



L-PESA
BLOCKCHAIN
COMMUNITY

EXECUTIVE SUMMARY

CONTACT INFORMATION

RON EZRA TUVAL
I-PESA INTERNATIONAL INC



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INTRO

L-Pesa Microfinance is a fintech startup poised to take advantage of the fast-growing need for financial services in the developing world. The company has validated its operating model over the past 18 months and has built sophisticated technology, automating most of the operation. Its only barrier to growth at this point is its ability to fund user acquisition and loans. The loss ratio on loans runs below 10% while return on loans is approximately 25%.



INDUSTRY

Fintech, Blockchain,
Microfinance



DEVELOPMENT STAGE

Scaling revenue



YEAR FOUNDED

2014



FUNDING NEED

\$10 million



PRIOR FUNDING

\$500,000



OWNERSHIP

Ron Ezra Tuval
100%

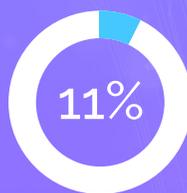
USE OF FUNDS



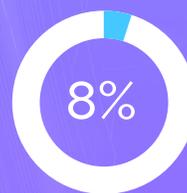
Capital
Requirement



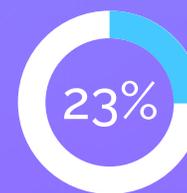
Marketing



Staff Cost



Lending
reserve



Other

MARKET NEED

Microfinance has a long history around the world and for centuries has filled an important need. However, traditional microfinance has limited reach, and solutions have been targeted towards poor farmers and small business owners. Middle class consumers and business owners in developing countries have an unmet demand for credit, but the current financial infrastructure does not support credit underwriting. The market is enormous: L-Pesa's targeted countries contain 42% of the world's population.

THE L-PESA SOLUTION

The idea for L-Pesa was incubated for a decade, and the business was launched at the time four important market forces converged to allow scaling:



Big Data,
Artificial Intelligence
& Blockchain



Alternative
Credit Data



Mobile
Technology



Biometric
Identity

L-Pesa has harnessed these market forces and built technology and a proprietary credit scoring model that allows it to quickly scale microlending in developing countries while keeping loss ratios below 10%. The solution is highly automated, allowing a small back office team to support high volume loan origination. All loans are serviced by L-Pesa.

THE TEAM

Ron Ezra Tuval, the founder and managing director of L-Pesa, has extensive experience in the developing world, primarily related to agricultural and tourism projects. Ron first came across microfinance in Cambodia and spent a decade incubating the idea of L-Pesa while waiting for the required technology to mature.



Ron Ezra Tuval

Founder, CEO

Ron has built a strong and diverse team for L-Pesa with in-country managers operating in Tanzania, Kenya and Uganda, and a development team in India. There is also a back office team in Tanzania, handling background checks, credit approvals and customer service. The technology, marketing and accounting teams operate on a virtual model and consist of experienced staff based in Europe, USA and India.

REVENUE MODEL

L-Pesa's model has been refined over its first 18 months in operation. The model is based on users progressing from small loans to larger loans as their credit scores improve and while L-Pesa uses technology to keep the loss ratio below 10%. The revenue on loans net of interest expense is approximately 26%

A high rate of progression from smaller loans to larger loans combined with a loan velocity of about 5 loans per year results in a time to payback cost of user acquisition (CAC) estimated at about 12 months. In its second year, the average customer will pay back slightly more than twice its CAC.

COMPETITION

L-Pesa's main competitor is a well-funded Silicon Valley startup called Branch, which has raised close to \$20 million. Branch has a similar model and has gained some more traction than L-Pesa. Due to the enormous size of the market, the marketing efforts of competitors will act in a mutually reinforcing way as marketing will increase user awareness. In addition to direct competitors like Branch, banks and mobile money service providers have the ability to enter the market and pose a threat to L-Pesa.

