

# Global Distributors Collective



## The growth and fundraising journeys of last mile distributors

How can we bridge the LMD access to finance gap?

GDC host:

**Practical  
ACTION**

GDC implementing partners:

**HYSTRA**  
hybrid | strategies consulting

**bop  
inc**

# Agenda and objectives

- Charlotte Taylor, GDC: **Intro and scene setting**
- Presentation from Federico Hinrichs, GDC: **Analysis of the growth and fundraising journeys of LMDs**
- **Fundraising insights** from Rocio Ochoa Perez, Bidhaa Sasa and William Ponela, Zonful Energy
- Presentation from Lucie Klarsfeld McGrath: **Key takeaways and next steps from our recent LMD Investor Forum**

**Objective 1:**  
Share insights from the latest GDC research on access to finance in the LMD sector

**Objective 2:**  
Share key outcomes and next steps from the LMD Investor Forum

**Objective 3:**  
Hear your thoughts and feedback

# Bridging the gap

800 million people lack access to electricity



Credit: Vitalite

2.7 billion lack access to clean cooking facilities



Credit: Joanna Pinneo | Solar Sister

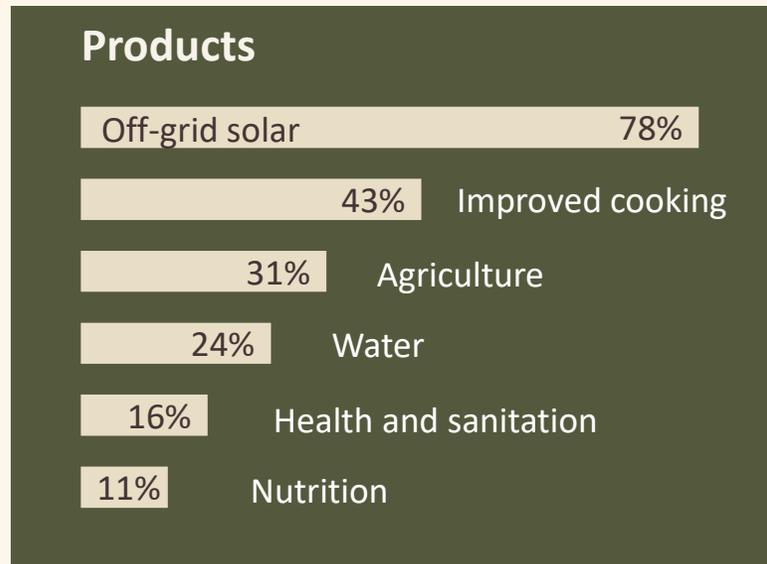
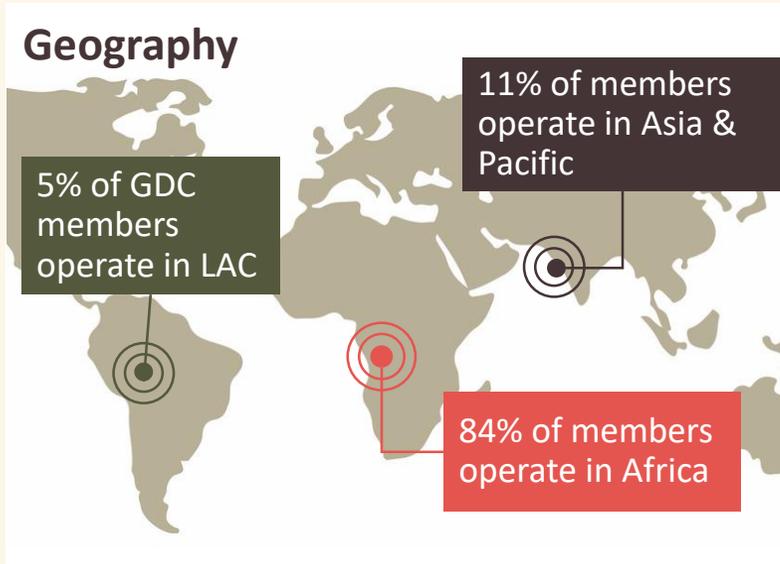
800 million lack access to basic drinking water



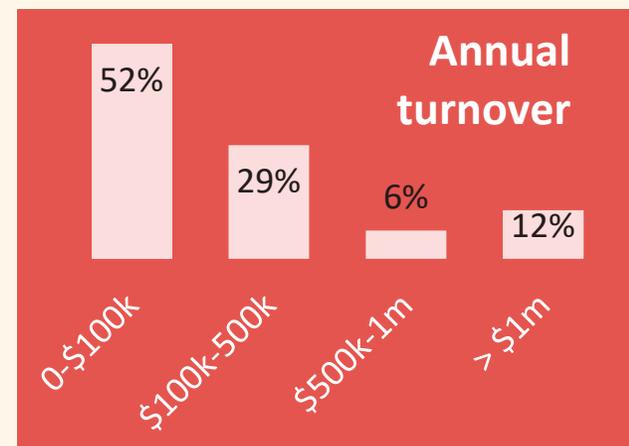
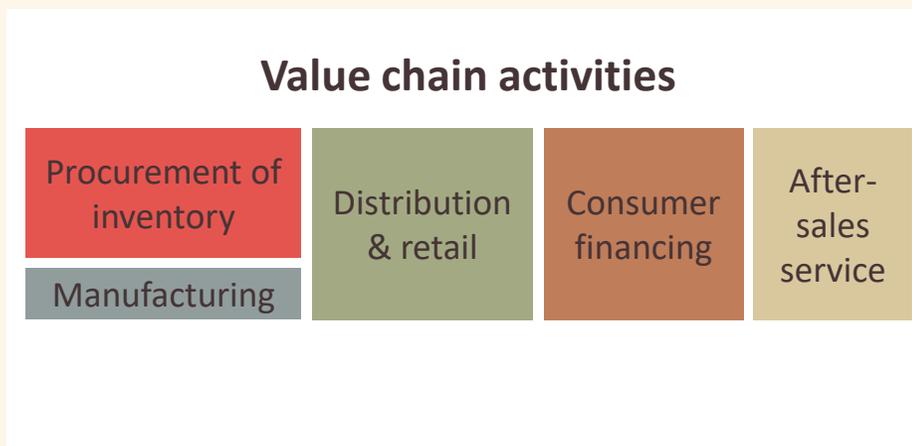
Credit: Ecofiltro

