H1 AFRICA INVESTMENT REPORT 2023

BRITER BRIDGES

August 2023

Authors

Since 2018, Briter Bridges has carved a leading role as a research and market intelligence firm focussed on emerging markets. Briter has built a reputation in applying data, visual storytelling, engagement and nuance to power thought leadership, research, and investment strategy across Africa and underserved markets. Briter now boasts a portfolio of over 100 clients, ranging from the World Bank to the Gates Foundation and dozens of venture funds and ecosystem support organisations. Briter Intelligence, our proprietary product and platform, is the fastest-growing business intelligence tool dedicated to the entrepreneurial ecosystem in underserved markets, counting thousands of users from Amazon to Boston Consulting Group, media, investors, and government agencies.

BRITER BRIDGES

Methodology and Disclaimer

This report aims to offer a comprehensive and insightful overview of the investment landscape, crafted and made possible by virtue of deep industry engagement and proprietary methodologies that have been applied in the collection and analysis of data. This report is founded upon the analysis of announced investment deals and disclosed deal values, primarily spanning the period from 2021 to June 2023, all of which are available on Briter Intelligence, and collected through secondary research in addition to receiving data directly from founders and investors. This approach ensures that the report captures a substantial portion of the investment activities that have shaped the market during this critical timeframe. By focusing on disclosed information, this report offers a transparent and data-driven perspective, allowing readers to gain valuable insights into the trends and dynamics driving the investment ecosystem.

However, it is essential to recognise that despite these efforts, the data feeding into the analysis might not encompass the entire spectrum of investment activities. The inherently confidential nature of certain deals may lead to their non-disclosure, while deal values might remain undisclosed due to sensitivities beyond Briter's control. Therefore, while this report presents a thorough overview of the investment landscape, it may not be 100% comprehensive. Readers are advised to consider this limitation when interpreting the findings. Additionally, it is crucial to emphasise that the insights and conclusions derived from the report are intended for informational purposes only and should not be construed as financial or investment advice. Individuals are encouraged to seek professional counsel before making any investment decisions based on the report's content.

Introduction

At the conclusion of the first half of 2023, capital infusion into Africa's startups surpassed an impressive milestone, exceeding the $20 billion mark over a span of 15 years. This is indeed a landmark, but it comes at a time when many in the investment and innovation ecosystem are asking what the future of investing in Africa looks like. Over the last year, we have observed a significant change in the funding environment putting pressure on startups and investors alike. Many startups have needed to shut down, while many funds have struggled to meet their target closes. Others have been forced to take write-downs on their valuations and make deep cuts to their teams. Startup funding in Africa experienced a decline to $1 billion during the first Half of 2023, contrasting with the $1.5 billion in the second half of 2022 and $1.8 billion in the first half of 2022, these figures being calculated in the exclusion of several mega-deals valued at $100 million and more.

Not all is lost. Within the downturn we are seeing a shift in focus from the growth stage, where many startups are stuck with high valuations from the peak in 2021 and 2022, to the late and early stage. At the late stage, we have seen a handful of mega deals in fintech, logistics and climate tech which have driven the majority of funding volume in H1 2023. Further, we have seen a shift in the sector breakdown, with fintech losing some of its hold on both funding volumes and number of deals. The big four still account for the majority of funding, but markets like the DRC, Rwanda, Morocco, Ghana, amongst others are picking up momentum. It's against this backdrop, that Briter is excited to release its first mid year Africa investment report. The report has 5 sections:

1. Making sense of the year so far and looking at the investment trends for H1 2023
2. That we are deep in a downturn, and comparing H1 2021 all the way to H1 2023
3. When did the rain start beating us, and locating where the market is in the downturn
4. Where are the opportunities and resilience in this down turn; and
5. Where to from here looking at the current key trends in the ecosystem and how they might play out for the remainder of the year

We hope that this report helps you to make sense of the current shifts in the innovation and investment ecosystem in Africa and we emphasize that the pertinent query isn't whether investable prospects exist in Africa, but rather, where they lie and how best to unearth and fund them.

Mariam Adebola

Research & Data Analyst

Joshua Murima

Head-Investor Relations

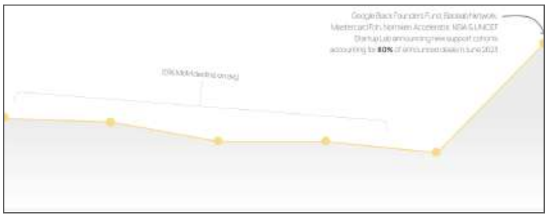
BRITER BRIDGES

Contents

Key observations

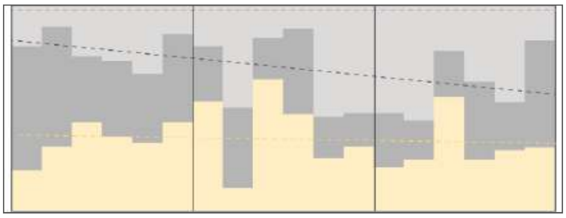
THE FUNDRAISING ENVIRONMENT

p.3 it's indeed a tough fundraising environment



GLIMMERS OF HOPE

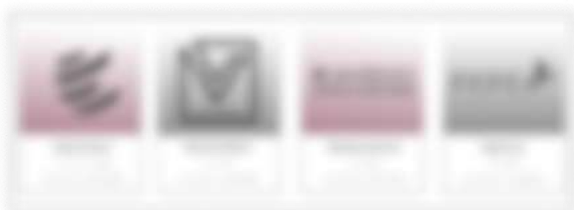
p.12 climate related sectors are perfoming better