TECHNOLOGY

L-Pesa is a financial technology company with a strong focus on automation. 95% of the user acquisition and loan underwriting process is automated and is therefore extremely scalable. The company has spent two years developing its customer-facing and back office systems using a team of seven software developers. The user experience is based on mobile and web interfaces and marketing is primarily handled via social media and sms-based marketing.

L-Pesa's technology stack is built on top of Amazon Web Services, an extremely scalable on-demand cloud computing platform used by major brands such as Netflix, Airbnb, Pinterest and Spotify. L-Pesa has integrated a number of third party applications to perform tasks such as sms messaging, user verification and marketing. Funds transfers are handled via integrations with mobile money service providers such as M-Pesa and Tigo Pesa. L-Pesa is incorporating a cryptocurrency token and allows for funds transfer in Bitcoin with additional cryptocurrencies to be supported in the future.

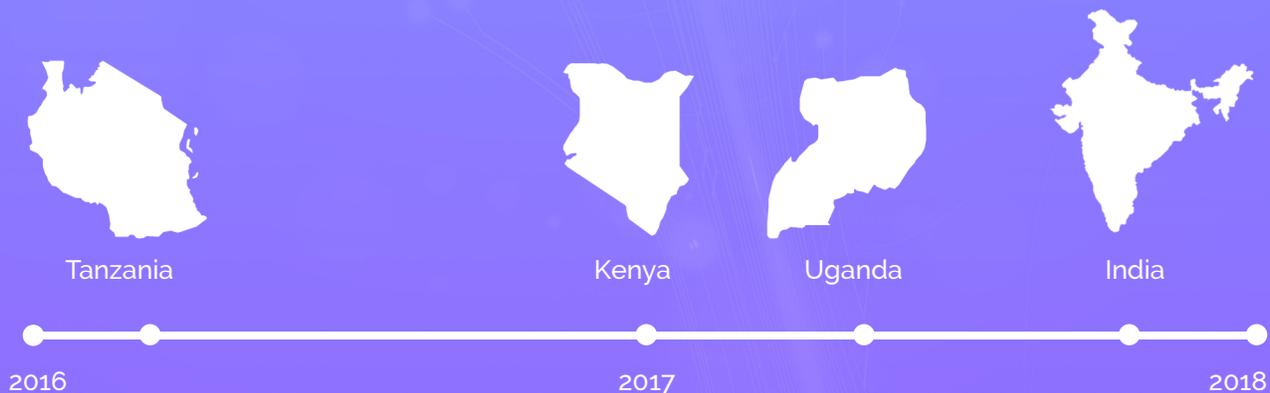


SALES & MARKETING STRATEGY

L-Pesa has issued over 25,000 loans since going live in March 2016. Over 140,000 users have registered based on social marketing campaigns run on a minimal budget. The marketing strategy has been refined over the past 18 months, and L-Pesa is now prepared to launch marketing campaigns via SMS and social media with a conservatively projected customer acquisition cost of \$1.00

MILESTONES

Ron Ezra Tuval, the founder of L-Pesa, has invested approximately \$500,000 to date. The business was launched in Tanzania in 2016 and in Kenya in August 2017. Soft launches are underway in Uganda and India. The company's technology is stable, scalable and proven and will support the company's growth plans. At this point, L-Pesa has hit a growth barrier – there is not enough capital available to lend to everyone interested, and the potential for user acquisition is almost unlimited, but requires capital for marketing expenses and support staff. The company is now raising outside capital to take advantage of its leading position, strong platform and almost unlimited opportunity to extend financial options to a large portion of the earth's population.



FINANCING

L-Pesa is raising a \$10 million Series A round in order to scale operations. The funds will primarily be used to expand staff and marketing. With a stronger balance sheet, L-Pesa expects to be able to fund its lending using third parties, providing a healthy interest rate spread for L-Pesa.

Mr. Tuval currently owns 100% of equity in L-Pesa. L-Pesa today consists of a group of companies under common ownership, with one operating company in each jurisdiction. As part of closing the financing transaction, the global company structure will be revised to meet investor requirements.

The most likely scenario is a Delaware-based holding company with wholly owned operating subsidiaries for each jurisdiction.