to pay four month's rent. If he couldn't make his idea work in that time, or find an investor, he'd need to give up and find a job.

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Just as he was about to run out of cash, Bevan's network came through and a previous manager facilitated a meeting with UCS (now Crossfin Technology Holdings), Bevan's first investor and a key shareholder of wiGroup to this day.

"Even though I believe we bootstrapped this business as much as possible, we needed capital to build out our solution. Although the business consisted of only four people working out of Bevan's flat, funding was necessary, and the R4 million he raised was enough if they had an incredibly lean operation.

What to do when your business is failing

"I met with my investors and explain that not only was the business not going to work and we needed to pivot, but that I needed more money to make it happen. I couldn't walk into that meeting without first getting buy-in from my team. We needed to put our heads together to come up with a solution that I could present to the board," says Bevan.

"It's important to be as proactive as possible. I owed it to my investors to not just give up. They had taken a risk and backed me, and I didn't take that lightly. I needed to apply my mind, look at it from every angle and come up with a plan."

it was a hard sell, but the choice was simple — double down, or write the previous investment off. They decided to double down."

Today wiGroup's turnover is just north of R100 million, the company has enjoyed 50% year-on-year growth for the past five years, other key investors have come on board, including Investec UK and Richard Branson, who is a shareholder in the business through Virgin Global.

Oh, and Bevan isn't just planning on becoming a billion-rand business — he wants to be a billion-dollar business, and is already opening offices in Mauritius, Amsterdam, and the UK to achieve that goal.

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