Emerging Market
Small and Growing Business
Capital Provider’s Survey Results

June 2020

Sponsored by the Visa Foundation
Survey Context and Summary
Dashboard
Rationale for survey: Market input for COVID-19 response facility

The Collaborative for Frontier Finance believes in listening to the market. With the support of Visa Foundation, CFF launched a survey to inform the development of a liquidity bridging facility for capital providers and the portfolio of small businesses they support.

Survey insights

The survey provides insights, market trends and an overview of needs of the capital providers and their portfolio small and growing businesses (SGBs).

Reviews the opportunity for an expanded role that gender-oriented capital providers could provide.

COVID response Capital Bridging Facility

<table>
<thead>
<tr>
<th>Facility Description</th>
<th>Facility to provide working capital, and operational support to SGBs in SSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facility Amount</td>
<td>$150,000,000 with a 1st close of $60,000,000</td>
</tr>
<tr>
<td>Instrument</td>
<td>Medium term unsecured loans</td>
</tr>
<tr>
<td>Tenor</td>
<td>4-years, with 18-month grace period</td>
</tr>
<tr>
<td>Facility Manager</td>
<td>Investisseurs &amp; Partenaires (I&amp;P)</td>
</tr>
<tr>
<td>Target Closing</td>
<td>July 2020</td>
</tr>
<tr>
<td>Facility Design</td>
<td>Working with LCPs in SSA, provide low-interest rate loans to their portfolio SGBs</td>
</tr>
</tbody>
</table>

...the market data and capital provider responses offer the foundation for the CFF team to develop a fit-for-purpose COVID emergency liquidity facility to support local capital providers (LCPs) and their portfolio enterprises operating in Sub-Saharan Africa.
Context Setting: Who are Small and Growing Businesses (SGBs) and why do they matter?

- SGBs are commercially viable businesses employing between 5-250 people, with growth potential and seeking financing from $20k - $2m*

- SGBs are the foundation of many economies. They account for 2/3rd of the jobs in low-income economies. The more they thrive, the greater their impact

<table>
<thead>
<tr>
<th>FOUR SGB FAMILIES AND THEIR FINANCING NEEDS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HIGH-GROWTH VENTURES</strong></td>
</tr>
<tr>
<td>• Disruptive business models that target large addressable markets</td>
</tr>
<tr>
<td>• High growth and scale potential; typically led by ambitious entrepreneurs with significant risk tolerance</td>
</tr>
<tr>
<td><strong>NICHE VENTURES</strong></td>
</tr>
<tr>
<td>• Creators of innovative products and services targeting niche markets or customer segments</td>
</tr>
<tr>
<td>• Entrepreneurs seeking to grow but often prioritizing goals other than scale</td>
</tr>
<tr>
<td><strong>DYNAMIC ENTERPRISES</strong></td>
</tr>
<tr>
<td>• Operators in established “bread and butter” industries (e.g., trading, manufacturing, retail, and services)</td>
</tr>
<tr>
<td>• Firms deploying existing products / proven business models and seeking to grow through market extension / incremental innovations</td>
</tr>
<tr>
<td>• Companies showing moderate growth and scale potential</td>
</tr>
<tr>
<td><strong>LIVELIHOOD-SUSTAINING ENTERPRISES</strong></td>
</tr>
<tr>
<td>• Opportunity-driven, family-run businesses on the path to incremental growth</td>
</tr>
<tr>
<td>• Firms that may be formal or informal operating on a small scale as an income source for an individual family</td>
</tr>
<tr>
<td>• Replicative business models serving highly local markets or value chains</td>
</tr>
</tbody>
</table>

Overview: Survey methodology

Context: Market input to guide the design of bridge capital facility to respond to the liquidity needs for Local Capital Providers and their portfolio enterprises. Two key priorities of the facility include a gender-oriented investment lens and geographic focus on sub-Saharan Africa.

Survey Fielding: April 22 – May 07, 2020

Methodology: 30 question survey posted via ImpactAlpha, links directed to industry associations and networks. Target outreach to capital managers operating in emerging markets.

Respondents: 90 capital providers operating in Sub-Saharan Africa (SSA)

Survey design: Survey divided into four sections:

(i) Background of Capital Providers
(ii) Economic and Business Impact of COVID-19
(iii) Impact on Capital Providers and their portfolio enterprises
(iv) Immediate Financial and Technical Support requirements

Cumulative AUM:* Est. $500m - $800m

Geographic:*  
- East Africa: 34% (Team Location), 52% (Markets)
- West Africa: 20% (Team Location), 39% (Markets)
- Central Africa: 3% (Team Location), 17% (Markets)
- South Africa: 11% (Team Location), 27% (Markets)
- Global North: 44% (Team Location), 18% (Markets)

* Reflects survey results of the 90 capital providers operating in Africa
Respondents represented approx. 130 capital providers operating in emerging markets.

