



Venture Capital in Africa Report

APRIL 2023



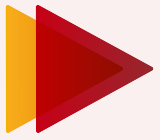
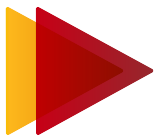
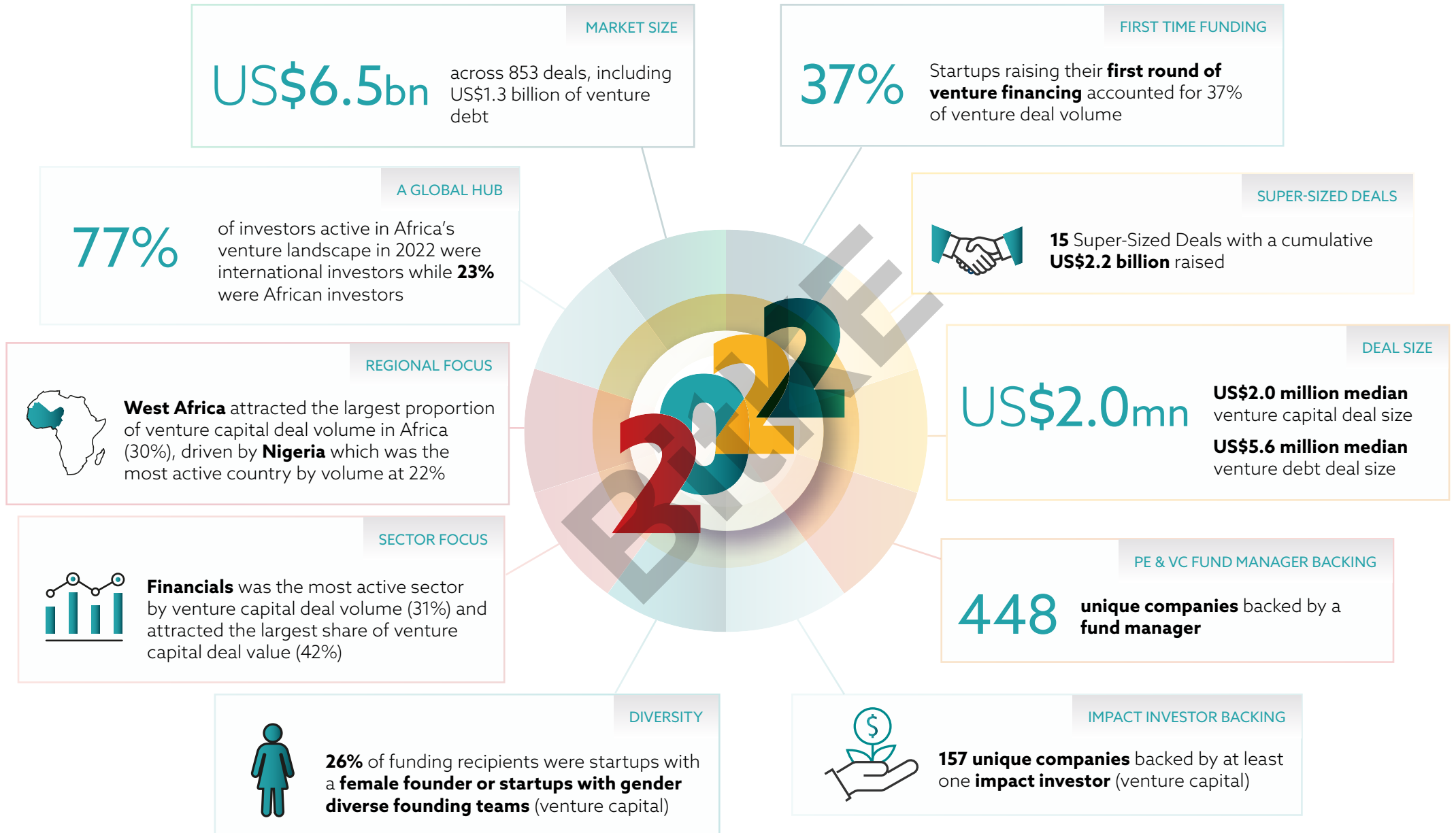


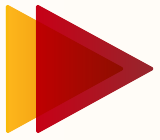
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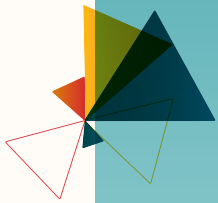


2022 Venture Capital in Africa: Key Facts





A Year in Review

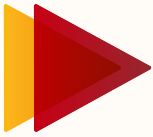


2022 remained a record-breaking year for venture capital in Africa by deal volume, maintaining a three-year accelerated growth curve in capital deployment for the asset class. While capital invested into African startups faltered slightly, the total amount raised remained relatively stable in 2022 and maintained the record set in 2021. With the inclusion of venture debt, venture inflows to Africa last year stood at **US\$6.5 billion raised across 853 deals.**

Despite Africa's slight funding dip in 2022, when viewed in isolation the data for the year is promising. Most indicators of market activity in 2022 equalled or came close to the record highs of the preceding year. When evaluated against any year other than the stratospheric 2021, industry activity in Africa's venture capital ecosystem was very strong. When graded against the global performance of venture capital, the industry does even better. Unlike the 32% tailspin in global venture capital, the 1% contraction in the value drawn by Africa's venture ecosystem in 2022 is evidence of the fortitude of the industry, the commitment of investors active on the continent, and the unique resilience of African businesses that don't require capital rich environments to succeed.

Summary of Key Findings

- ▶ By region, **West Africa** maintained the top spot for the second consecutive year, with **Nigeria** as the most active country both in the region and on the continent.
- ▶ Dealmaking was concentrated in the **Financials** sector, which assumed 31% of deal volume and 42% of deal value.
- ▶ The 2022 median deal size across all investment stages was **US\$2.0 million**, a 43% increase from the 2021 full-year median of US\$1.4 million.
- ▶ **15 super-sized deals** in companies raising both venture capital and venture debt took place in 2022, with a combined value of US\$2.2 billion.
- ▶ **1,000+ investors** were active in Africa's venture ecosystem in 2022.
- ▶ Startups raising their **first round of venture financing only accounted for 37%** of VC deal volume in 2022.
- ▶ The path to parity gained momentum - startups with a **gender diverse founding team** raised a cumulative total close to **US\$950 million**.



A Lean Year for Venture Capital

Global investments in venture capital reached US\$445 billion in 2022, a 32% YoY decrease after a record year of growth for this asset class in 2021. In fact, global venture capital fell prey to persistent market instability, which was aggravated by geopolitical crises, supply chain disruptions, and unprecedented inflationary pressures, which led to an increase in interest rates. As a result, these factors had a compound negative effect on venture capital deal flow. Both globally and in Africa, the fall in investments noticeably takes effect in the second half of the year. Two thirds (67%) of venture deal value in Africa for 2022 can be attributed to deals that occurred in 2022 H1. 2022 got off to a very strong start – the strongest half-year activity the continent has seen to date – and this record performance bolstered annual figures after an anaemic 2022 H2.

From Takeoff to Layoff

Headlines detailing thousands of tech-related job losses made their rounds in 2022. Although news about industry layoffs were largely preoccupied with tech titans in the United States such as Amazon, Google, Meta, Microsoft and Twitter, the mass dismissals that swept through the tech industry also trickled into Africa in 2022. *Chipper Cash*, *Wave Mobile Money*, *Sendy* and *Twiga Foods*, some of the continent's better known and well-funded startups, all cut their headcounts by 15% to 30% in 2022. In addition to downsizing, some startups closed operations entirely in key jurisdictions. South African based on-demand home cleaning startup *SweepSouth* closed its Nigerian and Kenyan operations in November 2022, while in the same month Egypt-based *Swvl* also shut down its operations in Pakistan.

Although industry layoffs were in part due to market instability and declining revenue resulting from falling consumer demand, a large number were also due to necessary streamlining of workforce after inflated hiring during the Covid-19 pandemic to cope with heightened demand. The nature of staff being let go in the African context also differs to its North American and European counterparts. A large percentage of layoffs amongst Africa's tech firms targeted business support and not tech-related roles. Overall, the need for, and relative scarcity of, tech talent across Africa remains a more

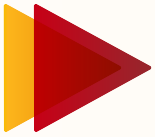
pressing concern than broad global layoffs¹. And while the trend towards cash-strapped startups reducing costs by trimming staff has continued into 2023, job creation by funded African tech startups far outweighs layoffs. Notably, the number of jobs created by VC-backed African startups saw YoY increases of close to 100% in 2022, employing over 34,000 people across the continent².

Venture Debt

Venture debt has emerged from the periphery to become a key component of the African investment ecosystem in recent years, as early stage and high-growth companies opt to remain private longer and seek creative forms of financing that minimize founder dilution. The combination of a lower cost of capital and flexible repayment terms have led to the increasing popularity of the asset class as an attractive alternative to traditional equity financing, enabling startups to scale their businesses without sacrificing their ownership stake.

Several already well capitalised startups raised venture debt to facilitate market expansion in 2022. For example, *Yellow Africa* raised US\$20 million in a series of debt transactions from a consortium of lenders to enable the company to expand its distribution network of pay-as-you-go solar home systems beyond Malawi to Uganda, Rwanda and Zambia; and provide the startup with bridge capital whilst it prepares to raise a Series B equity round³. Similarly, *Solarise Africa*, an energy leasing company for solar assets, raised US\$33.4 million of debt funding to help it grow and expand its portfolio in Kenya and other selected African countries.

Reflecting this increased uptake of venture debt strategies and the diversification of capital structures in African venture capital, the methodology for this report was expanded in 2022 to track pure / exclusive venture debt dealmaking. 67 venture debt deals with a cumulative value of US\$1.3 billion took place last year, making use of a variety of instruments including mezzanine financing, direct lending, and convertible loan notes. Venture debt fundraising was also on the radar of investors last year. TLG Capital and Future Africa launched a US\$25 million venture debt fund from TLG's existing funds in December 2022⁴.



Venture Capital Fundraising

Venture capital fundraising proved an exception to the downward trend in private capital fundraising in Africa, which registered a 54% YoY decrease from the US\$4.4 billion raised in 2021, according to the *2022 African Private Capital Activity Report*⁵. 9 venture capital funds raised a cumulative US\$0.4 billion in capital commitments at final close last year, with the figure rising to over US\$1.0 billion with the inclusion of the value raised by interim closes. While modest, this value nevertheless represents an annual increase of 5.3x and is particularly noteworthy given the highly competitive fundraising environment for venture capital fund managers both globally and in Africa last year.

Africa's newest wave of private fund managers are predominantly adopting venture capital strategies. Illustratively, over two thirds of the first-time private capital managers active in Africa in 2022 and reached final closes were raising venture capital funds – a majority of which were below US\$100 million in size. Examples of first-time fund managers that reached interim closes in 2022 include the US\$36 million first close of the gender-lens *Janngo Capital Startup Fund*, the US\$9.6 million first close of the Tunisia-based *216 Capital Fund*, and the US\$8 million first close of the *Egypt Deep-Tech Fund* by Sequence Ventures. The rise of fund managers with an exclusively venture capital focus reflects the maturation of the asset class and its growing attractiveness to limited partners.

A Global Hub for Venture Capital

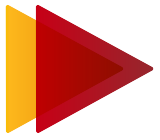
Africa was a global hub for venture capital in 2022, with both familiar and new investors coming to the table. Foreign investors outnumbered domestic investors dealmaking on the continent in 2022, with Africa-based investors accounting for slightly less than a quarter (23%) of the total number of investors active in Africa in the same period. There was also significant elevation in the number of investors backing the innovative solutions African entrepreneurs brought to market in 2022. In an industry-first accomplishment, the number of investors that took part in VC deals on the continent topped a thousand in 2022 across both venture capital and venture debt deals.

A broad consortium of global investors were dealmaking in Africa last year – from multi-billion dollar American VC fund managers (Tiger Global, Avenir Growth Capital) to corporate venture firms from the Asia-Pacific region (Softbank, Temasek and Tencent Holdings) and high-net-worth investors such as Serena Williams (via VC firm Serena Ventures), Jack Dorsey (via digital-payments company *Block*) and Justin Mateen (via VC Fund *JAM Fund*). While the presence of global investors signals investor confidence in the industry, particularly promising was the presence of Africa focused fund managers leading early-stage funding rounds in 2022. Continental investors including AfricInvest, Aruwa Capital Management, CardinalStone, KawiSafi and TLCom (to name a few) all led or co-led seed and early stage rounds in 2022. Given the often-cyclical nature of foreign investment in Africa which is contingent on global macro-economic trends, the emergence and increasing participation of indigenous capital allocators with a long-term commitment to the continent bodes well for the future of the industry.

Conclusion

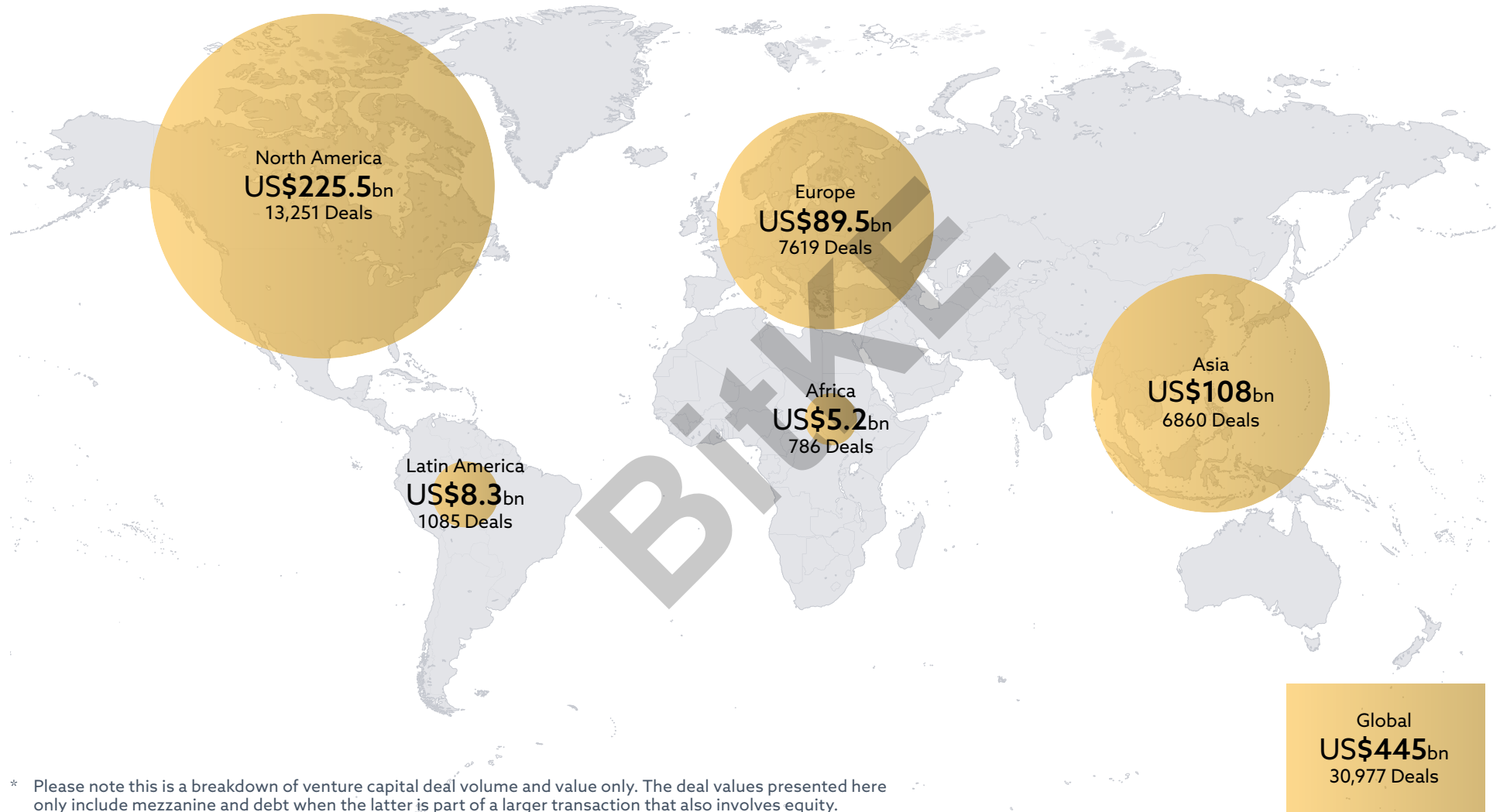
2022 was certainly a lean year for venture capital, but several silver linings remain. A look at the bigger picture quickly nullifies concerns of what may appear at first glance to be below-potential growth in 2022. The fact that Africa recorded positive net growth in 2022 is in itself remarkable when compared to the global context, which experienced significant contractions in venture capital deal activity to varying regional degrees. While far from unaffected, Africa remained one of the fastest growing VC markets globally in 2022, proving bullish despite an unfavourable macroeconomic climate. The US\$6.5 billion raised across 853 deals (including US\$1.3 billion of venture debt) in 2022 proves the industry's ability to shoulder shock and remain constant in crisis.

The fourth edition of AVCA's *Venture Capital in Africa* report chronicles the maturation of Africa's entrepreneurial space between 2014 and 2022. In so doing, this report exemplifies AVCA's commitment to being part of Africa's growth story by providing independent industry research that supports actors on both the supply and demand sides of capital.

