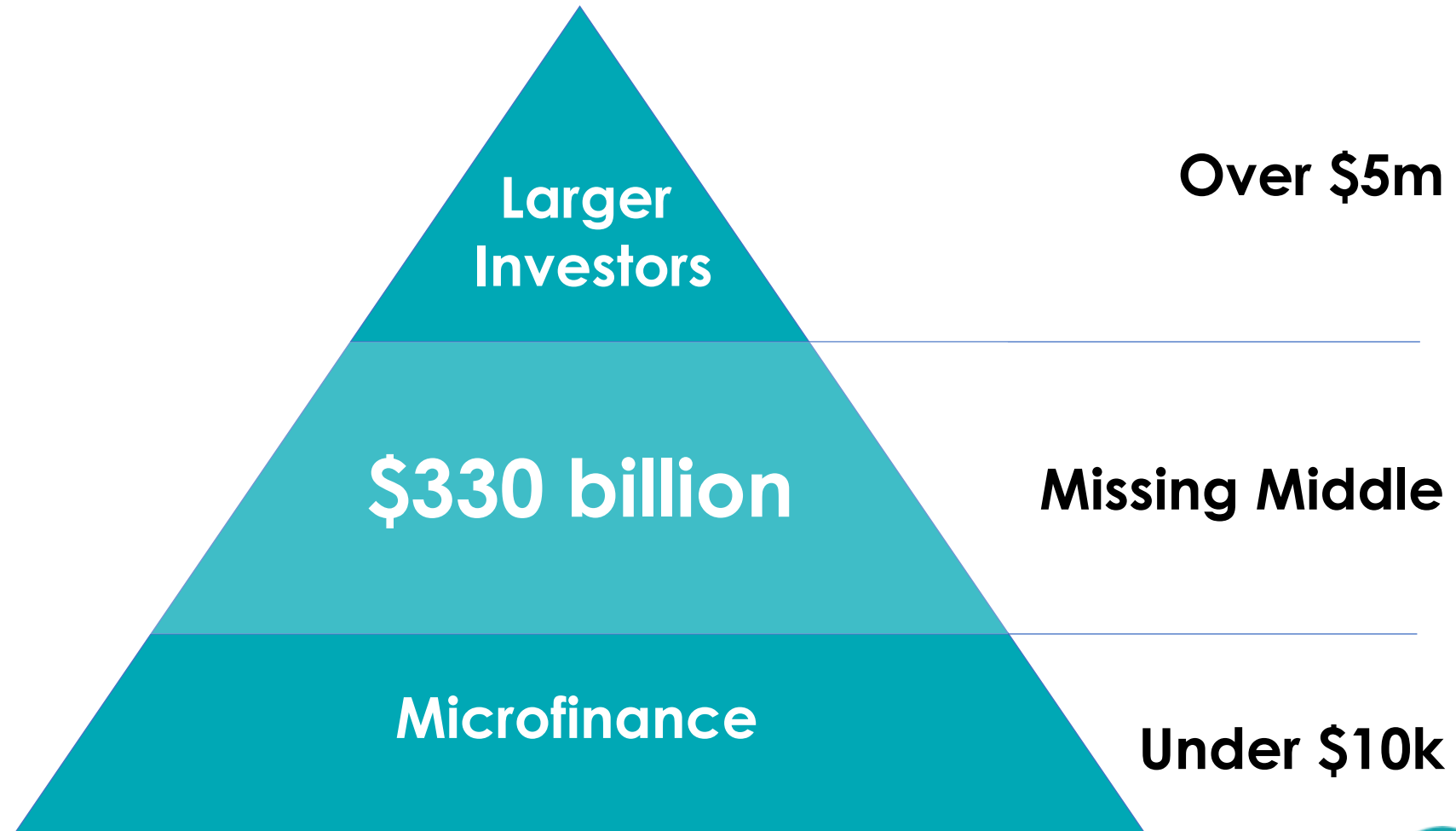


DCED Global Seminar 2024

Balloon Ventures – Lending to SMEs



A lot of financing is needed for SMEs!