- This overview focuses on the 90 respondents that operate in sub-Saharan Africa.

This presentation covers the results in four key sections.

- Who are the local capital providers? Who are their portfolio enterprises? What was their operating performance pre-COVID?
- How are they thinking about and applying a gender lens?
- What is the current business climate they face? What does the uncertainty mean for them and their portfolio companies?
- What are their needs going forward?
Dashboard: Investment vehicles models and portfolio focus

The SGB segment is still a nascent financing asset class with emerging capital investing / financing business models.

**Expanding beyond traditional closed-end funds**

- Approximately 30% of capital providers operate closed-end vehicles.

**The capital vehicles themselves tend to be small**

- Only 1/3rd manage vehicles with AUM greater than $20 million.

**Using local expertise to build portfolios**

- Managing expanding portfolios through local expertise:
  - 1-4: 26%
  - 5-9: 17%
  - 10-14: 12%
  - 15-24: 10%
  - 25+: 18%

**Size seems to correlate to access to DFIs**

- Interestingly, 77% with capital from DFIs were $20+ million funds.

- Impact-oriented HNW/Family Offices account for 2/3rd of the capital raised by these capital providers.
Dashboard: Gender impact and investment lens are relevant, yet…

A notable proportion of capital provider apply a gender lens, but there is room to “expand the tent” both in terms of focus and in terms of funding.

### Prioritizing gender impact at the enterprise level

Gender impact is second only to employment…

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate / Sustainability</td>
<td>21%</td>
</tr>
<tr>
<td>Financial Inclusion</td>
<td>45%</td>
</tr>
<tr>
<td>Jobs</td>
<td>64%</td>
</tr>
<tr>
<td>Youth</td>
<td>21%</td>
</tr>
<tr>
<td>Gender</td>
<td>55%</td>
</tr>
</tbody>
</table>

### At the capital provider level

With specific requirements at the LCP level … and criteria for investment

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender reporting for investors/funders</td>
<td>50%</td>
</tr>
<tr>
<td>Gender reporting by investees/borrowers</td>
<td>41%</td>
</tr>
<tr>
<td>Female staffing is ≥50%</td>
<td>39%</td>
</tr>
<tr>
<td>Women ownership ≥ 50%</td>
<td>38%</td>
</tr>
<tr>
<td>Women on the board/IC is ≥ 50%</td>
<td>34%</td>
</tr>
</tbody>
</table>

### In SSA women led capital providers remain under-supported by impact capital sector

The number of surveyed women managed capital providers is low…

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>19%</td>
<td>Of capital providers managed in SSA are majority women owned/managed</td>
</tr>
<tr>
<td>11%</td>
<td>Of majority women managed / owned capital providers in SSA have vehicles &gt;$5m</td>
</tr>
</tbody>
</table>

### Opportunity to apply a gender lens exists for all capital providers

With a large percentage willing explore gender

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>95%</td>
<td>Of capital providers that do not require gender metrics were willing to consider adoption of at least one gender lens metric or strategy</td>
</tr>
</tbody>
</table>

...specifically in terms of leadership

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>80%</td>
<td>Of capital providers that do not require gender metrics are considering how to implement at least 33% of women in senior management</td>
</tr>
</tbody>
</table>
Dashboard: Pre-COVID market situation

Pre-COVID, the capital providers have been investing in healthy and growing businesses and managing diversified portfolios.

Capital providers have growth-oriented portfolios

Positioned for growth...

60%

Of capital providers were at the growth stage of their business model

...and targeting growth opportunities

- High-Growth Ventures: 65%
- Niche Ventures: 50%
- Dynamic Enterprises: 73%

They address SGBs key financing needs

The largest use of funds...

90% of capital providers funded working capital

While...

72% provided growth capital (e.g. hire staff, build capacity, expand sales & marketing, etc.)

Capital providers target double digit returns

55%

Of capital providers target double digit returns

They invest in healthy businesses pre-COVID

In terms of revenue...

64%

Of portfolio companies experienced greater than 10% revenue growth between September ’19 and March ’20

...and operating cash flow.

53%

Of portfolio companies experienced more than 10% growth in operating cash flow
Dashboard: Post-COVID realities

With a negative and uncertain outlook for the immediate future, little government support and a myriad of operational issues, companies’ ability to operate has been compromised.

There is a negative and uncertain outlook

With an expected downturn in the short term...

91%
Of capital providers report a decline or evaporation in demand and anticipate lower Q2 revenues

... and change being the name of the game

96%
Of capital providers are experiencing changes in their business environment

Portfolio companies are facing multi-dimensional operational issues

Whether on the supply or demand side...