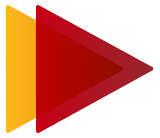


Venture Capital Deal Activity: Global Trends

1.1 International Breakdown of Venture Capital* Activity in 2022



Source: Crunchbase [2022 Global Funding Report](#)



1.2 A Downturn in Global Venture Funding

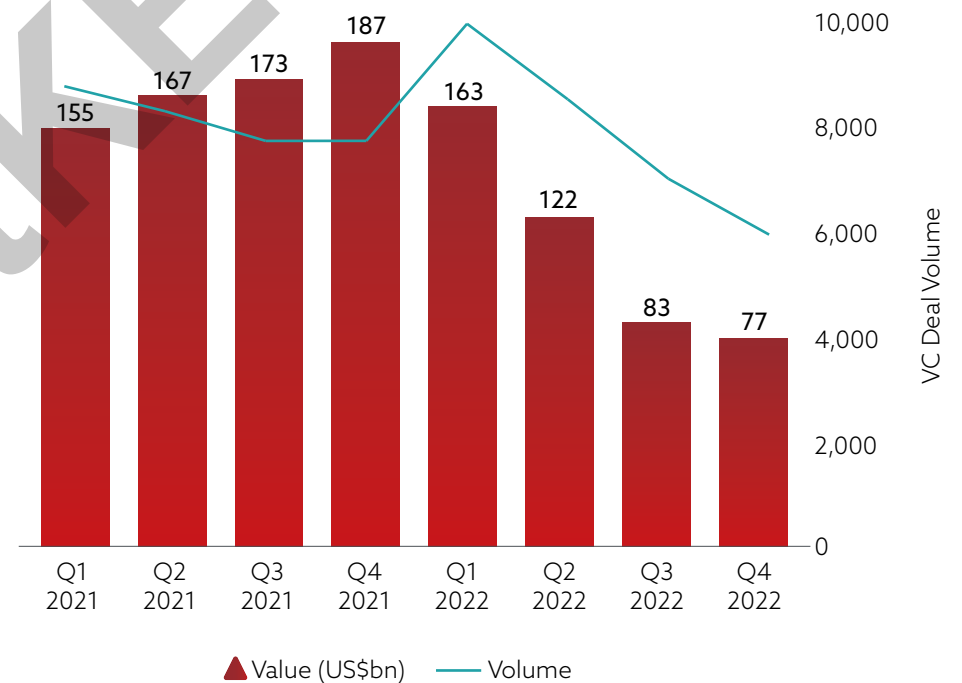
How the mighty have fallen. Or at least, that is how it may appear at first glance when looking at the final tally of venture funding globally, which shrunk by 32% from the US\$681 billion invested in 2021. Global venture capital fell prey to continuous market instability, rapidly rising interest rates, geopolitical crises and surging inflation that turned whispers of a global macroeconomic downturn to near-unanimous predictions of a global recession by the start of 2023. Declines in VC funding in 2022 can also be attributed to the bursting of the tech bubble. The downturn in tech activity, stock prices and valuations had a spill over effect on venture capital funding, considering the preponderance of tech or tech-enabled startups which historically draws the largest share of venture capital deal flow. The fall in venture investments noticeably takes effect in the second half of the year, coinciding with sharp moves in interest rates stemming from increasingly aggressive counter-inflationary measures by central banks, triggering a risk-off investor sentiment in developed and emerging markets alike.

North America once again accounted for the largest share of VC investment globally, closing out the year with just over US\$225 billion

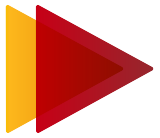
By region, North America once again accounted for the largest share of VC investment globally, closing out the year with just over US\$225 billion (51% of the global total), with the US responsible for the vast majority of this investment. Asia came a distant second with a total US\$108 billion, experiencing the second largest regional drop in venture funding despite having six deals valued at US\$500 million+ under its belt last year. Funding declines in these two regions were responsible for a large chunk of the drop in funding globally, with the United States accounting for US\$104 billion (44%) of the funding deficit in 2022, while Asia was responsible for US\$69.2 billion (29%) of the US\$236 billion gap in global venture capital between 2021 and 2022. Europe contributed US\$89.5 billion to the global venture funding total in 2022, while Latin America, which experiencing the sharpest drop (59%) in VC investment compared to 2021, contributed US\$8.3 billion.

Overall, 2022 was undoubtedly a challenging year for VC investment globally, with total global venture capital climaxed at \$445 billion for the year. Venture capitalists put US\$100 billion more to work last year than they did in 2020, despite tighter investor purse strings and an increasingly unfavourable funding climate in 2022. VC funds were, however, sitting on a record US\$586 of dry powder in 2022⁶, on the back of strong fundraising activity the previous year. This therefore begs the question – were the low deployment levels and decrease in activity during 2022 only considered so when compared to the stratospheric levels of 2021, but otherwise strong when viewed in isolation? Or does it represent the beginning of a downturn in global venture funding?

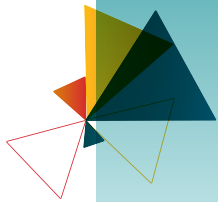
Figure 1: **Volume and Value (US\$bn) of Global Venture Capital, 2022**



Source: Crunchbase [2022 Global Funding Report](#)



1.3 Venture Capital in Africa: A Global Comparison



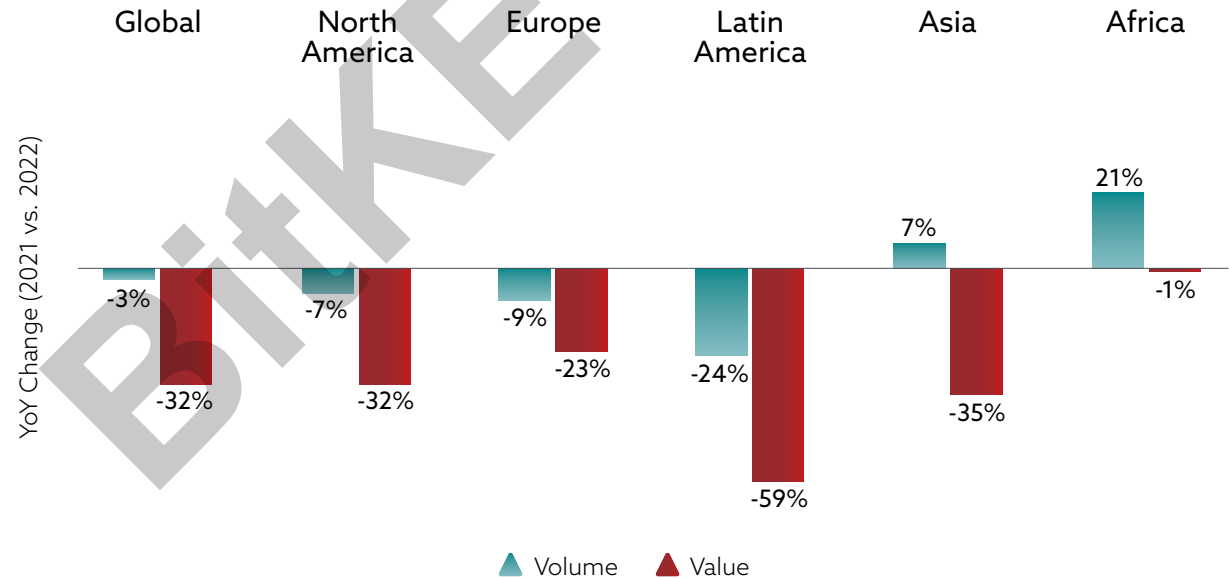
US\$5.2 billion

Africa raised US\$5.2 billion in venture capital across 786 deals in 2022, representing 3% of the total volume and 1.2% of the total value of global venture funding in 2022

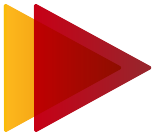
Africa raised US\$5.2 billion in venture capital across 786 deals in 2022, representing 3% of the total volume and 1.2% of the total value of global venture funding in 2022. While the global venture market experienced significant contractions in startup funding to varying regional degrees, Africa's venture ecosystem was relatively stable and only experienced a funding drop of less than US\$50 million compared to 2021. Comparatively, Latin America saw the biggest YoY declines in startup funding to the tune of 59%, followed by Asia which saw contractions of 35%. Consequently, the funding gap between Africa's closest socio-economic comparator, Latin America, saw a near-fivefold decrease from US\$14.8 billion in 2021 to US\$3.1 billion in 2022.

Although the volume and value of venture capital in Africa is relatively small compared to other regions such as North America and Asia, it has been growing steadily in recent years and shows potential for further growth in the future.

Figure 2: Global Comparison of YoY Changes to VC Deal Volume and Value, 2022⁷



Source: AVCA Database & Crunchbase [2022 Global Funding Report](#)



Although the highest deal value in Africa can't compare with deal maximums in other regions, Africa remains competitive by median deal values. At the seed stage, Africa's median deal value fell slightly short of the global average of US\$2.0 million. However, Africa's median deal value significantly exceeded the global average at both the early stage (at US\$10 million compared to the global US\$5 million) and also at the late stage (standing at US\$45 million compared to the global US\$7.9 million).

Figure 3a: Global Comparison of Median Deal Size at the Seed Stage (US\$ mn), 2022⁸

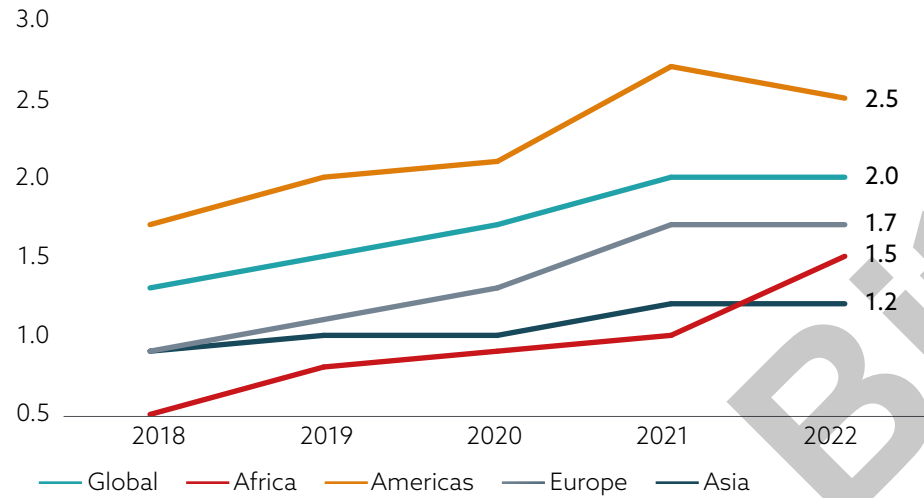


Figure 3b: Global Comparison of Median Deal Size at the Early Stage (US\$ mn), 2022

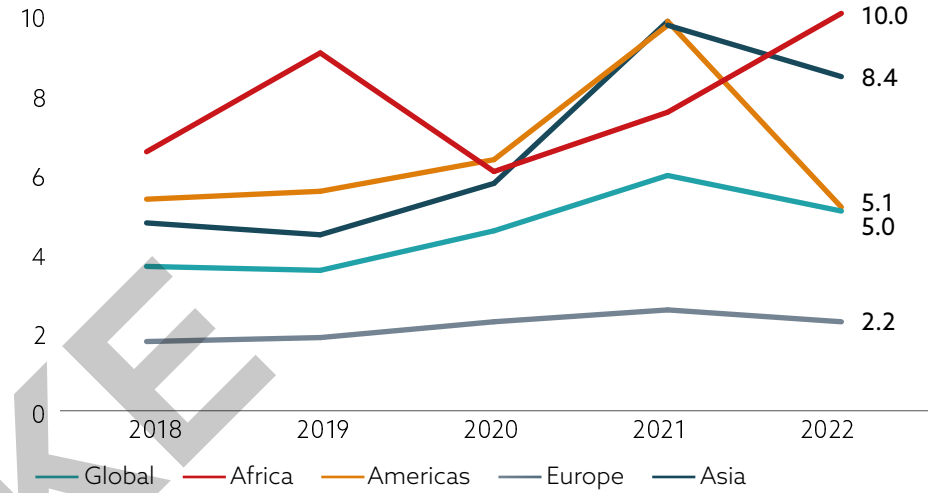
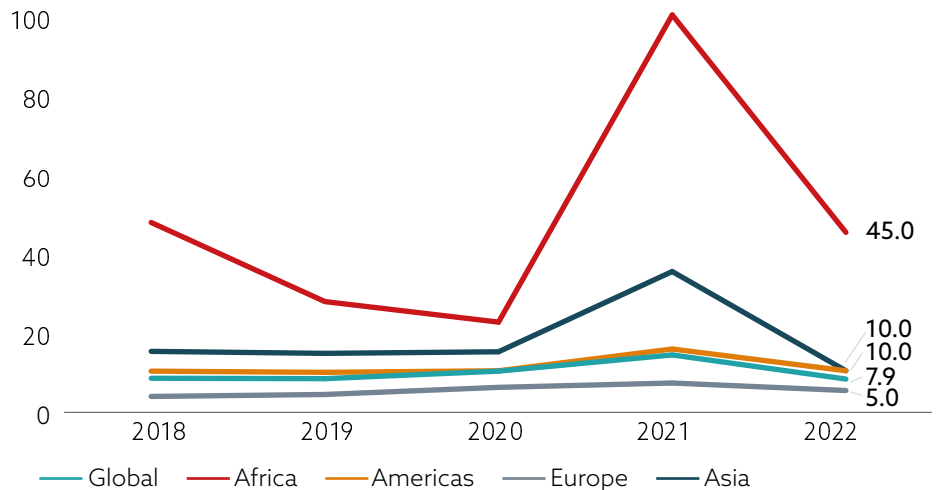
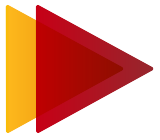


Figure 3c: Global Comparison of Median Deal Size at the Late Stage (US\$ mn), 2022



Source: AVCA Database and [KPMG Q4 2022 Venture Pulse – Global Trends Report](#)



Venture Capital Deal Activity in Africa

2.1 Volume of Venture Capital Deals in Africa

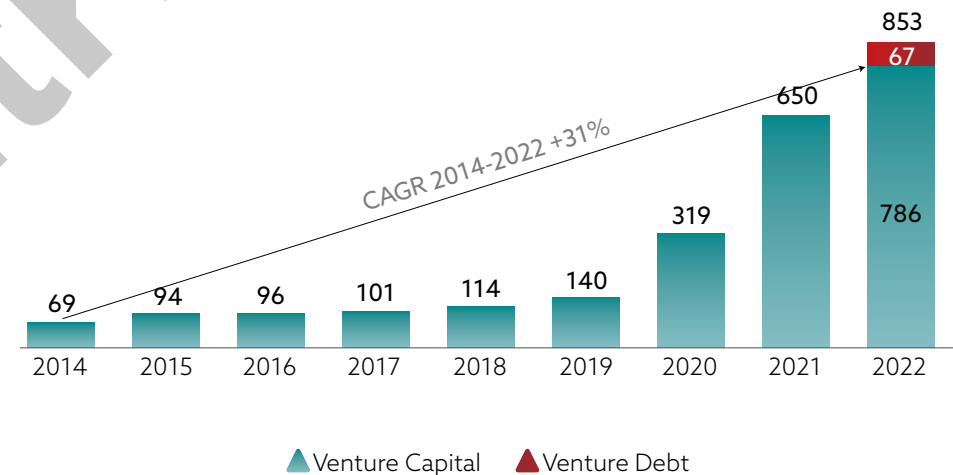
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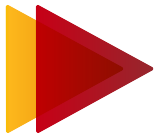


Venture capital dealmaking in 2022 saw the industry maintain a near-decade long legacy of continuous annual growth, with 786 deals concluded on the continent. The total volume of VC deals that took place in 2022 nevertheless represents an industry record, witnessing 21% YoY growth from the year before. With the inclusion of the 67 venture debt deals that took place last year, the overall annual total for 2023 closed out at 853 deals.

A look at the bigger picture is necessary to assuage concerns of what may appear at first glance to be below-potential growth in 2022, particularly as the ecosystem comes down from a two-year trend of triple digit acceleration. Firstly, the fact that Africa recorded positive net growth in 2022 is in itself remarkable when compared to the global context, which experienced significant contractions in venture capital deal activity to varying regional degrees. Secondly, this growth is in line with the historic evolution of the industry, whose story is not one of growth at a breakneck pace but rather one of steady, incremental maturation. Venture capital deal flow in Africa grew at a Compound Annual Growth Rate (CAGR) of 31% between 2014 and 2022. The increase in VC deal volume on the continent in 2022 is relatively modest when viewed with a short-term lens, but when viewed with a historical lens tells a growth story of consistency in crisis. While far from unaffected, Africa remains one of the fastest growing VC markets globally, remaining bullish despite an unfavourable macroeconomic climate.

Figure 4: VC Deal Volume in Africa, By Year





2.2 Value of Venture Capital Deals in Africa

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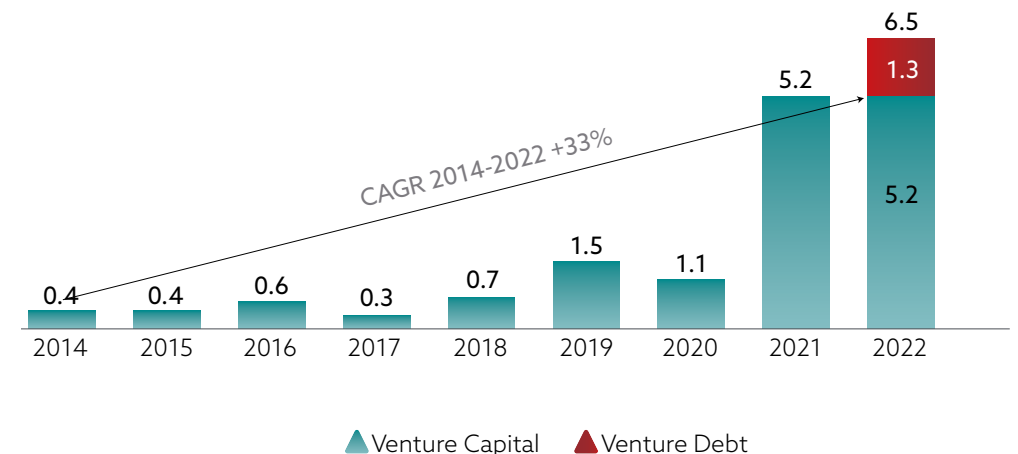
VENTURE CAPITAL DEAL VALUE IN AFRICA, 2022	VENTURE DEBT DEAL VALUE IN AFRICA, 2022	TOTAL VENTURE DEAL VALUE IN AFRICA, 2014 - 2022
US\$5.2 billion	US\$1.3 billion	US\$16.7 billion
MEDIAN VENTURE CAPITAL DEAL SIZE IN AFRICA, 2022	MEDIAN VENTURE DEBT DEAL SIZE IN AFRICA, 2022	MEDIAN VENTURE CAPITAL DEAL SIZE IN AFRICA, 2014 - 2022
US\$2.0 million	US\$5.6 million	US\$1.8 million

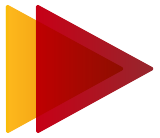
Although 2022 started strong, with the strongest half-year activity the continent has seen to date, the macroeconomic turbulence which shook the global venture market finally caught up to Africa in the second half of the year. Africa's venture ecosystem was relatively stable in 2022 and only registered a very slight decrease (1%) in the total amount raised by African startups compared to 2021, with US\$5.2 billion raised from 722 unique companies. However, unlike the 32% tailspin in global venture capital, Africa's slight funding dip in 2022 is evidence of the fortitude of the industry which emerged bruised but not broken from 2022. Africa's venture ecosystem held on to 2021's funding high, proving its ability to shoulder shock and weather unpredictability; first through the Covid-19 pandemic and now through the general decline in the global economy.

One reason for the modest decline in the value of venture capital channelled to the continent is the fall of large-ticket funding rounds in 2022, particularly in the second half of the year. 17 deals accounting for 39% of the annual total fell into the US\$50mn+ category last year, compared to 25 deals of the same size in 2021. Another reason is the comparative increase in deal activity whose deal values were not disclosed in 2022, which stood at 30% compared to just 18% in 2021. The US\$5.2 billion recorded in 2022 thus represents the minimum threshold of aggregate VC deal value in Africa, which could plausibly be significantly higher in reality.

