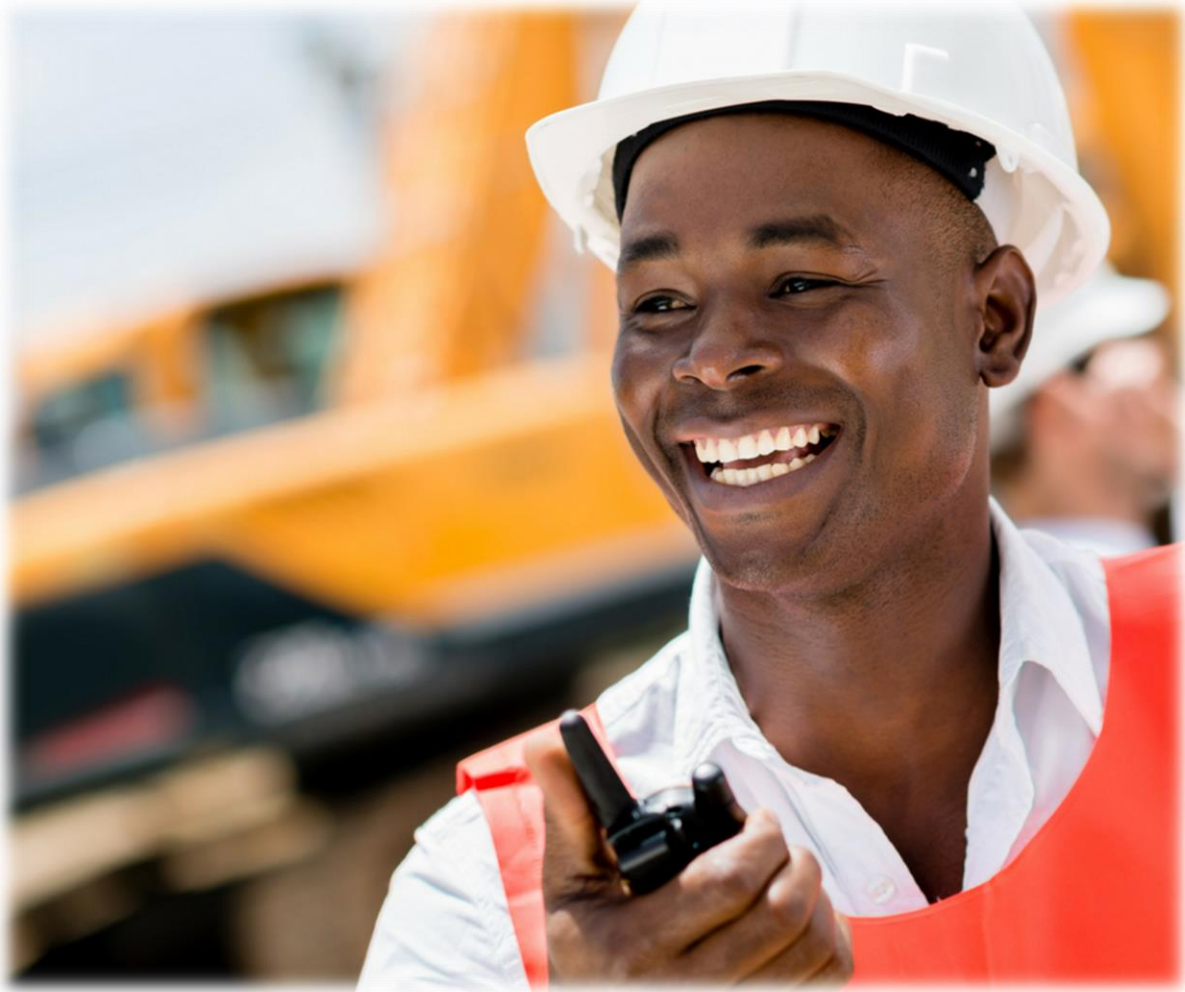


How to finance the missing middle

The COFINA ESSAY



**Presented by Jean-Luc KONAN,
Founder and CEO, COFINA**



Agenda

- 01** Who are the missing middle ?
 - Definition / Situation of SME's in Africa vs World

- 02** What are the challenges faced by Africa SME's
 - Scalability / Financing / Support for structuring

- 03** Financing the « missing middle » : The COFINA Essay?
 - Presentation of the COFINA model/ Key Figures 2014 - 2018



**Section 1 :
Missing
Middle ?**



Definition



Mesofinance is the alternative path of finance.

