



African Angel Academy

Case study



Sector: Fintech | Location: Nigeria



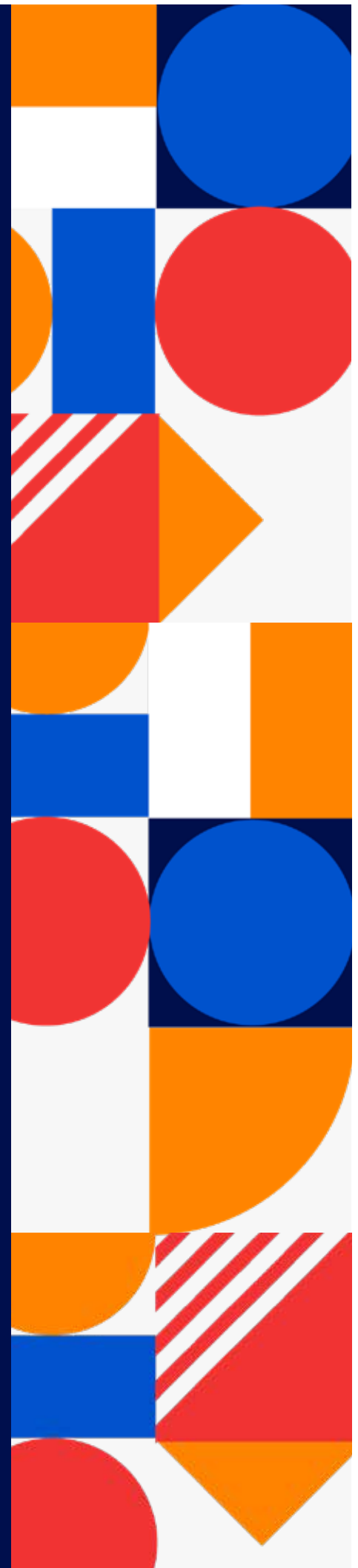
Lauren Cochran:
Paystack &
Blue Haven
Initiative

STAGE	Seed
INVESTMENT	US\$250,000
INSTRUMENT	SAFE
ENTRY	2016
EXIT	2020
MOIC	10x



Maya Horgan Famodu:
Paystack &
Ingressive
Capital

STAGE	Seed
ENTRY	2016
EXIT	2020



THE STRIPE ACQUISITION IN 2020 SEEMED TO AFFIRM THE MAGIC THAT INVESTORS AND CUSTOMERS HAD SENSED IN PAYSTACK YEARS BEFORE

When the Nigerian fintech Paystack announced in October 2020 that they had been acquired by the Silicon Valley-based payments company Stripe – for a reported US\$200 million – the news sent a shockwave through the Nigerian tech industry, and the wider community of African tech entrepreneurs. Angel investor and CEO of AppsTech Rebecca Enonchong captured the energy in the air in a tweet:

“The Paystack acquisition will have a ripple effect across our entire ecosystem. Investors are getting a pay day! This is major! Congratulations to [...] all the other local investors who believed in these founders early on!”

It was the biggest exit of any Nigerian startup to date and indeed, no one was more overjoyed than the early-stage investors who had witnessed Paystack’s rise to success from the inside. Among them were Maya Horgan Famodu of Ingressive Capital and Lauren Cochran of Blue Haven Initiative, two of Paystack’s earliest seed investors. Though Maya and Lauren were equally committed to Paystack’s vision, they had very different missions as investors.

Maya was a young professional-turned-investor who had grown up in the United States and come to her father’s home country of Nigeria as an adult. She had ambitions of creating a high-performing venture capital (VC) firm that would draw international investors to the African ecosystem. Also from America, Lauren was a managing director for a U.S.-based family office focused on impact investing

for financial inclusion, renewable energy, logistics, and human capital development across sub-Saharan Africa. The two were at different stages of their careers and their firms occupied unique positions within the African entrepreneurship ecosystem. Yet, certain aspects of their journey as early-stage investors in Africa overlapped.

In 2014, both Lauren and Maya were unknown quantities in the region, having grown out of the American financial ecosystem. But they were also both insider-outsiders: internationals with a strong commitment to African entrepreneurship, who were motivated to become part of the ecosystem rather than passive investors standing outside it.

They both understood how African enterprise was starved for both local and international investors who were committed to developing the ecosystem and creating substantive impact, in addition to strong returns. In 2016, while pursuing their own paths to this goal, Lauren and Maya were both drawn to an up-and-coming Nigerian fintech that would prove an ideal partner for growing enterprise and financial inclusion in Africa.