- To meet the SDGs, last mile populations need **access to beneficial products and financing** to afford them.
- LMDs have a **crucial role to play** in delivering these products to the hardest-to-reach consumers.
- To unlock the full potential of the LMD sector, **all types of funding – grant, debt and equity - are needed.**
- The importance of LMDs is increasingly recognised, but **capital is still not flowing into the space.**

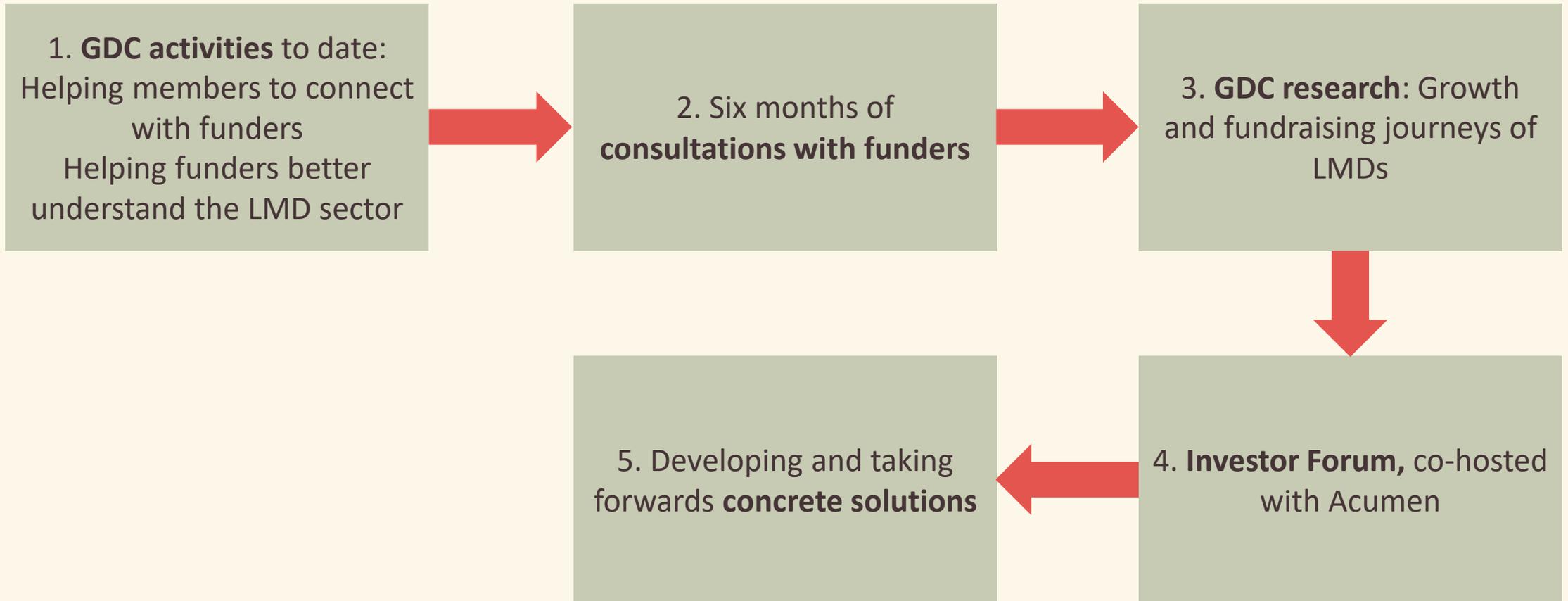
# LMDs are a diverse group, with diverse impacts



- The GDC's 200+ members have reached **>35m** people to date.
  - **75%** of their customers live in poverty.
- Some LMDs focus on **scale**, while others tend to prioritise **market development**.
- 71% of GDC members are **locally led**, with potential to bring additional impacts.
- Most LMDs are **for-profit**, but not-for-profit models also have a role to play.



# Why are we here today?



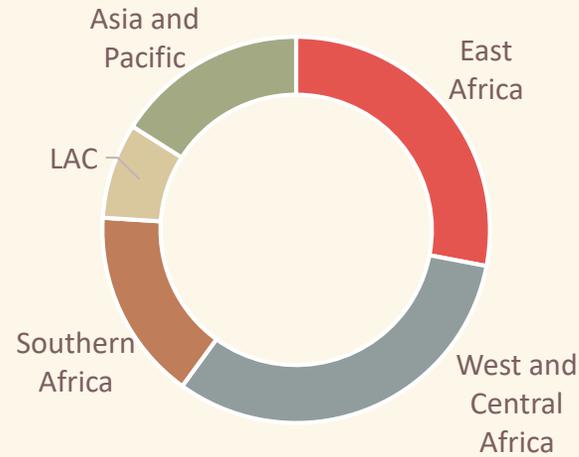
# Research piece: Growth and fundraising journeys of LMDs

The detailed version of the research can  
be downloaded from [here](#)

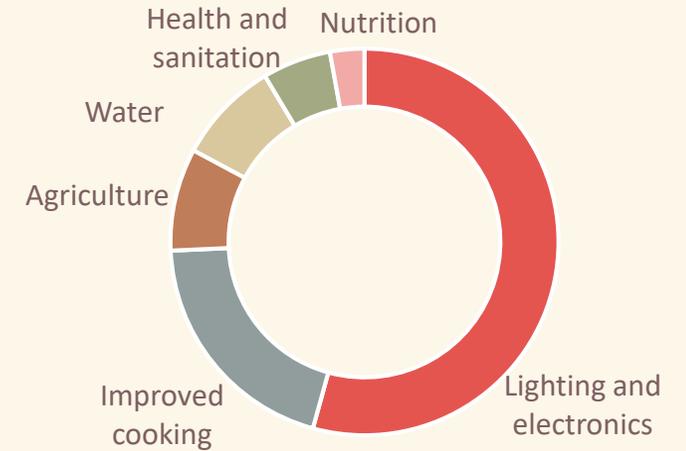
# 21 LMDs interviewed in the last 6 months

- Focus on LMDs with high turnover
- Looked for diversity within the sample
- Not a representative sample