SMEs aren't all the same

We finance 'boring businesses'

balloon
VENTURES
Investment Capital | Growth Support



MAMA LINA & MAMA
ARSHAVIN COSMETICS
CENTRE - IGANGA

2024


JANUARY

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

New Year's Day 21 Liberation Day

0200 903535 0200 903546
www.balloonventures.com
info@balloonventures.com
Plot 7 Bunnahesi Lane, Mukono Municipality, Near
Microfinance Support Centre, Opposite Model SS - Uganda

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MASHA CLINIC -
KAPCHORWA

2024

JUNE

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
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16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

1 Mary's Day 11 National Heroes Day 11 Eid al-Adha 11 Mother's Day

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ST. MICHAEL HIGH
SCHOOL - AMEN,
SOROTI

2024

DECEMBER

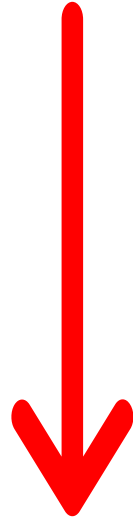
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8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

25 Christmas Day 26 Boxing Day

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Why is investing in SMEs hard?

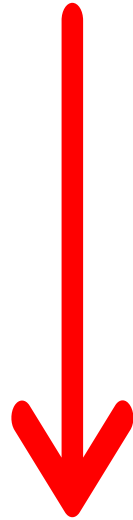
Significant Costs



1. Cost of capital 20-25%

- 10-15% **annual interest** in USD
- 10% **foreign exchange losses** per year (if lending in local currency)

Why is investing in SMEs hard?

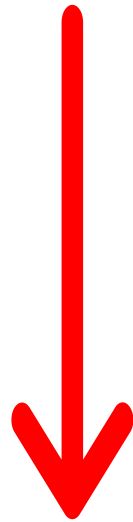


Significant Costs

1. Cost of capital
2. **Defaults 10-15%**

- **7 of 19 million** accounts with the Kenyan Credit Bureau have been in **default**
- SME Non performing loans **10% to 20%**
- **More defaults** in East Africa vs India

Why is investing in SMEs hard?



Significant Costs

1. Cost of capital
2. Defaults
3. **Operating costs**
~10%

- Hard to digitize
- Expensive face to face evaluation
- Relatively small tickets

Why is investing in SMEs hard?



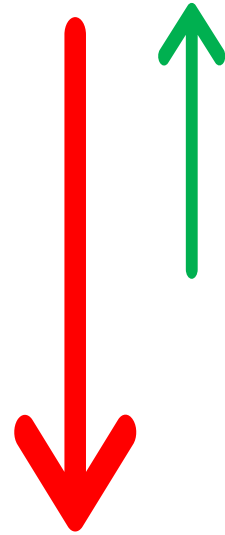
Up to 40-50% cost

E.g. on a \$50,000 loan

- \$5k **cost of capital**
- \$5k **foreign exchange losses**
- \$7,500 **write-off costs**
- \$5,000 **staff/operating costs**

\$22,500 total costs

Why is investing in SMEs hard?



Limited Return

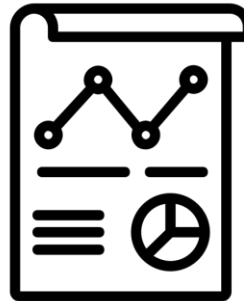
- SMEs aren't that profitable
- Hard to get money out
 1. Debt
 2. Revenue/profit share
 3. Equity

Our Solution to this problem

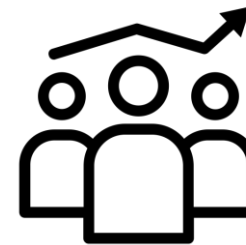
We bundle a loan + support as a PRODUCT



+



+



A loan

- \$10k-\$250k
- 1-3 years

Business support

- 6 months
- Management focus

Good Jobs

- Contracts for all employee

We half the cost of lending

Better unit economics

- Cost of capital:
~~10%~~ → 5%
- FX loss:
10%
- Operating Costs
~~10%~~ → 5%
- Default Costs
~~10%~~ → 3%

~~\$22,500~~ → \$11,500

Businesses funded

450

Total Capital
Invested

\$12.5m

Total portfolio
turnover

\$180m annually

Annual revenue
increase

\$23m growth

Jobs
improved/created

5500

Customers reached

1 million

*“Commercial Banks only look for you when you are in **arrears**. With Balloon Ventures there is **post-investment support**, the team would come to train us on customer service and how to manage our financial records. Our profit has **tripled**, employee **salaries** have **increased**, and there is **better retention** of employees.*

Ms. Joanne Agero, Proprietor, Mama Lina and Mama Arshavin.