Shola Akinlade and Ezra Olubi, both experienced software developers, had co-founded Paystack in 2015 as a payment solutions company for small businesses. Their goal was to create a seamless API-based payment product that catered to Nigeria’s enormous market of small and medium-sized

enterprises (SMEs) and informal traders to stimulate entrepreneurship, increase efficiency, and promote formalisation. From the beginning, the co-founders were explicit about their ambitious vision to create a “Stripe for Africa” (in reference to the international payments platform taking over the U.S.). Impressed by Paystack’s strong vision, buzzy culture, and committed leaders, Maya and Lauren became seed investors – Ingressive Capital in 2016, Blue Haven in 2017.

The Stripe acquisition in 2020 seemed to affirm the magic that investors and customers had sensed in Paystack years before.

But hindsight was 20/20 and plenty of fintechs had emerged in both Lagos and other African tech hubs between 2015 and 2020. Moreover, Paystack was one of many investments in the Ingressive Capital and Blue Haven portfolios during that period. Yet, by October 2020, none had achieved what Paystack had in growth, foreign investment, product quality, and reputation. What had made Paystack different? What did their success mean for a fast-growing, Lagos-based VC who wanted to connect more African entrepreneurs with international investors? What did their journey have to teach a family office that wanted to have a positive impact on Africa’s economic future?

As it turned out, a number of things.

A BROAD DEFINITION OF IMPACT

Although Blue Haven and Ingressive Capital had different investment mandates, the Paystack deal highlighted how, in the African context, early-stage tech startups offered a unique opportunity for different types of investors to be impactful while achieving returns. Paystack was not definitionally a social enterprise or an impact business, yet few would deny the systemic impact that their solution was creating for the local economy by giving small businesses a gateway to formalisation and financial services. As a result, Paystack neatly fit the mandates of both a VC and an impact investor.

Maya was clear about Ingressive Capital's priority as a for-profit entity to seek out high-performing businesses above all else.

“I don't want to create the impression that because we are investing in Africa or we are a woman-led business that we are an impact fund – no. We intend to maximise financial performance and be the highest performing VC in our industry;” Maya explained. **“For instance, 40% of our portfolio is women-led companies, not because we have a mandate to invest in women-led businesses, but because we understand what makes a strong portfolio.”**

Yet, because Ingressive Capital focused on investing in “0 to 1” technology that enabled access to services for previously unserved markets, their investments were implicitly impactful.

“Technology like this is actually quite sticky – if you're changing someone's life, they're probably going to stay with your product. If the products we invest in allow for financial access or internet access, it's probably going to be a staple and a core part of their daily life. Those are the solutions we are looking for,” Maya said. “Yes, it's transformational and impactful technology, but at the end of the day, we are a for-profit VC fund.”

Although Blue Haven had an explicit impact mandate, they also took an expanded view of impact, which did not include sacrificing profitability.

“We are all investors, so of course we are in it to exit,” explained Lauren. “We are not super precious about what impact means. We definitely want to make our money back and make a commercial return.”

Paystack's focus on SMEs and products that would guide businesses toward formalisation – like their small business tax package – was the key impact dimension for Blue Haven.

“All you have to do is spend time in Nigeria to see the bucket of point-of-sales systems that everyone has in every store to take different forms of payment,” said Lauren.

“So streamlining that process and empowering businesses to take more forms of payment more easily is, for us, clearly economic formalisation. But there are other fintech investors who didn't necessarily draw that conclusion.”





FOUNDER FAITH

Paystack had become the first Nigerian startup to be accepted into the prestigious Y Combinator accelerator in Silicon Valley, their payment solution was being embraced by local SMEs, and they were showing exponential sales growth.

In 2016, Paystack’s strong track record already stood on its own, sending a clear signal to potential investors. **Paystack had become the first Nigerian startup to be accepted into the prestigious Y Combinator accelerator in Silicon Valley, their payment solution was being embraced by local SMEs, and they were showing exponential sales growth.** But like so many of the investors and collaborators who encountered Paystack in the Lagos tech community or Silicon Valley, Maya and Lauren had been most impressed by the co-founders themselves – their characters, personalities, and approach to decision-making. It was abundantly clear to them that Shola and Ezra stood apart from their peers in their positivity, authenticity, skill, and conviction.

