

RENEW



Matthew Davis
Managing Partner & CEO



Laura Davis
Managing Partner & Investor
Relations

RENEW is an impact investment firm based in Ethiopia, Uganda, U.S. and Canada. We founded the Impact Angel Network (IAN) to provide financing and management support and access to talent to promising SMEs. Our blended finance model aims to equip SMEs to grow into larger and successful companies and, in the process, unlock their potential as the primary engines of job creation and growth. As part of this model, RENEW launched a core training program for SME executives in an effort to address the management gap that, in addition to the financing gap, constrains SMEs in the missing middle.

AVCA speaks to Matthew Davis, Managing Partner & CEO, and Laura Davis, Managing Partner & Investor Relations, at RENEW, about the history of the firm, its strategy, measuring the impact of their investments and RENEW’s plans and goals for the next few years.

**Q: Could you tell us about the history of RENEW?
What led to the firm’s establishment?**

Matt: Laura and I came to the same conclusion about Africa and our desire to start RENEW, but by two very different routes. In 2006, I was a consultant with the U.S. government and on my first trip to Africa; I was shocked to see a very different story than what I had expected to encounter when I got off the plane. I saw a fledgling private sector poised for growth, a growing presence of China (specifically in the private sector), and Western philanthropists and donors using, what I believed to be, a well-intentioned but outdated model. In the West, we believe that “good” capitalism is the most efficient model to help people and nations prosper, but we were doing little to support that model in Africa. As I was flying home, I wondered if there was a way to begin moving Westerners away from giving to Africa and towards investing in local companies. Of course, I was horribly naive. The idea took a few years to iron out, but the spark happened on that first trip. I met Laura a few years later, and she helped to whip us into shape - moving from whiteboards and PowerPoint to being on the ground in Africa. Our big realisation came when Laura and I were in a remote part of West Africa.



NAME OF FIRM

RENEW

FIRM TYPE

General Partner

PROFESSIONALS FOCUSED ON AFRICA

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Laura: I was working with a medical NGO that did work in Africa, and while we were providing amazing services - we were pulling “drowning” people out of the “river” of poverty one by one - I would ask myself: how will this stop? Is there someone preventing people from “falling in”? I concluded that until the economies in Africa grow, create jobs and lift people out of poverty, charity and aid will never end. I was introduced to Matt when I moved to D.C., by a mutual friend, and years later, on a bumpy road in Senegal, we decided to move to Ethiopia and open RENEW’s Africa headquarters. The rest is history.

Q: Tell us about yourself, your role and RENEW's strategy?

Matt: I was born in New Hampshire in a small New England town that looks like a Norman Rockwell painting. When I was growing up, the town was famous for chickens and is now known for fine chocolate. As a boy, I saw the power of how one company can entirely transform a town. After high school, I moved from New England to Utah, where I earned a bachelor's and master's in physics. After graduating, I moved to Washington, D.C., to become a consultant with the U.S. government. When I started RENEW, I didn't know much about investing. But over time, I learned from my mistakes and became a CFA Charterholder. I am currently a Managing Partner and the CEO at RENEW and serve as the firm's Chief Investment Officer. But I like to think of my role as more of a teacher and talent hunter. We have some experienced people on our team that do stellar investment work, and I get to be on a great team. Our strategy is simple: do small deals well in Africa. It's hard to do, but it guides everything we do.

Laura: I was born in Rochester, Minnesota and after finishing school, I headed off to Africa with the NGO. It was inspiring work; I gained a passion for marketing, PR and communications, and how a well-told and accurate story can significantly impact people's actions. I later earned a degree in business and journalism, which I bring to bear at RENEW, where we see one of our roles is to help to change the way the world perceives Africa. As I mentioned earlier, during my NGO work in Africa, I became convinced that the giving model is good but broken, and the underlying problem needs to be fixed. That is where RENEW comes in. Each job our portfolio companies create provides an opportunity for a family to have better access to a living wage, healthcare, education and clean water.

Q: What attracts Angel Investors and 'Impact Angels' to investing in Africa?

Matt: I think it's the same thing that attracts Laura and me, and everyone that joins RENEW - the desire to do something unique and that has the potential to make a huge difference in the world. I also think people join for an unforgettable experience, which is what Laura works to provide to our investors. Warren Buffett and Indiana Jones are the two pictures we put up during our sessions with potential members, showing sound investment work, alongside an invaluable investment experience. I believe this is what attracts them.

Laura: I would also add a picture of Mother Teresa to that lineup. When we founded the Impact Angel Network, we came up with a simple motto that guides our work: Grow a Company, Build a Nation, Leave a Legacy. People want to leave the world a better place, and many have a heart for Africa, but deep inside they know something new needs to be done. Empowering entrepreneurs is always a story people can get behind, and we try to make that happen at scale.

We run training programmes on investing and business execution to improve pipeline and portfolio performance, we work on policy reform and organise new pools of capital for SMEs.

Q: Since launching The Exchange, RENEW and the Impact Angel Network (IAN) has become one of the most active Private Equity (PE) investors in Ethiopia, channelling more than US\$10m in capital into start-ups and SMEs. Tell us about The Exchange, how is the space scaling investment into local start-ups and SMEs?