It can support emerging middle classes and more specifically individual entrepreneurs and SMEs whose financing needs have become too important for traditional microfinance institutions, but whose entrepreneurial structure is still considered insufficiently formal by commercial banks.

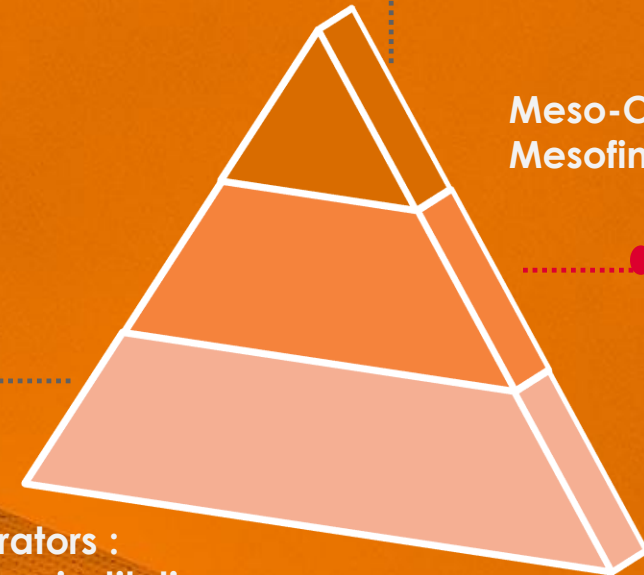
These financing needs are between 10,000 € and 300,000 € .

Macro-Operators :
General Banks

Meso-Operators :
Mesofinance institutions



Micro-operators :
Microfinance institutions



Data on **SMEs** in Africa

+ 44 MILLIONS of SMEs in Africa

80% to 95% OF ENTERPRISES

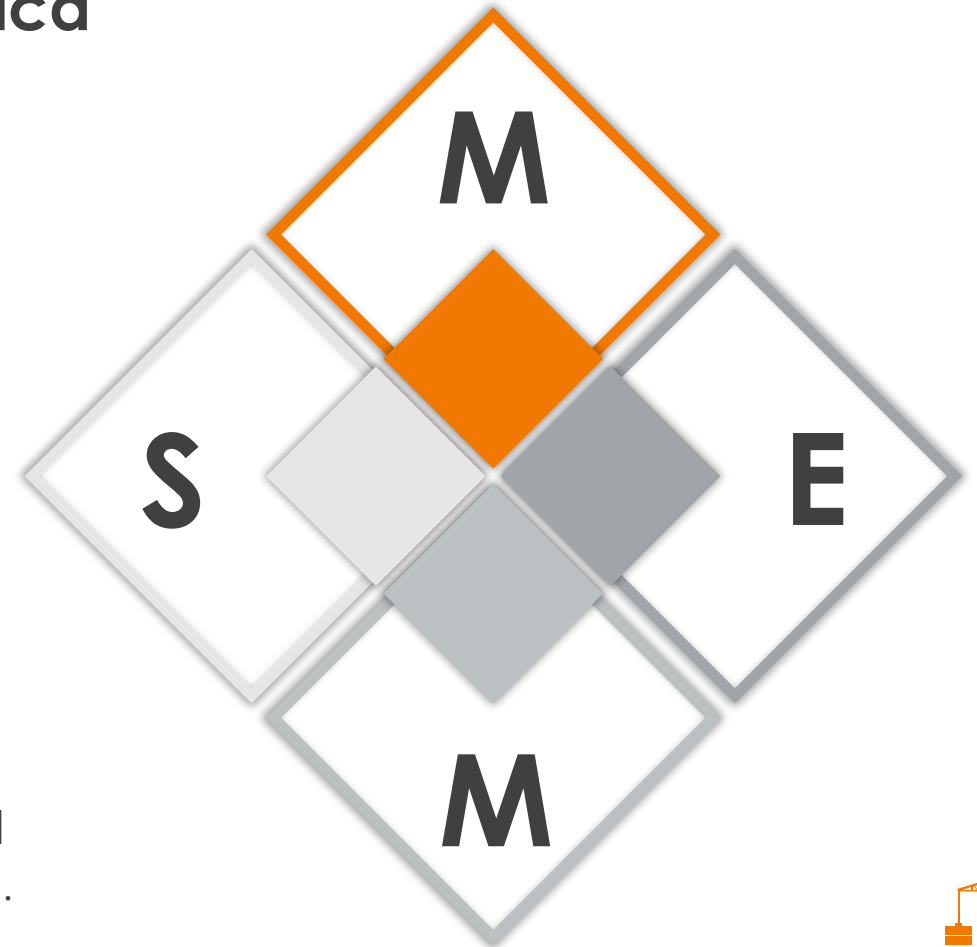
are Micro – Small and Middle depending on the countries.