“Ezra and Shola are really good people. They are men of integrity, they are kind, and extremely humble,” Maya reflected. **“They are just happy people who are extremely positive, plus they are incredibly talented in their craft and have on-the-ground experience in financial services in Nigeria. So they knew what they were talking about.”**

Shola was a second-time entrepreneur and a skilled software developer. His singular vision for Paystack to

drive financial inclusion of African SMEs through online payments was informed by the cumulative experience, contacts, and knowledge he had built through his past work with other local startups and Nigeria’s largest banks. And by being explicit about the goal of building a “Stripe for Africa”, he and Ezra laid out a clear roadmap for the company and investors. Lauren saw first-hand how the co-founders kept the company focused during a time that, for most startups, is filled with turbulence and distractions.

“They never over-complicated things. They said, ‘We’re building one API to help everybody make payments easier’, and there wasn’t a lot of, ‘Oh, and let’s go into mobile wallets and let’s create a savings product, and take inventory’. They never got into that side hustle type stuff,” Lauren explained.

Few of Paystack’s peers demonstrated the same commitment to a fixed, ambitious goal. Maya recalled the prevalence of zombie startups in the local industry and the customer default rates of competitors at the time. Meanwhile, Paystack’s performance was standards of deviation beyond anyone else.

“They were respected by their peers and competitors in the ecosystem,” Maya explained. “We always do a lot of customer reviews before investing in a company and just being able to talk to our peers who were using the product, and the way in which they championed the product and promoted it. On social media, if someone had something bad to say about Paystack, 20 customers who didn’t even know Shola would come to their defence. Being able to see that customer confidence really inspired a lot of confidence.”

While conducting preliminary due diligence for multiple fintechs in the region, Lauren found similar responses from customers about Paystack’s superior service and responsiveness, which were largely products of the founders’ experience and desire to serve the market.

“Paystack took into account the opinions of the customer developers they were working with – if they needed a feature or were interested in changing something – because they were run by founders who understand what other founders are doing and need,” said Lauren.

▶▶ PUTTING THE TEAM FIRST

“What we’re seeing with technology companies is a collective employee base holding shares of the company so that when these exits do happen, the wealth is distributed across the company base.”

The founder values were clearly key to unlocking a tight vision and business model. But for early investors who were part of Paystack’s growth journey, the founder values were also integral to developing a healthy, resilient team. As Lauren observed, the quality of the service and product Paystack delivered, both at the time and in the years that followed, could all be traced back to the founders’ leadership and their willingness to elevate their team members.

“They hired such great people,” Lauren said. “Every single person we met on the Paystack team was excellent and thought Shola was the best thing since sliced bread, because he kind of is. And every single one could have been 20 other places, but they had chosen Paystack because of the vision, because of the gap in the market they were filling, and the team environment they created there.”

Lauren recalled the first time she visited the Paystack office in Lagos and how Shola had wanted to introduce her to every single one of the talented team members helping to bring their vision to life. This exchange was an early confirmation that Shola, as CEO, was walking the talk within the company.

After 10 years of working with impact investing in Africa, Lauren understood that Shola’s capacity to bring in the best people and make them part of a cohesive, aligned team was unique among startups. Reflecting on Blue Haven’s other portfolio companies in 2018, she noted the importance of building culture to insulate businesses from volatility.

“Companies with the strongest shared values weathered storms far better than those that had deprioritised culture while they grew. Hiring and indoctrinating tens or hundreds of people is hard,” Lauren explained. “Prioritising openness and shared purpose matters most when the chips are down, yet is easiest to do when they are not.”

The downstream impact of this approach – of cultivating a culture of high performance and togetherness – was far-reaching after the Stripe acquisition. Maya could already see the ripple effect within the Lagos ecosystem in early 2021.

“What we’re seeing with technology companies is a collective employee base holding shares of the company so that when these exits do happen, the wealth is distributed across the

company base,” Maya explained.

“And so what you’re seeing now is ... collective wealth of all these people who’ve realised these material exits being able to invest in the next generation of founders with that advisory and expertise that they’re bringing along with it.”

As experienced employees went on to fund and found more innovative startups, still others in the ecosystem felt the lift from Paystack’s success. The payday for local angel investors saw them recycling their cash and funding more startups – including Brass and Mono, both founded by Paystack alums. More startups in the region and adjacent sectors received attention from investors. And international investors began taking greater notice of African tech startups.

In March 2021, fellow Nigerian fintech Flutterwave announced that it had raised over US\$170 million in a Series C round, giving the company a valuation of over US\$1 billion and making them Africa’s first real unicorn.