With the inclusion of the venture debt category, the overall annual total for 2022 closed out at US\$6.5 billion. More specifically, African startups raised US\$1.3 billion of venture debt last year, through a variety of instruments including mezzanine financing, direct lending, and convertible loan notes, among others.

Figure 5: VC Deal Value in Africa, By Year (US\$bn)





2.3 First-Time Venture Financing

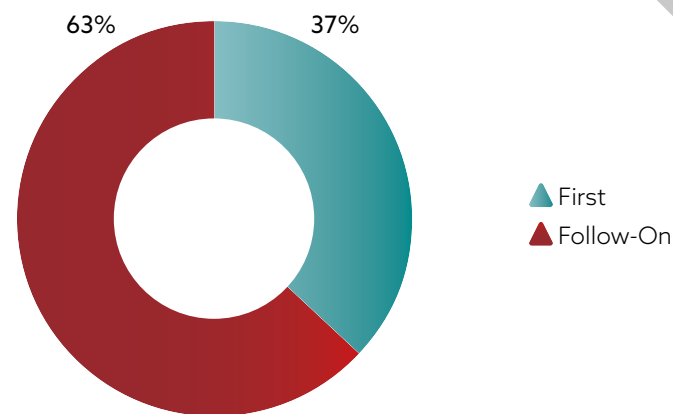
KEY FINDINGS:

Startups raising their first round of venture financing accounted for over a third of VC deal volume in 2022

The majority of dealmaking in 2022 was follow-on (i.e., repeat or subsequent financing of companies) rather than first-time financing. 62 unique companies were recipients of more than one round of deals in 2022 specifically, corresponding to 8% of the total number of VC-backed startups in Africa last year. The rest of follow-on venture financing that took place in 2022 went to 409 unique companies that each raised venture capital funding in previous years.

Amongst first time recipients of capital, 52% of transactions were at the seed stage, with only a small cohort (4%) of first-time capital recipients doing so at the early-stage (i.e. pre-series A or series A transactions).

Figure 6: First-Time Venture Financings of Companies in Africa, 2022



Investment Stage Focus

3.1 Venture Capital Deal Activity by Stage

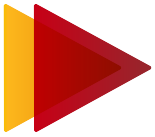
SEED

The early stages of the venture capital continuum once again saw the most activity in 2022. In a recurring trend, the seed stage assumed the largest proportion venture capital deal activity in Africa, accounting for close to half of the venture deal flow to startups on the continent last year. Deals at the seed stage were also the largest-growing market segment in 2022, demonstrating YoY growth of 45% to stand at 355 (up from 245 deals in 2021). The median value of deals in this category also rose to US\$1.5 million in 2022 from US\$1.0 million in 2021. With the volume of seed-stage deals increasing steadily year-on-year, this growing sample also illustrates how startups have concurrently been raising larger seed funding rounds.

The continued prominence of seed-stage deals in Africa's venture capital landscape lies partially in the surge in entrepreneurial activity being seen across the continent. The sheer breadth of pre-revenue startups seeking early-stage development capital has created a demand for seed financing in Africa. Considering there were well over 900,000 new business registrations in Africa in 2020 alone⁹, the predominance of this investment stage shows no sign of future abatement.

EARLY STAGE

131 early-stage venture capital deals took place in Africa in 2022, demonstrating a 25% increase from the year before where 105 early-stage deals were concluded on the continent. The majority of these were in the Series A (and adjacent) category, while 27% fell in the Series B (and adjacent) category¹⁰. Notable early-stage deals that took place in 2022 include the US\$50 million Series B Egyptian financial services platform *PayMob* and the US\$32 million Series A in *Ramani*, a Tanzanian retail-tech startup for fast moving consumer goods.



LATE STAGE

Investors put US\$1.1 billion to work across 16 late stage deals in 2022, in a 6% drop by volume and a 51% drop by value. Although it was the only investment stage to witness any YoY declines in 2022, the fall of late-stage funding does not undermine progress made in the last decade, where deal activity in this category grew at a CAGR of 36% by volume and 25% by value. It is also important to note that 2021 also saw a spike of Series E deals (namely 6 deals with a cumulative value of US\$867 million). This is a rarity in Africa’s funding landscape, and thus magnified values in the late-stage category in 2021. Given the limited cohort of companies eligible for similar late-stage funding, it is only to be expected that the industry self-corrected in 2022, with only one Series E transaction on record for the year. Nevertheless, even with this slowdown in late-stage funding, a number of high-profile late-stage deals took place last year, including the US\$260 million Series D in off-grid solar energy provider *Sun King* and *Flutterwave’s* US\$250 million Series D round in February 2022. Another standout is the US\$91 million Series C round in South African chat commerce provider *Clickatell*.

The fall of late-stage funding does not undermine progress made in the last decade, where deal activity in this category grew at a CAGR of 36% by volume and 25% by value.

Figure 7: Annual Evolution of VC Deal Volume, by Stage, 2014-2022¹¹

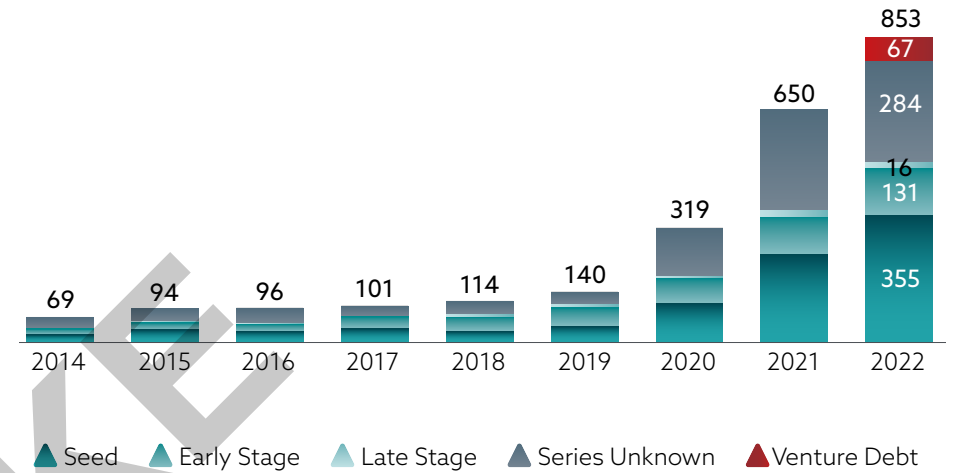
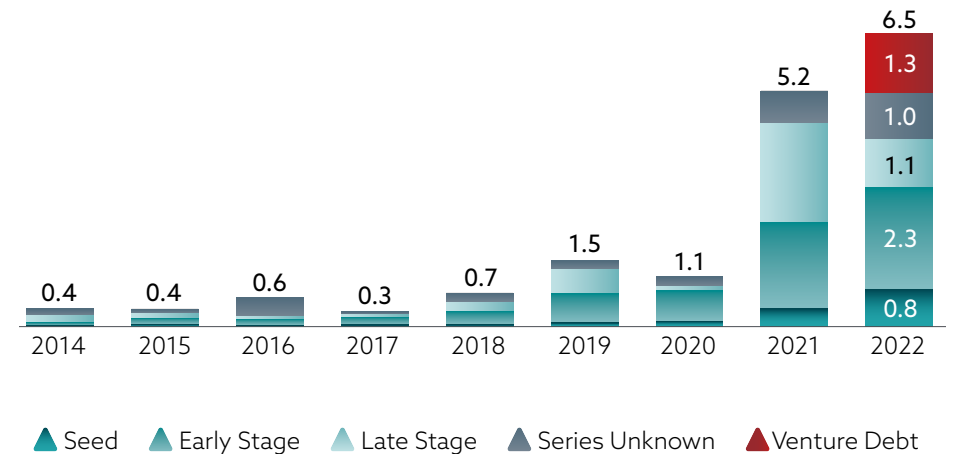
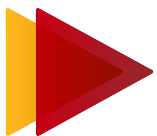


Figure 8: Annual Evolution of VC Deal Value, by Stage, 2014-2022



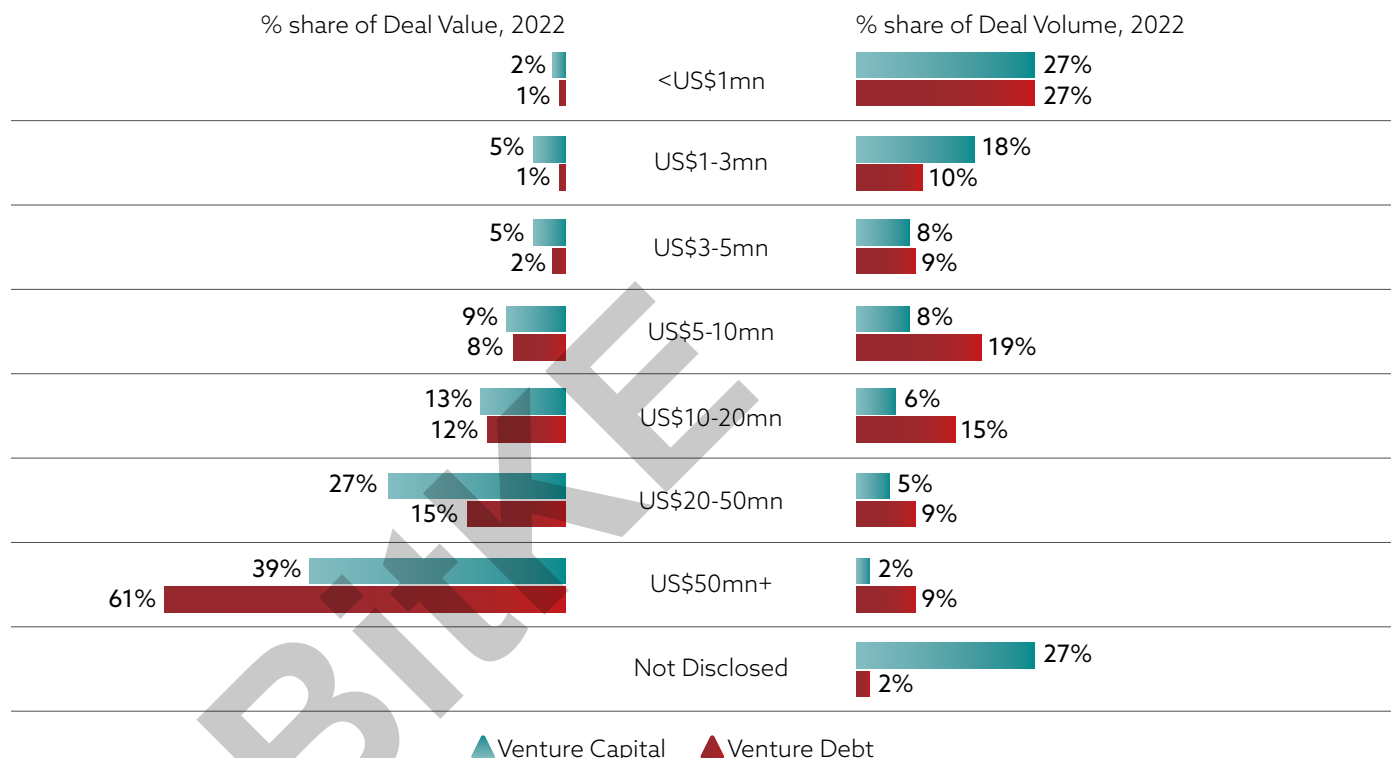


3.2 Venture Capital Deal Activity by Ticket Size

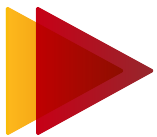
When categorised by ticket size, 27% of venture capital deals by volume were less than US\$1 million in size, although these only contributed to 2% of the total value of deals concluded in Africa in 2022. However, the concentration of deals in the million and under category fell significantly from 2021, where it assumed over a third (38%) of the total number of deals that took place that year.

Having previously cornered the market at 61% in 2021, deals in the US\$50 million+ category assumed 39% of annual deal values in 2022, reflecting the global trend of declining late-stage funding rounds in 2022. Although to a lesser degree than in previous years, this category nevertheless accounted for the largest proportion of deal values in 2022. This is partially the result of larger, high profile funding rounds appearing at earlier stages than has been the case historically. Illustratively, five of the eleven super-sized deals (deals with a value of US\$100 million or more) that took place in 2022 fell in the early-stage category, with a cumulative value of US\$630 million. This suggests that deals in the US\$50 million+ category are not unique to the late stage, as startups are raising more capital / larger ticket sizes earlier in their funding lifecycle.

Figure 9: Distribution of VC Deal Volume and Value by Ticket Size, 2022



The venture debt landscape was dominated by a small number of big-ticket deals. Although only 9% of venture debt deals reported in Africa in 2022 were over US\$50 million in value, they drew 61% (i.e. US\$800 million+) of the total value of venture debt deals for the year. Examples include the US\$238 million off balance sheet facility for Kenyan solar home system provider d.light, as well as the US\$150 million securitised bond for Africa's most recent unicorn MNT Halan, both in June 2022.

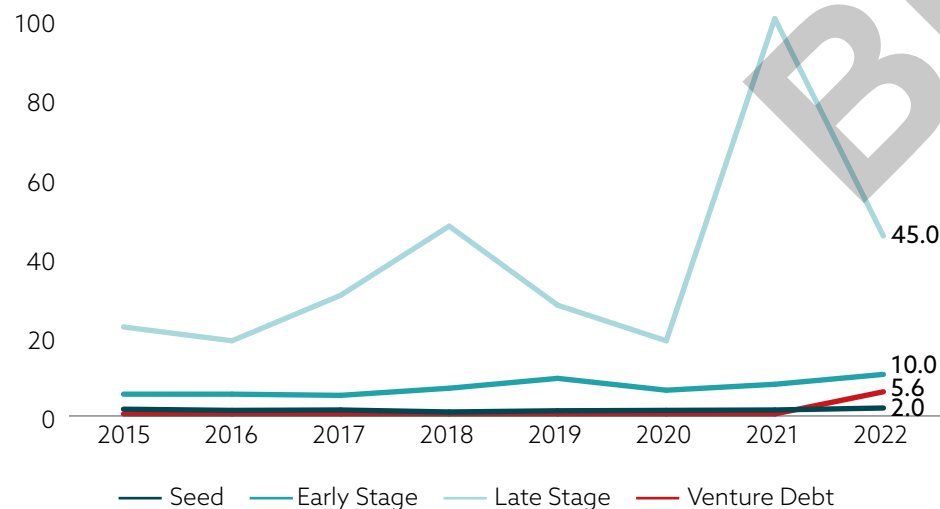


3.3 Median Value of Venture Capital Deals in Africa

The median value of late-stage deals has seen more fluctuations in the last five years than the annual medians for seed and early-stage deals, with fairly large dips in 2020 and again in 2022. The timing of these depressions reflect pullbacks in late-stage funding that typically accompany periods of macroeconomic instability (notably the Covid-19 pandemic and the global macroeconomic downturn of 2022), given the size and capital intensity of late-stage funding rounds.

Conversely, median deal values in the seed and early-stage categories have displayed steady, modest growth since 2020. At US\$1.5 million and US\$10.0 million respectively, the median value of deals that took place at the seed and early stages last year were the highest the continent has seen to date. In particular, the median value of early-stage deals in Africa last year, which grew by 33% from 2021, rivals that of the Americas (US\$8.4 million) and eclipses the global average (US\$5 million) for the category (see Fig. 3b). The preceding paints an optimistic picture for the future of capital generation opportunities available to emerging entrepreneurs on the continent and illustrates the industry’s growing ability to compete on a global scale.

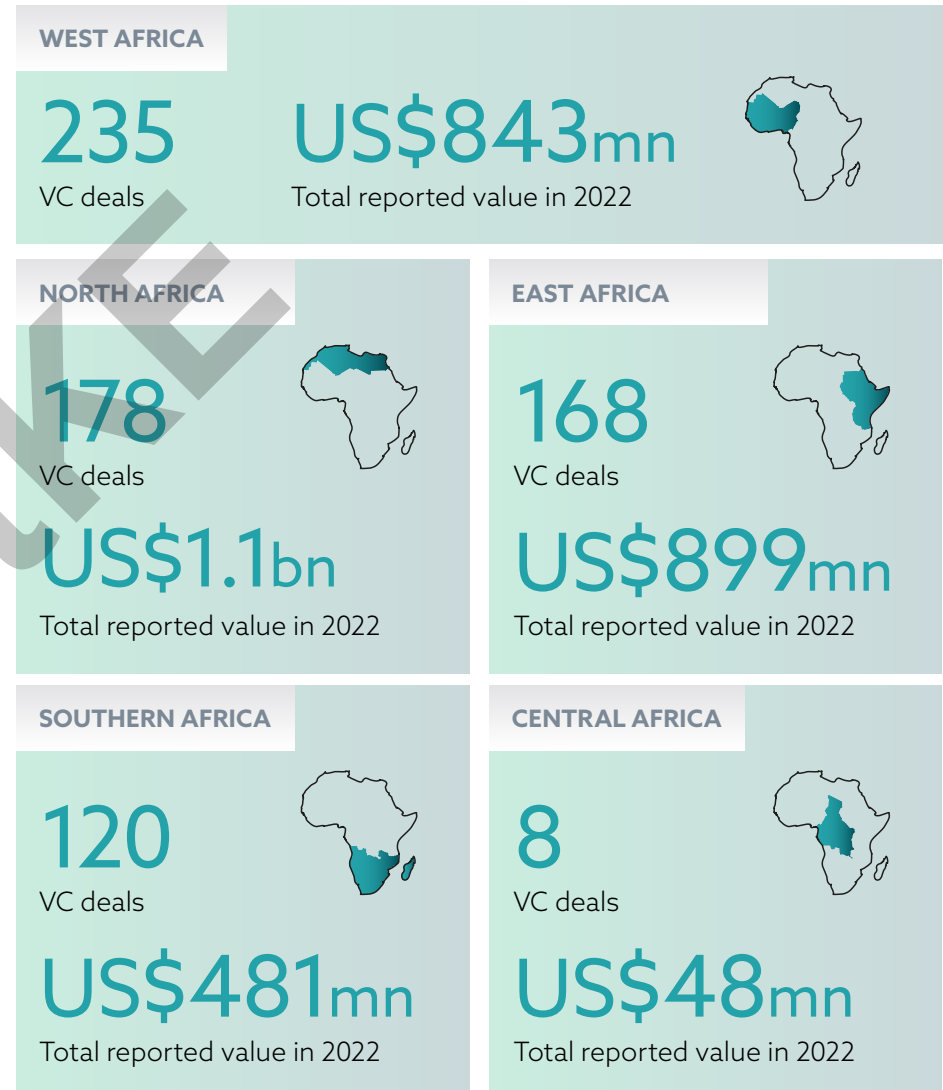
Figure 10: Annual Evolution Median Deal Size in Africa By Stage, 2014-2022¹²

