The investment Landscape

for West Africa, Africa key indicators of change

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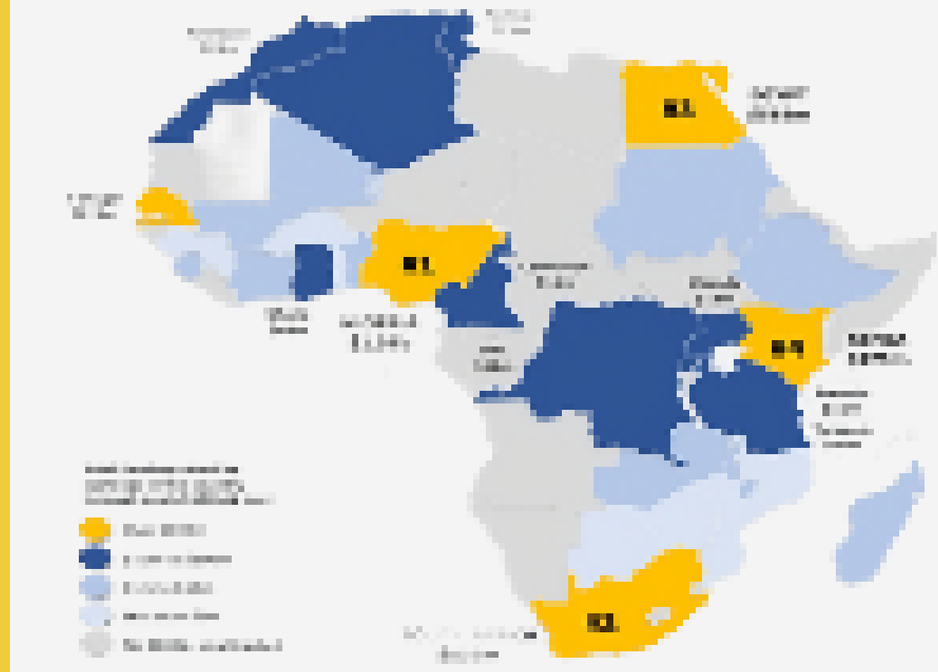
Landscape

change

Fintech, Funding & Trajectory

- 2021 fintech deals > 2019+2020 combined
- 43% of this funding has been raised by startups in Nigeria
- 55% of these start ups are fintech companies
- $4.4 billion to Africa as of 2021
- $4.6 billion to Africa as of 2022



Winter was cold!!