SOURCES OF HOPE

p.16 CVCs and DFIs are shaping resilience

p.17 new funds launched



BRITER BRIDGES

Making sense of the year so far

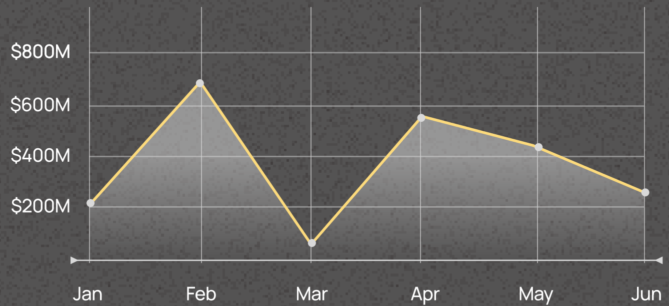
BRITER BRIDGES

H1 2023 AFRICA INVESTMENT REPORT

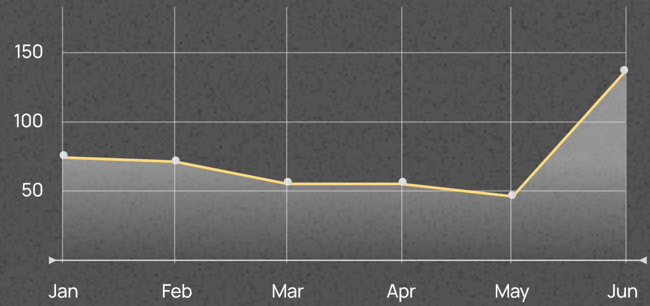
Total funding raised	Number of deals	Number of companies that have raised	Number of investors that have invested
$2B+	400+	390+	500+
disclosed deals only	announced deals only	announced deals only	institutional investors only

H1 2023 deal volumes

excluding acquisitions



H1 2023 deal Activity



Funding volumes

- $520M+
- $510M+
- $400M+
- $330M+
- $280M+

Deal activity

- 100+
- 80+
- 60+
- 35+
- 15+

Key recipients

75%+

of H1 2023 total volumes raised by startups in **Nigeria, Kenya, Egypt & South Africa**

Funding volumes

	H1 2022		H2 2022		H1 2023
Fintech	$1.2B+	↘	$480M+	↗	$840M+
Cleantech	$415M+	↘	$335M+	↗	$530M+
Logistics	$285M+	↘	$180M+	↘	$65M+
Commerce	$210M+	↘	$70M	↘	$25M+
Health	$125M+	↘	$40M+	↗	$390M+

H1 2023 top funded products by funding volumes

Super App	$400M	Asset Finance	$110M
Solar Energy	$345M+	Banking	$75M+
Medical Delivery	$330M+	BNPL	$55M+
Payments	$165M+	B2B Commerce	$50M+
Solar Home Kits	$155M+	Credit & Lending	$45M+

38%

of H1 2023 funding value captured by **fintech companies**

by deal volumes

Deal activity

	H1 2022		H2 2022		H1 2023
Fintech	145+	↘	110+	↘	85+
Cleantech	33+	↗	34+	↘	20+
Logistics	42+	↘	41+	↘	25+
Commerce	30+	↗	35+	↘	25+
Health	35+	↗	70+	↘	30+

H1 2023 top funded products by number of deals

Credit & Lending	10+	Telemedicine	10
Solar Energy	10+	Online Marketplace	5+
e-Learning	10+	Insurtech	5+
Professional Skills Dvt	10+	Supply Chain Mgt.	5+
Payments	10+	B2B Commerce	5+