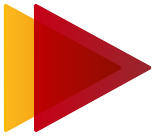


Geographic Focus

4.1 Venture Capital Deal Activity by Region

KEY FINDINGS:





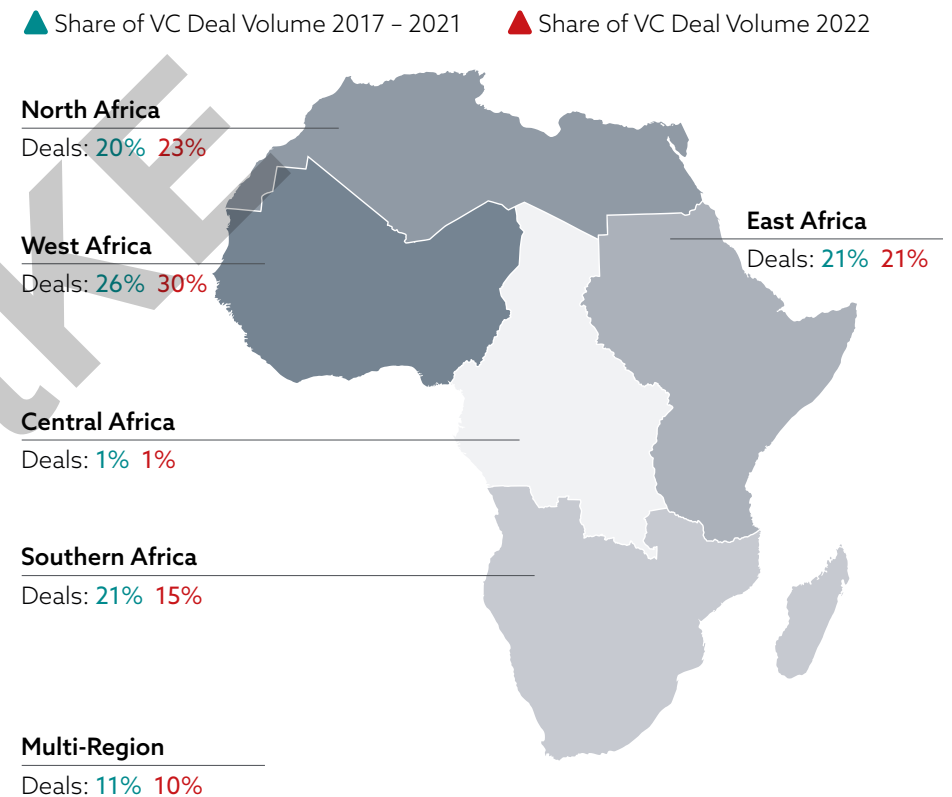
West Africa once again attracted the highest volume (30%) of VC deals in Africa in 2022, maintaining the top spot for the second consecutive year. While the region dominates in terms of the number of deals taking place, the value of funding raised by West African entrepreneurs lagged slightly behind other regions, namely North (21%) and East Africa (17%). The region saw a 37% contraction in startup funding last year, but this is due to a few deals (namely the US\$400 million Series C in Nigerian digital bank OPay and the US\$200 million Series A in Senegalese mobile money platform Wave) in 2021 that artificially / momentarily inflated the level of funding typically assumed by the region.

Further south, Southern Africa's longstanding predominance between 2014 and 2020 as the region which saw the most deal activity has since given way, coming in fourth place by both deal volume (15%) and value (9%) in 2022. 120 deals with a cumulative value of US\$481 million took place in the Southern African region last year, in a 6% YoY drop by volume and 28% drop by value compared to 2021. The region's downfall can be attributed to the gradual wear and tear of South Africa's economy in recent years. Unemployment stands at 35%, and South Africa is projected to see the highest jobless rate globally in 2023¹³. Furthermore, GDP per capita in 2021 is lower than it stood a decade prior, and consumer inflation in the country hit its highest level in 13 years during 2022¹⁴. South Africa's grip on the venture ecosystem has loosened in the face of increased macroeconomic stability, competition, entrepreneurial innovation, and investment elsewhere on the continent, with the result being a drop in regional deal activity for Southern Africa.

While multi-region deals typically account for a small proportion of VC deal volume each year, they routinely comprise the largest share of deal value, and 2022 was no exception. Multi-region deals commanded 10% of VC deal volume but a significant 36% of VC deal value in 2022, with 77 deals pulling in US\$1.84 billion last year. While the proportion of deal value raised by startups with a multi-region geographic footprint decreased from 42% between 2017 and 2021 to 36% in 2022, this doesn't necessarily indicate a decline in investor interest. Rather, it accommodates the growth of North Africa, which ascended to second place by both volume and value in 2022. This

lower share by deal value also reflects the growth of East Africa, which also had a particularly strong 2022. Notably, the share of funding commanded by East African entrepreneurs in 2022 increased by ten percentage points, in a significant 137% YoY increase by VC deal value.

Figure 11: Share of VC Deal Volume in Africa, by Region, 2017 - 2021 vs 2022



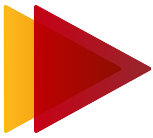


Figure 12: Share of VC Deal Value in Africa, by Region, 2017 – 2021 vs 2022

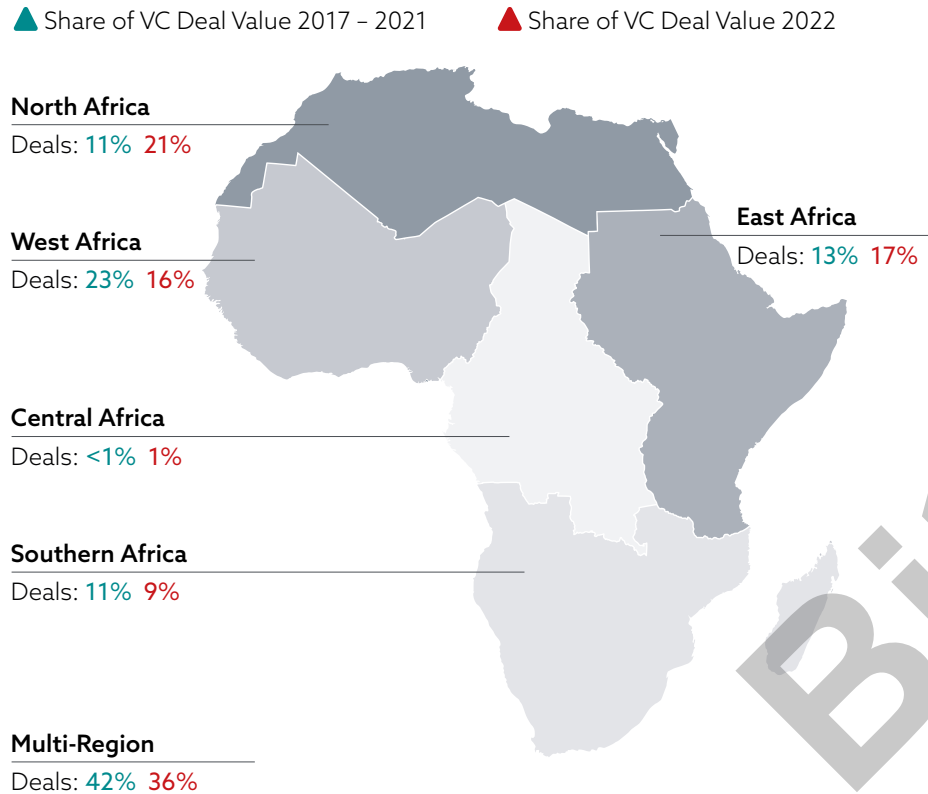
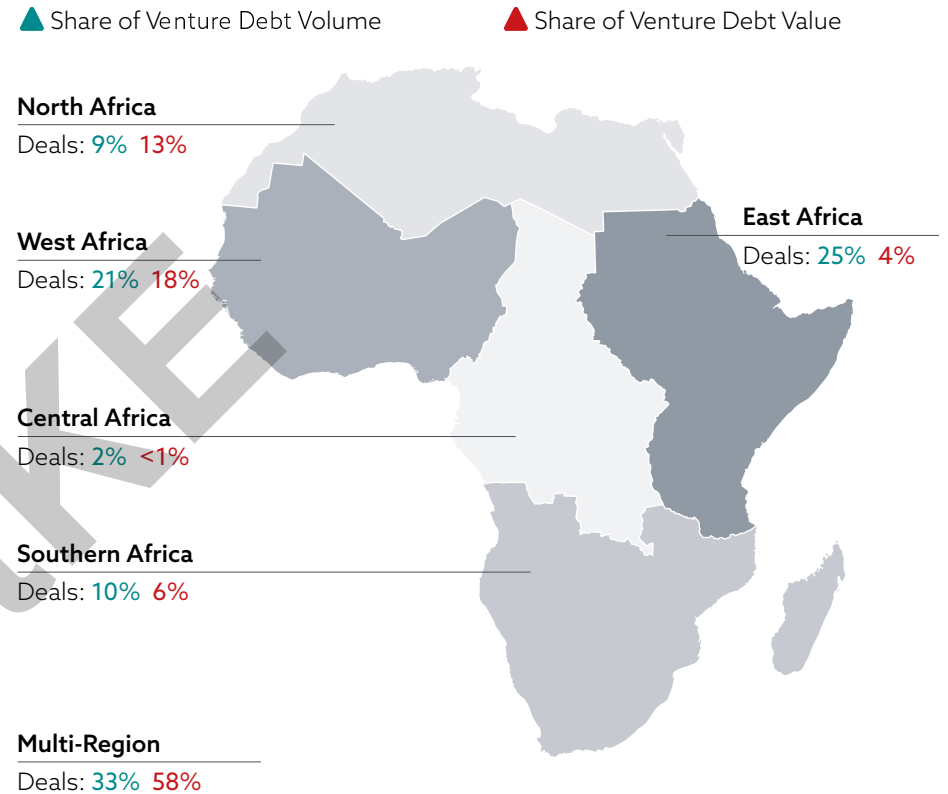
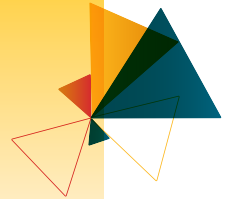
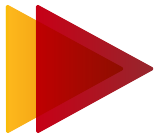


Figure 13: Share of Venture Debt Deal Volume and Value in Africa, by Region, 2022



Multi-region deals not only comprised the largest share of venture debt deal value, they also received the largest share by volume. East (25%) and West Africa (21%) were particular hubs for venture debt deal activity in 2022. This was driven by startups headquartered in Kenya and Uganda in the East, while startups headquartered in Nigeria, Senegal and Cote d'Ivoire led the charge of venture debt deal activity in the West.





4.2 Venture Capital Deal Activity by Country

22%

of the volume of VC deals in 2022 went to startups headquartered in **Nigeria**

When categorised from a country-specific level, Nigeria, Egypt, South Africa and Kenya remain the giants of Africa's silicon savannah, coming in the top five by both deal volume and value. Africa's largest economy and most populous country maintained its status as the most funded country in 2022, while Egypt (15%) rose in rank to second place, eclipsing South Africa which drew 14% of Africa's VC deal volume last year.

The presence of the United States (17%), the United Kingdom (6%) and the United Arab Emirates (4%) on the top ten list of early-stage investment destinations by VC deal value evidences the growing number of Africa focused, but not headquartered, startups in recent years. While these jurisdictions also have a large community of members of the African diaspora, African founders are choosing these jurisdictions because of their comparative ease of incorporation processes and friendly business environment, their proximity to capital-generation opportunities, and their robust intellectual property frameworks.

Figure 14: **Top 10 Investment Destinations* by VC Deal Volume, 2022**

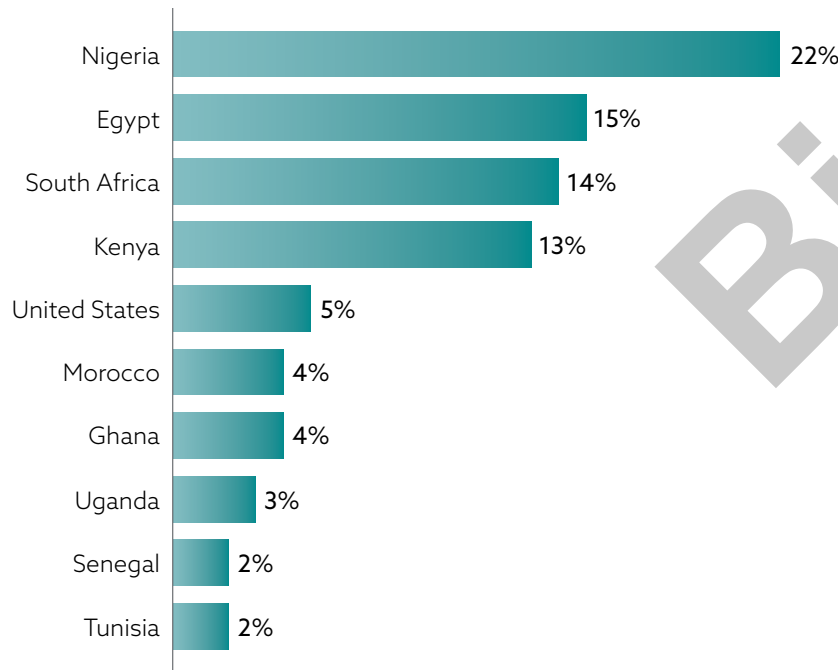
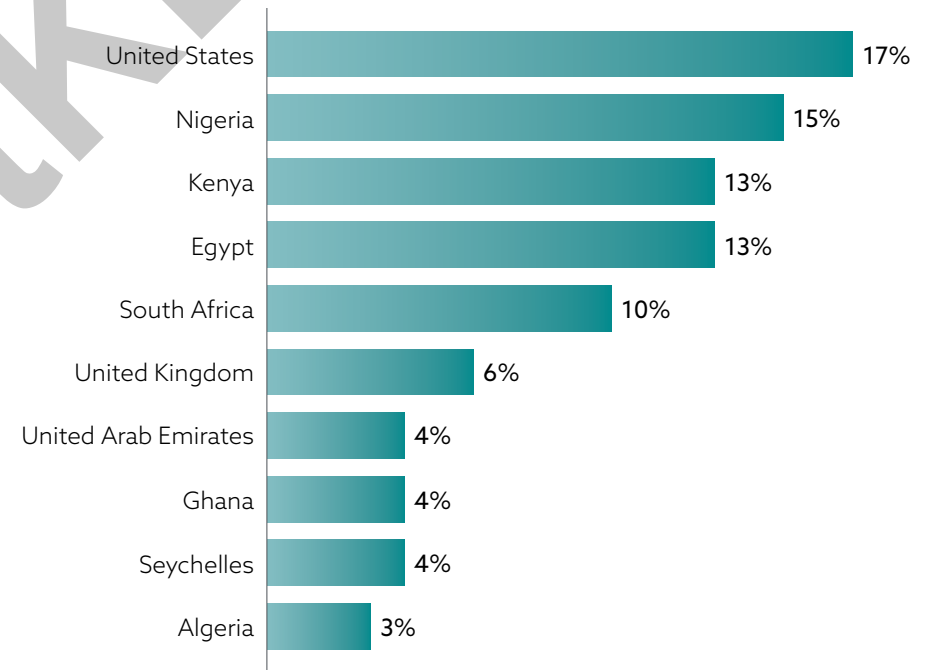


Figure 15: **Top 10 Investment Destinations* by VC Deal Value, 2022**



* Investment destinations are categorised by the country HQ of recipient startups

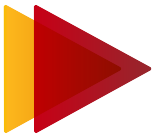
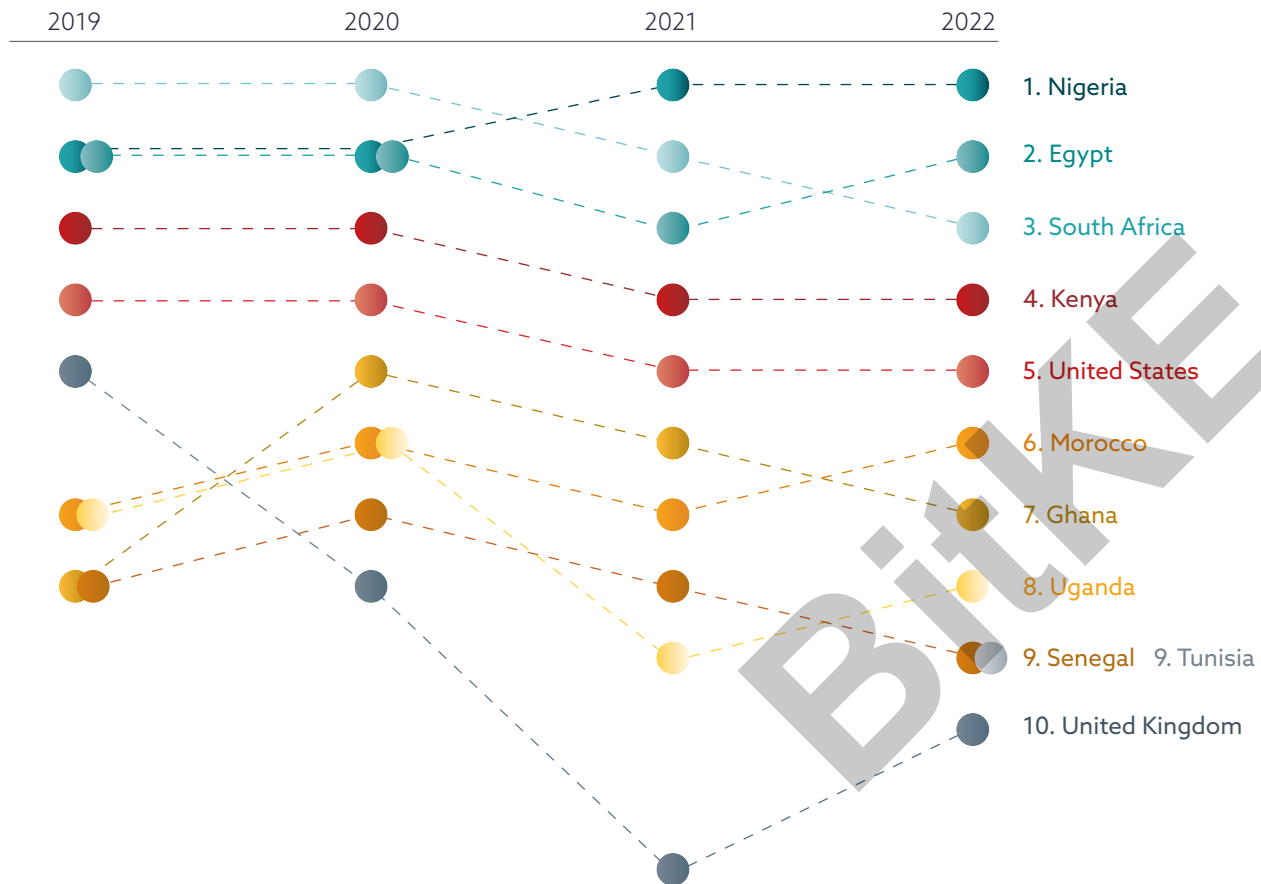
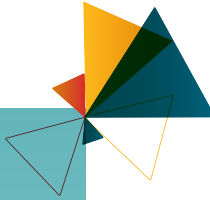