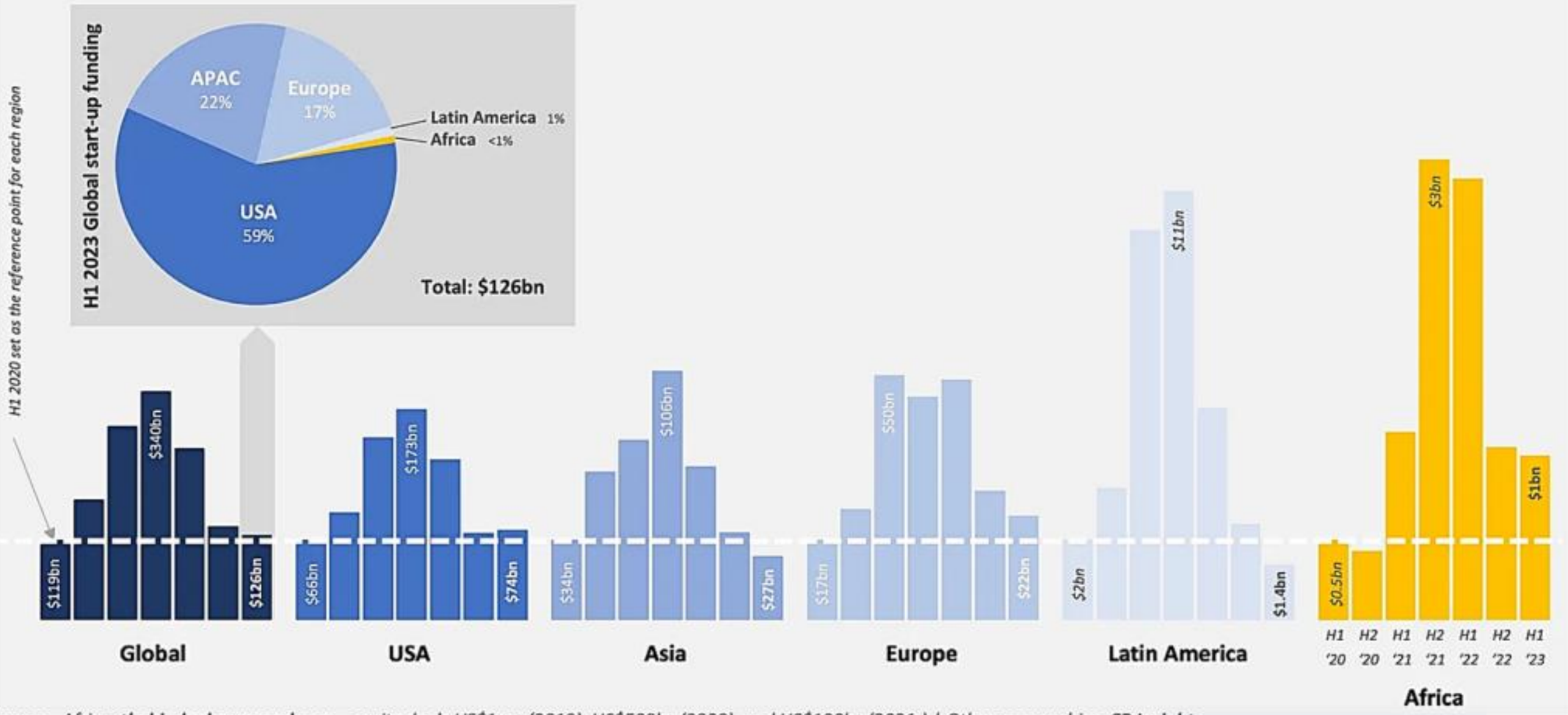
Globally, things have been going downhill since the beginning of 2022,

to a point that the funding levels seen globally in **H1 2023 ($126bn)** have pretty much fallen back to their day **1levels of early 2020 ($119bn in H1 2020).**

- Two regions have dipped even further: **LatAm (-30%, H1 2023 vs. H1 2020)** and **APAC (-20%)**while others are doing slightly better: **Europe (+30%) and the US (+13%).**
- Africa where funding levels in H1 2023 still track at more than double what it was in H1 2020

Source: Africa the bigdeal

Evolution of start-up funding by region, H1 2020 – H1 2023



Sources - Africa: thebigdeal.gumroad.com - equity deals US$1m+ (2019), US$500k+ (2020), and US$100k+ (2021-) | Other geographies: CB Insights

Source: Africa the bigdeal

- African tech ecosystem **raised US$1.19 billion in the first half of 2023**, down by more than 50% on the total from the corresponding period in 2022