TRUSTING YOUR GUT

“This one I had conviction about from a gut perspective as much as anything else. Even before the exit, it helped me identify that feeling with our investments afterwards – understanding the difference between ‘Oh, everything looks good on paper’ and ‘I really think this is going to work’”

Paystack’s post-acquisition ripple effect revealed the enormous value of identifying and standing by founders like Shola and Ezra for both investors and the ecosystem. Although many had shared the belief that Paystack’s founders were, in Maya’s words, the “golden children” of African tech by both reputation and company performance, the deal had been far from a sure thing for early investors. Many other fintech investors had passed on the deal in 2016. At the same time, Ingressive Capital and Blue Haven had been unknown quantities in the early-stage investment space and were navigating the startup system with little insider intel, learning as they went. Paystack had presented both Maya and Lauren with a test of their independent convictions.

In 2016, Ingressive Capital was just getting off the ground, with Maya driving all major strategic decisions for her budding VC. After two years of pitching to international investors to form her first fund, she had finally raised enough to make Ingressive Capital’s first investment. In that time, Maya had also been working diligently to build relationships and grow her network of investors, financial institutions, entrepreneurs, and techies within the Lagos tech

community. Once she had her first fund in hand, she relied on the strength of these relationships when she decided to put it all on Paystack.

Meanwhile, Blue Haven had also been operating its impact investment fund in sub-Saharan Africa for two years and made 5-6 investments. Most of these deals had been later stage companies on the continent – already vetted and approved by a slew of other investors. Despite having more than a decade of experience in finance and investing, Lauren was still navigating the steep learning curve of early-stage investment in a nascent and volatile startup environment.

“The markets in which we work lack the white-haired veterans with the scars of battle that could help followers avoid mistakes,” Lauren explained. “In more than 10 years working across the continent I’ve seen a handful of things in a handful of industries in a handful of countries – enough to formulate basic theories, but far from enough to formulate best practices that will outlast even the next flight between Lagos and Nairobi, no less my career.”

Lauren’s experience on the continent had taught her that there were no guarantees, hard and fast rules, or

easy wins. If anything, investors needed to spend more time learning and honing their instincts. The experience with Paystack proved integral in developing Lauren’s intuition about a founder team and a company’s capacity to go the distance.

“This one I had conviction about from a gut perspective as much as anything else. Even before the exit, it helped me identify that feeling with our investments afterwards – understanding the difference between ‘Oh, everything looks good on paper’ and ‘I really think this is going to work’;” Lauren explained. “And not that I’ve always been right about the other investments we’ve made since then, but it’s a different type of feeling than later stage companies where other investors all agree it’s a good investment.”



LESS IS MORE

Though they used different language and approaches, both Ingressive Capital and Blue Haven considered ecosystem-building part of their long-term missions. This meant prioritising the founders' best interests, being prudent with regard to valuations, and building networks for future partnerships and follow-on investment. These values were part of what made Ingressive Capital and Blue Haven attractive to local founders in the early days.

"At the time, there were a lot of private equity-acting individuals who just wanted equity – demanding crazy amounts of ownership for small amounts of capital. They were just focused on control," Maya explained. "But as a VC who cared about the founders we were working with, those were the relationships founders really respect and prioritise. Ingressive Capital came, and continue to come, to founders as peers. We see founders as our customers – we are building our business and catering to them and I think that was refreshing. Now it's not unique, everyone is incredibly competitive and concerned about aligning with the founders and coming at it from a place of kindness and respect."

Ingressive Capital catered to founders primarily by offering their network of potential partners, investors, and customers. Crucially, as Lauren found, sometimes the most respectful thing early investors could do to be supportive was to provide less support. Particularly in cases like Paystack, where many small investors were

involved, Lauren had become cautious of taking up too much of founders' time without adding sufficient value to the company.

"I always wondered if I was getting as much airtime as the other investors, because that would have been Shola's whole day!" Lauren said. "I am so keenly aware of investors who are not helpful and take people's time. For angels and other early-stage investors, that is one word of warning: you are a small cheque and they can't talk to you all the time, and you might not be adding value."

It was therefore important for investors to reflect on those interactions with founders and managers. In the case of Paystack, the strength of the founders and their vision made the math simple for investors: hands off. Lauren was adamant that Paystack's successful growth trajectory, culminating in the acquisition, was entirely the product of the founders – no investor could claim credit for helping the team to succeed. At the same time, Lauren felt investors should be present and available for founders.

"The worst thing that can happen is that an entrepreneur tries to go it alone," she explained. "It's on us to make sure they know we are in it together."





THE LONG GAME

Resilience and humility, it seemed, were the best shot they had. To play the long game, Lauren felt that investors had to live by a mantra of “strong opinions loosely held

By 2021, few could dispute the impact of the Paystack acquisition on the local ecosystem. Paystack was serving over 60,000 clients on their platform, processing 50% of all online payments in Nigeria, and expanding their services across the continent to compete with other payments champions, like Yoco in South Africa. For Maya and Ingressive Capital, Paystack’s outstanding performance, which was powered by local talent, was a harbinger of the marketplace they wanted to see in Africa.