Customer demand  90%
Staff attendance  76%
Ability to pay for raw materials  62%
Access to supply inputs  63%

Government support is limited

With little to no support from government

80%
Of capital providers report no special unemployment and financial support programs have been implemented

Special unemployment financial support  20%
Business support accessibility & unemployment benefits  23%
No programs implemented  24%

Which will impact the companies’ ability to pay

For both fixed and operating costs...

37%
Of capital providers report an evaporation of product / service demand

78%
Of portfolio companies anticipate that their ability to pay fixed operating and staff costs is compromised

...as well as loans and raw materials

91%
Of capital providers anticipating an impact on the ability to pay for raw inputs, staff, operating costs or loan repayments
The uncertain nature of current conditions, demonstrates the need for financial support and technical assistance for both capital providers and their portfolio companies.

There is an uncertain view of the future

The outlook for at least the next year remains uncertain

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 90 days</td>
<td>15%</td>
</tr>
<tr>
<td>Within 180 days</td>
<td>19%</td>
</tr>
<tr>
<td>Within 1 year</td>
<td>28%</td>
</tr>
<tr>
<td>No visibility</td>
<td>21%</td>
</tr>
</tbody>
</table>

Portfolio companies anticipate financial support

Injecting liquidity capital….

- Of capital providers estimate their entire portfolios will need >$1,000,000 in incremental funding

- Of capital providers believe they will require a cash infusion to restructure 50% of their portfolio

Supported by TA for capital providers

At their capital vehicle level…

- 41% Of capital providers require additional capacity to guide in the strategic planning of portfolio enterprises

- 28% Of capital providers require assistance as they renegotiate with their LPs

And TA for portfolio companies

… and the companies they have invested in

- 83% Of portfolio companies require support in their liquidity and working capital management

- 63% Of portfolio companies require TA in addressing strategic repositioning
The pre-COVID financing gap for SGBs is growing bigger

Pre COVID-19, the SGB funding gap was estimated at $930bn per annum. COVID-19 is making that gap bigger.

96% of SGB capital providers told us they have incremental funding needs

79% expressed a need for technical assistance

85% believe working capital financing is critical to the survival of their portfolio companies

This results in an estimated

≈$140m funding gap in SSA from the survey alone

Timely liquidity support can stabilize the SGB ecosystem which in turn will contribute to gender equity, poverty alleviation and maintenance of formal employment and a reduction of loss of livelihoods.
Who are the local capital providers?

What can we say about their portfolios?
East Africa continues to be the primary focus, with West Africa countries representing a material percentage of secondary markets.

### Top 2 Investment Markets

- **Kenya**: Primary Market - 34%, Secondary Market - 24%
- **Nigeria**: Primary Market - 11%, Secondary Market - 12%
- **Uganda**: Primary Market - 7%, Secondary Market - 12%
- **Senegal**: Primary Market - 7%, Secondary Market - 0%
- **South Africa**: Primary Market - 5%, Secondary Market - 2%
- **Tanzania**: Primary Market - 4%, Secondary Market - 0%
- **Ghana**: Primary Market - 4%, Secondary Market - 2%
- **Ivory Coast**: Primary Market - 2%, Secondary Market - 7%
- **Zimbabwe**: Primary Market - 2%, Secondary Market - 2%
- **Zambia**: Primary Market - 2%, Secondary Market - 5%
- **Sierra Leone**: Primary Market - 0%, Secondary Market - 2%
- **Rwanda**: Primary Market - 0%, Secondary Market - 5%
Capital providers focus on small, growth-oriented business

Capital providers target smaller, growth-oriented businesses for core operating needs.

Target growth stage

Finance growth stage…
50% of managers prioritize growth, expansion phase of business development

Target more established enterprises…
as only 13% have a priority focus on seed stage enterprise

Focus on growth-oriented enterprises…
just 13% prioritize livelihood businesses

Target smaller businesses

Smaller tickets
10% of the managers provide ≥ $1,000,000 in capital

Solve for core business needs

Over 50% of capital providers’, priority focus is on working capital, with 90% providing working capital funding

Alternative uses of capital applied

<table>
<thead>
<tr>
<th>Financing by Use of Funds</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Small-ticket tangible assets</td>
<td>23%</td>
</tr>
<tr>
<td>Enterprise growth capital</td>
<td>72%</td>
</tr>
<tr>
<td>Working Capital</td>
<td>90%</td>
</tr>
<tr>
<td>Venture launch</td>
<td>40%</td>
</tr>
</tbody>
</table>

Average Ticket Size Per Investment

- < $100,000: 18%
- $100,000 - $750,000: 64%
- > $750,000: 18%
Capital providers manage diversified portfolios

The capital providers build thematic and sector diversified portfolios, highlighting their broad support of the SGB ecosystem and by extension of the countries they operate in.