21%

of H1 2023 funding deployed into **fintech products**

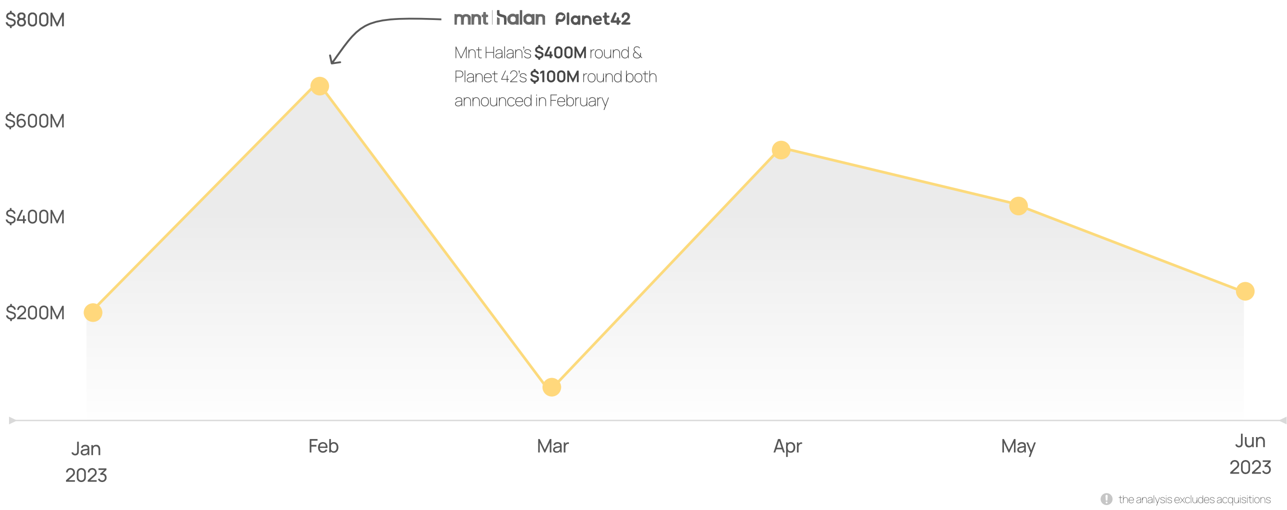
by deal activity

BRITER BRIDGES

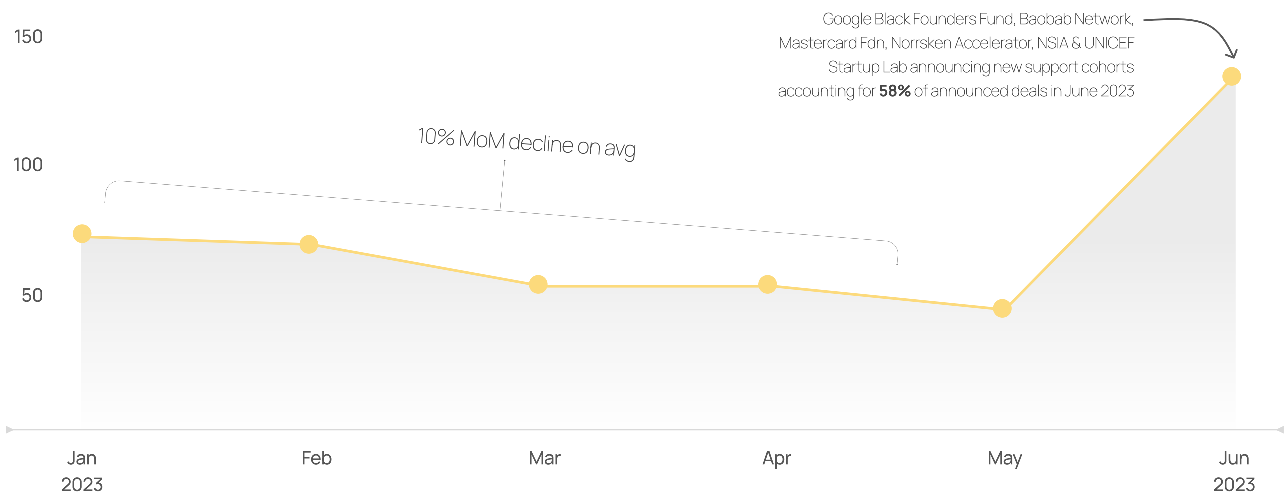
Source: intelligence.briterbridges.com | H1 2023

Funding in decline with a few mega deals accounting for the majority of volumes

Africa's innovation industry is now worth more than $21 billion dollars. However, this milestone has come at a time where the change in the global macro environment is raising questions about the viability of investing in startups, let alone in Africa. The first six months of 2023 have been particularly challenging for startups and investors alike looking to raise funding. The volume of funding dropped by 26% from H2 2022 to H1 2023 and has largely been on a downward trend in 2023 even when factoring in substantial mega deals (those exceeding $100 million) such as MTN Halan and Planet42.



Deal activity is also on the decline, with the majority of deals happening at the incubator/accelerator stages. Deal activity slowed in the first six months of 2023 with the exception of June where 6 accelerator and ESO programmes announced new cohorts.



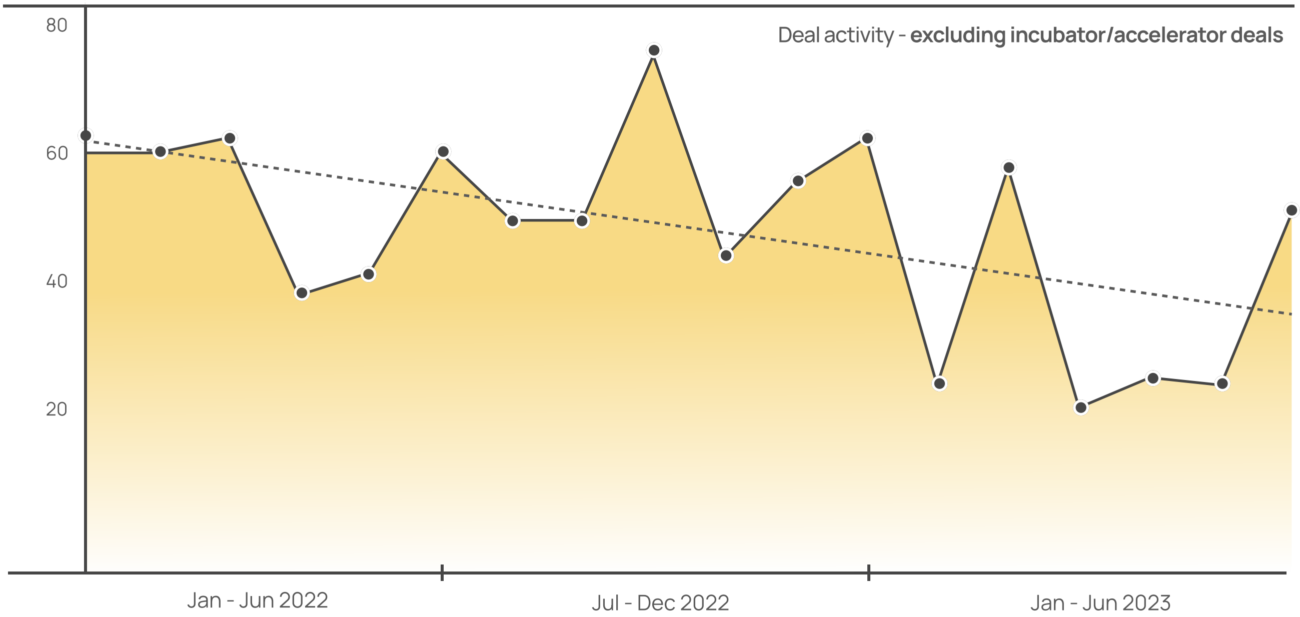
As seen above, the upshot in deal activity in June 2023 is largely attributable to 6 accelerator and ESO programmes announcing new cohorts. This accounts for an estimated 80% of announced deals in June.

