African Angel Academy

Case study

NaiBAN: Enriching the ecosystem in Silicon Savannah

NaiBAN

Kenya is the second biggest destination for investor capital on the African continent and yet its ecosystem of local early-stage investors remains small. Nairobi Business Angel Network (NaiBAN) wants to change that. Founded by Nick Vilelle and 11 of his fellow graduates of the African Angel Academy in 2021 NaiBAN has 127 members who all want to turn the entrepreneurs of today into Kenya's business leaders of tomorrow. **In this case study, we learn about some of the unique approaches NaiBAN takes to get funding to more founders, what Vilelle and his team have learned about managing an angel network, and one of the network's most memorable deals to date.**

African Angel Academy

ABOUT THE AFRICAN ANGEL ACADEMY

The African Angel Academy is an African-led initiative aiming to increase the supply of early-stage capital to African businesses. Since 2020, the Academy has trained and connected hundreds of emerging angel investors from across the continent, while providing mentorship to new local angel networks.

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ABOUT THE UK-KENYA TECH HUB

The UK-Kenya Tech Hub forms part of the International Tech Hub network delivered by DCMS (Department for Digital, Culture, Media & Sport), under a UK government initiative designed to promote digital inclusion and inclusive growth of the digital ecosystems in partner countries.

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NaiBAN: ENRICHING THE ECOSYSTEM IN SILICON SAVANNAH

Nairobi Business Angel Network (NaiBAN) has emerged as one of the most active angel investor groups in Kenya, mobilising a diverse group of passionate professionals, former founders, and VCs to write the cheques that early-stage startups so desperately need.

In many ways, NaiBAN the organisation is a mirror image of the startups they support: agile, data-driven, eager to learn, and willing to try new things. And, like the budding tech companies cropping up around Nairobi, they're strong on passion, if slightly short on resources – a common dynamic in angel groups, which run on a great deal of volunteer work from leading members to keep deals flowing.

"Our group has very high ambitions and initially, as a group of 20, we thought it would be a very egalitarian setup with everybody contributing in the same way and sharing in the management. But the reality is that our members are very talented and very busy. So we've found that a small team within the group – which we're trying to build – must take the lead on deal management to get investments out the door," says Nick Vilelle, NaiBAN co-founder and current manager.

Vilelle leads the small team at NaiBAN which is continually experimenting with different approaches to engaging and mobilising its members to provide as much support as possible to their local startups, be it funding, mentoring, or access to networks. As someone who has spent 15 years working in different corners of the entrepreneurship ecosystem and a former founder himself, Vilelle sees angel investing as the most direct – and joyful – path to moving the dial on economic development.

"Angel investing is just fun and there's nothing better than working with motivated founders. Having worked in the NGO sector for the first 10 years of my career, there were a lot of programmes where you almost felt like you were pulling – you were trying to pull stakeholders along. But with founders and entrepreneurship, it's the opposite: you're just facilitating and getting out of the way because there's a lot of motivation coming from founders who want to do this thing," he says. "And what you find is that really small things can make big changes for entrepreneurs."

At just two years old, it's early days for NaiBAN. But with more than 100 angels in their network and 21 startups in their current portfolio, NaiBAN speaks from a strong position in the innovation ecosystem – and they've got plenty to say.

THE INVESTMENT LANDSCAPE ON THE SILICON SAVANNAH

Kenya attracted the second highest number of investors (individuals or entities) of any African country between January 2015 and November 2022 behind only Nigeria. Despite a steady increase in investors in Kenya – from 14 in 2015 to 175 in 2022 – the community of local investors in the country remains small.[1]

NaiBAN is one of just two formal angel investing groups active in Kenya with ViKtoria Business Angel Network (VBAN) being the other.[2] And yet this is not for lack of attractive opportunities as Vilelle points out. “The calibre of founders in Kenya is very high. There isn’t a week that goes by that you don’t meet an interesting founder,” he says.