There is strong diversity across target investment sectors:

- Agriculture / Food Supply Chain: 59%
- Sector Agnostic: 41%
- Other: 9%
- WASH: 11%
- Tourism / Hospitality: 5%
- Technology / ICT: 14%
- Manufacturing: 14%
- Healthcare: 30%
- Financial Inclusion & Services: 36%
- FMCG: 23%
- Energy / Renewables / Green Mobility: 34%
- Education: 2%
- Distribution / Logistics: 23%
- Apparel: 2%
Team location influences investment size

A material percentage continues to operate from the global north, particularly the larger capital managers. However, even those are increasingly recognizing need to base staff in local markets.

Capital providers are based across SSA

<table>
<thead>
<tr>
<th>Region</th>
<th>Based In</th>
<th>Investing In</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Africa</td>
<td>29</td>
<td>53</td>
</tr>
<tr>
<td>East Africa</td>
<td>47</td>
<td>70</td>
</tr>
<tr>
<td>Central Africa</td>
<td>4</td>
<td>24</td>
</tr>
<tr>
<td>Southern Africa</td>
<td>16</td>
<td>37</td>
</tr>
</tbody>
</table>

They have ties to local markets

67%
Have teams based in Sub-Saharan Africa and investing locally

50%
Of fund managers remain located in the “Global North”, and

75%
Of capital vehicles with less than $5m AUM, operate out Sub-Saharan Africa countries

90%
Of the funds with AUM over $30mm operate out of global north
LCPs operating and investing exclusively in SSA focus on smaller transaction size

As a group, the major financing activities are in the sub $750,000 range. Both local SSA based teams and those from global north, invest similarly across the stage of business. Local SSA team are materially oriented towards smaller transactions.

Average ticket size of all funds operating in SSA

- <$100K: 17%
- $100K - $249K: 17%
- $250K - $499K: 10%
- $500K - $749K: 10%
- $750K - $999K: 27%
- $1M - $4.9M: 30%
- >$5M: 7%

Local teams invest across all stages of businesses

- Start-up / pre-seed: 42%
- Growth: 77%
- Early stage / seed: 85%
- Other: 5%

Capacity to provide smaller size financings

$≈75%$ of those funds whose teams are staffed and managed locally in SSA target investments under $500,000
The majority of portfolio enterprises were experiencing double digit growth

With targeted returns in line with risk profile, portfolios demonstrated strong revenue and operating cashflow performance pre-Covid-19.

Pre-COVID performance

64%
Of portfolio companies experienced greater than 10% revenue growth between September ‘19 and March ‘20

53%
Portfolio companies experienced more than 10% growth in operating cash flow

Revenue growth of portfolio companies (Sept 2019-March 2020)

Looking to achieve returns commensurate with risk profile

<10% returns targeted by debt-oriented vehicles, while

>10% for equity-oriented vehicles
The primary source of funding for SGB capital providers

Impact-oriented HNW/Family Offices are the largest funders in the SGB sector. DFIs have invested in ≈ 1/3rd of the capital providers.

HNW/Family and donors play a key role

Over 60%
Of the capital vehicles in the SGB finance sector receive funding from HNWI and family offices

Blended capital structures are not uncommon with 1/3rd of the vehicles having donor support

Capital sources

For DFIs size matters

33%
Receiving some funding from DFIs

77%
Of vehicles that have received investment capital from DFIs manage ≥$20 million funds
The role of concessionary capital for SGB capital providers

Almost 60% of respondents received some form of concessionary capital. Those that do receive concessionary capital have largely applied it for technical support and fund optional support, suggesting there remains a substantial role for concessionary capital in the future.

Many capital providers have received no concessionary capital

Of those that received concessionary capital it was applied in these areas:

- No concessionary capital: 43%
- Cover vehicle overhead / management cost: 28%
- First loss protection for your investors: 24%
- Technical assistance for your portfolio: 39%
- Other: 4%

And those that do...

2/3rd

Of vehicles that prioritize early stage businesses receive concessionary capital

≈30%

Of concessionary funds available to growth and early stage businesses are applied to 1st loss
How are capital providers thinking about and applying a gender lens?
Capital providers operating in SSA focus their impact on three SDGs. When considering the SGBs classification, businesses that can be considered high growth or niche have the highest gender agenda.