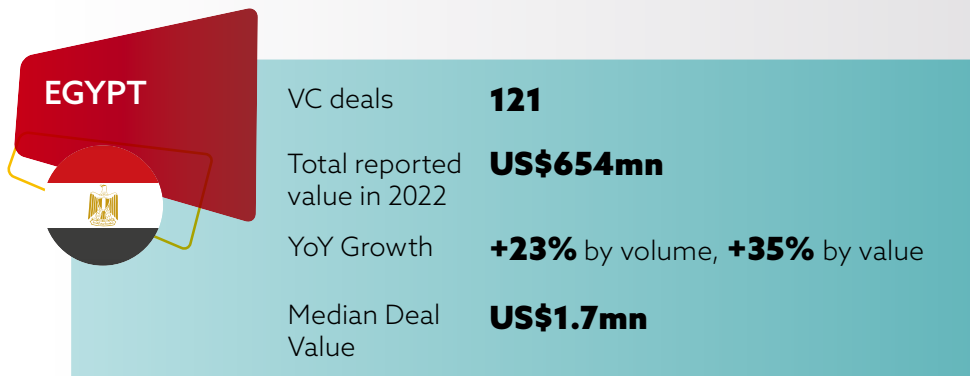
Figure 16: Evolution of Country Ranking by Deal Volume, 2019-2022



4.3 North Africa Countries Spotlight

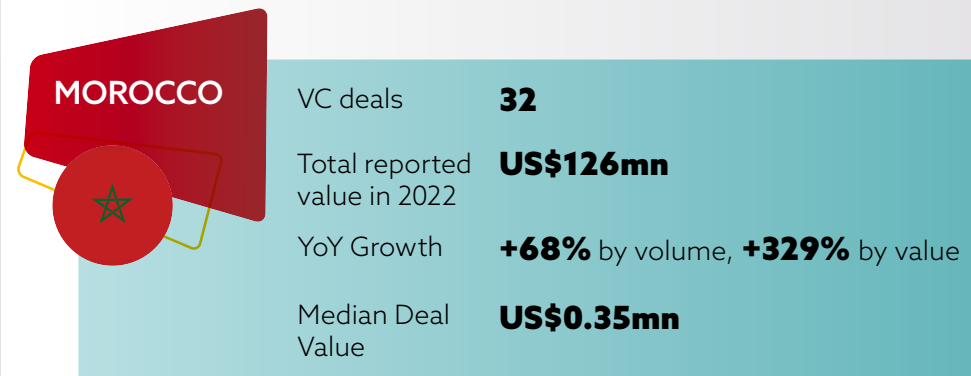
An interesting development in Africa's venture ecosystem in 2022 is the rise of North Africa, whose deal activity grew at a CAGR of 57% by volume and a CAGR of 120% by value between 2017 and 2022. More specifically, what is interesting to observe is the slow but steady gains made outside of Egypt that contributed to North Africa's ascension in 2022. While Egypt is a longstanding rising star in the region, 2022 saw the entry of both Morocco and Tunisia in the top 10 list of early-stage investment destinations in Africa by deal volume, as well as the introduction of Algeria in the top 10 list by value. Accordingly, this section profiles Egypt, Morocco and Tunisia – three countries that had some of the most pronounced YoY growth last year – and were consequently responsible for North Africa's rising share of venture capital deal activity in 2022.





A dominant force in the North Africa region, Egypt continually attracts the largest share of venture capital deal activity in the region, comprising two thirds (66%) of North Africa’s regional total in 2022. Its economically advantageous location at the confluence of three continents has also positioned Egypt as a gateway for entry into North Africa from the wider MENA region. More recently, however, Egypt has also been making a name for itself on the continental stage, rising in rank from the margins of the Big 4 to rival Nigeria and claim second place by both deal volume and value in 2022. This is particularly significant considering no super-sized deal activity (deals over US\$100 million) took place in Egypt last year.

The three most active sectors in Egypt are Consumer Discretionary (25%), Industrials (16%) and Information Technology (15%), which collectively accounted for over half of deal flow channelled to the country between 2017 and 2022. Egypt’s diversified economy, sustained levels of consumer spending and large urban population has created a consumer-oriented startup ecosystem. It is driven by e-commerce, supply chain logistics (a significant proportion of which is storage and shipping for these e-commerce platforms), and EdTech. However, 2022 specifically saw the rise of the Financials sector in Egypt which aggregated US\$225 million across 26 deals, 53% higher than the volume from the year before. The Financials sector closed Egypt’s top deal of the year, which was a US\$50 million Series B round in *Paymob*, a digital payments enabler for merchants in May 2022. Other notable deals that took place in Egypt in 2022 include the US\$46 million Series B funding round in *InstaBug*, an app performance monitoring software company; the US\$40 million pre-Series B round in B2B e-commerce marketplace *MaxAB* (which raised a US\$55 million Series A round just last year); and the US\$38 million Series A in *Khazna*, a financial super app providing technology-driven financial services to underserved consumers and micro-businesses in Egypt.



Compared to its private equity industry, venture capital is a relatively niche subset of private capital in Morocco at present. Nevertheless, venture capital deal activity in Morocco has shown modest acceleration in recent years, with 2015 being a particular turning point. It marked the launch of the *Innov Invest Fund*, a US\$50 million joint initiative by the World Bank and the Government of Morocco to plug early-stage funding gaps for startups, support entrepreneurial training and the development of incubators and acceleration activities by project developers¹⁵. Since then, a number of local capital allocators have emerged, including Wise Venture Capital (a subsidiary of Small Enterprise Assistance Funds founded in 2015 to invest in early-stage Moroccan businesses); Outlierz Ventures (a seed and Series A fund founded in 2017); UM6P Ventures (the investment arm Mohammed VI Polytechnic University founded in 2019 and focused on the (pre-)seed stage). More recently, in March 2022 the MAD1.1 billion (€100 million) Al Mada Venture Fund was launched by Morocco’s Al Mada Holding Group and in October 2022 EmergingTech Ventures, an early-stage venture capital fund was formed with a fully Moroccan management team. Reflecting the investment foci of these investors, Morocco’s venture landscape is heavily concentrated at the very early stages. 88% of venture capital deals in Morocco between 2017 and 2022 were at the seed stage, with only four Series A transactions taking place in that five-year period¹⁶. Seed stages are responsible for the surge in venture capital deal flow in the country, creating a robust long-term pipeline for early stage (Series A and B) stage rounds in the coming years.

The top sectors in Morocco are Information Technology (37%), Industrials (17%) and Consumer Discretionary (16%). Notable deals that took place in Morocco in 2022 include the US\$4 million seed round in transport management software provider *Freterium*, the US\$1 million seed round in *Jobop*, a digital staffing platform and the US\$1 million Series A in *Chari*, an online marketplace and embedded finance platform.



TUNISIA

VC deals	17
Total reported value in 2022	US\$18.5mn
YoY Growth	+183% by volume, +486% by value
Median Deal Value	US\$0.64mn

Tunisia was the first African country to pass a Startup Act in 2018, a landmark legislation that has since been implemented or worked towards in 10 other countries across the continent¹⁷. The Startup Act aimed to position Tunisia as an innovative business hub for startups at the crossroads of the Mediterranean, Europe and Africa, and successfully jolted the startup ecosystem in Tunisia which previously saw only a handful of venture capital deal activity take place prior to 2019.

Information Technology (34%), Consumer Discretionary (21%), and Industrials (14%) were Tunisia's most active sectors for venture capital investment between 2017 and 2022. Innovation in Tunisia's Information Technology sector has drawn international eyes to this small country in Africa's Maghreb region, particularly in the fields of artificial intelligence (AI) and biotech. Startups headquartered in Tunisia innovating in this space that raised capital in 2022 include SmartBee, a remote beehive monitoring system using infrared technology to prevent excess bee mortality and optimize honey production, the only one of its kind in North Africa. Another example is Deepera.AI, a financial management platform for the stock market using AI. Startups founded by the Tunisian diaspora are equally adoptive of disruptive AI-enabled solutions. Initially founded in Tunisia but now headquartered in the United Kingdom, deep tech startup Instadeep was acquired by a German biotech company in early 2023 in a deal with a long-term value of US\$684 million¹⁸. The success of Instadeep, which delivers AI products and solutions for the enterprise sector, position Tunisia to become a leading deep tech hub in Africa and the Middle East¹⁹. So too does Expensya, an expense management SaaS startup and another Tunisian success story – now operational in over 90 countries and serving almost 6,000 corporate businesses²⁰.

Notable deals that took place in Tunisia in 2022 include the US\$8 million Series A in EdTech startup *GoMyCode*; the US\$3 million seed round in *Save Your Wardrobe*, a female-founded digital wardrobe mobile app; and the US\$1.3 million pre-Series A in energy management software developer *Wattnow*.

Sector Focus

5.1 Venture Capital Deal Activity by Sector



Financials accounted for the largest share of VC deals by both volume (**31%**) and value (**42%**) in 2022.

Financials (31%), Information Technology (15%) and Consumer Discretionary (15%) were the 3 most active sectors by volume for the third year running in 2022, with these three sectors collectively accounting for just under two thirds of the total number of venture capital deals struck on the continent last year. The dominance of these three sectors reflects Africa's evolving demography and the changing nature of African consumerism. Not only are African entrepreneurs bringing new goods and services to market, but the innovative use of technology is also modernising the distribution and accessibility of these entities beyond the upper-middle class to Africa's growing cohort of young, urban and connected workforce. Given that Africa's economic growth prospects are linked to its accelerating urbanisation; a growing middle class with more discretionary income; and improvements in digital infrastructure deepening both internet and mobile penetration across the continent, the popularity of these three sectors amongst investors is likely to persist in the long term.

By deal value, Financials was the most-funded sector in Africa's venture landscape, albeit to a more modest degree than in 2021 (when the sector drew a monumental 60% of the total deal value). Although historically a prominent sector for entrepreneurial activity and concomitant venture capital investment in Africa, the elevated deal volume in the Financials sector last year was due to the closing of several late-stage, super-sized deals (including the US\$400 million Series C in *OPay*, the US\$292 million Series E in *Zepz* and the US\$170 million Series C in *Flutterwave*, to name a few). The 31% YoY contraction in funding channelled to the Financials sector in 2022 is therefore not an indication of declining investor interest, but rather of industry-course correction following an outlier year. Industrials claimed second place by deal value for the second consecutive year, while Information Technology came in third with a total US\$873 million put to work in the sector (equivalent to 13% of the aggregate deal value for 2022).

5.2 Rising Sectors of Interest



FINANCIALS²¹

VC deals	242
Cumulative value in 2022	US\$2.2bn
YoY Growth	+17% by volume
Median Deal Value	US\$3.0mn

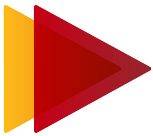
A titan in Africa's venture capital ecosystem, the Financials sector routinely attracts the bulk of deal volume and value on the continent. Early-stage companies offering Diversified or Consumer Financial Services routinely attract the majority of deal activity in the sector. However, deals in the Banking industry have shown significant acceleration in the last three years - rising from only 5 such deals in 2020 to 43 in 2022. This is in line with the growth of digital-only banks (also referred to as neobanks) in Africa. At the close of 2021, a total of 21 digital banks were active on the continent that together served more than 27 million customers - up from just 8 digital-only banks in 2017²². Catering to the youth, the underbanked, low-income customers, and SMEs, the market opportunity for digital banks in Africa stands at 300 million potential customers, but still remains largely untapped. Deal activity in the Banking industry in 2022 include the US\$50 million Series B2 round in *Moniepoint*, the US\$30 million Series A in Ghana's *Fido* as well as the US\$15 million Series A in Nigerian digital bank *Umba*.



INDUSTRIALS²³

VC deals	113
Cumulative value in 2022	US\$819mn
YoY Growth	+36% by volume
Median Deal Value	US\$2.5mn

Following triple digit growth in 2021, Industrials was once again a rising sector in 2022. Responsible for 14% of the total volume and 16% of the total value of venture capital deals in Africa, it saw incremental YoY increases by both volume and value in 2022. It owes its increasing prominence in Africa's venture landscape to a surge of deals in the Transportation and Commercial and Professional Services industries. An emerging vertical within Transportation is MobilityTech (companies that provide technologies and services that are disrupting the transportation, automotive and shipping industries). 56 unique Transportation startups received venture funding in 2022, most of which made use of software and internet-based solutions to provide mobility as a service, efficient supply chain transportation services, and last-mile delivery for e-commerce / FMCGs. An emerging vertical within the Commercial and Professional Services sub-industry is HRTech (companies developing software designed to improve human resource management, operations, and hiring processes), which displayed 183% YoY growth from 2021 by volume. Notable deals within the Industrials sector in 2022 include the US\$150 million Series B round in Algerian ride-hailing startup *Yassir*, the US\$10 million Series A in Nigerian human resource platform *SamlessHR*, and the US\$4.8 million seed round in Kenyan e-logistics startup for trucks *Amitruck*.



CONSUMER STAPLES²⁴

VC deals	42
Cumulative value in 2022	US\$50mn
YoY Growth	+50% by volume
Median Deal Value	US\$1.4mn

The Consumer Staples sector encompasses essential products used by consumers, and includes producers of food, beverages, household and personal products. Unlike the ever-popular Consumer Discretionary sector, Consumer Staples has not historically received a large proportion of Africa's venture capital deal activity, with more investments being poured at the two poles of the supply chain. On the raw material end of the chain, venture capital investors have backed startups advancing AgTech and yield-increasing agricultural and farm machinery. On the distributor end of the chain, venture capital has backed logistics startups facilitating the distribution and last-mile delivery of agricultural products and packaged foods. Given the capital and resource intensity of manufacturing and food or staples retailing, investments in Consumer Staples tend to be more private equity rather than venture capital backed. However, there has been a noticeable uptick in venture capital deal volumes in Consumer Staples in recent years, from only 6 deals in this category in 2017 to 42 such deals in 2022. With more multinational consumer-packaged-goods companies expanding their geographical footprint to Africa in the last decade and shifts in consumer spending patterns as more Africans move up the income chain, the Consumer Staples sector is prime for private capital investment. Notable deals within the Consumer Staples sector last year include the US\$5 million investment by Norfund into *260 Brands*, a Zambian consumer goods manufacturer, the US\$10 million Series A in Ghanaian cocoa farmer *Koa Impact*, and the US\$3 million seed round in Madagascan organic vanilla producer *Lafaza*.



REAL ESTATE

VC deals	18
Cumulative value in 2022	US\$13.7mn
YoY Growth	+125% by volume
Median Deal Value	US\$0.6mn

The number of Real Estate deals concluded in Africa's venture capital ecosystem has shown incremental year-on-year development between 2019 and 2022. While the sector only accounts for 2% of the cumulative volume of deals recorded in Africa last year, it nevertheless remains a rising sector to watch. Deals in this sector are not in traditional multi-million dollar real estate development, but rather in the PropTech component of the real-estate sector. PropTech refers to the application of technology elements in real estate and encompasses more than online search platforms - it also includes disruptive technologies improving the efficiency of real estate management, digital tools for smart, sustainable building and hardware. Diverse PropTech companies spread across the continent such as Nigeria's *YALO Technologies*, Egypt's *Nawy* and South Africa's *DigsConnect* all raised venture capital funding in the last year, signifying a small but growing interest by investors awakening to the sector's potential. Deal sizes in this sector remain low, with the largest last year being the US\$5 million seed round in Egyptian online real estate platform *Nawy*. However, deal volumes have been on an upward trend, growing at CAGR of 106% between 2019 and 2022.

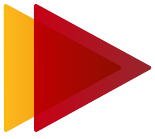


Figure 17: Share of VC Deal Volume by Sector, 2014-2020 vs. 2021 vs. 2022

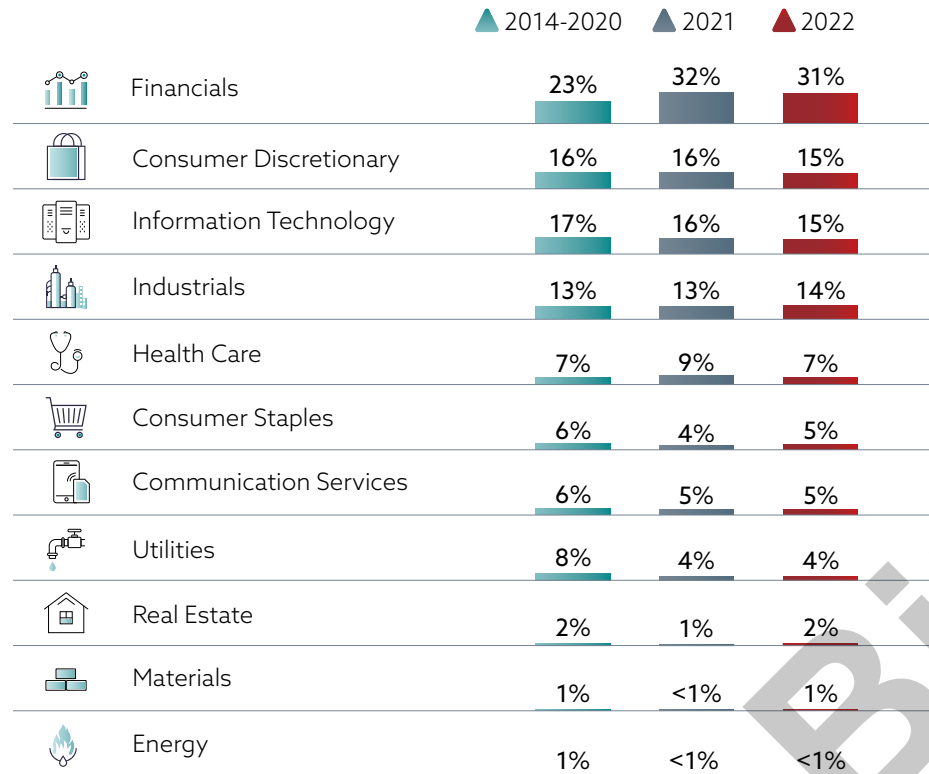
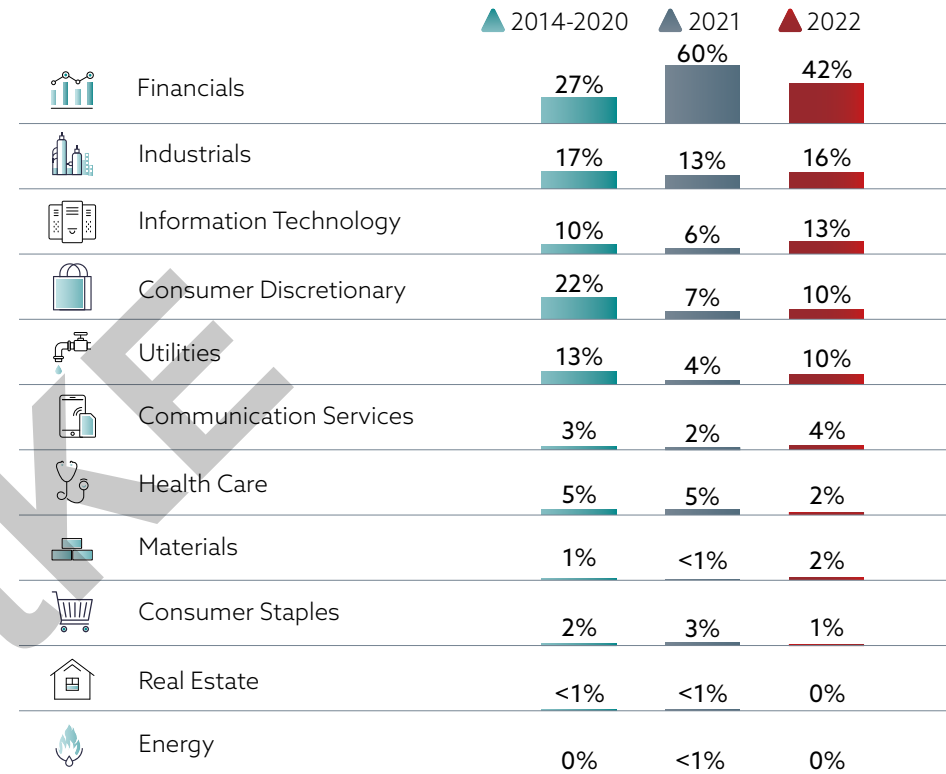



Figure 18: Share of VC Deal Value by Sector, 2014-2020 vs. 2021 vs. 2022

78% of VC deals in 2022 were in technology or technology-enabled companies operating across a variety of sectors

Africa's tech ecosystem continued to thrive in 2022, gaining international prominence in the global arena. 6 African tech-enabled startups were named on the World Economic Forum 2022 Technology Pioneers list, which highlights young and growing tech companies at the forefront of their industries around the world²⁵. These include Kenya's *Access Afya* (HealthTech), *Pula Advisors* (InsurTech) and *Sendy* (MobilyTech); Nigeria's *Okra* (FinTech); Rwanda's *Ampersand* (CleanTech); and Tunisia's *HawKar* (MobilyTech) - joining notable alumni such as Airbnb, Google, Mozilla, Spotify and Twitter that have all been named on the list since its inception in 2000.

