African and Swiss Start-Ups in Times of COVID-19: How to Move Ahead

Introduction
Erich Thaler (Host) – Desk for Networks and Global Partnerships, University of Basel

14:00 – 14:10
Jordi Montserrat – Venturelab
Opportunities and challenges in the post COVID support and funding ecosystem for startups and early entrepreneurs, in particular in Switzerland

14:10 – 14:20
Alfredo Cuanda – Afrilabs

14:20 – 14:30
Q&A-Session

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Alfredo CUANDA | CEO - IDEÁRIO® HUB

MOZAMBIQUE • AFRICA
About AfriLabs

We are a pan-africa community-based organization focused on supporting disruptive entrepreneurs through hubs.

- 89 CITIES
- 46 COUNTRIES
- 202 HUBS
- 1Mil MEMBERS
BEYOND ALL NUMBERS, KNOW THIS:

COVID-19 IS THE STRESS TEST THAT EXPOSES CRITICAL FLAWS OF ALL OPERATING SYSTEMS OF OUR LIVES.
CHALLENGES:

COLLECTIVE ADAPTABILITY. ABILITY TO EMBRACE CHANGE, WHEN NEEDED, AT SCALE.

RETURN ON RELATIONSHIP
How we co-create trusted relationships that last in times of uncertainty?

SYSTEM DESIGN PROBLEM
Why more of lack of money designed the systems that are failing?

INFORMAL ECONOMIES*
How daily based income households are affecting the economy of a country?
CHALLENGES:

PERSONAL ACCOUNTABILITY. ABILITY TO EXPRESS AND UPHOLD EXPECTATIONS.

**ACTION TRANSPARENCY**
Those who are in charge are acting on who's interest? What's your part?

**VERIFIED INFORMATION**
How much (dis)informed are people to act upon what they now about COVID?

**(BIG) DATA OWNERSHIP**
Who owns the (big) data that shapes our decision making process?
Webinar
SUPPORT FOR SWISS AND AFRICAN SCIENCE-BASED START-UPS IN TIMES OF COVID-19

June 16th, 2020
The Startup Challenges

The “black swan” event

- The duration of the crisis is uncertain
- Freezing activities with customers and investors, hard to move projects forward
- The funding conditions become more difficult,
  Note: still active for the time being
Venture Capital Deal Activity

Graph showing venture capital deal activity from 2018 to 2020. The graph includes bars for investments in CHF MM and a line for rounds. The data is summarized as follows:

- **2018**
  - Q1: CHF 188 M
  - Q2: CHF 304 M
  - Q3: CHF 462 M
  - Q4: CHF 296 M

- **2019**
  - Q1: CHF 651 M
  - Q2: CHF 74 M
  - Q3: CHF 79 M
  - Q4: CHF 79 M
  - Q1: CHF 91 M

- **2020**
  - Q1: CHF 74 M

The X-axis represents the quarters (Q1 to Q4) and the Y-axis represents the investments in CHF MM.
Assumptions for 2020

**Investors’ Market:** We are shifting from a founders’ market to an investors’ market with respect to VC deal terms.

**Lower Valuations:** Valuations outside the few industry segments that benefit from COVID-19 will be lower (20-40%).

**Funding Gap:** Investors will be less bullish to make new investments and will have more problems setting up new funds; foreign VC capital go down.

**Debt won’t help:** COVID-19 bank loans will further dampen the valuations of startups.

**Exit Crunch:** Exit transactions (and valuations) will go down and/or delay substantially.

**Surge of Convertibles:** Convertibles will become more relevant as a funding means in order to avoid down rounds/too big dilution (also post-seed stage).

**Founder Dilution:** ESOP top-ups and carve-outs for founders/mgt will resurface in 2021 as a result of the valuation crunch.

Courtesy of www.kellerhals-carrard.ch
The opportunities

It will be difficult, yet:

• Internal: push the company to adapt, digital transformation, ...

• All the time you cannot spend with customer: spend on reaching out (mktg, lknd, ...)