Lending to more women

A research study with VSO and Palladium found 2 key findings:

- i. “Women-owned businesses are generally small and **need smaller amounts of loans**”
- ii. “Lack of properties sufficient to secure **collateral.**”

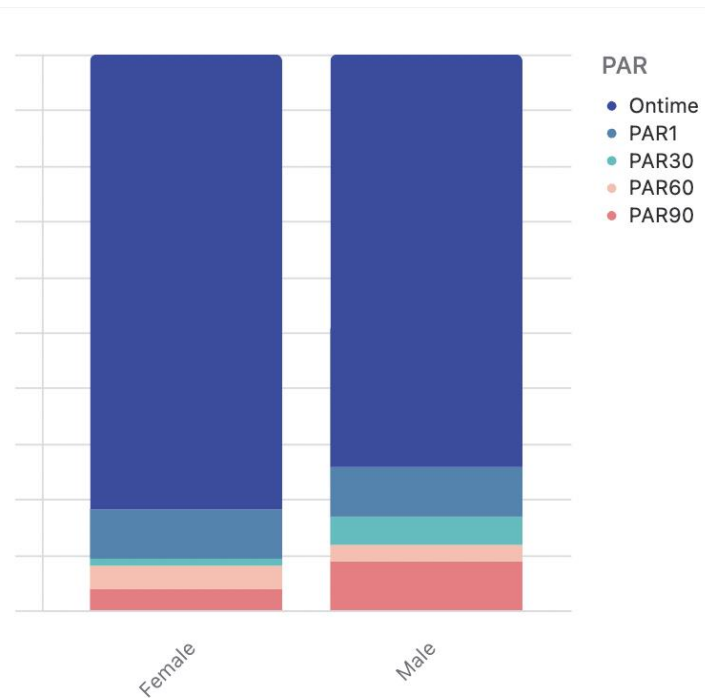


Women repay our loans better

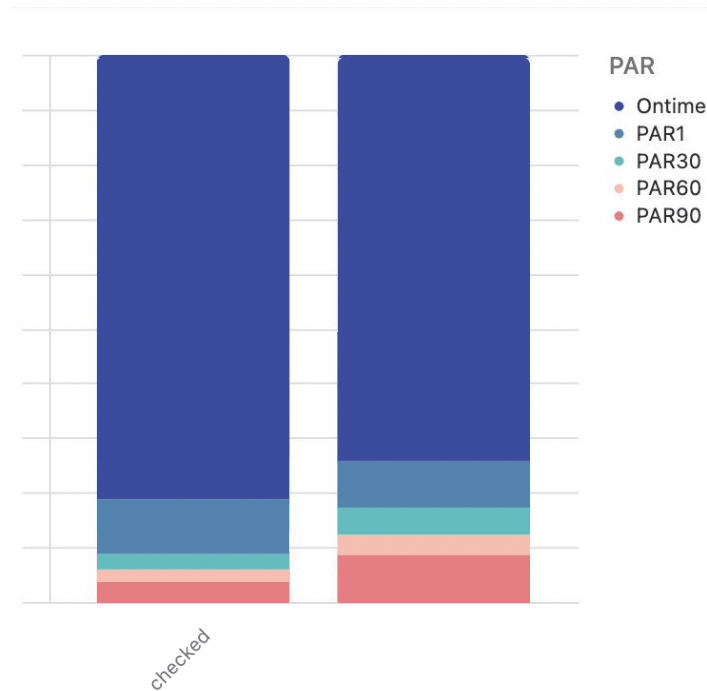
Non performing loans

- **8% vs 3.5%** for female owned
- **9% vs 4.3%** where 30%+ women in leadership