Matt: The Exchange is a blended finance model, which means we partner with development organisations to use grant capital to leverage more private capital into the private sector to help achieve development outcomes. The Exchange is our market development platform that designs and runs initiatives that ultimately make it easier and more successful for investors to find, invest in and grow companies. We run training programmes on investing and business execution to improve pipeline and portfolio performance, we work on policy reform and organise new pools of capital for SMEs. The Exchange supports our investment practice and other investors by systematically lowering the barriers that make investing challenging in Africa.

Laura: The Exchange is also constantly innovating. We learn a lot as we invest, and we try to apply what we are learning into programs that can be run by The Exchange to address the challenges that our investment practice is experiencing in a country. For example, we needed a function that could invest below our angel network's typical investment size, which is US\$150,000 and above due to the foreign investment minimum in Ethiopia. There are many companies that need less than US\$150,000, and despite being great companies cannot obtain debt financing. So, we launched an "edutainment" television show called Chigign (think Shark Tank meets American Idol), which created a platform for entrepreneurs to pitch to local investors and go through a series of filmed coaching sessions until qualifying companies make it to the deal. This sparked the creation of local angel networks and excitement to pitch to investors by recent graduates and smaller companies. We hope some of those companies will soon become pipeline companies for our IAN investment practice.

Q: What developments have you seen in Africa over the years, and how have they contributed to local entrepreneurs and SMEs' success?

Matt: In many ways, we have seen tons of development. In other ways, far too little development. It happens in fits and starts, and sometimes it feels like we take five steps forward and then take six back, but I see a deepening resilience. Countries here recover faster to shocks than I believe more developed countries can, which is interesting to observe. I mentioned earlier that I am seeing China make very bold and strategic moves on the continent, whereas the West is still not paying enough strategic attention to the continent. In Ethiopia, I have seen small changes to policies that have a massive impact on the private sector, for both good and bad. On the surface, Addis today looks nothing like it did when we moved here in 2012. However, when you look closely, in some ways, it is still the same city. I am long on Africa and I believe RENEW will play a part in its future. We want to help write the pages of history our grandchildren read; one outstanding entrepreneur and business at a time.

Laura: I have seen the beauty of incremental improvements. I have seen consumers take a liking to entrepreneurs, seeing some as heroes and becoming, mostly, forgiving of their mistakes; they ultimately want entrepreneurs to succeed. In the U.S., we might see a failed launch or a mistake as the end of a business; here, it is just the beginning. There is an old adage about crabs trying to escape a bucket and getting pulled back down - I am just not seeing that happen as much as people use that analogy or similar concerning entrepreneurs. I believe incremental changes will drive Africa's growth. Yes, we might see some new models to help Africa leapfrog forward as we did with mobile banking, but there's so much growth that will come from incremental progress.

RENEW measures our impact through a series of metrics updated quarterly. These metrics align with the United Nations Sustainable Development Goals and track our direct impact and the impact our portfolio companies have in the surrounding community.

Q: How do you measure the impact of your investments on local economies and communities?

Laura: The main impact metrics we track are the number of jobs we create; the number of women we support in positions of leadership in a company, and the amount of money we help attract into the private sector.

Matt: We also believe impact is a thriving business led by an ethical leadership team. So, your typical suite of business KPIs are also "impact metrics" at RENEW.

Q: How has COVID-19 affected RENEW's portfolio companies? Which sectors have thrived throughout the pandemic?

Laura: 2020 was a challenging year for many companies, but some of our companies stepped up and came out on top. We worked hard with our companies throughout the year, helping them develop new ideas to weather the pandemic: some were good, while others were not as impactful. But either way, you need to forge ahead.

Matt: One of the hardest-hit industries was tourism. We backed a small investment in a travel company in 2019, and the owner was able to pivot and repurpose her fleet to other lines of business. Our e-commerce company did very well and continues to grow. I think we are all optimistic - we want to think we have made it through the worst of it. The bigger issue is that a lot of risk capital has been pulled off the table. Raising funds for Africa became more challenging in 2020, and I think that will continue into 2021.

Q: What is on the horizon for RENEW, could you share its goals for the next 2-3 years?

Matt: For the next two to three years, RENEW will focus on scaling our model across five countries in Africa. By the end of 2021, we will be in three. We want to prove that the investment model we use at RENEW works and is a better model for SME investing in Africa than traditional PE models. We want to continue to grow our team, develop world-class investment talent in the region, and achieve great returns and significant impact for our investors.

Laura: We also want to grow the Impact Angel Network, and continue to plant the seeds for more domestic angel networks to start. We want to equip local investors and entrepreneurs to have successful engagements and teach them how the investment process works. Hope is a powerful driver of change, and we want local entrepreneurs to know someone is advocating for them and ready to back them if and when they take that first scary step on their journey to build a world-class company.

How has RENEW benefitted from its AVCA membership?

Matt: AVCA has an exceptional database of resources and tools for investors in Africa, like no other platform we have joined. Its excellent content, high-level events and robust network have made it a great investment.

Laura: We have also benefited from the recruiting board and announcements. We have found some great contacts through the AVCA network, and this year we hope to leverage the research offering to which members have access.

Want to learn more about RENEW? [Click here](#) to explore AVCA's Member Directory.

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