Indeed, Kenya’s position as one of Africa’s “big four” in all things tech, innovation, and development is strong. In 2022, it was the second biggest investment destination in Africa, after Nigeria.[3] Between 2015 and 2022, Kenyan startups secured US$1.3 billion in funding from 435 different individuals or entities, behind Nigeria’s US$2 billion from 641 investors.[4] Nairobi is the hub of the Kenyan startup ecosystem, with 97% of the country’s 308 startups based there as of 2022. fintech is far and away Kenya’s most active tech subsector, with three times as many fintech startups as the next most popular sector, agritech. In particular, large investments in standout companies such as the fresh produce e-commerce company Twiga and the solar system finance provider M-Kopa have put Kenya on the digital map over the past five years. The stories of Twiga and M-Kopa in the agriculture and energy sectors, respectively, highlight the opportunities for startups to play an outsized role in filling national logistics and infrastructure gaps with solutions such as digital payments systems and e-commerce platforms.

It was in this context of growing buzz about Kenyan entrepreneurs that NaiBAN was born. Originally from the United States, Vilelle spent the first 15 years of his career starting businesses and supporting others in more than 20 African countries. By 2021, he had moved to Nairobi and made the leap to investing. With several angel investments under his belt, he decided to enrol in the African Angel Academy (AAA) to get more background on angel investing principles and approaches. While on the programme, which encourages students to network and form syndicates, Vilelle banded together with 11 other Kenya-based investors on the course – and a few more from his Nairobi networks – to form an informal angel group.

“We started with just over 20 people and no formal structure. Everyone had either been writing cheques already (but doing it independently), had gone through the course, or had realised that angel investing was something they wanted to do. And we just thought it would be easier to do it together. But there was no big plan or vision beyond that,” he says.

Less than six months after completing the AAA course, in April 2021, Vilelle and his fellow classmates decided to make it official and NaiBAN was formally founded.

1 *Disrupt Africa, 2022, The Kenyan Startup Ecosystem 2022, https://disrupt-africa.com/sdm_downloads/the-kenyan-startup-ecosystem-report-2022/.*
2 *UK-Kenya Tech Hub & Victoria Ventures, 2022, Angel investing in Silicon Savannah: Stories from the trenches, https://drive.google.com/file/d/18WohQJ50Wg0zwy7mLG-5wESuHJLQlmx5/view.*
3 *Max Cuvellier Giacomelli, 2023, Not bad at all, 2022!, The Big Deal, https://thebigdeal.substack.com/p/not-bad-at-all-2022.*
4 *Disrupt Africa*

NAIBAN AT A GLANCE

NaiBAN is a not-for-profit entity funded by membership fees. Vilelle acts as the manager of the network while a three-person steering committee guides the group. Together, this small team shapes the strategy, processes, and systems that enable Kenyan angels to access local deals.

MANDATE AND TARGETS

NaiBAN does not have a sector-specific mandate; their only criteria are African deals for tech-based or tech-enabled startups in the pre-seed and seed funding stages.

"The deal flow in the region is not deep enough to have a focus on a particular sector," explains Vilelle. "For the same reason, the startups can also be super low-tech."

Gender balance is a major consideration for the network. As of 2023, 11 of the 21 companies in their portfolio have women founders and just under 50% have women CEOs. This is notable as only 18% of Kenyan tech startups have at least one woman founder, which is still more than in South Africa, Nigeria, or Egypt.[5]

DEAL SOURCING AND STRUCTURE

All members can and are encouraged to bring deals to the network. The network maintains the quality of the deal flow by asking individual angels to do their own assessment before bringing the deal into the group. Startups can also apply to NaiBAN directly, although they are asked to provide a reference from the network. NaiBAN does not use syndicates with carry for the lead investor. To maximise flexibility and inclusivity, they operate on an opt-in/opt-out basis with all deals presented to all members to participate.

At the end of each month, members vote on which two startups they would like to hear from during NaiBAN's monthly call. Startups that make it through the initial screening are invited to pitch at NaiBAN's monthly pitch call.

After the pitch call, NaiBAN assesses the level of interest within the membership. If there's significant interest, the team pulls together a one-page investment memo based on the pitch deck, the presentation, and the feedback provided by the individual angels. This helps move the conversation forward and angels can identify in which areas they need additional information. After a few exchanges with the founding team and discussions with the interested angels, the NaiBAN team calls for a decision and a Google Form is circulated.

Once angels have indicated their level of investment via the Google Form, NaiBAN evaluates whether there's enough to invest via a special-purpose vehicle (SPV). In the past, this has been at least US$50,000. If that threshold is not reached, NaiBAN speaks to the founders to see if they're willing to take small-check direct investments from angels via a simple agreement for future equity (SAFE) and then helps to facilitate the investments if both parties are okay with this method.