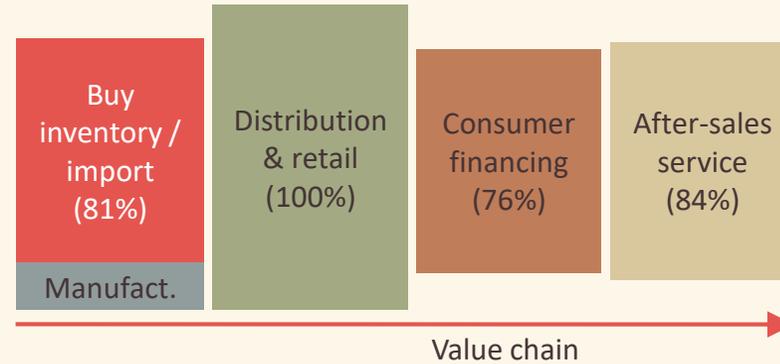
Countries of operation



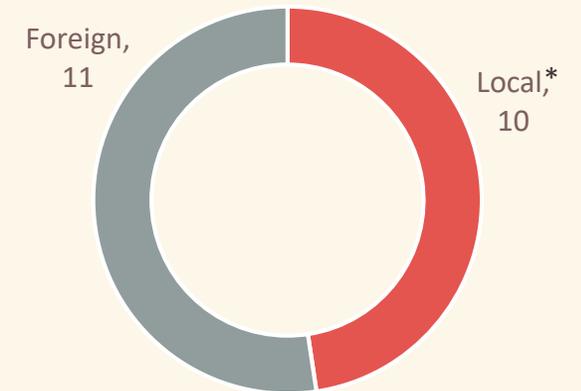
Product categories



Value chain activities



Local/international



# 21 companies interviewed

Sistema.bio

Ecofiltro

Oolu Solar

Easy Solar

Energy+

Sosai

Renewables

ARESS

UpOwa

Healthy

Entrepreneurs

Altech

Vitalite

WidEnergy Yellow

Zonful

Pawame

Bidhaa Sasa

Solibrium

Frontier Markets

Essmart

Hybrid Social

Solutions

# LMDs have raised a significant amount of capital and are achieving substantial impact

## Each LMD...

- is reaching 42,000 new customers per year (2020 average)
- is turning over \$3m in annual sales (2020 average)
- has raised over \$5m of finance to date



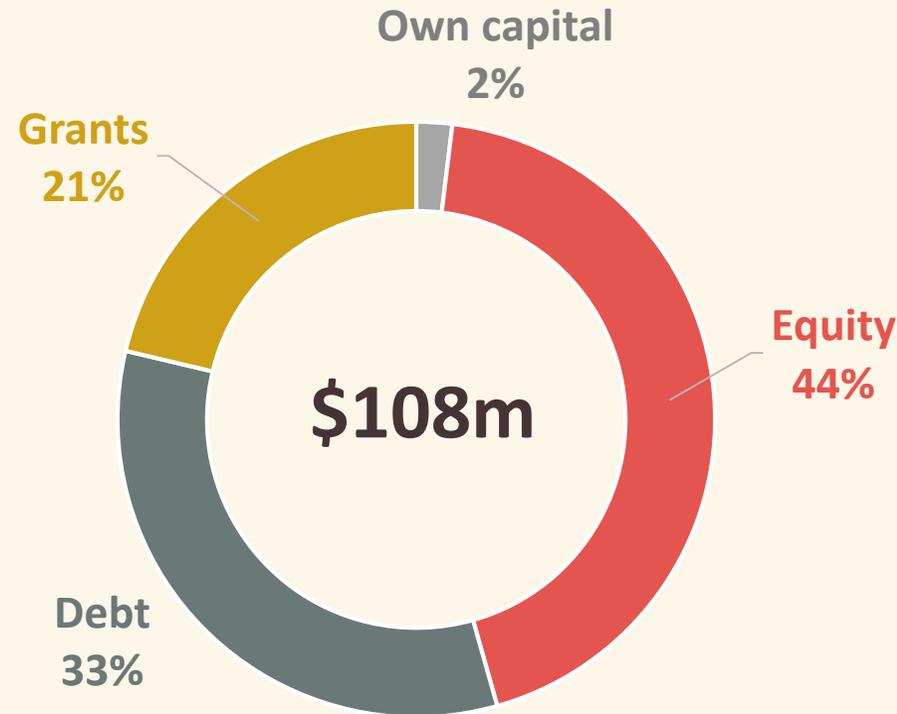
Credit: Essmart

**Where is this capital  
coming from?**

# LMDs have raised more equity than any other form of financing

- Start-up/project grants (82%)
- Results-based financing (15%)
- Other (4%)

- Crowdfunded loans (47%)
- Specialised debt funds (44%)
- Forgivable loans (8%)
- Local financial institutions (1%)



- Early-stage impact investors (74%)
- Specialised funds and later-stage VCs (22%)
- Angels, foundations (4%)
- Local equity investors (<1%)

What is a typical  
growth and  
fundraising journey  
for an LMD?

# Faster-growth and slower-growth LMDs



## Faster-growth LMDs

(above the average)

*67% have ambitions of market leadership, rapid scale and/or international expansion*