45% of industrial employment

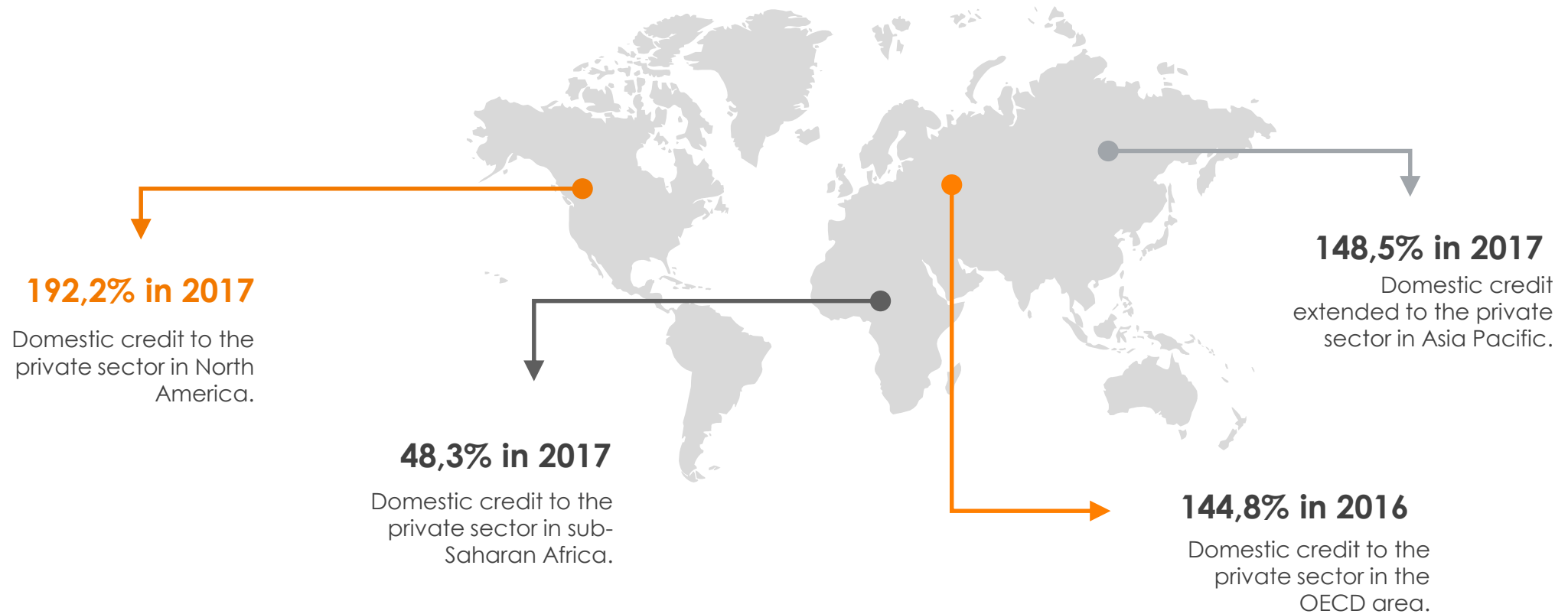
SMEs are the primary vectors of industrial employment, accounting for 45% of job creations (Africa Banking & SME Champions, 2018).