MEMBERSHIP

The network of 127 angels is grown organically through a referral system. Every three to four months NaiBAN runs an orientation programme to onboard new members. The membership fee is US$300/year. Recently, NaiBAN added a higher membership tier for institutions to participate in deals.

Currently, NaiBAN does not hold its members to a minimum investment requirement, however, it suggests angels aim to invest US$3,000 per year. Over the last two years, 55 angels have made investments and 27 have made multiple investments.

More than **50%** of members are **former founders**.

85% **based in Kenya.**

44% of **members are women.**

THE ANGELS

NaiBAN attracts a diverse group of angel investors, but certain trends are prevalent. More than 50% of members are former founders. They're also predominantly local, with 85% based in Kenya. Most are relatively young, in their 30s.

"Having a young angel cohort is great for deal flow because members have lots of connections and insights into different sectors and startups, but it also means that check sizes are relatively small because people are still younger professionals with less disposable income," says Vilelle.

Increasingly, NaiBAN is seeing more individuals from the venture capital space join the network, with 20% of members now VCs who invest in their personal capacity. (VCs who would like to invest with their firms are asked to join the network as an institutional member.) As with its portfolio, NaiBAN prioritises gender balance in its membership and currently 44% of members are women.

MANAGEMENT

As a not-for-profit, NaiBAN maintains a light infrastructure. Airtable, email, and WhatsApp are their digital tools of choice for coordinating and communicating with members. NaiBAN is also investing a lot of care and energy in data collection on member activity as data-based decision-making is an important aspect of how they operate. Regular surveys and activity tracking helps NaiBAN answer important questions about their processes.

LESSONS FROM THE GROUND

NaiBAN has come a long way from its informal origins on the AAA programme, and the group is continually innovating and improving different aspects of their organisation and systems. From these experiences, they have collected a wealth of learnings that they're eager to share with other angel groups.

"Most of our time is dedicated to supporting angel investors and startups in Kenya, but one of NaiBAN's goals is to find ways to support other African angel groups, especially in East Africa," says Vilelle.

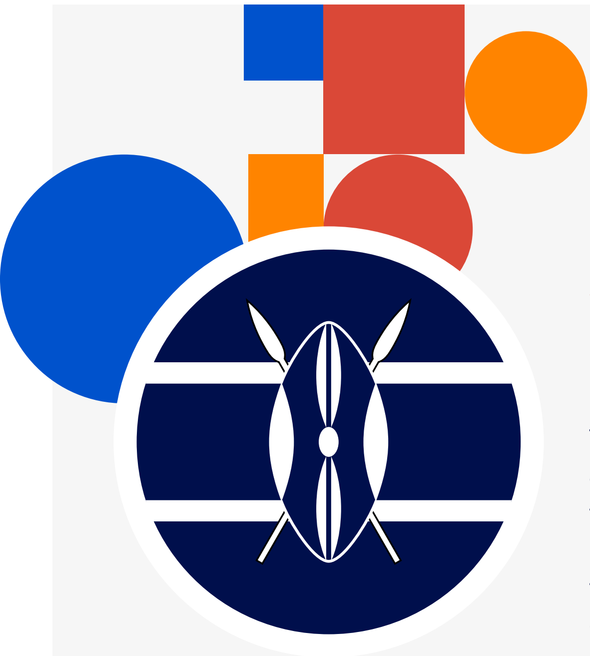
BUILDING TRUST INTO THE NETWORK FROM THE START WILL LEAD TO BETTER COLLABORATIONS LATER

Although it may be tempting for angel groups to throw the doors open and invite as many investors as possible – especially in an ecosystem where local investing culture is nascent – this can work against their goal of driving more investment to more startups. Therefore, NaiBAN uses a referral system to recruit new angels, leveraging its existing network to find people who are more likely to share their values and goals.

"Trust is a big thing. It makes people more willing to participate in a deal if they see someone they know taking the lead," says Vilelle.

Although NaiBAN doesn't syndicate, they find that angels often opt into a deal based on the examples set by other members whom they trust. Fostering trust between angels is therefore essential to boosting investment activity and there are many ways angel groups can build member relationships. In addition to their referral system, NaiBAN's onboarding system is a critical mechanism they use to educate incoming members and establish expectations for their involvement.