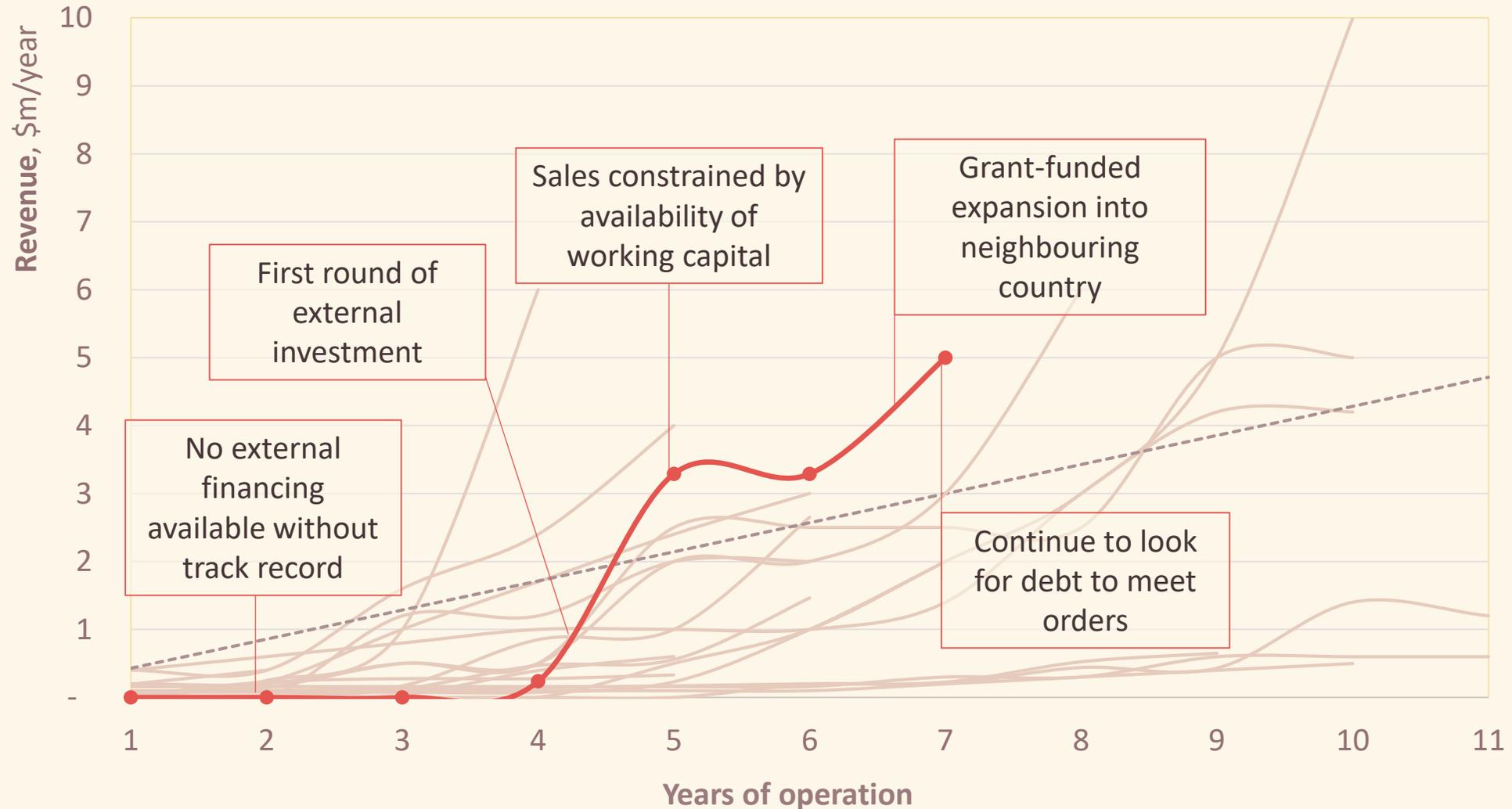


## Slower-growth LMDs

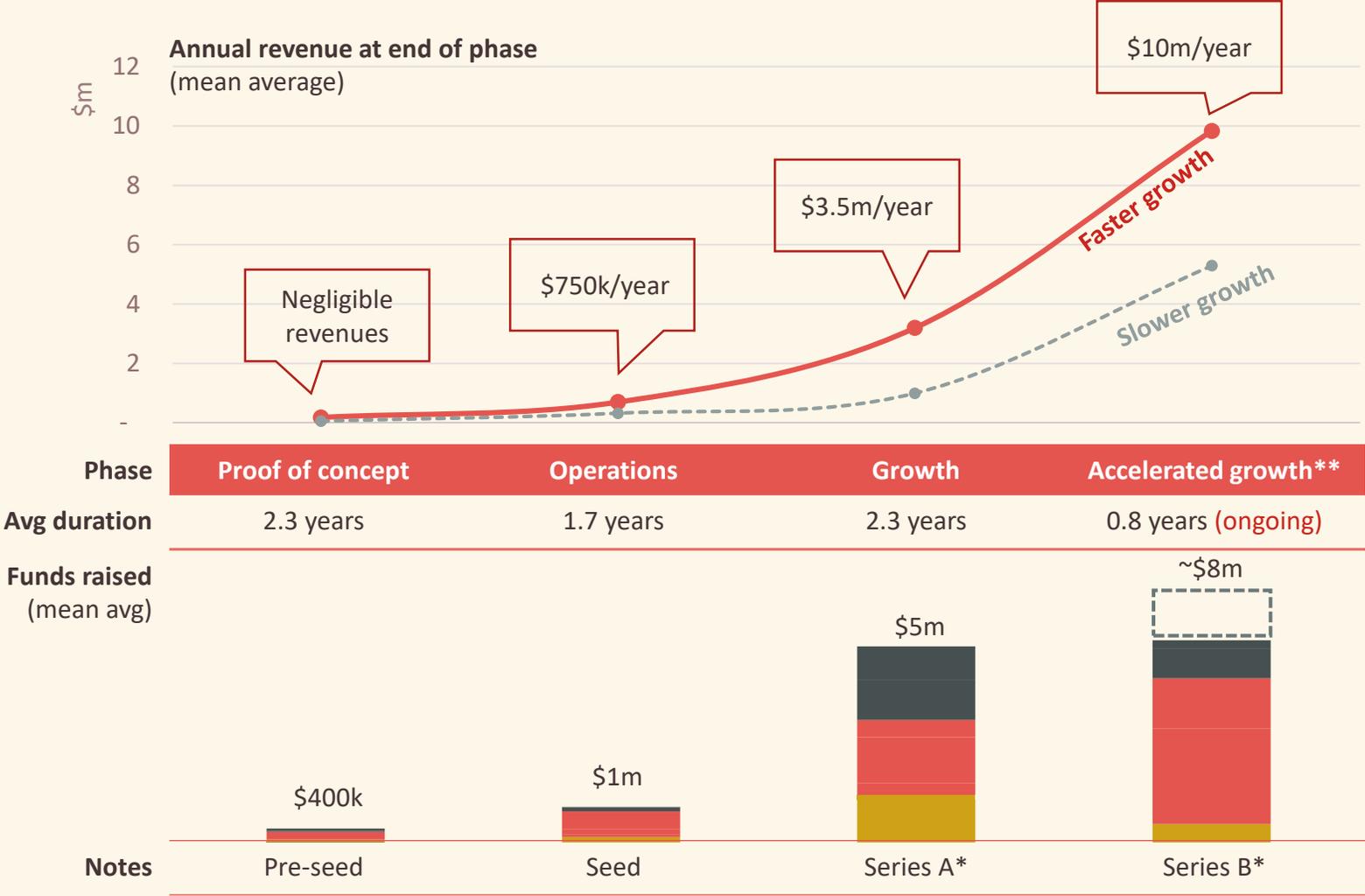
(below the average)

*67% pursue consolidation in existing markets and profitability before expansion*