8/10 employment in Sub-Saharan Africa

are related to SMEs, according to the UN.

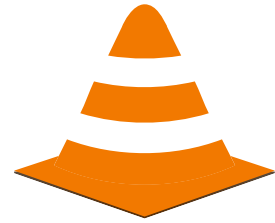


Domestic Credit to the Private Sector World Vs Sub-Saharan Africa



* As a % of the GDP

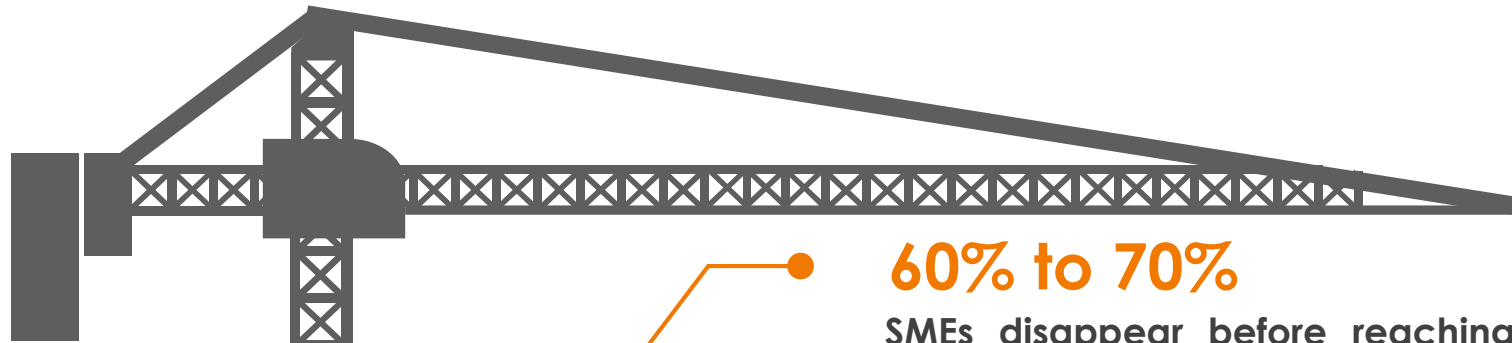




Section 2

**What are the challenges faced by
African SMEs?**

Challenges Faced by African SMEs



60% to 70%

SMEs disappear before reaching their fifth year of existence.

Scalability

01

Financing

02

Support

03

331 billion dollars financing gap

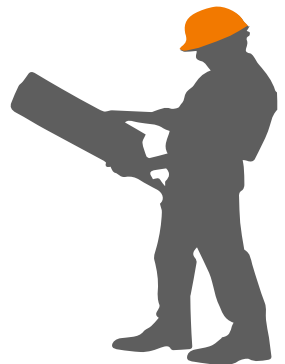
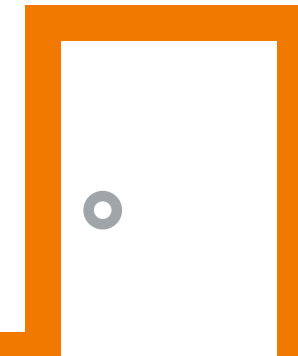
The financing needs of African SMEs are estimated at \$ 331 billion (IFC, 2017).

Only 443 incubators

Business incubators have grown enormously on the continent between 2000 and now, but remain insufficient.