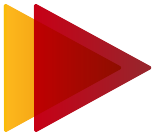
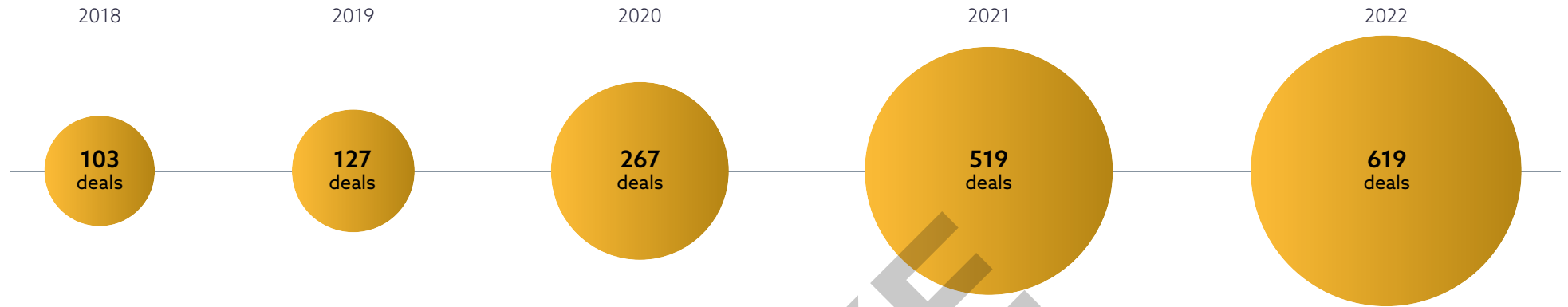
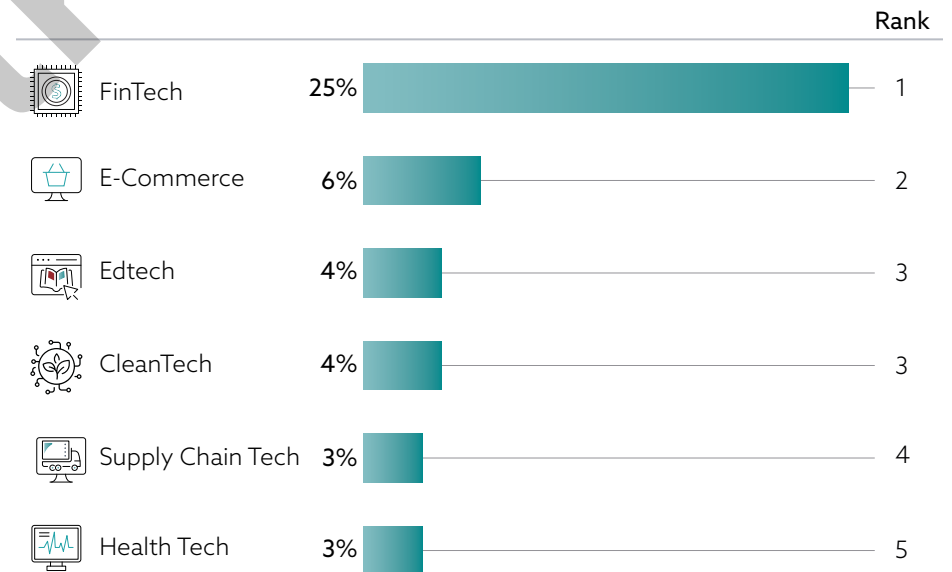


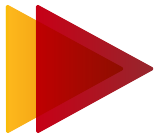
Figure 19: Annual Evolution of Deal Volume in Tech or Tech-Enabled Startups, 2018 – 2022



The international recognition of these startups also highlights the diverse use of disruptive technology in Africa’s early-stage ecosystem, which is being harnessed across a broad range of sectors. FinTech was, unsurprisingly, a dominant vertical amongst tech-enabled startups in 2022. Beyond the Financials sector, 2022 saw technological innovation applied to consumer-based sectors with the rise of e-commerce and EdTech. 2022 saw a proliferation of startups offering practical yet innovative solutions to facilitate learning for Africa’s youth raise funding, ranging from platforms providing educational entertainment for children, to startups developing school management software, and founders leveraging chatbox platforms to enable cheaper, offline access to learning materials. There are now over 150 active EdTech startups across 25 African countries²⁶ bridging the gap in access to quality education, a significant proportion of which are less than three years old. Illustratively, the number of EdTech startups that raised funding increased by 25% in the last year, from 28 in 2021 to 35 in 2022. Notable EdTech deals that took place in 2022 include the US\$8 million Series A in Tunisian startup *GoMyCode* led by *AfricInvest*, as well as the US\$6 million Series A in *Kukua*, a Kenyan educational entertainment company.

Figure 20: Top Verticals Amongst Tech-Enabled Companies, 2022





5.3 Venture Debt Deal Activity By Sector

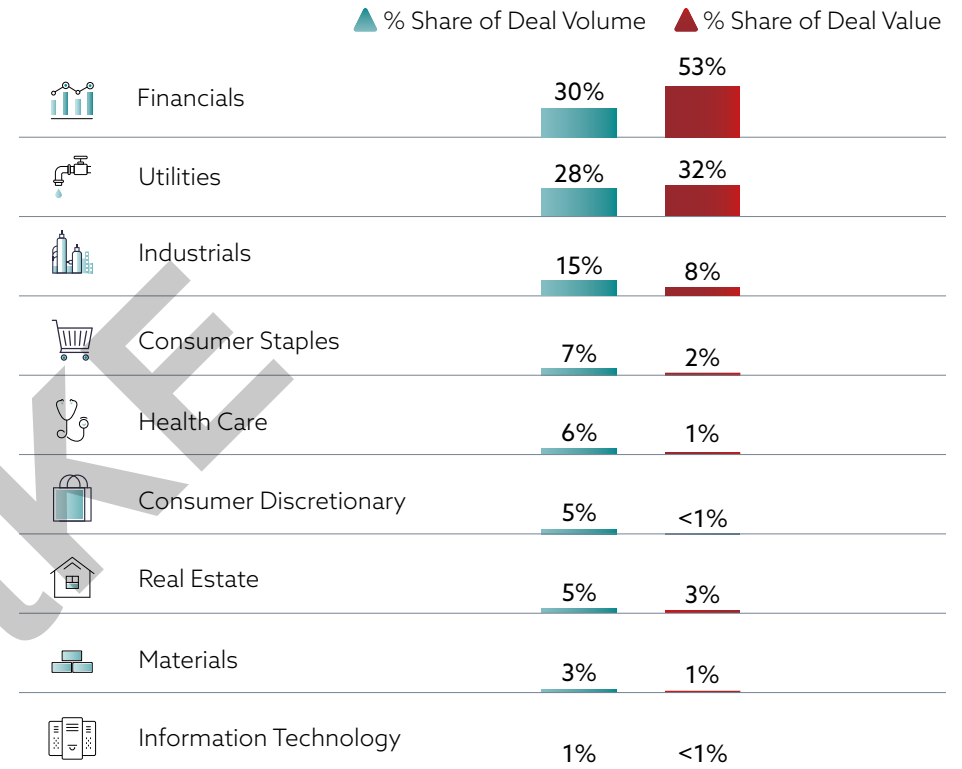


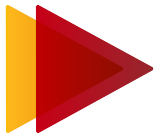
Financials accounted for the largest share of venture debt deals by both volume (**30%**) and value (**53%**) in 2022.

Financials (30%), Utilities (28%) and Industrials (15%) were the 3 most active sectors by volume in the venture debt category. Financials (driven by FinTech) and Utilities (driven by CleanTech) corner the venture debt market, capturing 58% of deal volume and an overwhelming 85% of deal value. US\$703 million across 20 venture debt deals were poured into the Financials sector. Notable deals include a €90 million loan to Senegalese mobile money platform *Wave* from a consortium of lenders including International Finance Corporation, FinnFund and Norfund as well as the US\$30 million raised by *Moove*, a Nigerian mobility fintech company, in December 2022 from a debut sukuk issuance to fund its expansion into the United Arab Emirates.

The Utilities sector saw several companies raise repeat debt rounds, with 5 unique companies raising more than one round of debt funding in 2022. One such company is *Bboxx*, a CleanTech company that designs, manufactures, and distributes solar systems across sub-Saharan Africa. The company received a KES1.6 billion (US\$15 million) local currency debt package from Kenya's SBM Bank in February 2022 to finance affordable solar home systems for nearly half a million Kenyans; US\$15 million by way of convertible loan notes from InfraCo Africa in May 2022 to enable market expansion across sub-Saharan Africa and a €11 million loan from Lion's Head Global Partners in November 2022 to accelerate their clean electrification delivery in Togo. The preceding illustrates the utility of venture debt as a financing alternative and cash cushion for business development or market expansion.

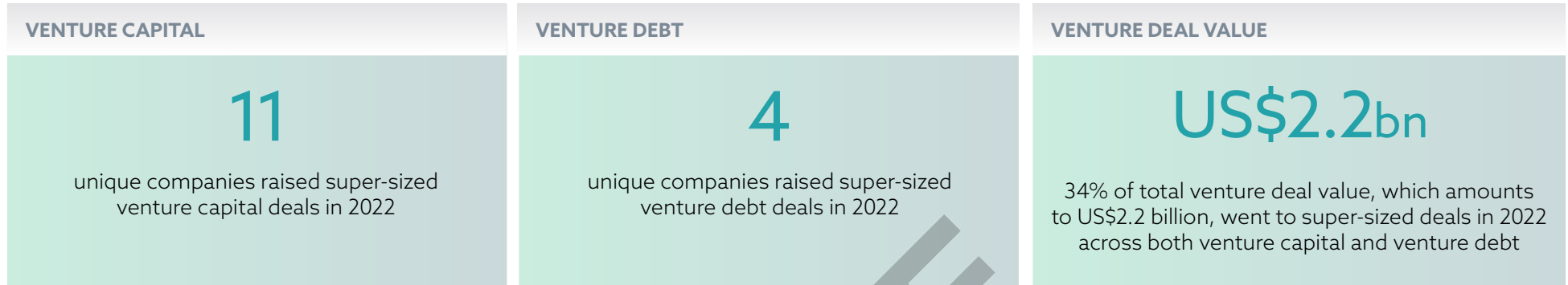
Figure 21: Share of Venture Debt Deal Volume and Value by Sector, 2022





Super Sized Deals

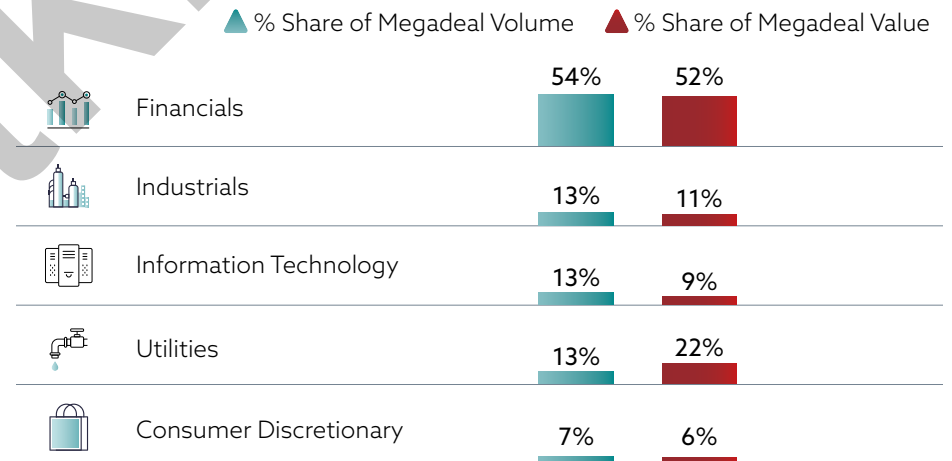
KEY FINDINGS:

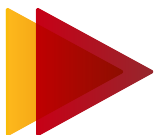


11 companies concluded deals with a value of US\$100 million or more in 2022, down from the 15 unique companies (across 16 super-sized deals) that managed the same feat in 2021. While this represents a decrease of 27% YoY, it nevertheless signifies the industry's development when viewed with a long-term lens, considering that there were no super-sized venture capital deals reported in 2020, and only three reported in 2019. With the inclusion of venture debt, which raised US\$650 million across four megadeals last year, 2022 closed out with a total 15 super-sized deals.

Deals with a value of US\$100 million or more in 2022 were spread across five sectors and 12 countries (by headquarters). Mirroring the wider sectoral distribution of venture capital deals in Africa in 2022, Financials (54%) was the most active sector by deal volume for super-sized deals, followed in joint second by Industrials, Information Technology and Utilities, with two super-sized deals each. By deal value, however, Utilities was the second most funded sector, owing to the size of off-grid solar energy provider *Sun King's* Series D round at US\$260 million and the US\$238 million off balance sheet facility for Kenyan solar home system provider *d.light*.

Figure 22: Sectoral Distribution of Venture Super-Sized Deals, 2022²⁷






Of note, international investors are leading the charge for these large, late-stage deals. With the exception of *MFS Africa* whose US\$100 million Series C2 round was led by Rwandese fund manager Admaius Capital Partners; *MNT-Halan* whose US\$150 million venture debt round was led by Egypt's Commercial International Bank; and *Interswitch* whose US\$110 million venture round was co-led by South African investment company Tana Africa Capital and emerging markets fund manager LeapFrog Investments, the other megadeals that took place in Africa in 2022 were led by international PE and VC fund managers from North Africa, Europe and the Middle East.

Figure 23: Selection of Publicly Disclosed Super-Sized Deals, 2022

Portfolio Company	HQ Location	Region (Operations in Africa)	Date	Funding Round	Deal Amount (US\$ mn)
Sun King	United States	Multi-Region	Apr-22	Series D	260
Flutterwave	United States	Multi-Region	Feb-22	Series D	250
d.light	Kenya	Multi-Region	Jun-22	Venture Debt	238
Yassir	Algeria	North Africa	Nov-22	Series B	150
KuCoin	Seychelles	East Africa	May-22	Series B	150
MNT-Halan	Egypt	North Africa	Jun-22	Venture Debt	150
Wasoko	Kenya	Multi-Region	Apr-22	Series B	125
Interswitch	Nigeria	Multi-Region	May-22	Series Unknown	110
Moove Africa	Nigeria	Multi-Region	Mar-22	Series A2	105
Trukker	United Arab Emirates	North Africa	Feb-22	Series C	100
MFS Africa	South Africa	Multi-Region	Jun-22	Series C2	100
InstaDeep	United Kingdom	Multi-Region	Jan-22	Series B	100

Impact & Diversity Focus

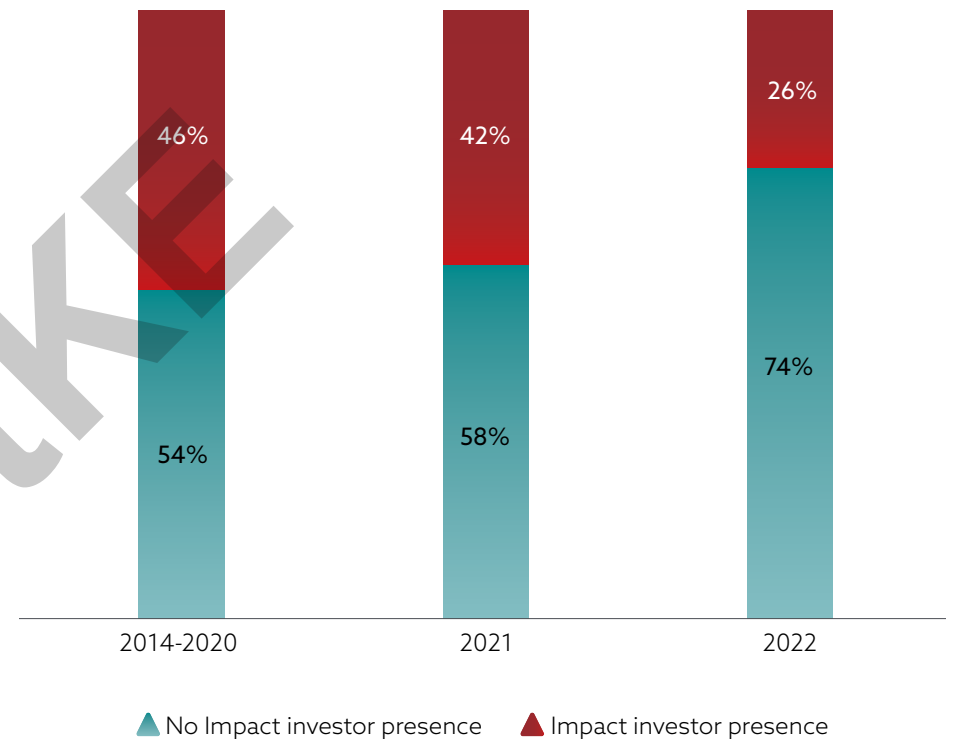
7.1 Impact Focus



26% of VC deals in Africa in 2022 saw participation from at least one impact investor²⁸

Deal activity with participation from at least one impact investor fell significantly to 26% in 2022, down from 42% the year prior. Slightly more than one in every 10 (11%) of venture capital deals that took place in Africa last year were climate-related investments, which all saw participation from impact-focused investors. Examples of climate-related investments supporting the development of low-emissions energy solutions in 2022 include the US\$330 million Series D (across two tranches) round in pan-African solar energy producer *Sun King*, the US\$50 million funding round in Togolese electric motorbike manufacturer *M Auto* and the US\$40 million Series C in *GridX*, a bespoke solar and renewable energy solutions developer based in Kenya.