~~**fait accompli**~~

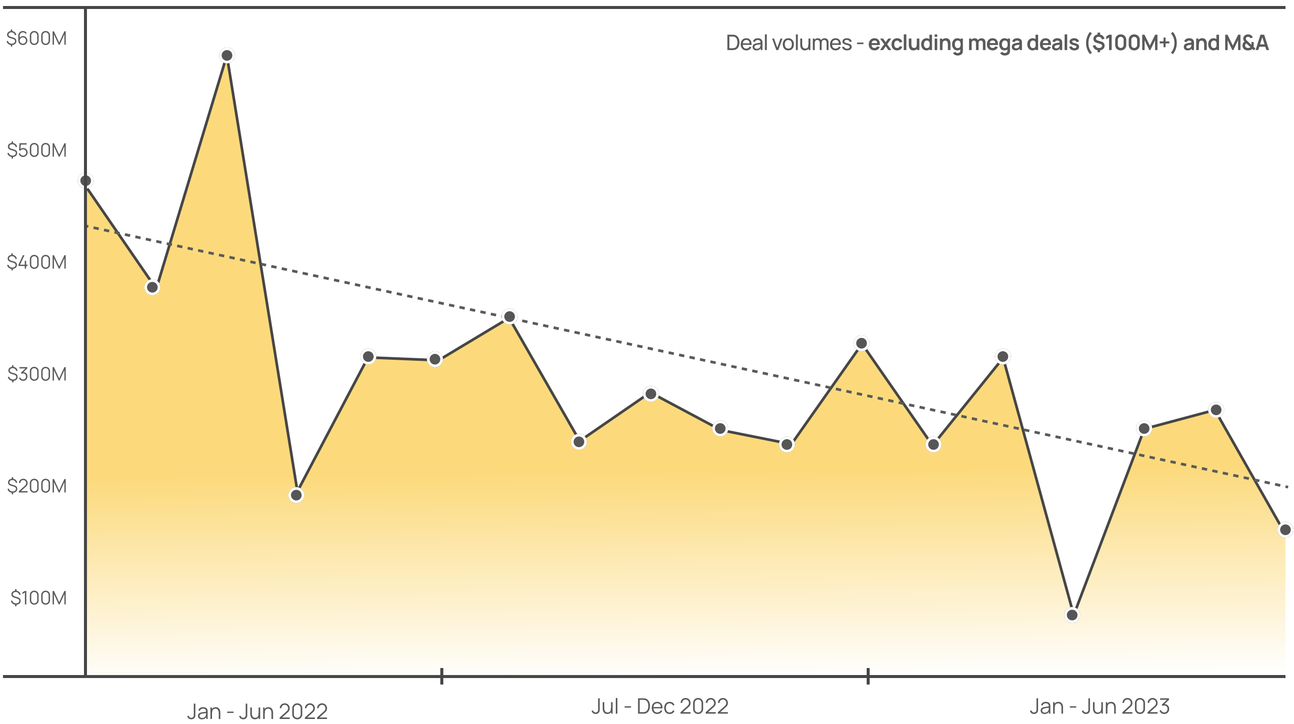
we are deep in the downturn

We are 18 months into the downturn

Funding to startups in Africa peaked from Q3 2021 to Q1 2022 with the downturn in funding volumes starting in Q2 2022. Each quarter following Q2 saw a decrease in the volume of deals. By Q4, the volume of deals was down more than 50%. The figure below shows an even more pronounced trendline when considering H1 2023, particularly when excluding outliers such as mega deals and mergers and acquisitions. The data reveals a more substantial contraction in deal volumes over the same period, accentuating the significance of this evolving pattern.



Deal activity has fallen, but not as much as volume of funding. The figure below shows that upon closer examination there has been a discernible and sustained downward trajectory in deal activity over the past year and a half. However, this fall off has not been as severe as funding volumes, as the biggest drop off in deals has been at the growth and late stage while the early stage has remained more resilient.