There is also no Licorn

** About 1,300 incubators in the US and nearly 6,000 in China*

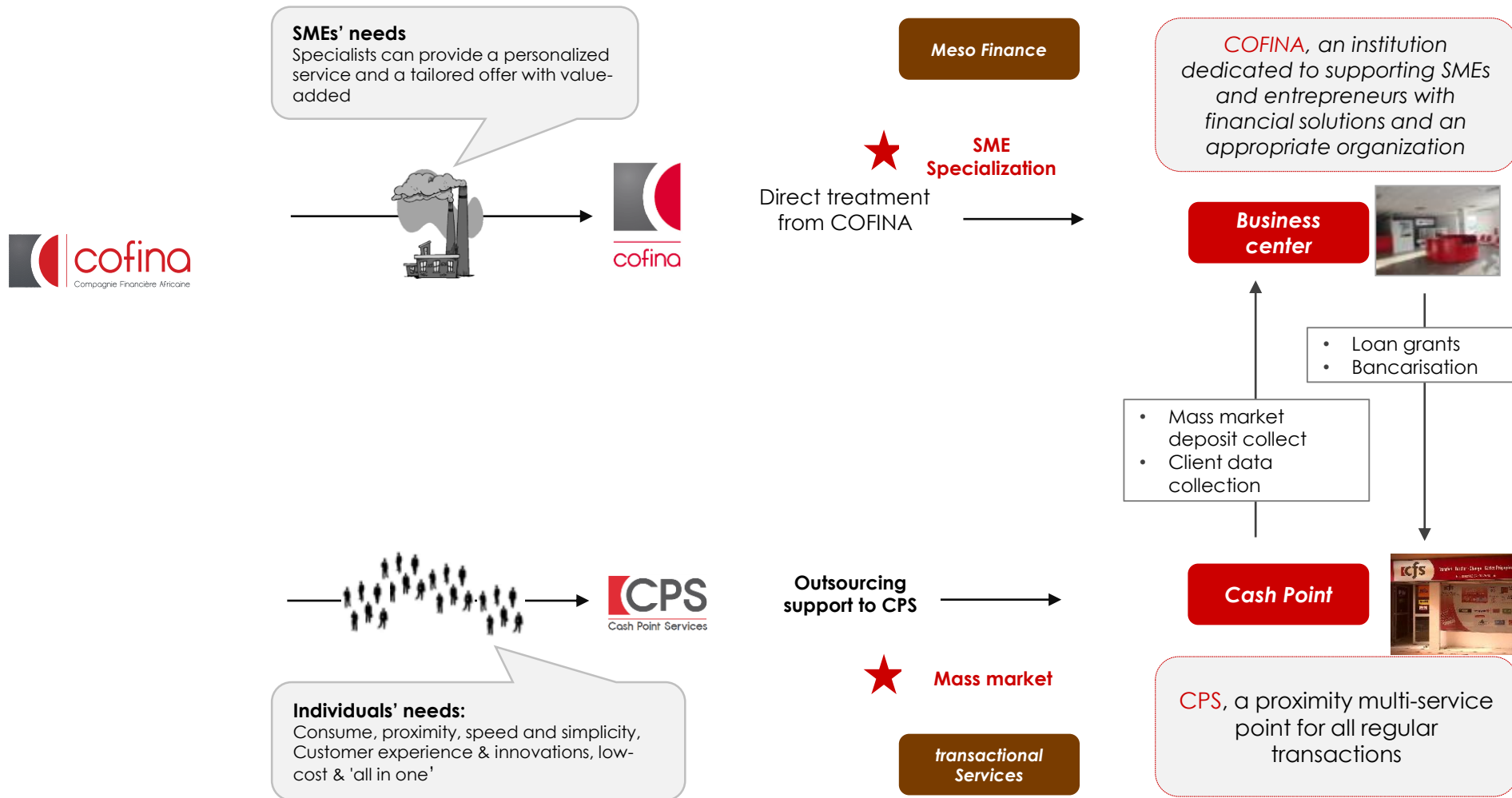




Section 3

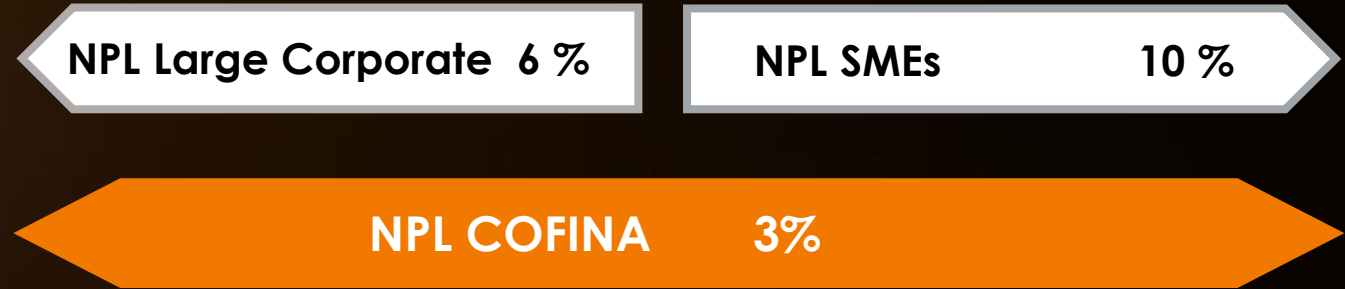
Financing the « missing middle » : The COFINA Essay

The Business Model of COFINA



How do we finance our « missing middle » ?

Is the missing middle **more risky** to finance ?

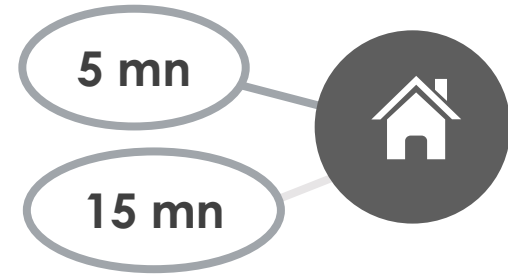


It is a proximity Business based on two axes : Proximity and KYC.

- We use a proximity mix of information
- KYC: We use a debt rating model internal scoring based on historical facts

HOW DO WE ENSURE THAT PROXIMITY ?