Once angels are in the network, they need to both see examples from established investors and find ways of participating. NaiBAN informally encourages more senior or experienced members to be more vocal and enthusiastic about the deals they champion so that they inspire other angels to participate and be more visible themselves.



LOCAL MEANS LOCAL

A vital part of a network's trust-building work is geography. Zoom and Slack may have made it easy for professionals to work remotely, but this is insufficient for effective collaboration in one of the most dynamic environments: early-stage enterprise.

"When we were developing NaiBAN and I spoke with other angel groups, their advice was to stay local so that you're able to do lots of in-person connection," says Vilelle.

Having a centralised membership and leadership team is key to facilitating effective connection, both among angels and with founders. This may also be key to keeping angels active in the group over the longer term. NaiBAN finds that the network itself, and the opportunity to meet and spend time with others who share their passions and offer alternative perspectives is a major draw for investors. (For this same reason, refer again to the cautionary note above about opening the doors for too many investors who may just be looking to network.) While NaiBAN facilitates connection through happy hours and networking events, it's not unusual to hear of angels self-organising to meet up socially and building friendships within the group, which NaiBAN hopes will serve to drive greater investment over the long term as angels find more people who they trust to go in on deals with.

UNDERSTANDING THE EXTERNAL DYNAMICS THAT AFFECT FOUNDERS AND THE GROWTH OF THEIR COMPANIES IS CRITICAL TO GOOD DECISION-MAKING

To support founders in the best way, and set realistic expectations for their companies, angel investors have a responsibility to understand the economic, social, and political dynamics surrounding entrepreneurs. Knowing the external challenges and opportunities influencing entrepreneurs can help angels properly assess risk.

For example, in Kenya, cash is not the only constraint on founders; the search for technical talent is an increasing struggle. Although institutions such as Strathmore University and Jomo Kenyatta University of Agriculture and Technology are turning out qualified graduates and building up the technical workforce, competition for this talent is fierce, particularly following the migration of several big tech players into Nairobi. Google, Visa, and Amazon have all entered the Silicon Savannah recently – a mixed blessing for the local hub.

"This is definitely a good development in the long term and I'm sure it will all balance out eventually, but in the short term, it puts startups in a tough spot. Building up the talent pipeline for the whole sector is going to be a major challenge in the near future," says Vilelle.

Understanding the timeframes and impacts of such meta dynamics can help angels see that problems today may not be there tomorrow, and therefore should not dissuade investment. In fact, it may mean just the opposite: that startups need the capital now to weather a period of flux.

ANGELS HAVE MUCH MORE TO OFFER FOUNDERS THAN MONEY, BUT THEY NEED SOME SUPPORT TO CONNECT WITH FOUNDERS

In smaller innovation ecosystems, those who start investing as angels usually have existing experience in the ecosystem and passion for entrepreneurship. Yet, in NaiBAN's experience, this passion does not necessarily lead to a strong commitment to coaching or mentoring founders, or even interacting with them post-investment.

To date, coaching of startups has not been an official NaiBAN offering; it's been left up to angels to perform ad hoc. Some angel investors have supported startups – both those they've personally invested in and others in the NaiBAN portfolio – by offering strategic guidance, connecting them to potential customers, reviewing their technology, and helping them improve their operational efficiencies to grow and scale efficiently.

"We would like to see more people coaching. Often, people want to, but they don't know how to connect with the right startups or they feel that they aren't qualified to do so," says Vilelle.

In response, NaiBAN is exploring different ways of formalising coaching opportunities within the network. They have startup support clinics where startups provide an overview of their business to the entire network, and share very specific requests for angel investors to offer support. They are also considering adding a matching process to connect angels with companies that most need their particular skills or industry knowledge. They're also looking into a "member of the month" communication feature to showcase angels who are leading the way on this front. For his part, Vilelle has two to three startups that he meets with every week.

"I find that this role is just about asking the right questions and listening – sometimes being the cheerleader, sometimes being the one to push and hold people accountable," he says. "Sometimes investors feel they don't have the qualifications to coach, but if you've been down the path once or twice before as a founder, or you've been around companies, you have a lot to offer. Sometimes founders just need a sounding board because being an entrepreneur is a lonely journey."

He finds that it's also founders who feel at a loss to engage investors because they feel ill-equipped to start a conversation. Which is why Vilelle thinks it's important for angel groups to humanise the relationship between investors and founders early in the relationship so that both parties feel comfortable connecting as the relationship progresses.