**Capital provider principally prioritize three impact themes**

<table>
<thead>
<tr>
<th>Impact Category</th>
<th>Percentage of Respondents Applying Impact Metrics by Impact Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobs</td>
<td>64%</td>
</tr>
<tr>
<td>Gender</td>
<td>55%</td>
</tr>
<tr>
<td>Financial Inclusion</td>
<td>45%</td>
</tr>
<tr>
<td>Climate / Sustainability</td>
<td>21%</td>
</tr>
<tr>
<td>Youth</td>
<td>21%</td>
</tr>
<tr>
<td>Other</td>
<td>18%</td>
</tr>
<tr>
<td>N/A</td>
<td>11%</td>
</tr>
</tbody>
</table>

*see slide page #5 for definitions of SGB enterprise segments*
More than half of capital providers state they have an explicit gender impact focus

While 55% of capital providers report gender is a key impact in their investment thesis, actual reporting and level of criteria required do not reflect robust goals or monitoring.

Embedding a gender focus and criteria

55%
Of capital providers have an explicit gender impact focus

50%
Of capital providers report specific gender related indicators to investors

When a gender lens is applied in Sub Saharan Africa, employment and leadership are key

No of capital providers, by region, employing gender metrics

- Women ownership/participation interest is ≥ 50%
- Women representation on the board/investment committee is ≥ 50%
- Female staffing is ≥50%

There is potential to further the gender agenda

95%
Of capital provider currently not applying a gender lens are willing to consider adding gender into their investment decision criteria
Majority women led capital providers continue to face hurdles relative to their non-women led counterparts

There is great alignment in terms of purpose, target IRRs and impact between women-led capital providers and the broader impact investing market; yet, women-led capital providers typically struggle to access the same amount of capital.

Applying newer capital vehicle constructs …

...still building formal track record…

...and access to capital and concessionary capital

2/3\(^r\)ds

Of majority women-led capital providers use open-ended or evergreen capital vehicles

80%

Of majority women led capital providers have completed less than 10 deals

50%

Majority women managed / owned capital providers are raising funds for first close of their vehicle

Majority women led capital providers are \(\approx \frac{1}{3}\)rd less likely to access concessionary capital

Yet their target impact and returns are highly aligned with the broader SGB capital sector

71%

Of majority women led capital providers prioritize jobs as a key impact objective, compared focus on jobs. (compared to 64% of all capital vehicles)

Women led capital vehicles target returns in line with broader impact sector
Enterprise Level Metrics: Gender is key consideration across portfolios, yet often not a requirement in capital providers’ funding decisions

When making financing decisions, the most common requirements are “softer” criteria such as reporting and policies at the enterprise level. More “explicit” metrics on female ownership, senior executives and workforce are often considered but not required.

Application of Gender Lens in Investment Criteria
Capital Manager Level Metrics: Material percentage of capital providers do not report or apply gender metrics

While more robust requirements at the capital vehicle level exist, the majority of capital providers do not report on their portfolio enterprises. Fund level ownership, leadership and staffing continue to be below 2X Challenge criteria.

### Gender Metrics at the Capital Vehicle Level

- Specific reporting on gender related indicators for your investors/funders: 50%
- Specific reporting on gender related indicators by your investees/borrowers: 41%
- Female staffing is ≥50%: 39%
- Women ownership/participation interest is ≥ 50%: 38%
- Women representation on the board/investment committee is ≥ 50%: 34%
- None: 20%
- Other: 11%
What is the current business environment they face?
What does this mean for them and their portfolio companies?
The immediate climate is difficult, the future is uncertain

The onset of COVID-19 has resulted in uncertainty, with only 7% of capital providers claiming they are experiencing no change to their business environment. 57% expect to report a slow down in revenues in their primary country of investment during Q2.

96% Of capital providers are experiencing changes in their business environment

The change is multi-dimensional

But there is an overall anticipation of a downturn

62% Of capital providers anticipate an evaporation of demand for products / service and a slowdown in business in Q2 across the primary markets in which they operate
And there is limited formal support from governments

While some official support has been promised, over three quarters of capital providers operate in countries without any special COVID programs. Further, a quarter are dealing with growing uncertainty.

There is some official government support

- Special COVID-19 unemployment financial support
  - Primary Market: 20%
  - Secondary Market: 15%
- Business support accessibility & unemployment benefits
  - Primary Market: 26%
  - Secondary Market: 17%
- No programs implemented
  - Primary Market: 23%
  - Secondary Market: 24%
- Don’t know
  - Primary Market: 23%
  - Secondary Market: 33%
- Other
  - Primary Market: 9%
  - Secondary Market: 11%

But many unknowns remain

≈25%

Of local governments have implemented COVID-19 specific programs.

Ambiguity reigns as, on average 30% of capital providers operate in markets where government intervention intentions are unclear.
This environment is expected to last for some time

There is no consensus on when things will go back to “normal”; rather timing remains uncertain. This suggests solutions will need to be flexible and multi-year in nature to provide a buffer against the prevailing uncertainty – and provide time for recovery.