# Faster-growth LMD example: Zonful (Zimbabwe)



# Growth and fundraising for faster-growth LMDs

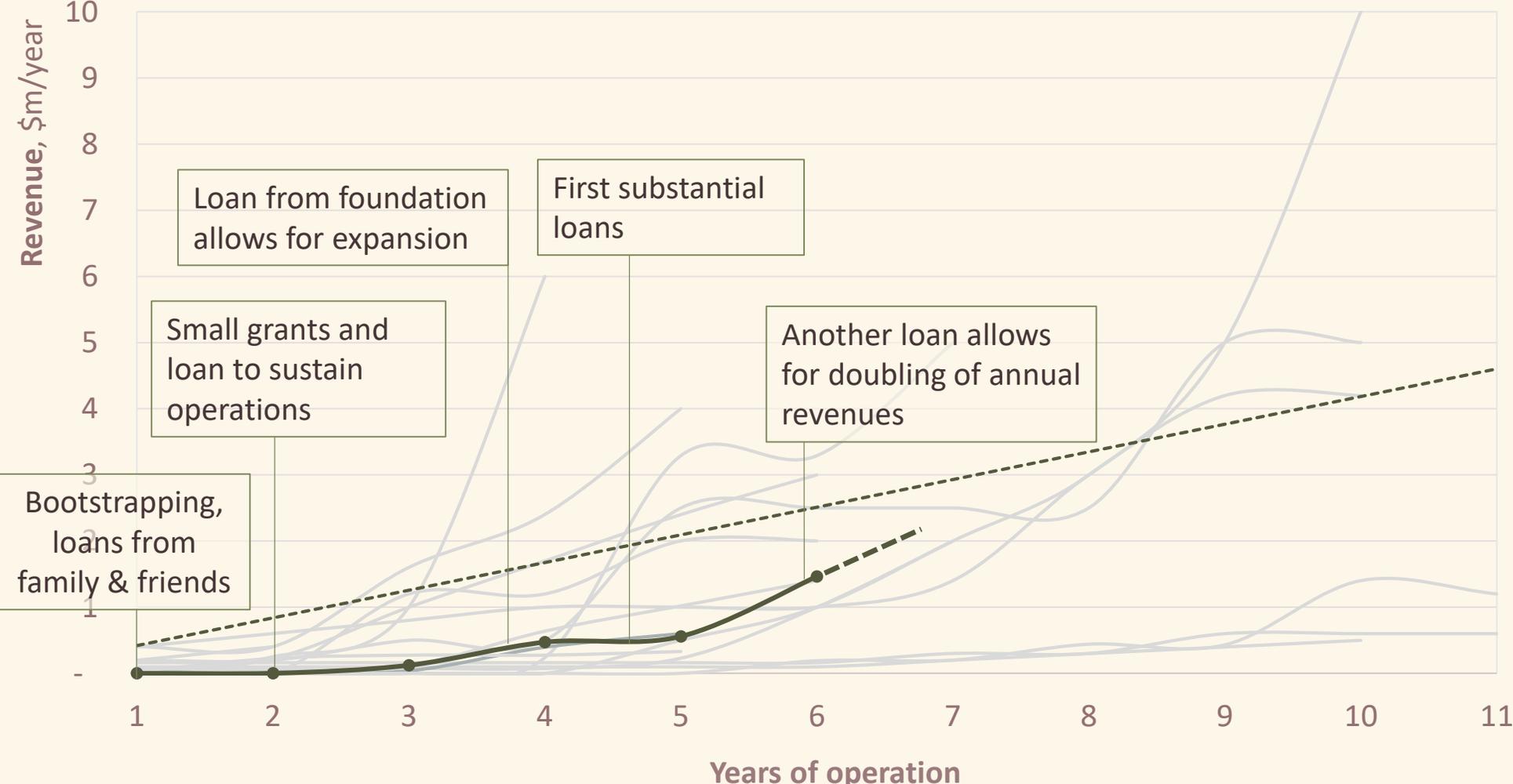


- Growth funded primarily with **equity at all stages**
- Equity is sometimes used to finance inventory and operations
- Raising equity is becoming increasingly difficult for LMDs

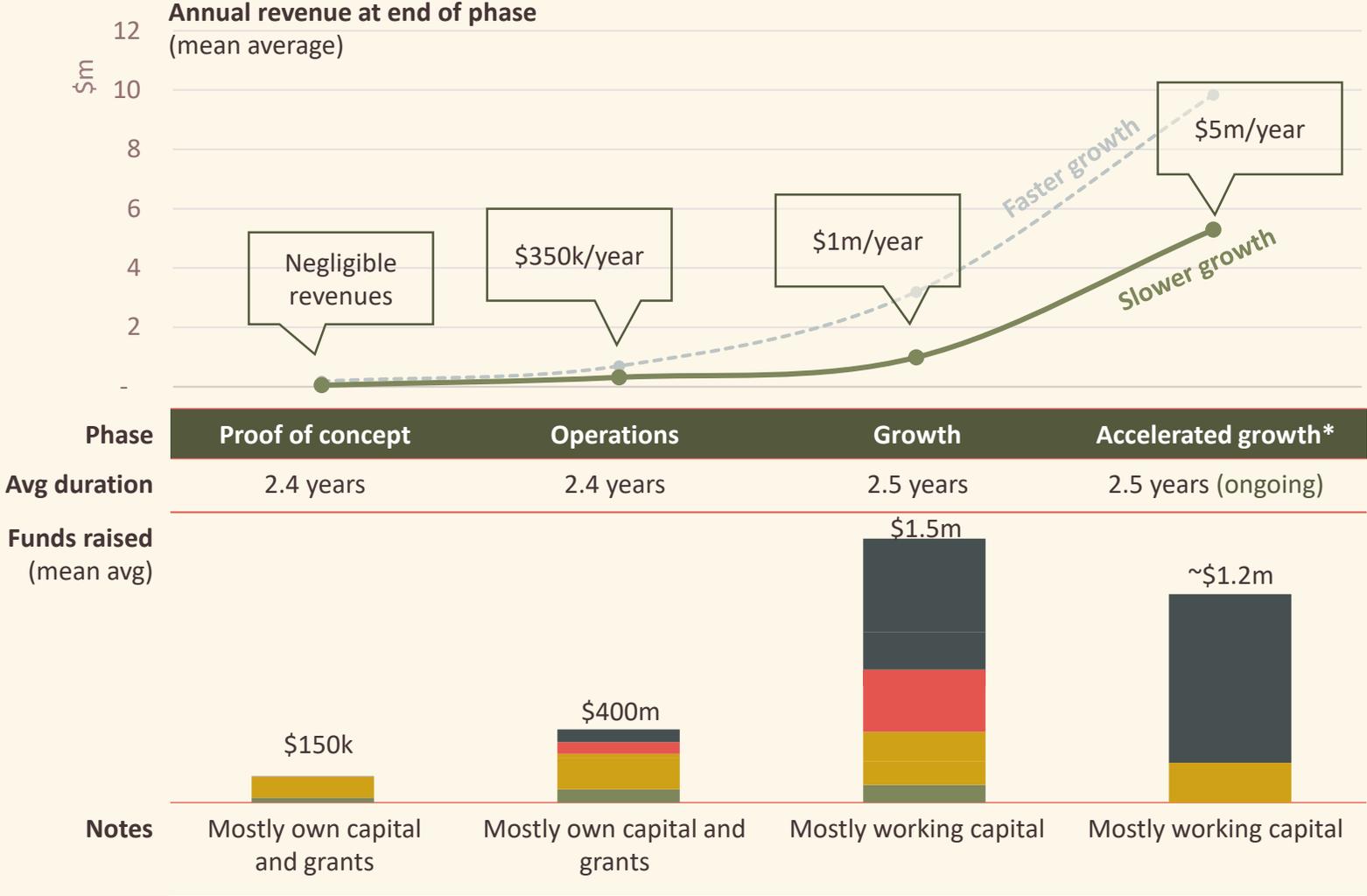
\* Not strictly a series A or B round, but rather a significant capital raise allowing for growth step