The bigger lesson: If you want your network to deliver on certain objectives, you can't just passively promote those goals. This is especially true if the objective involves volunteered time and effort. In this case, angel groups must actively incentivise it and formalise processes to support it.

PLATFORMS WILL NOT SOLVE ALL YOUR PROBLEMS

In an age of unprecedented streamlining enabled by digital tools, it can be tempting to think that technology is a silver bullet for ambitious teams working on a budget – especially when the whole mission

of that team is to catalyse tech-enabled transformation. But Vilelle is quick to caution groups that think a decentralised digital platform or team management software will be enough to keep an angel group active and engaged.

There is no plug-and-play for networks; they need to be actively managed by real people – and even a tiny team costs money to run. Membership fees may cover some of the management and administration costs, but a large portion of NaiBAN operations are driven by volunteer work from dedicated members.

Although NaiBAN could probably stand to increase its modest membership fee, the team is reluctant to raise the membership barrier when angels should be focussed on directing more of that cash to startups. One way they're navigating this is by exploring the use of donors to assist with specific cost barriers. For instance, the Dutch Good Growth Fund (DGGF) recently began supporting the network by paying the SPV fees when NaiBAN cannot meet their US$50,000 SPV threshold. In the past, NaiBAN has had to pass on deals when they cannot meet the SPV threshold, but DGGF's support has enabled them to invest in more deals at smaller check sizes.

"SPV fees can be particularly challenging when you're a small group and we hope other donors and ecosystem players will follow their lead," says Vilelle. "We believe it's a very effective private sector development strategy, as donors are enabling us to deploy more of our personal capital into startups, with the confidence that we as angels have skin in the game and are going to do everything we can to help make the startup a success."

NaiBAN has also incorporated institutional members with a higher membership rate as an additional revenue stream. The inclusion of institutional members has the added benefit of creating stronger ties within the ecosystem and creating more opportunities for startups. See the case study in The Big Deal (below) for more on this.

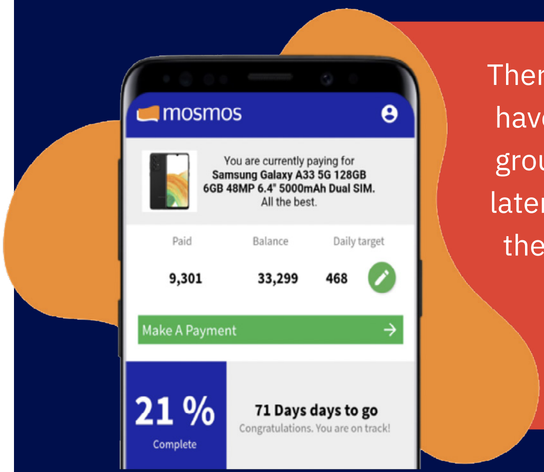
YOU DON'T NEED TO HAVE ALL THE ANSWERS BEFORE YOU START

Perhaps the most important advice of all for aspiring angel investors is to just do it. In Vilelle's view, angel groups need to take a page from the brave entrepreneurs around them and take action, learning as they go. If prospective investors wait until they have their model and processes all figured out before they start writing checks, they risk wasting the precious time of their local entrepreneurs or never getting started at all. For this reason, NaiBAN regularly hosts learning sessions that are facilitated by existing members, and are open to all angel investors and other ecosystem participants. These sessions cover a variety of topics such as how to identify and evaluate investment opportunities and general investment insights from angel investors.

For instance, NaiBAN is still years away from its first exit and has yet to decide how they will approach that.

"What does that process look like? We don't know yet, but I trust that we'll figure it out when the time comes. I think others can do the same," says Vilelle.