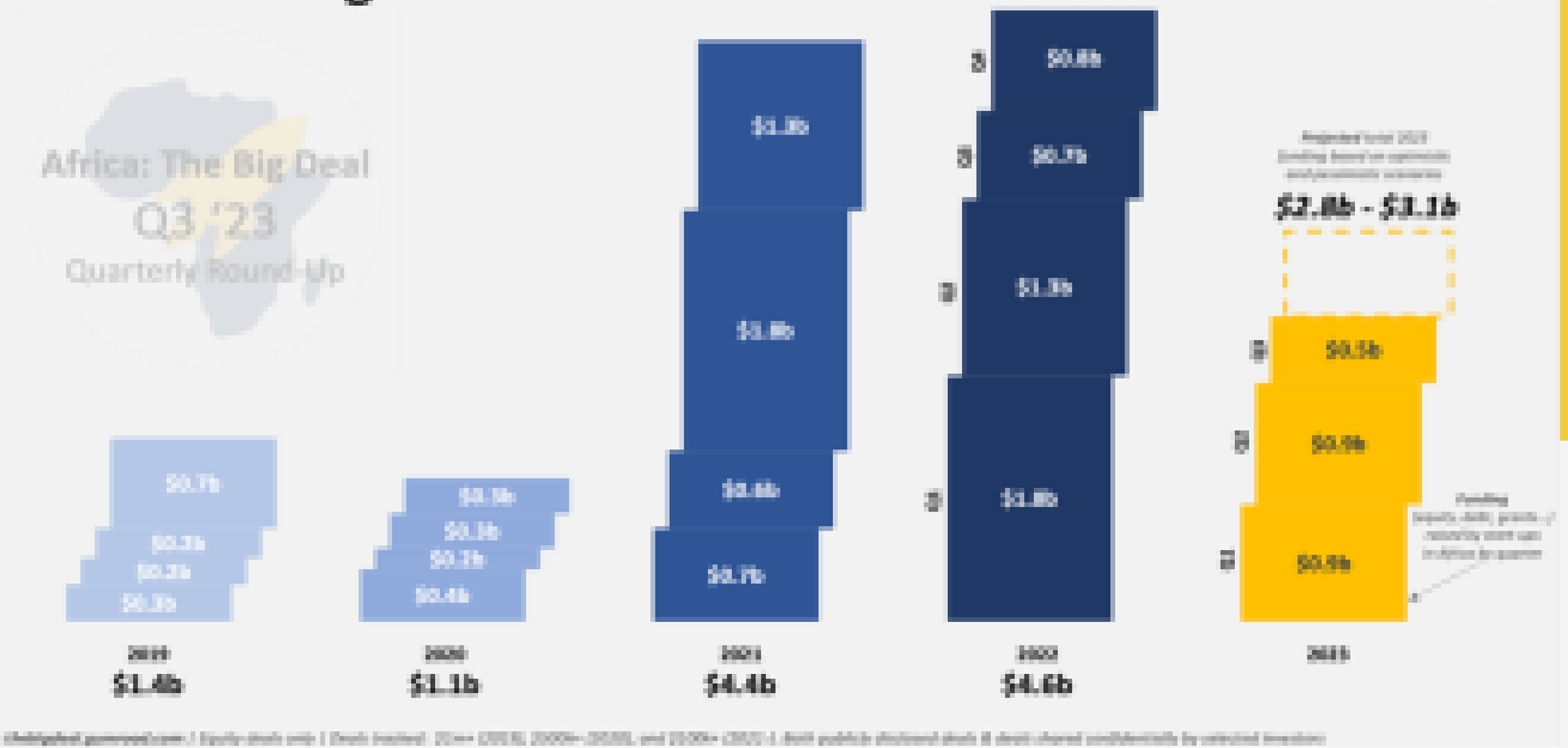
- 633 African tech startups raised in 2022
- This represented incredible growth.

- This year - **regressive one**, however, in line with global trends in investment
- what is becoming known as the “reset” after tremendous growth that went before.

- In **the first six months of 2023, 131 African tech startups have banked a combined US$1.19B down from 303 startups and US$2.275 billion in H1 of 2022**. (a decline of 52.4 per cent)

Funding raised by start-ups in Africa, by quarter | equity, debt, grants... (exc. exits)

Overall funding raised in 2023 could be below H1 2022 levels



Source: Africa the bigdeal

The great debate….

Africa’s share of global funding is pretty much negligible.