The impact will not be limited to the short-term, with anticipated timeframe for return to “normalcy” expected to stretch into next year

- **Within 90 days**: 13% (Primary Market 13%, Secondary Market 10%)
- **Within 180 days**: 25% (Primary Market 24%, Secondary Market 25%)
- **Within 1 year**: 30% (Primary Market 31%, Secondary Market 26%)
- **No visibility**: 20% (Primary Market 24%, Secondary Market 26%)
- **Other**: 10% (Primary Market 13%, Secondary Market 10%)

Requiring business leaders to manage through a period of uncertainty

- **≈30%**: Of capital providers are unsure on return to business normalcy in the markets they operate in

- **Majority of managers are positioning themselves for a 12-month return**

- **≈2/3rd**: foresee a return to normalcy within 1 year
Multiple dimensions are effecting operations

A significant decline in customer demand is creating a domino effect on portfolio company operations. Additionally, lockdowns are effecting availability of staff and inputs. Combined these factors are impacting the liquidity to meet obligations.

Portfolio companies are experiencing challenges across their operations...

...with demand and staffing biggest effects

- **96%**
  - Of portfolio companies being impacted by customer demand

- **91%**
  - Of portfolio companies being impacted by staff attendance

...resulting in severe liquidity implications

- **96%**
  - Anticipate an impact on the ability to pay for raw inputs, staff, operating costs or loan repayments

- **94%**
  - Anticipate that their ability to pay fixed operating and staff costs is compromised
What are their needs going forward?
Capital providers envisage significant financing needs for their portfolio enterprises

The needs of the capital providers span a variety of operational challenges that must be put in place within the next 3-6 months to be effective.

Portfolio companies are dealing with a multitude of operational challenges

Resulting in...

<table>
<thead>
<tr>
<th>Challenge</th>
<th>&lt;25% of Portfolio</th>
<th>25%-49% of Portfolio</th>
<th>50%-74% of Portfolio</th>
<th>&gt;75% of Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>TA support to increase the capacity of portfolio enterprises</td>
<td>10%</td>
<td>23%</td>
<td>17%</td>
<td>21%</td>
</tr>
<tr>
<td>Cash infusion and restructure of existing business obligations</td>
<td>6%</td>
<td>48%</td>
<td>19%</td>
<td>6%</td>
</tr>
<tr>
<td>Need for external funds and restructuring of existing obligations</td>
<td>17%</td>
<td>35%</td>
<td>19%</td>
<td>10%</td>
</tr>
<tr>
<td>Need for working capital financing to support ongoing business</td>
<td>6%</td>
<td>38%</td>
<td>29%</td>
<td>21%</td>
</tr>
</tbody>
</table>

42%
Of capital providers report <25% of their portfolio companies needing no external financing or restructuring

44%
Of capital providers report having up to half of their portfolio companies with a need for working capital financing

71%
Of capital providers requesting TA support for their portfolio companies
The next two quarters will be critical for a material portion of capital providers’ portfolios

Capital providers seem to be confronted with a “barbell” situation. Capital providers recognize that liquidity support should be targeted to those enterprises that had pre-COVID solid business performance and financial position. Timing is, however, of the essence.

Outlook for their portfolio varies based on extent of COVID impact, but equally important the business and financial health entering the crisis

Resulting in…

≈25% With a less than stellar performance or pre-existing weak financial position, when combined with the current challenges, approximately 25% of their portfolio is not anticipated to survive

≈25% On the other end of the spectrum, with strong business models, solid liquidity positions and in some cases benefiting from being positioned to provide health related services, another 25% should weather the current environment without intervention

≈50% It is this middle 50% that appears to be in need of various forms of support
Managers are seeking liquidity support for their portfolio enterprises to weather the coming months.

While managers are seeking to liquidity support for the coming two plus quarters funding needs vary based on size of businesses.

The incremental funding need per portfolio enterprise…

- No incremental needs: 6%
- <$50,000: 14%
- $50,000 - $99,000: 20%
- $100,000 - $199,000: 22%
- $200,000 - $300,000: 12%
- >$300,000: 24%

With a substantial proportion being impacted

94%

Of capital providers believe their portfolio companies have some need for funding

Resulting in an average, estimated shortfall for each business

≈$300,000

Is the average, estimated incremental liquidity funding need per portfolio company
By working with capital providers, funds can be allocated across their portfolios.

Funding purposes are similar across the capital providers. The amount per capital vehicle portfolio is largely a factor of the number of enterprises in their portfolio.