THE BIG DEAL: SENDING A STRONG SIGNAL WITH MOSMOS

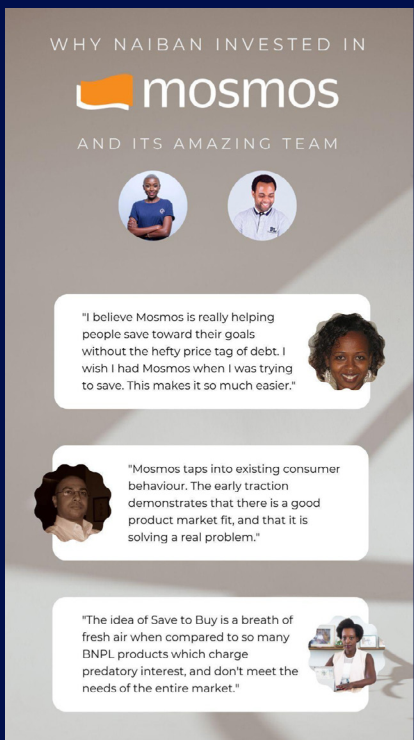


There are many stories NaiBAN could tell about the startups that have won their confidence – 21 stories to be exact. One that the group is particularly proud of is about Mosmos, a "save now, buy later" (SNBL) platform that helps consumers find the best deals for the products and services they need and reach their savings goal to make the purchase. Founded by CEO Chengo Masha and Shiro Njoroge, Mosmos allows customers to purchase high-value products in convenient instalments.

Vilelle had met Masha nearly a year before bringing the deal to NaiBAN in late 2022. The time spent with Masha made it possible for Vilelle to provide ample context to the group and make members comfortable. The deal inspired the broadest participation from NaiBAN to date, with 18 angels investing – an important milestone for the group.

"The signal is more valuable than the total capital. Twenty people going in is more important than a larger sum from a handful of investors. It means more to the VCs and the signal of local angels might move the needle for companies and the system more broadly," explains Vilelle.

Indeed, the signal has been positive for Mosmos. After securing seed funding from NaiBAN angels and institutional members, Mosmos secured an additionalmatch funding from Catalytic Africa. In March 2023, the company was accepted into the Google for Startups Accelerator Africa: Women Founders Cohort, which included non-equity assistance. As of June 2023, Mosmos had around 100 000 customers and more than 30 product partners.



The deal also marked a new phase of experimentation with the inclusion of institutional members. Controversial though the move may seem to some who see lines blurring, Vilelle sees it as a positive development that may offer a pathway to sustainability for angel groups who are doing the heavy lifting of identifying promising startups.

"Institutions are realising that angel groups have deal flow and that they can reduce the costs of due diligence. On the flip side, they're not used to having to pay for deals – everyone comes to them – so it's not clear if they would be willing to pay membership fees," says Vilelle.

In this respect, Vilelle thinks the biggest value proposition is for international institutions who don't have boots on the ground. NaiBAN currently has three institutional investors in the network, two of which are local and one that's international.

It may be too early for NaiBAN to offer a definitive verdict on the inclusion of institutions in an angel network, but in the case of the Mosmos deal, Vilelle says it's having a positive impact.

"We believe the fact that 18 local angel investors were going into the deal helped the institutional members to get on board. And then the angels' US$50,000 is able to become a US$200,000 round just through the network. We see the result of more capital going to founders we believe in to be a big win-win."

6 *Ventureburn, 8 March 2023, Google announces 15 women-led start-ups for Africa accelerator, https://ventureburn.com/2023/03/google-announces-15-women-led-start-ups-for-africa-accelerator/*

FOR THE LOVE OF THE GAME

NaiBAN may be the new kid on the block in Kenyan investing, but their dynamism and commitment to core values of trust and learning bode well for the group. Still, Nick Vilelle wants to be honest with folks looking to form an angel group: maintaining an active angel investor network is hard work and much of it is done in your free time. Which is why he thinks it's so important for angels to be led by their love for founders, learning, and the game of entrepreneurship.

NaiBAN

"You have to love it," he says. "You have to come to it with eyes wide open about all the time you'll have to give. Most successful members are this way. Don't do it unless you'll have fun. It's too much work and time for you not to enjoy it."

Happily, for him and the other members of NaiBAN, the joy that has come from working with Kenya's most visionary entrepreneurs, bonding with other angels who can geek-out about startup minutiae, and being part of the innovation journey continues to make it all worthwhile.

Q1

What role does trust play in your investing decision-making? What would it take for you to trust another angel in your group enough to back a deal?

Q2

If you were managing an angel group, what processes, mechanisms, or rules would you use to build trust among the members?

DISCUSSION QUESTIONS

Q3

What is the value of a relationship between angel investors, institutional investors, and VCs? What ways might an angel network collaborate or partner with these entities to reach certain goals?

Q4

A lot of coordination is required for angel groups to maintain momentum and stay active in the ecosystem. If you were managing an angel group, what tools, processes, or practices would you use to keep the group engaged and encourage participation?