“We are building a meritocratic system. The past may have been based on nepotism and who can bully others around to get contracts, but the future is a place of meritocracy, based on your technical abilities. And that doesn’t mean you need to go to XYZ Ivy League school; you can cultivate your skills domestically. Both Shola and Ezra – and the team at large – are all from local technical universities and they’re the smartest guys.”

As the Paystack and Flutterwave stories indicated, building such a system would require bold moves from local angels, as well as international investors – something that gave many in the African entrepreneurship ecosystem pause. The risks of overvaluation, overheating certain sectors, and crowding out local investors all loomed large. But Maya was confident that local investors would have an essential role to play in the ecosystem for decades.

“International investors are coming in when the companies get posted on Tech

Crunch and Tech Cabal and all these various platforms – they’re not the ones who are on the ground, in the co-working spaces, meeting the companies when they are at a US\$500,000 valuation and have never met an investor outside of Lagos,” explained Maya. “So the local angels still have a really important role in sourcing and seeding the first wave. It’s absolutely going to become more competitive, but it’s never not going to be essential to have local money on your cap table. And Africa is still a very relationship-based place – it’s still important to have local money.”

Indeed, Paystack had become a major advertisement for angel investing on the continent and more locals seemed interested in becoming part of the zeitgeist. For Lauren and Blue Haven Initiative, there was still reason to be wary of short-term thinking while the ecosystem was still finding its feet.

“If you’re writing cheques under US\$100k, and you exit at the next round, it’s very easy to make money, but that is not an ecosystem,” Lauren said. “The three or four exits we have had in payments are awesome and it’s a great start, but they are not a pattern – they’re not a billion dollars. Things are going well, but prudence and caution are warranted until there are more exits to point to, and more acquirers.”

Lauren felt investors had a responsibility to exercise caution and pre-empt reckless investing in sub-sectors that became overhyped as a few high-performing startups gained momentum.

“We saw this with the pay-as-you-go (PAYGO) space and now it’s happening in fintech. As soon as things don’t pick up in the way you think they’re going to, you get yourself into a real valuation crunch,” Lauren explained. “We just refuse to participate in those situations, and I’m lucky I have that luxury because my family office is not running out a five-year investment period on a ten-year fund. We also, years ago, started asking entrepreneurs way sooner than normal about their valuation expectations – as part of a first conversation. It’s not about risk mitigation or maximising profit; it’s about being rational about where a business is and where it can go, and the risk you’re taking as an investor. We don’t make early-stage investments to figure out ways to reduce risk. We try to right-size the amount of risk we’re taking and feel like we’re getting compensated for it in the valuation.”

Paystack’s wild success and the sense of victory for Ingressive Capital, Blue Haven, and the other investors were undeniable. Yet, best practices for early-stage investors to navigate volatile and unpredictable economic cycles with African entrepreneurs remained elusive. **Resilience and humility, it seemed, were the best shot they had. To play the long game, Lauren felt that investors had to live by a mantra of “strong opinions loosely held”:**

“Go boldly into problems with a view, but be ready to be wrong, learn, and course correct.”



DISCUSSION QUESTIONS

*Ingressive Capital does not have an impact mandate. Blue Haven explicitly does.
Yet they could both happily invest in the same company.*

Q

As an angel, do you have an understanding of how important impact is to you and how this might affect your return expectations? Would you be willing to invest together with other angels who don't have the same mandate as you? If so, how would you manage the relationship and the advice given to the entrepreneur?

*Both Maya and Lauren were not making deals with their own money,
but were able to convince their principals to make riskier early-stage investments.*

Q

How did they make their investment decisions, and how were these similar or different from how angels select deals? What do you think they had to do or say to bring their sponsor on board with their decision?

Q

What role can less risk-averse institutional investors play in the early-stage investment ecosystem? Should angels and angel groups cultivate closer relationships with them and, if so, how?

I am so keenly aware of investors who are not helpful and take people's time," said Lauren.

Q

Have you thought about how you or your angel group will manage your relationships with your investees? What will the communication approach and style be? What are the specific and unique ways that you can contribute to or support the entrepreneur?

Tags

Venture capital, impact investing, early-stage investing, fintech, founder focus



The African Angel Academy is an African-led initiative that aims to train and support new or current angel investors through a self-paced online course, sponsored cohort programmes with top partners, and through building an engaged learning community of early-stage investors. For more information visit our website www.africanangelacademy.com

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