<table>
<thead>
<tr>
<th>Funding needs are not insignificant</th>
<th>And funding is needed across all portfolio sizes</th>
<th>And the implication...</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; $500,000</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>$500,000 - $999,000</td>
<td>20%</td>
<td>33%</td>
</tr>
<tr>
<td>$1,000,000 - $2,499,000</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>$2,500,000 - $4,999,000</td>
<td>22%</td>
<td>16%</td>
</tr>
<tr>
<td>&gt; $5,000,000</td>
<td>16%</td>
<td>27%</td>
</tr>
</tbody>
</table>

78%
Of capital providers estimate their entire portfolios will need > $1,000,000 in incremental funding.

20%
Of capital providers estimate their entire portfolios will need below $500,000 in cumulative incremental funding.

Resulting in a funding gap
$140m
Anticipated funding gap (cumulative)
Liquidity capital is not the only needed; TA to address unique environment is viewed as critical

The portfolio enterprises have entered an unprecedented business environment.

Capital providers are requesting TA support for their portfolios

Reflecting essential needs for support

Majority recognize they are operating in a “crisis” situation – a new world for enterprises that were on high growth trajectories. And approx. half would benefit from mentoring/advisory

The support for financial management is critical

63% Liquidity management and capital structuring needs

83% speak to challenges that enterprises have in managing their capital situation

- Finance & debt management, working capital resources: 83%
- Strategic / organizational planning / business repositioning: 67%
- Crisis management: 63%
- Senior management support / mentoring: 52%
- Capital restructuring: 50%
- Legal, regulatory: 21%
Capital managers recognize the unprecedented environment in which they are operating

With mandates to rapidly grow their portfolio companies, capital managers are now confronted with a seismic change. The urgency and scale of the problem call for additional support as they manage their capital vehicle and portfolio enterprises through this unprecedented environment.

Would benefit from support for both their portfolio, as well as interacting with their LPs

65%
Anticipate needs in support of repositioning the liquidity and capital structure of their portfolio enterprises.

41%
Recognize the need to provide assistance in strategic repositioning their portfolio enterprises

Just over ¼
Anticipate increase demand on their time to engagement with their LPs

Capital managers will be stretched to support a wide range of needs at their portfolio enterprises

- Support portfolio companies in business/strategic planning: 41%
- Support in accessing government emergency/support programs: 39%
- Cash flow support to cover your capital vehicle operations: 39%
- Negotiations with LPs: 28%
- Support in portfolio capital restructuring of portfolio enterprise(s): 26%
- Crisis management resources and tools: e.g. harboring cash and liquidity, staffing retention and support, communications: 26%
- Legal, regulatory assistance: 20%
There exists a funding and TA gap that urgently needs to be filled

The needs expressed by the providers are both for capital and technical assistance.

A significant financing gap, just with those surveyed

$140m
Anticipated funding gap (cumulative)

≈450 Enterprises

50 Across Capital Providers

Accompanied by TA to support their portfolio and their own operations

Capital providers

<table>
<thead>
<tr>
<th>Need</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Help to support companies with strategic/business planning</td>
<td>41%</td>
</tr>
<tr>
<td>Negotiations with LPs</td>
<td>28%</td>
</tr>
<tr>
<td>Legal and regulatory</td>
<td>20%</td>
</tr>
</tbody>
</table>

Portfolio companies

<table>
<thead>
<tr>
<th>Need</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance and debt management, including working capital resources</td>
<td>83%</td>
</tr>
<tr>
<td>Crisis management: harbouring cash and liquidity, staffing retention, comms</td>
<td>63%</td>
</tr>
</tbody>
</table>
Given the uncertainty, a mix of concessionary and debt capital are most needed.

Given the absence of local government intervention, the desire to maintain core staff and position their portfolios to rebound as quickly as possible, capital managers recognize that a blend of concessionary and debt capital best address the current situation.

**Preferred funding instruments**

- Concessionary capital: 69%
- Grants: 57%
- Debt: 53%
- Recoverable grants: 47%
- Convertible debt: 33%
- Equity: 22%
- Mezzanine debt: 22%
- Other: 8%

**Supporting the concept of speed and accessibility**

Recognizing the liquidity financing needs, while seeking not to burden their portfolio enterprises during a period of such uncertainty, the majority of capital providers seek a blend of concessionary 69% and 75% debt capital as most appropriate at this time.

Given the urgency of liquidity and uncertain valuations, results in only a minority, namely 22%, seeking equity capital at this time.
In Summary
This Survey…

✓ Provides market-based insights as to the realities “on-the-ground”
✓ Confirms the value proposition that local capital providers play in supporting SGBs and the recent successes with their portfolio enterprises
✓ Obtains input from local capital players as to solutions to the current market crisis
✓ Offers an unfiltered update on the “state-of-play” in the gender-oriented enterprise investment sector
✓ Describes the opportunity to “expand the tent” of SGB capital providers that apply gender-metrics in their financing activities.
✓ Provides the case for immediate financial support and technical assistance to avoid a current liquidity crisis from becoming a solvency crisis for SGBs operating in SSA.
✓ Lastly, the survey’s results offer a pathway for systemic change by supporting highly effective local capital providers that prioritize gender-oriented investments.