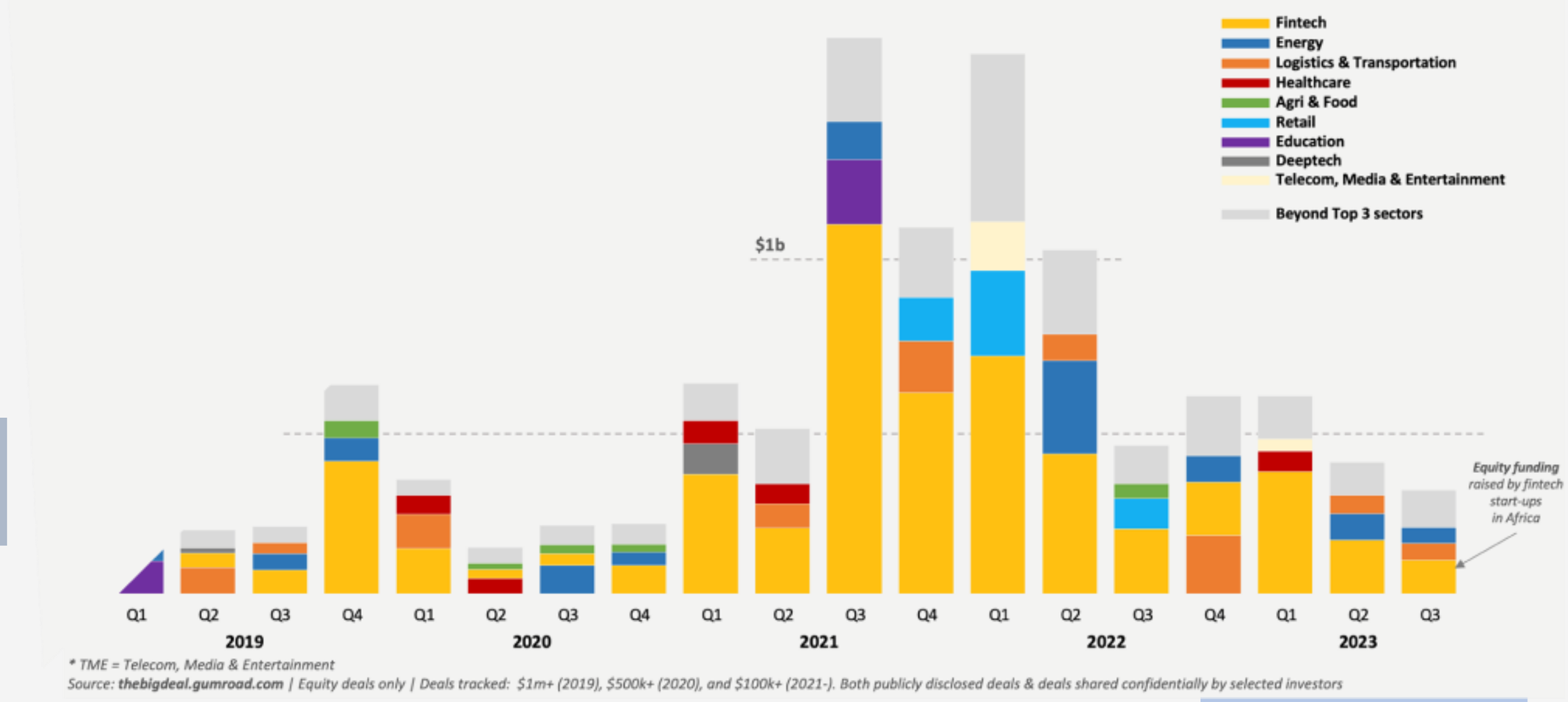
Yes, but it’s growing much faster than any other region.

- it’s so far behind. **in H1 2020**, the ratio of funding going to Africa vs. Latin America was 1:4 respectively.

- **H1 2021** :this ratio went up to **1:8. Currently** stands at **1:1.4 in H1 2023**, the lowest it’s been since at least 2020…

Equity funding raised by start-ups in Africa, Top 3 sectors per quarter

Fintech, Logistics and Energy remain leading sector trio



* TME = Telecom, Media & Entertainment

Source: **thebigdeal.gumroad.com** | Equity deals only | Deals tracked: $1m+ (2019), $500k+ (2020), and $100k+ (2021-). Both publicly disclosed deals & deals shared confidentially by selected investors

Source: Africa the bigdeal

- As of the end of August 2023, start-ups in Africa had raised $1.3bn in equity ($2.2bn if we add debt),
- **57%** less than in the **same period last year.**

- If we look back at 2021, of the equity funding deployed to start-ups where we could pin down the HQ to a specific market/region , **50%** had gone to Western Africa.
- **42%** of all the equity funding on the continent had gone to Nigeria alone
- In cumulative terms, Africa raised $1.4b in equity funding in the first 9 months of 2023