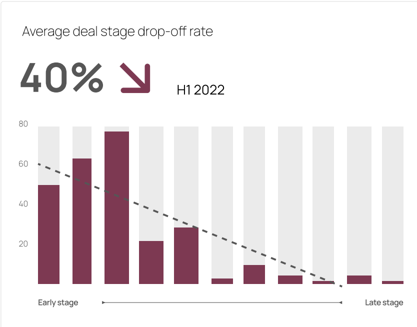


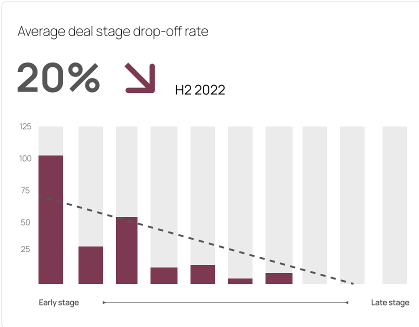
Mid-stages are squeezed

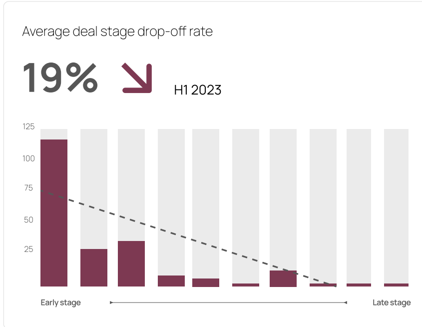
78%

deal drop-off between seed & pre-seed in H1 2023

A recurring phenomenon in VC funding has been the noticeable drop-off in funding progression as startups move from earlier to later stages, giving rise to what is commonly referred to as the "funnel" effect. Typically, mid-deal stages find themselves in a tight squeeze, an occurrence often considered within the realm of normalcy as investor requirements become stricter and the occurrence of less deals at bigger volumes.



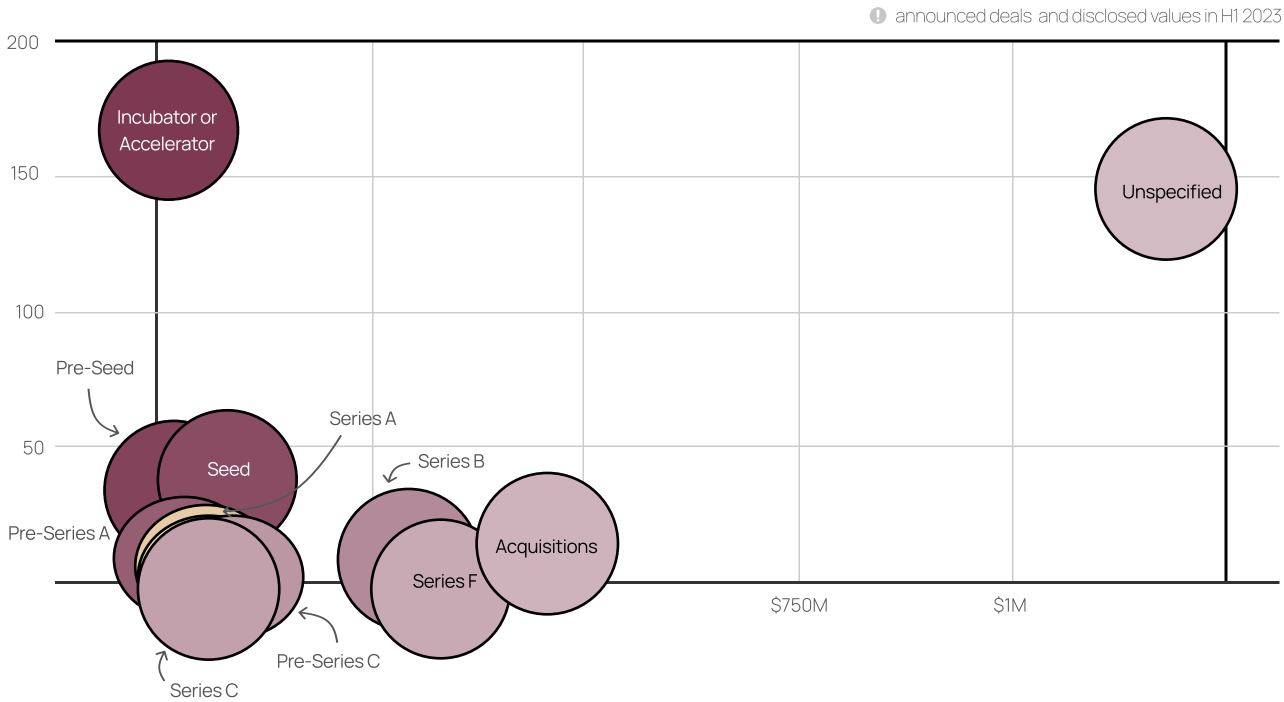




Recent trends have cast a spotlight on this phenomenon, revealing that the gap between funding stages has been progressively widening. This **divergence is particularly pronounced in the last six months, where the steepest drop-off has been observed between the seed and pre-Series A stages (78%)**.

Unspecified rounds on the rise

Unspecified deals often include down rounds and bridge rounds. Some are unspecified because many startups and their investors do not want to publicise that they are struggling to raise funding at the existing valuation. The first half of 2023 has seen a surge in unspecified deals as startups and investors grappled with the new funding environment. This trend points to a climate where startups are dealing with the intricacies of securing capital, and a substantial majority of these unspecified deals potentially represent bridge financing aimed at sustaining operations amid these challenges. This suggests that there may still be more pain to come in the following years for startups that cannot access bridge rounds of down rounds from existing investors.