\*\* Only 5 LMDs considered at this phase. Some LMDs only recently closed equity round and are currently looking for debt (the dotted line estimates the amount of debt to be raised as part of this last round)

# Slower-growth LMD example: Bidhaa Sasa (Kenya)



# Growth and fundraising for slower-growth LMDs



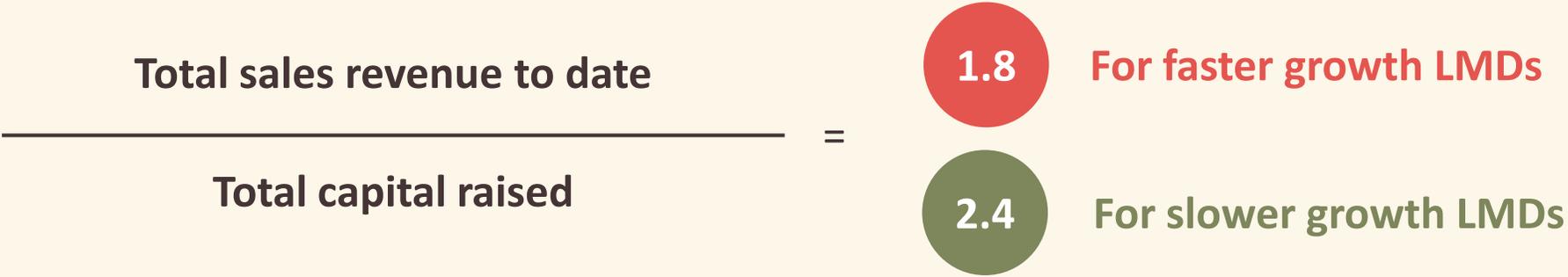
- Most slower-growth LMDs have funded **company development with grants** and **growth with debt**
- Little equity has been raised
- Achieving accelerated growth despite the lack of equity

**Key:**

- Debt
- Equity
- Grants
- Own capital

What is the relationship between capital raised and rate of growth?

# Relationship between growth and capital raised



# Slower-growth LMDs have realised higher revenues per \$ of capital raised than faster-growth LMDs



**Faster growth**  
(9 companies)



Total sales revenue  
**\$102m**

Total capital raised  
**\$57m**

**1.8\***

\$ of revenue /  
\$ of capital raised

**Slower growth**  
(12 companies)



Total sales revenue  
**\$51m**

Total capital raised  
**\$22m**

**2.4\***

\$ of revenue /  
\$ of capital raised

**So what does this suggest?**

\* Total sales revenue and total capital raised (equity, debt, grant) over the life of the company. Ratios calculated excluding funds raised in 2020-21.