• If an option: advance product development or adapt your product (but beware of “COVID mania” which would not have solid fundamentals)

• Financing: multiple state funded programs (for Switzerland, see appendix)

• Talk to your investors to be on top of the list (they will have to make choice): Bridge round?

• Foundations, competitions, Friends and family.
1. Short-term: reduce cash burn

• **A zero cashflow goal:** which bills can you hold? Talk to your landlord (rent), suppliers, clients, partners. Look at your current assets (sell or rent)

• **Teams salaries**
  
  ==> Apply for short-time work support if available \(\rightarrow\) check direct links
  
  ==> Delay / reduce salaries: options in agreement with employees.

• **Team and communication** is key. (Daily interaction of your team)

  **Main goal:** survive during the crisis.
2. Medium-term: maximize cash influx

• **Prioritize your objectives:** do what you did not have the time to do the last months (operations, distribution partners,..)

• Full focus on sales (including R&D teams):
  ==> current pipeline: digital / live demo
  ==> help your existing and future customers.

• **Turn this crisis into an opportunity:** reinvent the way we work/prioritize

  Main goal: prepare the future and be stronger after the crisis.
Adapting the company (1)

• PLAN: you need to have a working plan
  • 2-3 scenarios, with hypothesis when the crisis is over
  • HR and financial plans
  • Primarily for you to navigate the coming months
  • But also will be required by investors, support entities
  • What is your single biggest risk?

• Three phases
  1. Stabilize (protecting the team, the activity, keeping contact with customers, etc., reduce costs and maximize income, loans)
  2. Plan and manage the transition
  3. Re-emerge (sales process, part pivot, steps to reposition, new opportunities, etc.)
Adapting the company (2)

• Keeping the core team is key
  • Lack of face-to-face → ensure regular touch points, including informal ones
  • Lack of information → extra communication
  • Manage stress / anxiety → your leadership skills at work
  • Need to project assurance → provide perspective

• Beware of blindspots
  • Cyber-attacks are on the rise
'STRENGTH IN NUMBERS'
AS A CONTINENT WE ARE UNSTOPPABLE, TOGETHER.
SINGLE AFRICAN MARKET.

DATA SOURCE: WE ARE SOCIAL - GLOBAL DIGITAL 2020 YEARBOOK https://datareportal.com/
OPPORTUNITIES:

VALUE CHAIN INNOVATIONS. START-UP, BUILD-UP AND SCALE-UP THE AFRICAN WAY.

ASSETS DIGITIZATION
Convert African legacy and indigenous information into digital assets

INDUSTRY ACCELERATORS
Unlock the potential of the digitized African assets at scale

POLICY INNOVATIONS
Enable ecosystem where innovation and entrepreneurship thrive

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OPPORTUNITIES:

**ASSET-LIGHT BUSINESSES. CO-CREATE VALUE USING STRATEGICALLY OUTSOURCED OPERATIONS.**

- **SERVICE PRODUCTIZATION**
  Help co-create, sell and deliver services packaged like products.

- **VALUE PLATFORMIZATION**
  Help co-create, sell and deliver value transactions between stakeholders.

- **PRODUCT SERVITIZATION**
  Help co-create, sell and deliver products packaged like services.
POST-COVID KEY CONSIDERATIONS

**DO!**

MORE VALUE IMPROVING WELLBEING, EDUCATION, DIVERSITY AND INCOME.

INVEST IN RESEARCH AND DEVELOPMENT, IP, AI, AND POLICIES.

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**KEY CHALLENGE:**

COLLECTIVE ADAPTABILITY

**KEY OPPORTUNITY:**

VALUE CHAIN INNOVATIONS
KHANIMAMBO!
THANK YOU!
African and Swiss Start-Ups in Times of COVID-19:
How to Move Ahead

14:20 – Q&A-Session
14:30
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Summary and Personal Recommendations
African and Swiss Start-Ups in Times of COVID-19: How to Move Ahead

Useful Links

venturelab.ch/coronavirus
venturelab.ch/startupfunding

covidtech.africa
www.afrilabs.com
idear.io