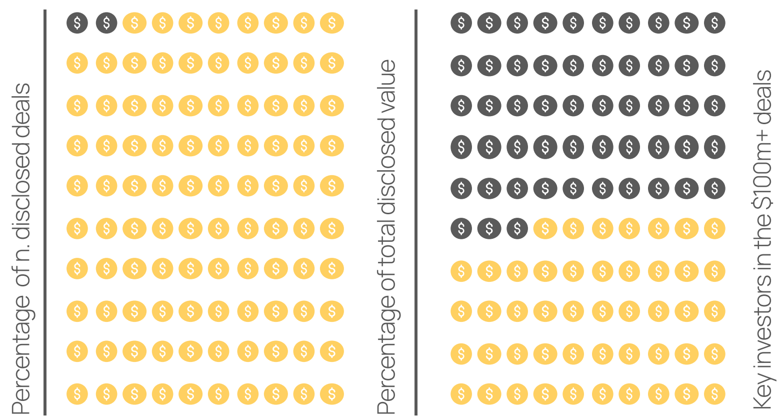


Funding volumes driven by a few mega deals

Mega deals account for a significant majority of total disclosed volumes. While this has been a recurrent feature over the years, there exists a noteworthy shift in the composition of investors who are taking the lead in these substantial transactions. Historically, VCs have been at the forefront of mega deals. However, a distinct evolution is now evident, as development finance institutions (DFIs) and corporate venture entities have emerged as prominent players spearheading these deals.

H1 2023

2% of all disclosed deals capture **53%** of total funding volume



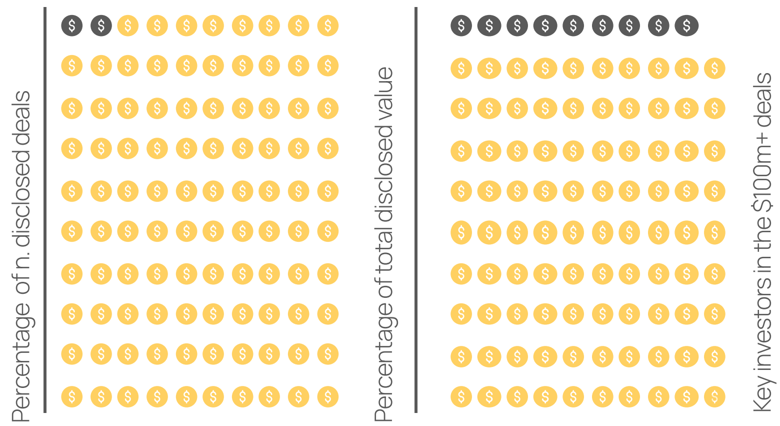
Participating investors

FMO, British International Investment, IFC, DFC, Standard Bank, citigroup, Nithio, mirova, SUNFUNDER, partech, CHIMERA, PRIMEVENTURES, Cygnum Capital

▶▶▶ Corporate venture capital funds, DFIs being the driving force in mega deal transactions

H2 2022

1% of all disclosed deals capture **9%** of total funding volume



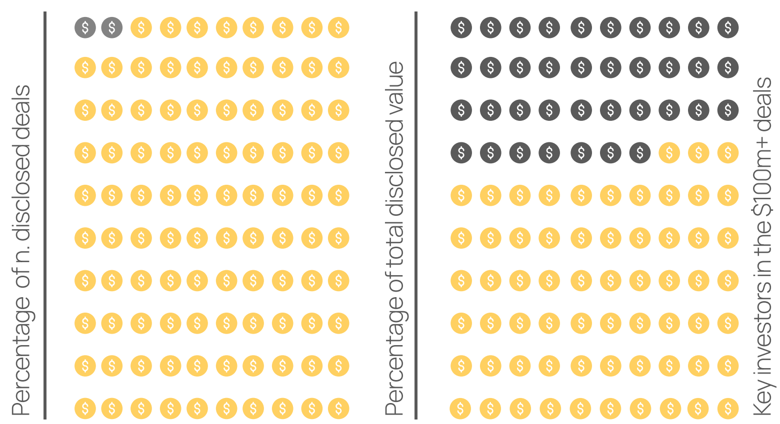
Participating investors

Y, BOND, DN Capital, DORSAL, Quiet

▶▶▶ Venture capital firms being the driving force in mega deal transactions

H1 2022

2% of all disclosed deals capture **37%** of total funding volume



Participating investors

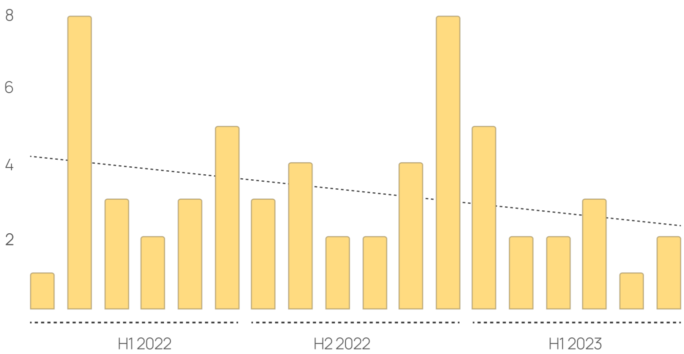
Avenir, QUONA, AFRICINVEST, TIGERGLOBAL, COMMERZ VENTURES, CV VC, LEAPFROG, symbiotics