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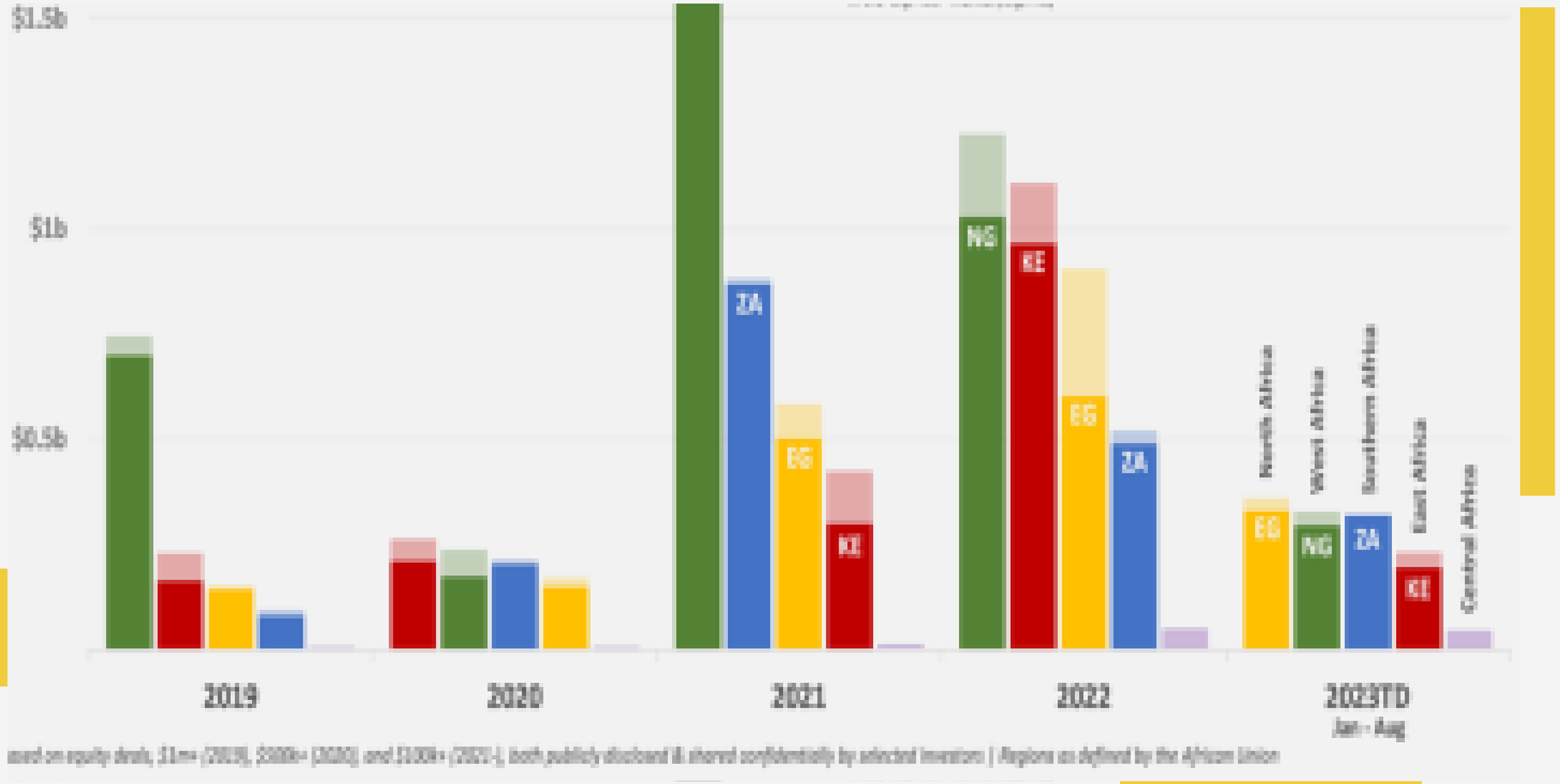
- What is particularly pulling the numbers down?
- fact - been more than a quarter since the last $100m+ transaction was recorded
- there have been many fewer of those in 2023 so far compared to the previous two years.

- 2023 , the numbers are telling a very different story
- one of a “Zen” balance between the four regions that have historically attracted 99% of the funding on the continent
- North, West and Southern Africa have attracted very similar amounts of equity funding, roughly a quarter each.



Source: Africa the bigdeal

The four largest markets (Nigeria, South Africa, Egypt and Kenya) continue to attract the lion’s share of the funding.

In fact, in 2023 so far start-ups in the Big Four have claimed 89% of the equity funding in Africa, an even higher percentage than in the past four years.