Figure 24: Share of VC deals in Africa with participation from at least one impact investor, 2014 - 2020 vs 2021 vs 2022



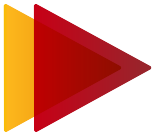
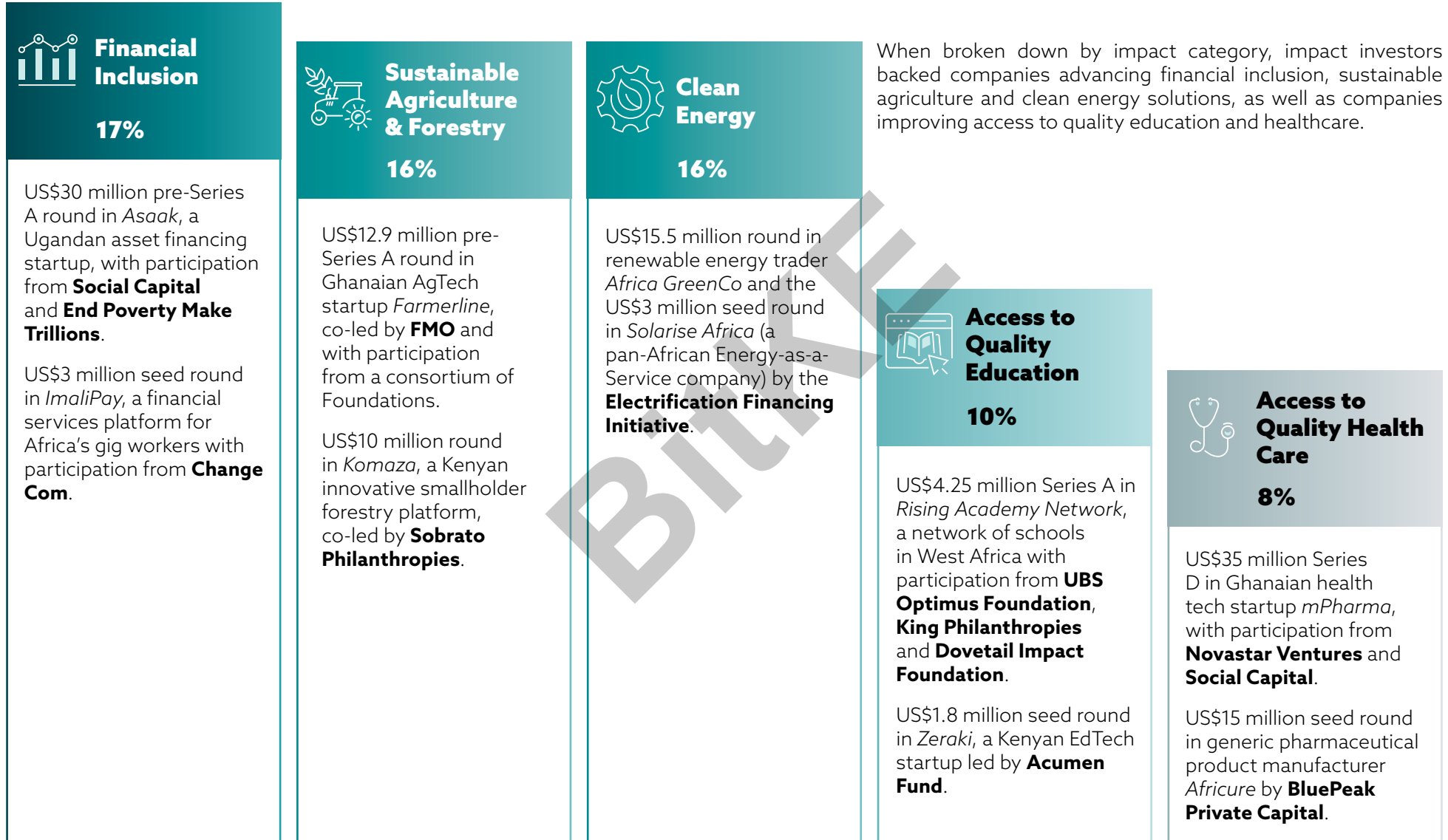
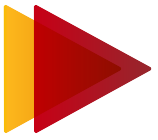


Figure 25: Top 5 Impact Categories Amongst VC Deals with Impact Investor Presence



When broken down by impact category, impact investors backed companies advancing financial inclusion, sustainable agriculture and clean energy solutions, as well as companies improving access to quality education and healthcare.



7.2 Diversity Focus



26%

of VC investments in Africa in 2022 were in startups with a female founder or multiple founders, including at least one female

Although the industry made modest strides towards diversifying gender representation in the recipients of venture capital, the funding gap between male and female founders in Africa remains significant. When categorised by gender, only 7% of the deals struck in 2022 were in companies founded by women. This is marginally lower than the 13% that went to female-led companies (companies with a female CEO) in 2022, which suggests that more women are leading rather than founding early-stage companies in Africa. Nevertheless, female presence at the founders table rises by nineteen percentage points when evaluating the proportion of deal volume allocated to diverse founding teams. Specifically, 26% of start-ups that received venture financing in 2022 were either entirely female founded, or counted at least one female in the founding cohort, raising a cumulative total of close to US\$950 million. Comparatively, the 24% of start-ups that received venture financing in 2021 which fit into this category only managed to raise a cumulative US\$150 million, indicating that the industry was not as favourable to female founders last year.

Figure 26: Share of VC Deal Volume By Female-Led Startups In Africa, 2022

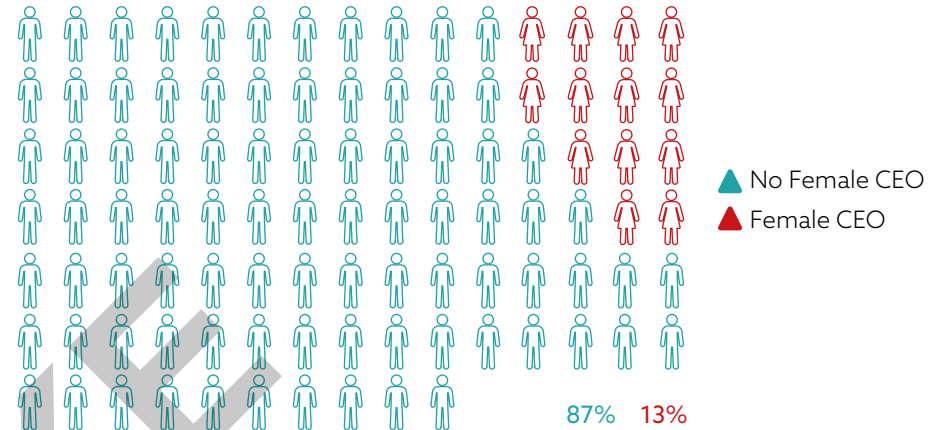
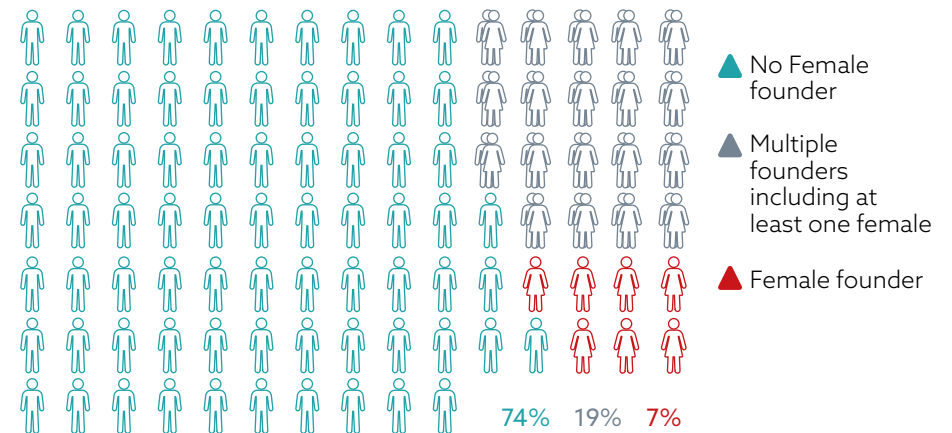
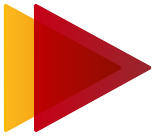
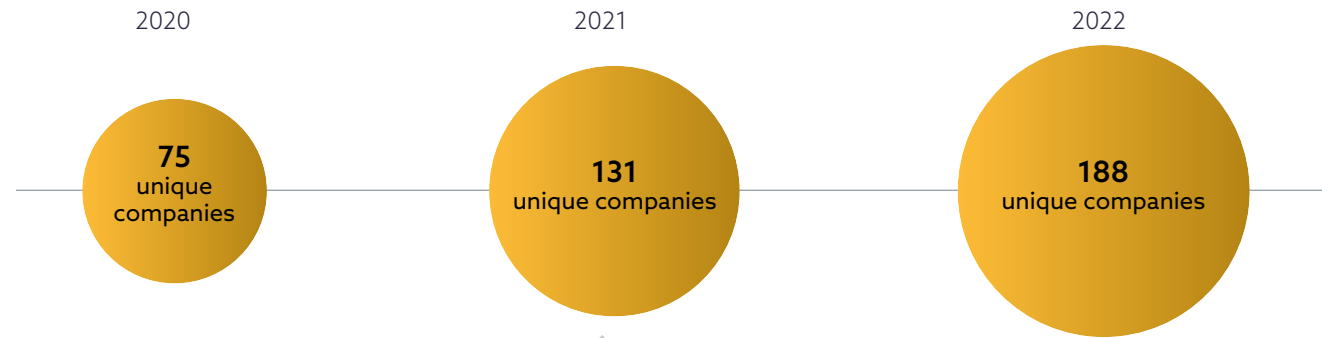


Figure 27: Share of VC Deal Volume by Female-Founded Startups in Africa, 2022



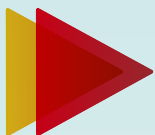


On a more positive note, while the percentage share of gender diverse startups successfully raising venture capital in Africa only displays incremental changes year on year, the actual number of startups that count at least one woman in their founding cohort is on the rise. This suggests that, at least on real terms, more capital allocators on the ground are adopting a gendered lens to their investments. While this is a measure of the industry's development with regards to diversity and inclusion, an immense amount of ground must be gained before reaching equal female representation amongst funded ventures.



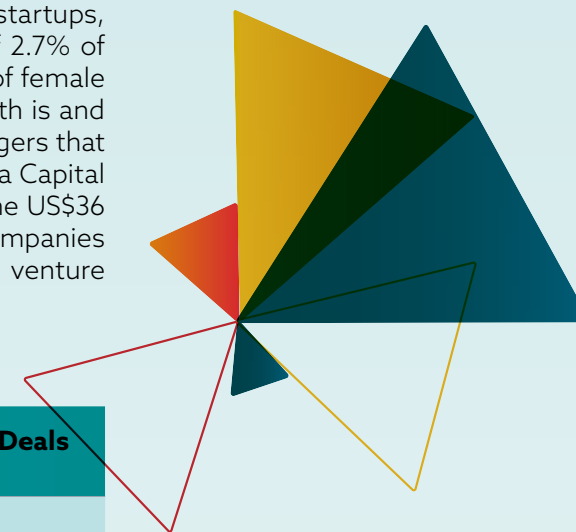
A selection of female-founded startups that raised VC funding in 2022 include:







Portfolio Company	Female Founder	HQ Location	Region (Operations)	Date	Funding Round	Deal Amount (US\$ mn)
Sabi	Anu Adasolum	Nigeria	West Africa	Apr-22	Series A	20
Pezesha	Hilda Moraa	Kenya	Multi-Region	Aug-22	Pre-Series A	11
Kukua	Lucrezia Bisignani	Kenya	East Africa	Jun-22	Series A	6
Lami	Jihan Abass	Kenya	East Africa	Aug-22	Seed	5.5
Powered by People	Ella Peinovich	Kenya	East Africa	Mar-22	Seed	5

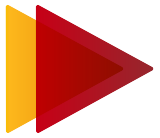


SPOTLIGHT: FEMALE CAPITAL ALLOCATORS

Female representation on the allocator / investor side of the transaction is just as anaemic as among the ranks of entrepreneurs. As of the close of 2021, 33% of all roles in private capital globally were filled by women, but this figure dropped significantly to just 20% at managing director or partner level²⁹. The underrepresentation of women in senior leadership roles could be one reason for the slow trickle of venture capital to solely female founded startups, which only received 2% of venture inflows into Africa in 2022. This is slightly below the global average of 2.7% of venture capital dollars that went towards female founded companies in 2019³⁰. However, a new generation of female fund managers have emerged on the continent in the last five years, putting their money where their mouth is and leading the charge towards gender parity in the distribution of capital. Female-led private capital fund managers that announced a successful fundraising in 2022 include the final close of the US\$20 million debut fund from Aruwa Capital Management, a Nigerian early-stage growth equity and gender-lens investment firm. Another example is the US\$36 million first close of the Janngo Capital Startup Fund, which has a mandate to invest 50% of its proceeds in companies founded, co founded, or benefiting women. A selection of female fund managers that cut checks / made venture capital investments in Africa in 2022 include:



Investor	Founder / Managing Partner	No. of Reported Deals
 FIRSTCHECK AFRICA	FirstCheck Africa Eloho Omame Odunayo Eweniyi	7
 ARUWA CAPITAL MANAGEMENT	Aruwa Capital Management Adesuwa Okunbo Rhodes	5
 Alitheia IDF GROWING BUSINESSES	Alitheia IDF 'Tokunboh Ishmael Polo Leteka Radebe	3
 Women's World Banking	Women's World Banking Ela Bhatt Michaela Walsh Esther Afua Ocloo	2
 WIC CAPITAL	WIC Capital Evelyne Diah Simpa	1
 janngo	Janngo Capital Fatoumata Bâ	1

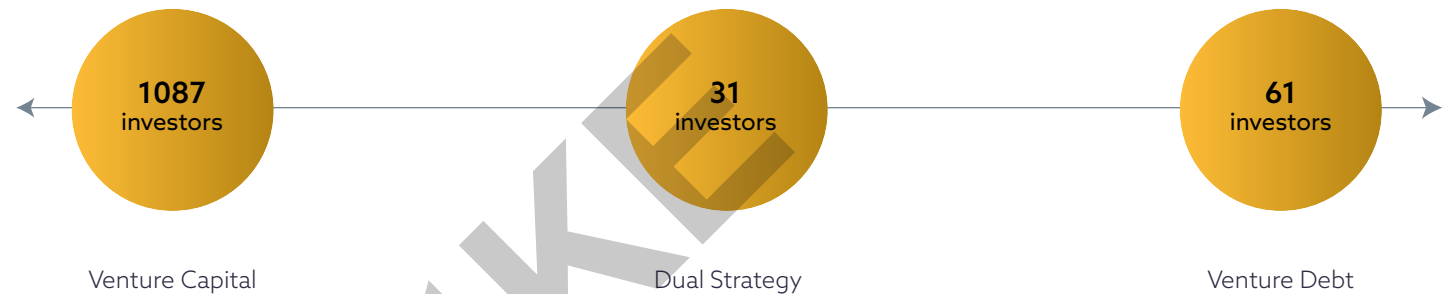


Investor Profile

1179

investors participated in venture capital and venture debt deals in Africa in 2022

The number of investors that took part in venture deals on the continent topped a thousand in 2022, across both venture capital and venture debt deals. The record 1087 unique investors that wrote checks for venture capital deals last year represents a 14% increase from 2021, which closed out the year with slightly less than 950 investors having been active on the continent. The magnification of actors investing and operating in the industry is an amalgamation of different push-factors, including: the increasing amount of entrepreneurial activity and startup creation happening in Africa, the unique ideation and innovative mass-market solutions being developed by these early-stage companies, and a growing global interest in African startups.