▶▶▶ Venture capital firms being the driving force in mega deal transactions

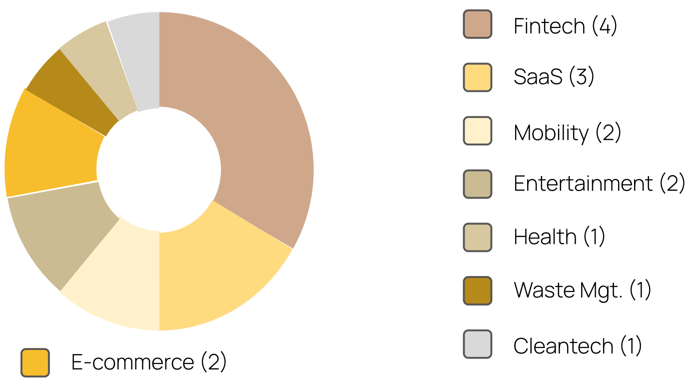
M&A activity slowed in H1 2023 with more startup to startup deals

The year 2023 kicked off with a bustling month of M&A action, marked by six notable acquisitions in January. Among these, the standout was BioNtech's acquisition of AI startup Instadeep. M&A activity slowed down post January, leading to a total 15 acquisitions being finalized in the first half of this year. Despite the milestone of the Instadeep acquisition, the fintech sector still led in the number of acquisitions. The year has however seen a surge in startup-to-startup acquisitions. Examples include Carry1st's acquisition of Qene Games, Smile Identity's acquisition of appruve, and Sun Kings' acquisition of PayGo Energy.

M&A Activity H1 2022 → H1 2023



M&A activity by sector in H1 2023



M&A activity by geography in H1 2023

Month	Target	Acquirer
January	InstaDeep	BIONTECH
	GALACTECH	GB ARENA
	dotcom	BCX
	SKIP WASTE	Sanlam
	GO! twentysix	DriveMe
	IRNET COOP KENYA	kwara
February	QENE GAMES	Carry1st
	fluidcoins	BLOCKFINEX
March	THUTHUKANI	fin
	payForce	FairMoney
April	AutoTager	autochek
	appruve	Smile Identity
	PAYGO ENERGY	sun king
June	Expensya	medius
	OPIO	TFK

No acquisition recorded in May

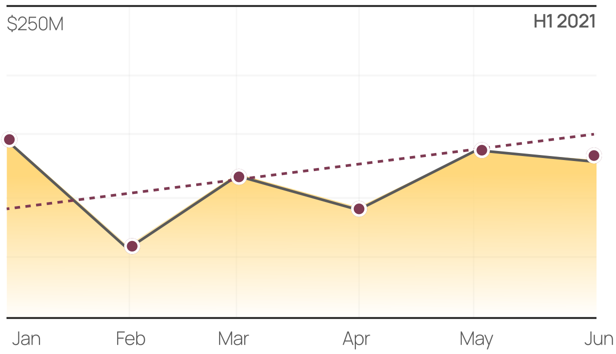
When did the rain start beating us?

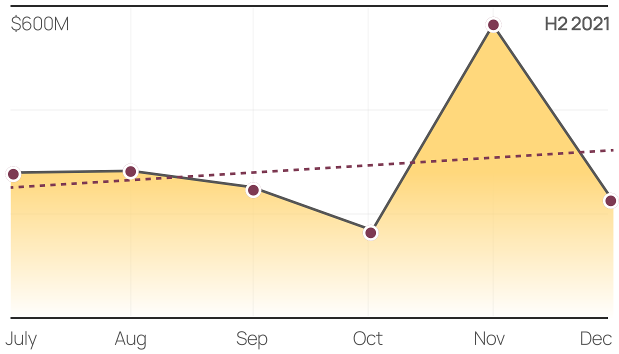
BRITER BRIDGES

Funding began to peak in the second half of 2021

We zoom out to discover the origins of the recent funding downturn and our investigation extends over a span of three years. Notably, the year 2021 stands apart from the analysis, as its funding trendlines defied the prevailing downturn. Throughout both halves of the year 2021, positive trendlines were observed, despite the typical month-to-month deal volume fluctuations.