The share of each Big Four market in the total funding raised in their respective region is also higher for each region compared to 2021 and 2022.

West Africa-2022

- In 2022, West Africa was the region that attracted the largest share of both **funding (37%) and number of $100k+ deals**

- As at 2022 still much ahead of its runner-up (Eastern Africa, $1.2bn).

- Nigeria was the largest market by far in terms of funding **{286 $100k+ deals, +14% YoY | $1.2bn, -29% YoY}.**

- Nigeria **recorded two $100m**+ ‘mega deals’ in 2022 – {Flutterwave’s $250m Series D + Interswitch’s $110m round}

- **Ghana's** performance in 2022 with -{**47 deals > $100k** for a total of nearly $400m , nearly 8x times more than in 2021}
- **Senegal** followed with –{**19 $100k+ deals and $112m raised** (-50% YoY)}majorly by Wave;
- **Côte d'Ivoire** with a **stable amount of $100k+ deals (12**) but 3x times more funding raised than in 2021 **($34m vs. $11m**).
- **Togo's $10m** {almost entirely to do with Gozem's $10m deal with the IFC}.
- **Mali, Sierra Leone and Benin have also seen some activity.** However seven countries in the region recorded no deal at all over $100k in 2022.

- West Africa punched above its weight with a higher percentage of funding **(37%)** than its share of the **continent's population (30%) /GDP (27%).**

- The same goes for its heavyweight Nigeria (**25% of Africa's funding** vs. **15% of its population and 17% of its GDP).**

- The region averaged **$4.2** of funding raised per capita, which is over the continental average ($3.2pc). For Nigeria, this number stood s at **$5.5pc**

East Africa

- The region is host to ~29% of Africa's population and generates ~16% of its GDP.
- Comparatively, over the past 5 years East Africa has attracted **21% of all funding** on the continent (equity + debt + grants…).
- Of the $3.4b raised by start-ups in East Africa since 2019, 90% was in the form of equity.
- In 2023 so far, East Africa is claiming 17% of the equity funding (23% + debt and grants)

Kenya. 84% of all the funding raised in East Africa since 2019 was raised by start-ups in Kenya

. In 2023 so far, this percentage currently stands at 94% (85% if we only consider equity).

This is much higher than Kenya's share of **the regional population or GDP** (13% and 26% respectively).

- No other East African market has claimed more than **$100m in funding in any given calendar year.**
- Tanzania was close in 2021 with a total of $96m announced that year; the country's attracted 7% of the overall funding since 2019.

Zebras vs Unicorns

- a new player is emerging to challenge the coveted unicorn- Zebra Startups 🦓.
- flashy and fast-growth-focused counterparts
- VS
- Zebras aim for sustainable growth while also tackling societal problems to generate a positive impact.

- While unicorns often make dynamic evaluations, zebra engender realistic valuations grounded in measurable factors such as profits, income, and social influence generated.
- This pragmatic strategy circumvents any inflated brand image that might deceive market trends like diminishing benefits.
- Fundamentally, Zebra = represent Purposeful Innovation.
- passionate founders and team members who feel a strong urge to make a positive impact , resulting in creative solutions that effectively target real-life problems.

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- Another characteristic of Zebras is their inclination towards collaboration and community building.
- They recognize that implementing meaningful change often requires a collective effort
- Zebras can create supportive ecosystems that maximize their chances for success – Community Collaboration.
- Unicorns are known for their “go big or go home” mentality, which often = high burn rates and massive cash consumption.
- This approach can be unsustainable, especially for early-stage companies without a solid revenue stream
- In contrast, Zebras prioritize efficient resource allocation, ensuring a more sustainable path to growth.

- Unicorns can be highly susceptible to market volatility due to their reliance on speculative investments and high valuations
- When the market sentiment changes…what happens?

- Zebras, may often be better equipped to weather market fluctuations and maintain a stable growth trajectory.

- it’s important to emphasize that the startup ecosystem needs both types to thrive!

- Act like a Zebra…….think like a Unicorn

While unicorns capture headlines, Zebra startups offer a beacon of hope for other founders who aspire to make a difference.

- Showcase that success is not solely defined by billion-dollar valuations but also by impact

InsurTech lab

Thank You

Africa Insurtech Lab