Timely liquidity support can stabilize the SGB ecosystem, particularly gender-oriented enterprises and capital managers

Which in turn will contribute to resilient enterprises and gender equity and reduce loss of livelihoods
Appendix: Survey Questions
1. Where is your Team based? (select as many as applicable)

2. In what markets do you operate? (select as many as applicable)

3. What is the current status of your fund/investment vehicle’s operations?

4. Please list the number of investments made to date by your current vehicle.

5. What is the legal structure of your fund/investment vehicle?

6. What is the size of your current fund/investment vehicle?

7. Please list by percentage the source(s) of capital for your business (use number only - must total 100)

8. Has your vehicle received concessionary capital for any of the following? (select as many as applicable)

9. What is the average size of investments/financing per portfolio company?

10. Please list by percentage the type of business model(s) you target (use number only - must total 100)

11. Please list by percentage, the stage of business model(s) you target (use number only - must total 100)

12. Please list by percentage the key financing needs of your portfolio enterprises (at time of your initial investment/funding) (use number only - must total 100)

13. Please list by percentage the instrument(s) you use in making financing/investments (use number only - must total 100)

14. What are your target investment sectors/focus? (select as many as applicable)

15. What is the target IRR for investors when investing in your capital vehicle?
### Survey Questions (2/2)

<table>
<thead>
<tr>
<th>Question</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>16. Does your fund/investment vehicle have an explicit impact lens/focus?</td>
<td>(select as many as applicable)</td>
</tr>
<tr>
<td>17. Do any of the following gender considerations apply when making</td>
<td>(select as many as applicable)</td>
</tr>
<tr>
<td>investment/financing considerations?</td>
<td></td>
</tr>
<tr>
<td>18. Do any of the following gender considerations apply to your fund/</td>
<td>(select as many as applicable)</td>
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<tr>
<td>vehicle?</td>
<td></td>
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<tr>
<td>19. What countries represent your top two primary markets in which your</td>
<td>(select one response per country)</td>
</tr>
<tr>
<td>portfolio companies operate?</td>
<td></td>
</tr>
<tr>
<td>20. In response to COVID-19 have such primary market governments</td>
<td>(select one response per country)</td>
</tr>
<tr>
<td>instituted any financial assistance programs to date?</td>
<td></td>
</tr>
<tr>
<td>21. Since March 1, 2020 to date, how would you describe the business</td>
<td>(select one response per country)</td>
</tr>
<tr>
<td>environment in your primary markets?</td>
<td></td>
</tr>
<tr>
<td>22. Based on current environment, what is your expectation for a return</td>
<td>(select one response per country)</td>
</tr>
<tr>
<td>to business normalcy?</td>
<td></td>
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<tr>
<td>23. From September 1, 2019 to March 1, 2020, what was the average</td>
<td></td>
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<tr>
<td>annualized growth rate of your portfolio companies?</td>
<td></td>
</tr>
<tr>
<td>24. What impact has COVID-19 had on the following aspects of your</td>
<td></td>
</tr>
<tr>
<td>portfolio companies?</td>
<td></td>
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<tr>
<td>25. During the next 3 – 6 months, what are the anticipated financial</td>
<td></td>
</tr>
<tr>
<td>needs of your portfolio companies?</td>
<td></td>
</tr>
<tr>
<td>26. To address the incremental funding needs, what are the preferred</td>
<td>(select as many as applicable)</td>
</tr>
<tr>
<td>type(s) of funding for your portfolio enterprises?</td>
<td></td>
</tr>
<tr>
<td>27. Due to the impact of COVID-19, what do you anticipate to be the</td>
<td></td>
</tr>
<tr>
<td>incremental funding needs for your portfolio?</td>
<td></td>
</tr>
<tr>
<td>28. Due to COVID-19, what are the anticipated technical support needs of</td>
<td>(select as many as applicable)</td>
</tr>
<tr>
<td>your portfolio companies during the next 3 – 6 months?</td>
<td></td>
</tr>
<tr>
<td>29. Due to COVID-19, what are the anticipated technical support needs at</td>
<td>(select as many as applicable)</td>
</tr>
<tr>
<td>your capital vehicle level during the next 3 – 6 months?</td>
<td></td>
</tr>
<tr>
<td>30. Do you anticipate any particular working populations or businesses</td>
<td></td>
</tr>
<tr>
<td>to be at greater risk of adverse impact? Why?</td>
<td></td>
</tr>
</tbody>
</table>