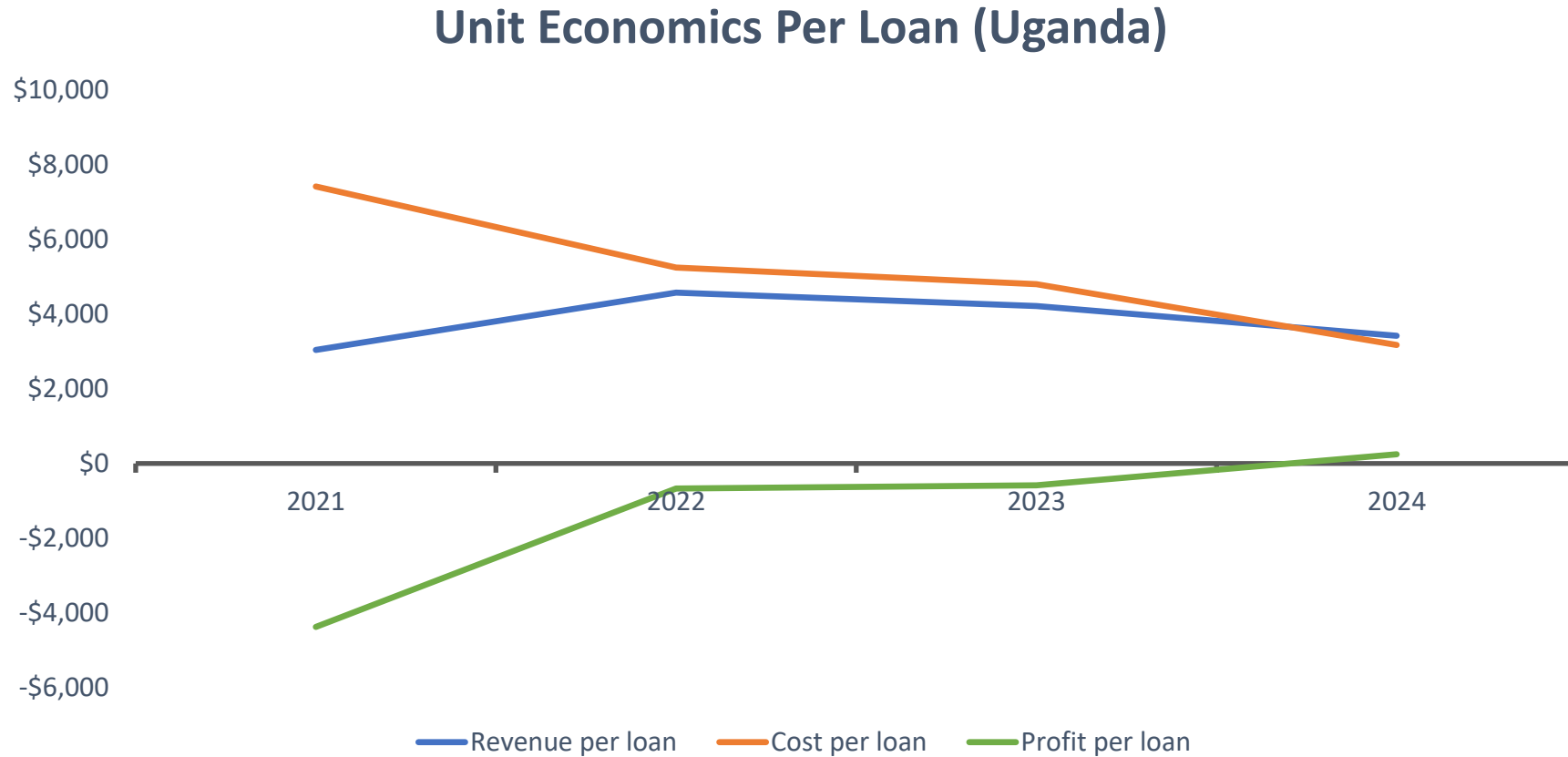
Business Ownership



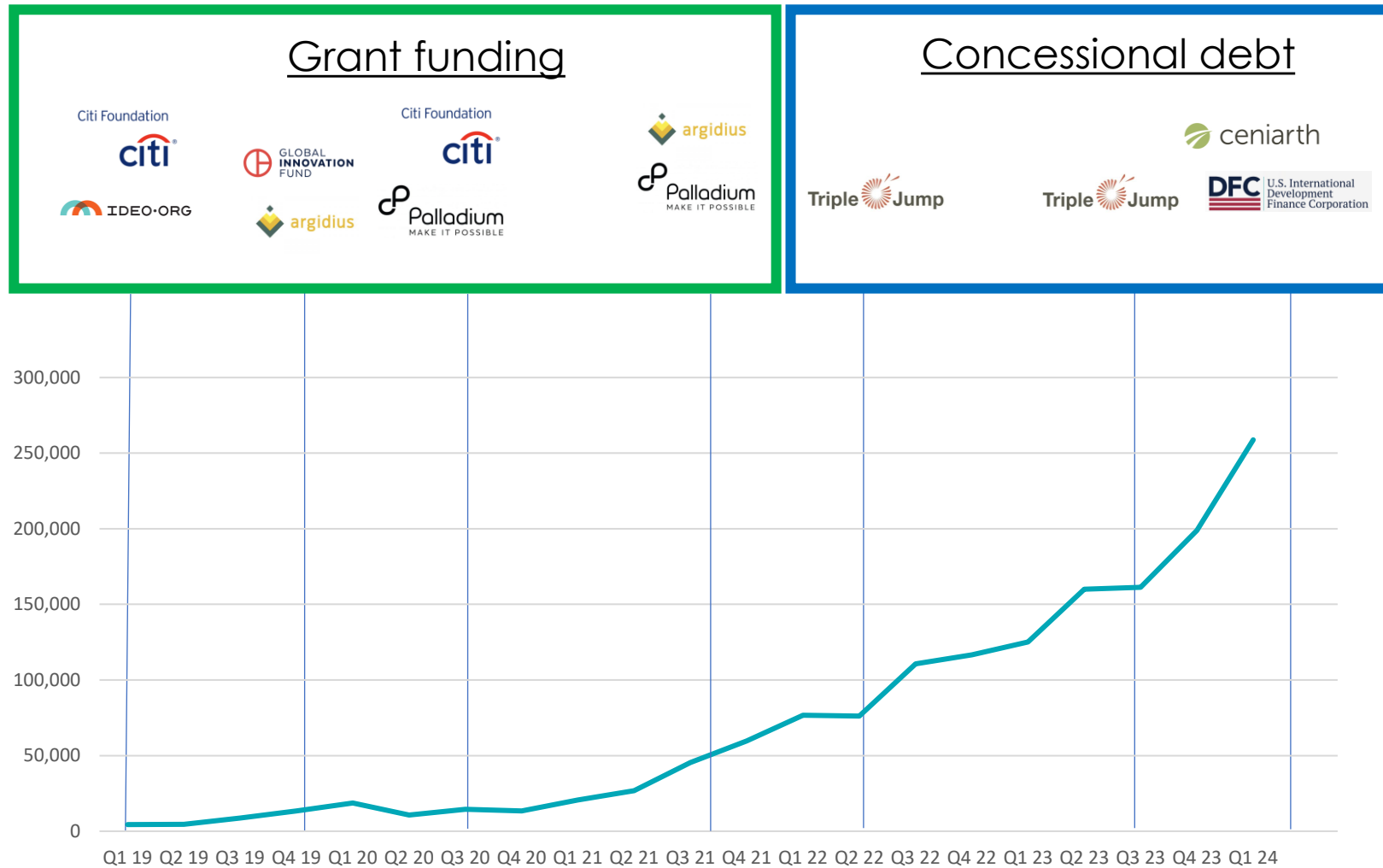
Women in senior leadership



Moving towards profitability



Financing raised over time



Quarterly loan interest revenue in USD

How to get more money to SMEs?

1. Provide **affordable capital**
2. Ensure subsidy is **fairly distributed**
3. **Pay for impact**
4. Help improve the **enabling environment**

Thank you

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www.balloonventures.com