Bringing the Bank to the Consumer, close to their Shop



Brick & Mortar Branches

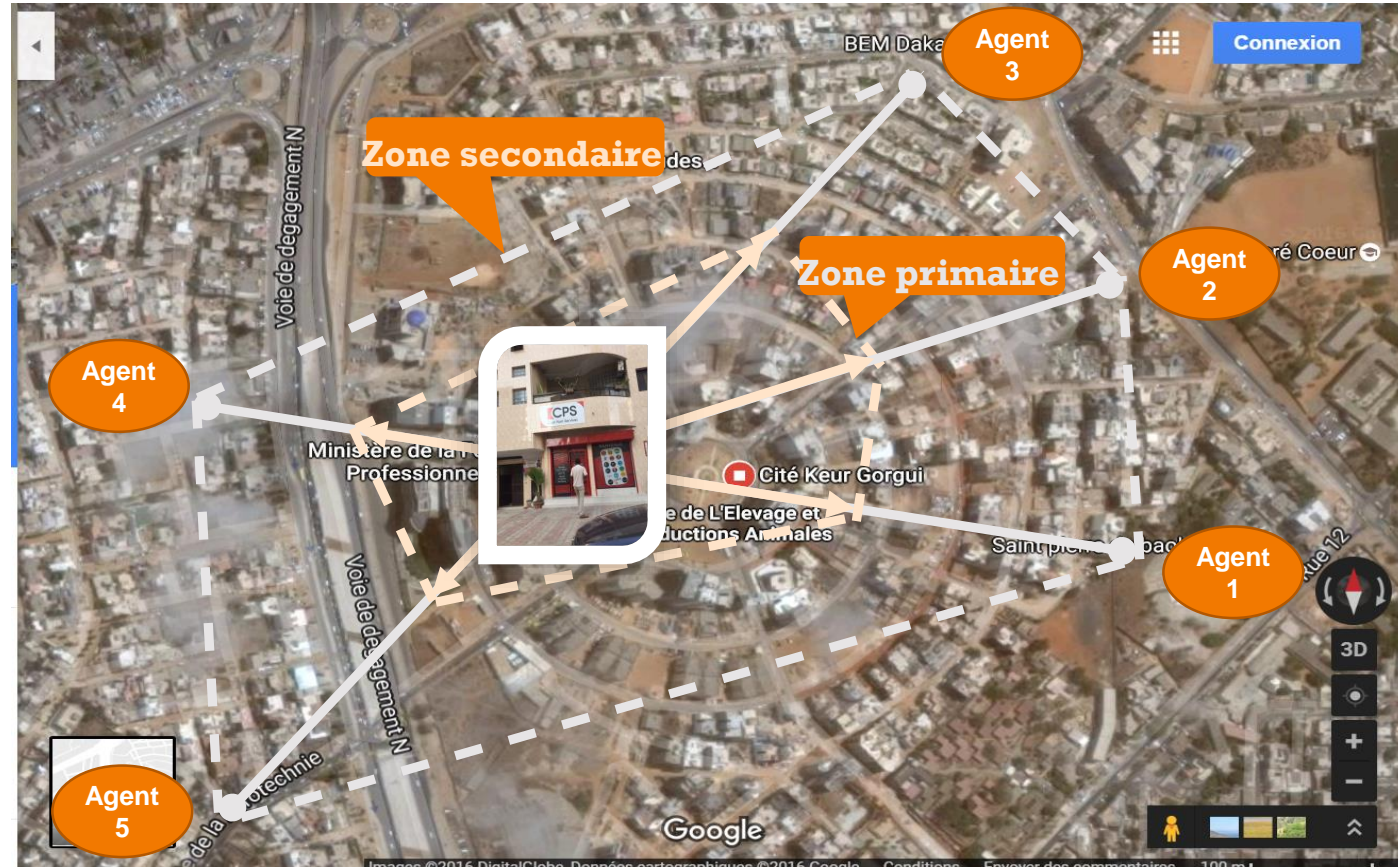
Mini branches

Mobile Cash Collector

Agency Banking / Subagents

Digital Channels (i.e bills payments, savings, etc)

“Don't leave your shop, transact from there “



KYC: Make the Difference Between : the « Entrepreneur » and the « Adventuror »

He knows 70% of the Business and will learn the remaining 30% with mistakes, experience...



ENTREPRENEUR

Has little **savings**

Has **been in activity** for sometime

Has **some expertise** in the Business

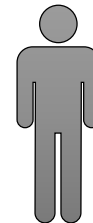
Has **some expertise** in the Business

Has **No Savings**

Has **No money Comittment**

Has **No seasoning** in the activity

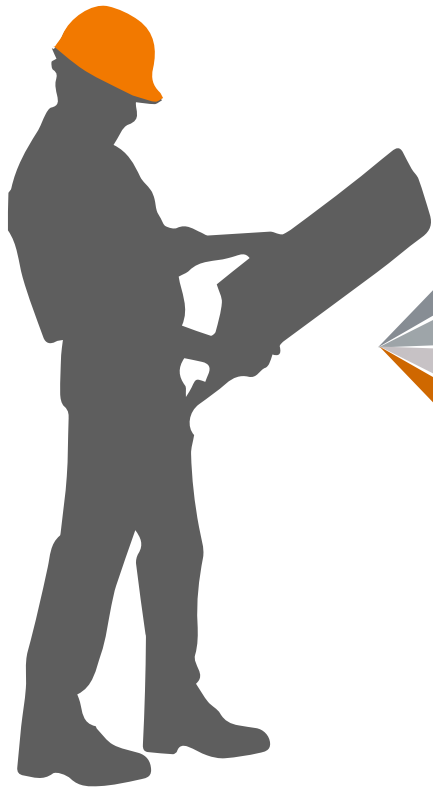
He just has an idea



He knows only 30% of business and will have to learn the remaining 70%,

ADVENTUROR

COFINA as a model of financing the missing middle



An offer of products adapted to the needs of the missing Middle

In addition to conventional investment credit, we offer more specific products such as public and private financing as well as off-balance sheet loans (guarantee and other commitments by signature).