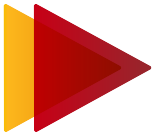


8.1 Investor Profile by Type

62%

PE/VC Fund Managers and PE/VC Investment Firms were the most prominent investor types funding VC deals on the continent in 2022, jointly accounting for 62% of the year's active investors

PE/VC Fund Managers (firms that have raised, or are currently raising, third-party funds from institutional investors) were once again the most active investors by type in Africa in 2022, closely followed by PE/VC Investment Firms (firms that are not known to be investing through a fund structure, making mainly direct investments). The crossover and participation of PE investors adopting venture capital investment strategies carried forward into 2022. For example, Helios Investment Partners announced the introduction of *Helios Digital Ventures* in May 2022, targeting tech-enabled startups at the early-growth stage. An increasing number of African fund managers that traditionally focused on PE investments on the continent are now concurrently raising VC funds. The preceding join the likes of Verod-Kepple Africa ventures, formed in 2021 as a joint venture between a Japanese

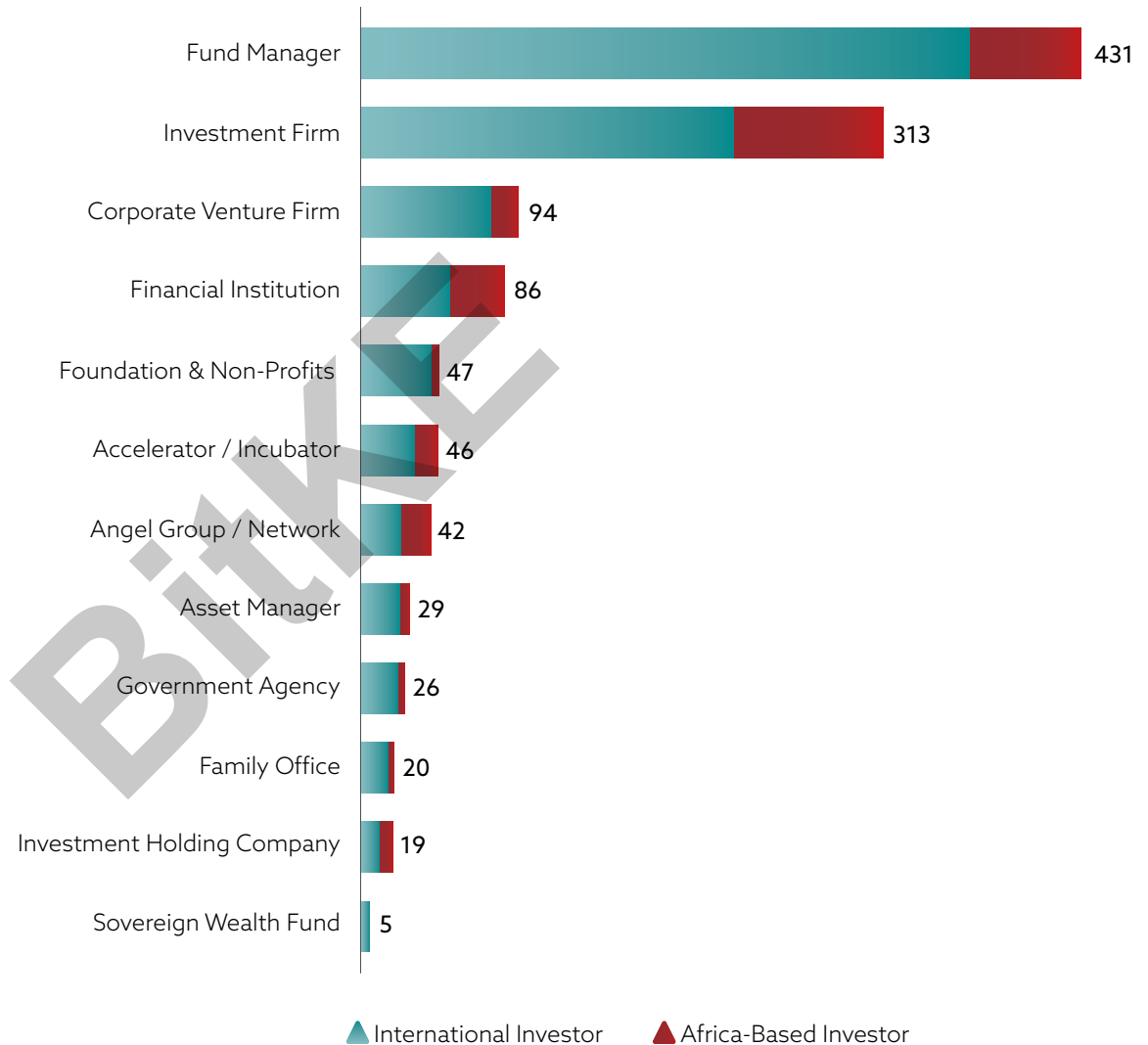


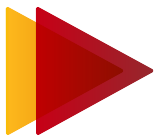
venture capital firm and a Nigerian private equity fund manager, and the partnership between AfricInvest and Cathay Innovation with their US\$168 million *Cathay AfricInvest Innovation Fund*, which announced a final close at €110 million in July 2022.

Corporate Venture Capital (CVC)³¹ investors were the third most prominent investor type funding VC deals on the continent, with global corporations such as Visa, Mastercard, Yamaha and Shell (among several others) actively supporting new entrepreneurial ventures in Africa last year. They join CVC firms Accenture Ventures, Mobility54, Orange Digital Ventures and PayPal Ventures, which made their first foray into Africa's venture capital industry in 2021 and made repeat investments on the continent last year.


Finally, Financial Institutions accounted for 7% of venture capital investors active on the continent in 2022. These investors are a broad cross-section of financial services operators including banks, trust companies, insurance companies and brokerage firms. An interesting trend in this category is the increasing number of FinTech startups, which themselves received VC funding earlier in their development lifecycle, that are beginning to finance other entrepreneurs emerging on the continent. South Africa's *Stitch*, Nigeria's *PiggyVest*, Egypt's *Fawry* and the pan-African platforms *Finclusion Group*, *Flutterwave* and *MFS Africa* are just some examples of VC-backed FinTech companies that were also capital allocators in 2022. The multiplicity of active venture capital investors on the continent – in what is becoming a melting pot of investor types – further evidences the increasing diversification of actors investing and operating in the industry year on year.

Figure 28: Investors Participating in Venture Deals in Africa By Category, 2022





8.2 Investor Profile by Location



23% Africa-based investors comprised 23% of the total number of investors active in Africa's VC landscape in 2022



Investors from the United States comprised the largest share of international investors active in Africa's venture capital industry in 2022, while South African claimed the largest share amongst African investors

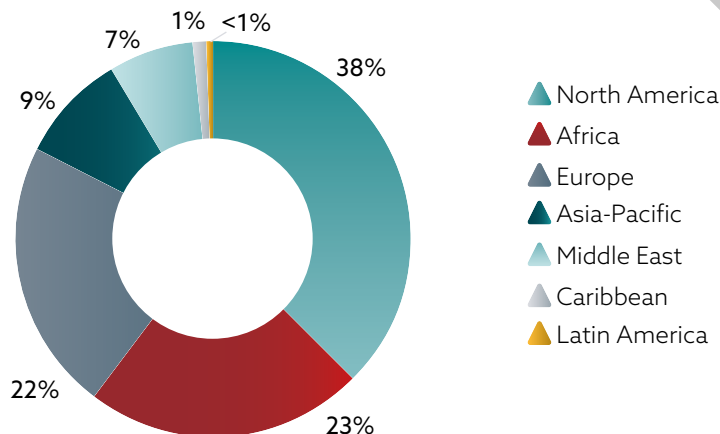
Foreign investors outnumbered domestic investors dealmaking on the continent in 2022, with Africa-based investors accounting for slightly less than a quarter of the total number of investors active in Africa last year. This is slightly higher but overall largely consistent with the ratio of local vs. international participation when extended over the full 2014-2022 timeframe, which stands at 1:4.

At 38%, North American investors once again represented the largest share of those that allocated capital to the continent in 2022. Investors based in Africa follow thereafter with 270 unique investors (23%) active in the ecosystem last year, closely followed by European investors (mostly from the United Kingdom, France and the Netherlands) which accounted for 22% of the investor profile for the year, by region.

Close to half of the international investors that took part in VC deals on the continent in 2022 were based in the United States. 436 unique American investors participated in Africa's deal making activity in 2022, a 22% YoY increase from the 357 that were active in 2021. The United Kingdom comes second in the cohort of international investors deploying capital to African entrepreneurs last year, followed by investors from the United Arab Emirates, which typically concentrate their African portfolio in Arabic-speaking North Africa.

South Africa, Nigeria and Egypt continue to be the main sources of venture capital funding amongst African investors, featuring in the top five of the country-based breakdown of investor participation in 2022. These three countries accounted for a combined 15% share of the total number of investors that participated in VC deals on the continent in 2022, slightly lower than the proportion they commanded in 2021. In particular, Egypt saw the biggest YoY increase in the number of investors dealmaking amongst Africa's Big 4 last year, rising from 32 unique Egyptian investors in 2021 to 47 in 2022. This coincides with a strong year of VC fundraising in Egypt. Notably, Egyptian venture capital fund *DisrupTech* reached a US\$25.1 million second close, a US\$85 million FinTech fund *Nclude* by Global Ventures alongside three of Egypt's state-owned banks was established, *Algebra Ventures* reached a US\$100 million first close of its second Egypt-dedicated fund, and *Endure Capital* reached a first close of its new US\$50 million fund focused on early-stage startups.

Figure 29: Investors Participating in VC deals in Africa By Region, 2022



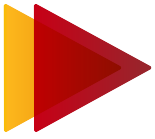
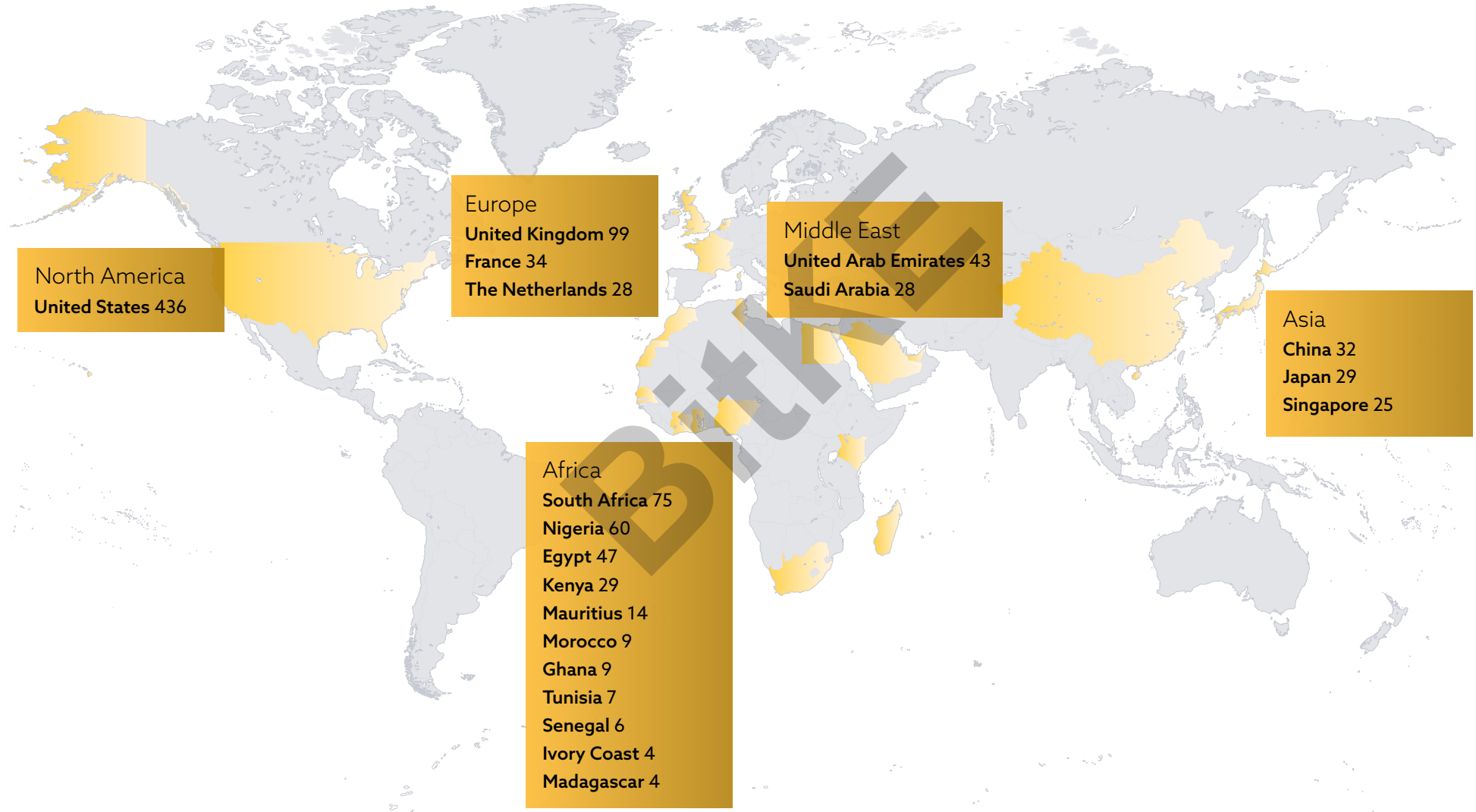


Figure 30: **Top 10 Countries Where African Investors Are Based, 2022**

Figure 31: **Top 10 Countries Where International Investors Are Based, 2022**



Key Definitions:

Venture Capital:

An investment practice within private equity featuring short-medium term direct equity or equity-linked investments in earlier-stage, younger companies that need funding and support to get an idea off the ground, develop a business model or launch into the market. This capital is often deployed to companies in a series of “rounds” of funding as pre-agreed milestones are met.

For the purposes of this report, venture capital deal values include equity, mezzanine, and debt when the latter is part of a larger transaction that also involves equity. Therefore, companies that raise mixed (i.e. equity and debt) funding rounds are classified within the Venture Capital category. For example, the whole value of the US\$6.5 million Series B round in Kenyan home furniture manufacturer *MoKo Home + Living* (US\$3.5 million equity and US\$3 million debt) is taken as venture capital in this Report.

Venture Debt:

Loans offered to early-stage, high-growth companies with existing venture capital backing by venture debt providers (typically banks or private capital funds) to provide liquidity to a business for the period between equity funding rounds.

For the purposes of this report, venture debt deal values include convertible notes, mezzanine, private bonds, and direct lending when they occur in isolation. Companies that raise mixed (i.e. equity and debt) funding rounds are excluded, and only pure debt deals are classified within the Venture Debt category.

Impact Investor:

Investors with an intentional desire to solve problems, address opportunities, and generate positive, measurable social and environmental impact

alongside a financial return. Development Finance Institutions, Non-Profit Organisations and Foundations are also classified as impact investors.

PE/VC Fund Managers:

Firms that have raised, or are currently raising, third-party funds from institutional investors.

PE/ VC Investment Firms:

Firms that are not known to be investing through a fund structure, making mainly direct investments.

Investment Scope:

AVCA's Venture Capital Database takes an investment stage approach to data collection. There is no minimum deal value threshold for data collection. Instead, our methodology tracks startups and early-stage companies that have raised seed, post-seed to late-stage financing only.

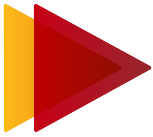
The following exclusions are applied to our methodology:

Pre-Seed Deals. The focus on seed+ stages is because seed funding is (often, but not always) the first official equity funding stage. Given that the most common sources of pre-seed funding are the founders themselves, angel or family networks, this stage is excluded from our analysis.

Deals from **Accelerators and Incubators.** Deals featuring accelerators or incubators have only been included when they were part of a larger consortium of investors that participated in the financing or funding round of a company.

Deals from **Angel Investors.** Deals featuring angel investors have only been included where they were part of a larger consortium of investors that participated in the financing or funding round of a company.

Growth Equity. Deals classified as growth equity are excluded from our methodology. AVCA Research classifies these transactions as private equity.



As such, these deals are included in AVCA's *African Private Capital Activity Report*, not the *Venture Capital in Africa Report*.

Crowdfunding. Deals where capital was sourced solely from crowdfunding platforms are excluded.

Grants, Mergers & Acquisitions, Competition or **Award** financing is also excluded.

Data Sources & Quality Controls:

AVCA Research collects data on a bi-annual basis from a range of public and private sources. Public sources include news outlets, company press releases and public platforms. Private sources include data obtained directly from fund managers, investors and founders as well as from subscription-based platforms. The data from private sources are treated as confidential, and only reported in aggregate.

AVCA Research supplements these sources using desk-based research to ensure data completeness. AVCA Research reviews all data obtained, queries any obvious errors, verifies the cut-off rules, and processes all necessary changes to historical data that have been reported by contributors. As such, AVCA cannot guarantee the ultimate accuracy of the data.

Geographic Scope:

This Report is by no means exhaustive but intends to be indicative of the overall venture landscape in Africa. To provide a holistic overview of the volume and value of venture financing being channelled to the continent, this report covers the following:

1. **Startups Headquartered In Africa.**
2. **Africa-Focused Startups.** We define this as early-stage companies headquartered outside of Africa, but whose primary business, operations and market is in Africa. An example of what this Report classifies as an Africa-focused startup is *Flutterwave*, a payments infrastructure provider

connecting Africa to the global economy. Although incorporated in the United States, this company operates in Nigeria, Kenya, Ghana and South Africa, thus meeting our methodology as an Africa-focused startup.

3. Startups not headquartered in Africa or whose primary business, operations and market is not in Africa, but have raised capital to **finance the company's expansion or strengthen the company's presence in Africa specifically**. In these instances, the entire deal value is used.

Temporal Scope:

This Report covers deal activity in Africa's venture capital industry between 2014 and 2022. Deal dates are taken to be the date on which the deal is announced, unless otherwise specified.

Sector Classifications:

The classification of invested company by sector is based on the [2022 Global Industry Classification Standard Classifications \(GICS\)](#).



ENDNOTES

- 1 CIO, 2023. [Assessing the Impact of Layoffs On Africa's IT Talent](#)
- 2 Disrupt Africa, 2023. [Jobs Created By Funded African Tech Startups Almost Doubled In 2022](#)
- 3 VentureBurn, 2022. [African Fintech Start-Up Yellow Raises \\$20m In Debt Financing](#)
- 4 AVCA News Room, 2022. TLG, [Future Africa Launch \\$25m Venture Debt Fund Programme For African Startups](#)
- 5 [2022 African Private Capital Activity Report](#)
- 6 Bain and Co., 2023. [Global Venture Capital Outlook: The Latest Trends](#)
- 7 Calculations of global industry growth averages are obtained using data from the [Crunchbase 2022 Global Funding Report](#). Calculations of Africa's growth averages are based on AVCA Data. Please note the Oceania, Middle East and Africa regions **are not** specifically broken down in the Crunchbase Report. Accordingly, if you add up the Americas, Asia and Europe regional totals, they **will not** match the global total, which considers these other regions.
- 8 Calculations of global venture capital median deal sizes are obtained using data from the KPMG [Q4 2022 Venture Pulse – Global Trends](#) Report. Calculations of Africa's median deal sizes are based on AVCA Data. For direct comparability between datasets, the median value for late stage deals in Africa only includes Series C and Series D transactions.
- 9 World Bank's Entrepreneurship Survey and Database.
- 10 Adjacent referring to pre-Series A or pre-Series B rounds.
- 11 Please note the annual evolution of median deal values presented here exclude those in the "Series Unknown" category.
- 12 Please note the annual evolution of median deal values presented here exclude those in the "Series Unknown" category.
- 13 World Economic Forum, 2023. [Unemployment Forecasts, by Country in 2023](#)
- 14 Department of Statistics South Africa, 2023. [2022: A Rocky Road For Product Prices](#)
- 15 World Bank, 2017. [Developing Venture Capital for Young Startup Firms in Morocco](#)
- 16 Excluding deals in the "Series Unknown" Category
- 17 Disrupt Africa, 2019. [10 More African Countries Are Working Towards Local Startup Acts](#)
- 18 Disrupt Africa, 2023. [Tunisia-Founded AI Startup Instadeep Acquired In \\$684m Deal](#)
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Championing Private Investment in Africa

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AVCA plays an important role as a champion and effective change agent for the industry, educating, equipping and connecting members and stakeholders with independent industry research, best practice training programmes and exceptional networking opportunities.

With a global and growing member base, AVCA members span private equity and venture capital firms, institutional investors, foundations and endowments, pension funds, international development finance institutions, professional service firms, academia, and other associations.

This diverse membership is united by a common purpose: to be part of the Africa growth story.

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