# Local LMDs have realised much higher revenues per \$ of capital raised than foreign LMDs



**Foreign**  
(11 companies)



Total sales revenue  
**\$91m**

Total capital raised  
**\$63m**

**1.5\***

\$ of revenue /  
\$ of capital raised

**Local**  
(10 companies)



Total sales revenue  
**\$63m**

Total capital raised  
**\$16m**

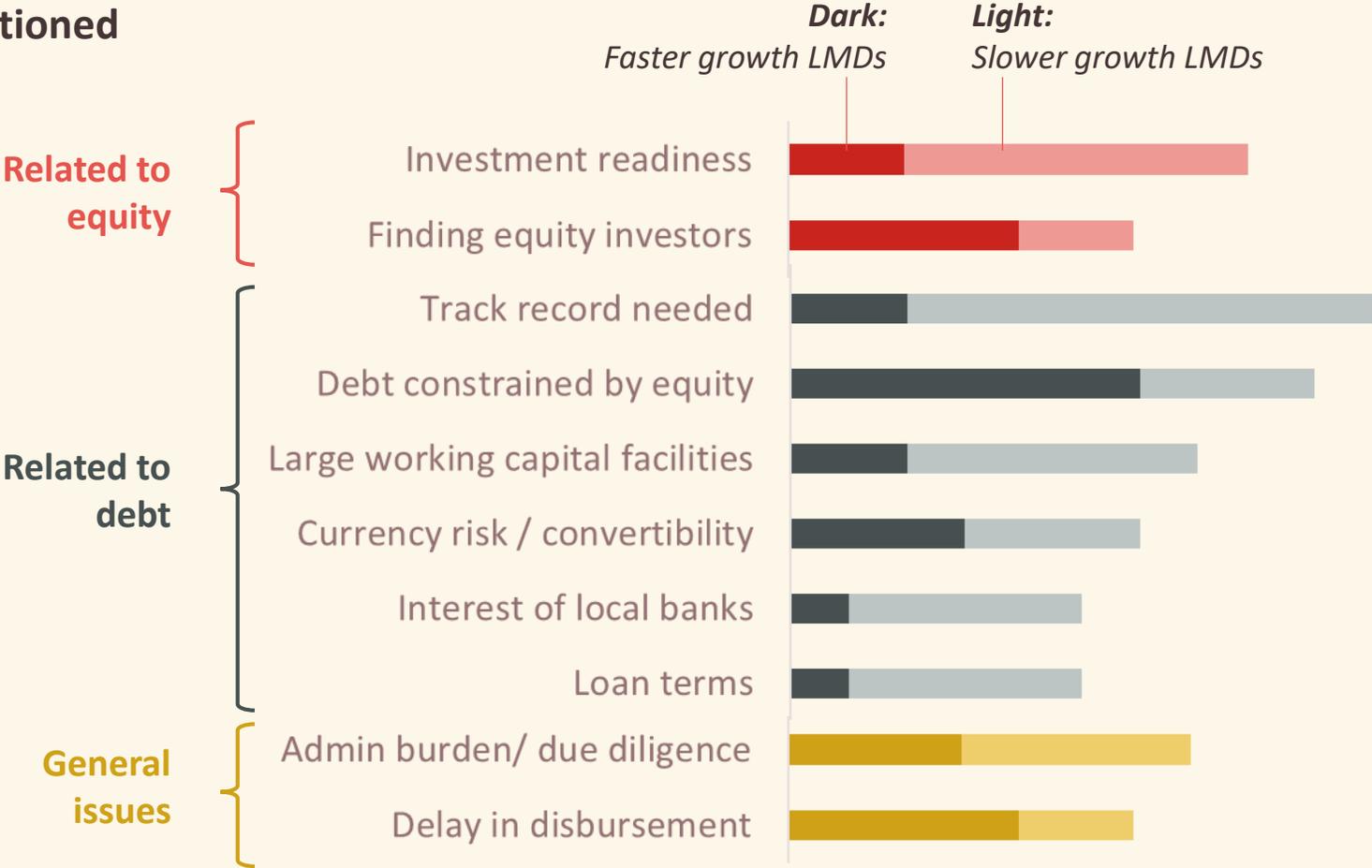
**3.9\***

\$ of revenue /  
\$ of capital raised

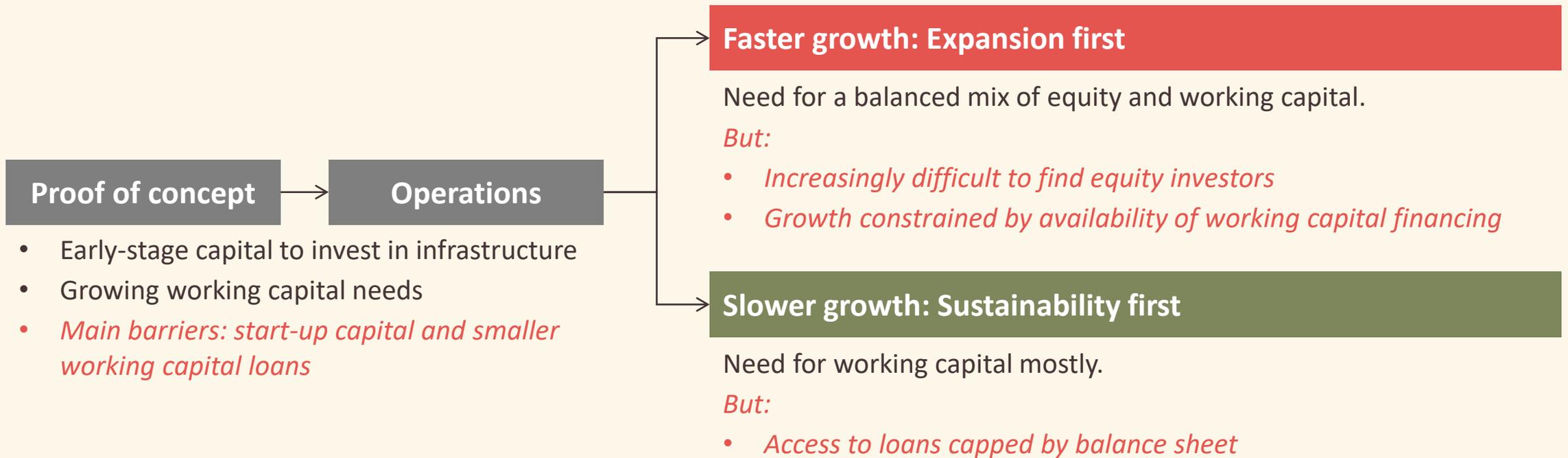
**What challenges do LMDs  
have, when it comes to  
raising capital?**

# Even the most successful LMDs have difficulties in raising the capital they need to grow

Most frequently mentioned challenges:



# Fundraising challenges are similar for all early-stage LMDs, and then vary depending on growth trajectory



## Key forms of finance needed:

- **Start-up capital**, and the support to raise it
- **Equity** for the faster-growth LMDs to continue to scale
- **Working capital** across the board, with reduced collateral requirements, better rates and terms

# Conclusions

**1. LMDs have raised a significant amount of capital and are achieving substantial impact**

**2. Faster-growth and international LMDs have raised more capital, in particular equity**

**3. Slower-growth and local LMDs achieve more sales per \$ of capital raised**

**4. Successful LMDs have shown they need....**

- Start up capital (\$100-400k) in their first 2-3 years of operations
- Rapid, continuous and growing access to working capital debt (from \$100k to a few millions)
- Equity to expand rapidly, or as a way to access more debt

**5. ...But even successful LMDs face barriers to access capital, including:**

- Need for a long track record
- Loan amounts contingent on equity / Access to large working capital facilities
- Being investor ready
- Finding growth equity

Next steps:  
Solutions to help  
bridge the gap

# Investors' and LMDs' challenges mirror each other: risk-return ratio is not attractive at first glance

	LMD	Investor
High risk	<p>Limited information on vulnerable clients with fluctuating capacity to (re)pay</p> <p>Complex low-income country environment Currency risks</p>	<p>Limited sector information/ benchmark available, mostly young companies</p>
High cost to serve	<p>Small and fragmented markets, each hard to reach</p>	<p>Small and fragmented LMDs, with limited financial capabilities, each costly to assess</p>
Limited returns	<p>Limited sales opportunities per client</p>	<p>Limited market opportunities per LMD</p>

# This (perception of) high risk/ low return can explain most fundraising challenges mentioned by LMDs

Investors facing the challenges of....