A deep study of the client's activity

Given the peculiarity of our customers who often evolve in the informal, we are very agile, and take care to understand the activity of our customers with a view to appropriate support.

Provision of innovative service in the digital age

In addition to traditional products, our customers have mobile banking products at their disposal. Thus, in a country like Senegal, a Cofina customer can recharge their electronic wallet, pay their bills, open a savings account, provision payment to another person and transfers, etc.

Support of Startup by COFINA STARTUP HOUSE

In 2016, we launched an incubator for Senegal and Côte d'Ivoire. We had a first cohort and accompanied a dozen young companies. The second cohort will be launched in 2019.



Results of the COFINA Essay 5 years later

KEY FIGURES 2014-2018

**3 COUNTRIES
IN 2014**

**6 COUNTRIES
IN 2018**



Customers

13 294 2014

2018
137 055
+1012%

OUR MAIN FIGURES

TOTAL SAVINGS PORTFOLIO

2014 17 M€  2018 160 M€

OUTSTANDING LOAN PORTFOLIO

2014 16 M€  2018 174 M€

FUNDED PROJECTS

2014 1 835  2018 58 500

STAFFS

2014 135  2018 1 022

From 19 different citizenship

LOAN PRODUCTION SINCE STARTING

545
Millions €

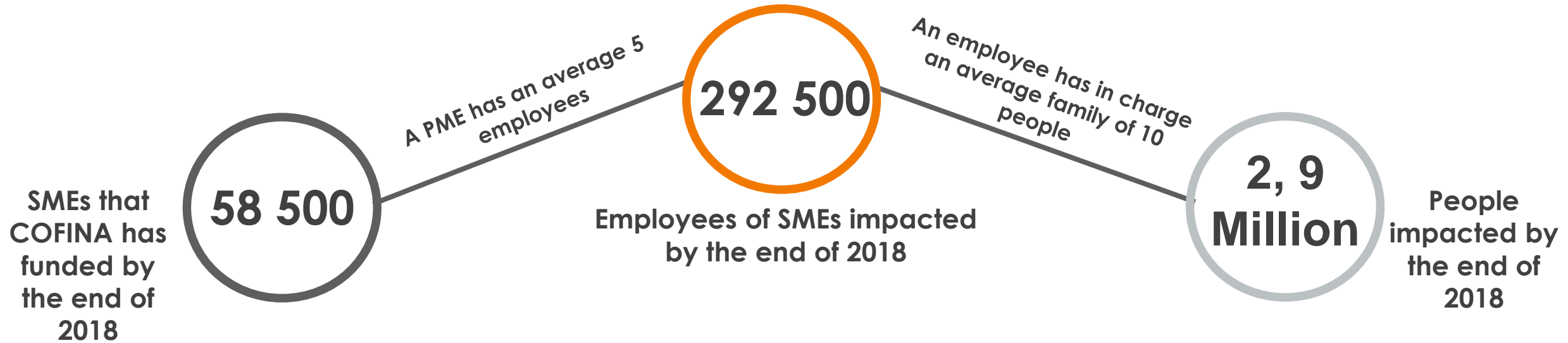
TOTAL ASSETS

2014 24 M€  2018 236 M€

December 31st, 2018



The Power of the missing middle / The Famous 1 – to ten



Customers have very decent profitability Pbt/Revenue.
Sometimes faster than their growth. But they keep coming for LOANS.

The famous 1 – to Ten.
Even worse when you are successful
Two many inactive people for only one Cash Cow

The Solution



Increasing the number
of successful SMEs

THANK YOU !