.... explain a large part of challenges mentioned by LMDs:

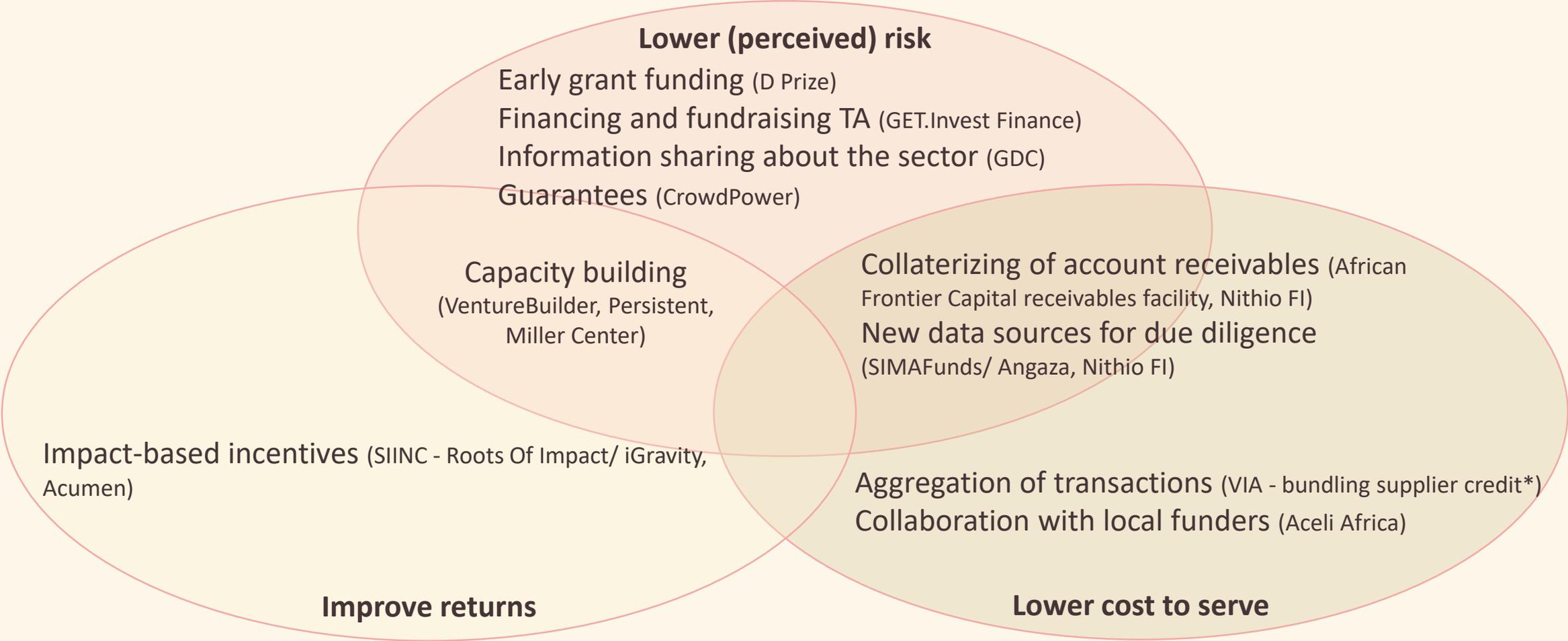
**High risk**

**High cost to serve**

**Limited returns**



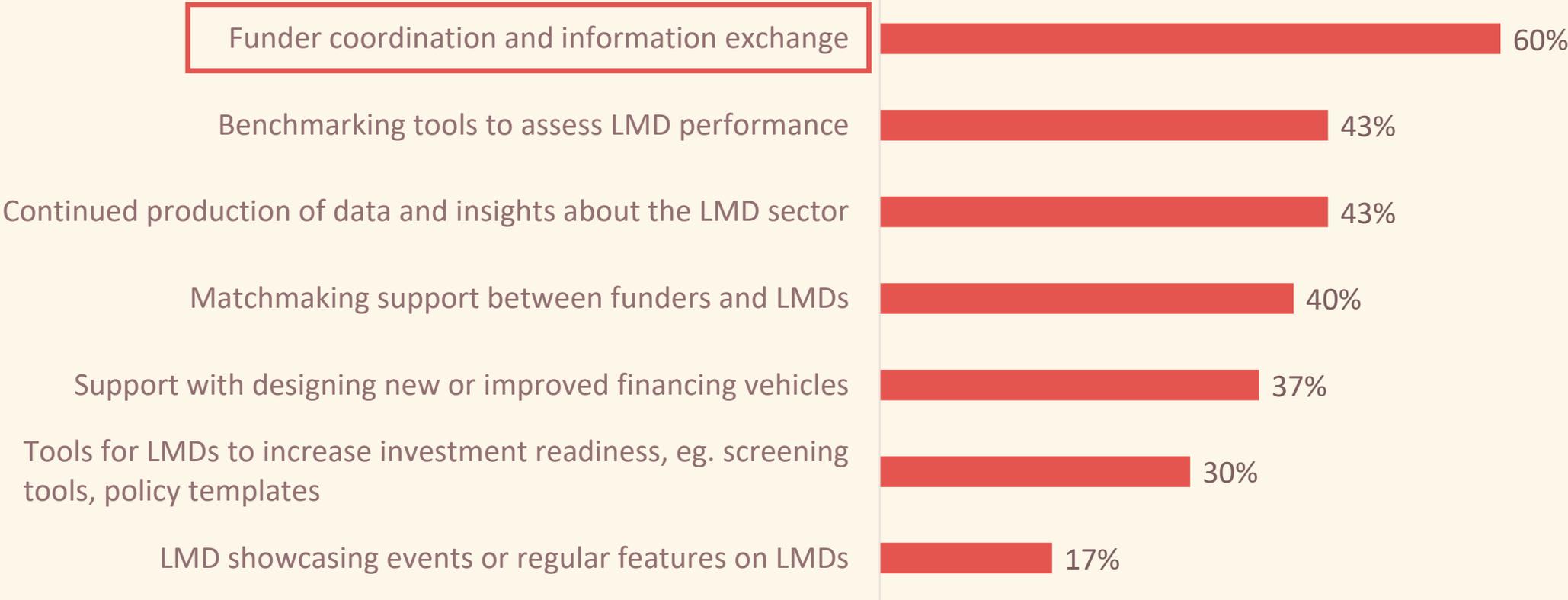
# Pioneering institutions have set up initiatives that solve some of these challenges



# Investors want more opportunities to collaborate and better leverage synergies

What do you want to see from the GDC moving forward?

100%= 30 investors



# GDC next steps to support LMDs to access finance and to support funders to build pipeline

Priorities over the next 6 months...

- Create a clear picture of the '**capital continuum**' (*research publication*)
- Facilitate more **dedicated spaces** for LMDs, funders and TA providers to cooperate, network and exchange information (*format TBC*)
- Develop an '**investment readiness**' tool to help LMDs understand and navigate the due diligence process (*practical tool for LMDs*)

Supported by:



**Q&A**



# Wrap up and close

## Next steps

- Feedback poll
- Upcoming activities from the GDC: 2022-25 Strategy, gender and LMD webinar in partnership with V4W
- Get in touch!

[GDC@practicalaction.org.uk](mailto:GDC@practicalaction.org.uk)



Credit: Mwezi

# Global Distributors Collective



# Thank you!

[GDC@practicalaction.org.uk](mailto:GDC@practicalaction.org.uk)

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ACTION**

GDC implementing partners:

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