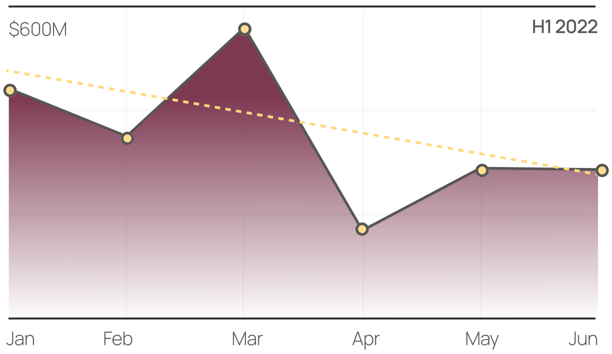
excl. $100M deals

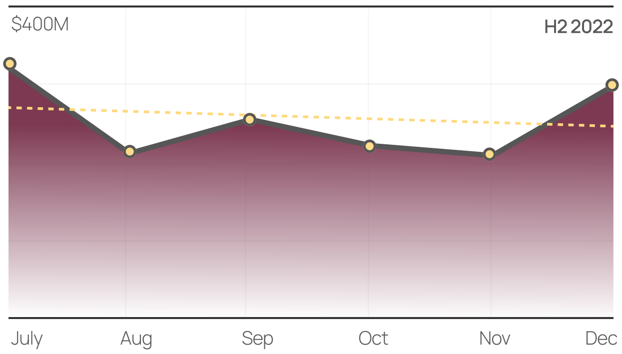




The downturn started in H1 2022 with no recovery in H2

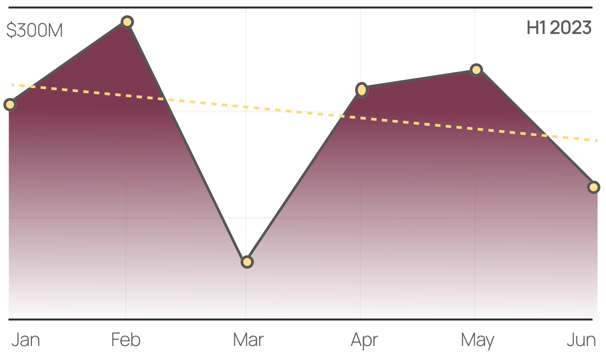
The year 2022 emerges as a pivotal juncture in our exploration of the funding downturn, with particular emphasis on its initial half, characterised by a steeper decline than its latter counterpart. While signs of recovery became discernible, the subsequent trajectory indicated that a full recuperation was elusive. The stark contrast between the two halves of the year underscores the complexities at play, as the rebound experienced later in 2022 was insufficient to fully counteract the initial downturn, thus marking the start of a challenging phase for the funding landscape, the ramifications of which reverberated through subsequent periods.





excl. $100M deals

It continued into 2023 with limited signals of a reversal



excl. $100M deals

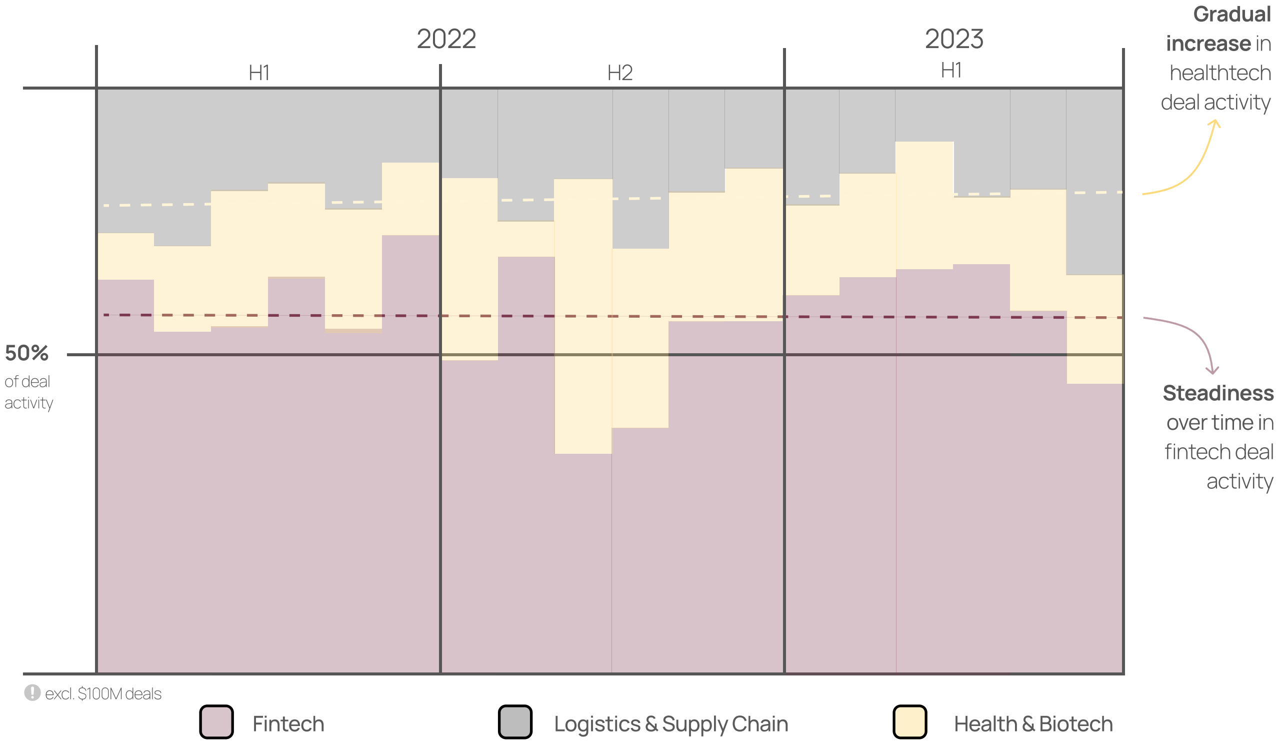
The initial half of the current year has unfolded as a continuation of the declining trend in deal volumes, mirroring the trajectory that has been persistently observed over preceding periods. Despite any anticipations for a potential reversal or stabilisation, the ongoing months have demonstrated a sustained adherence to the downward trend, contributing to a sense of consistency in the overall funding landscape.

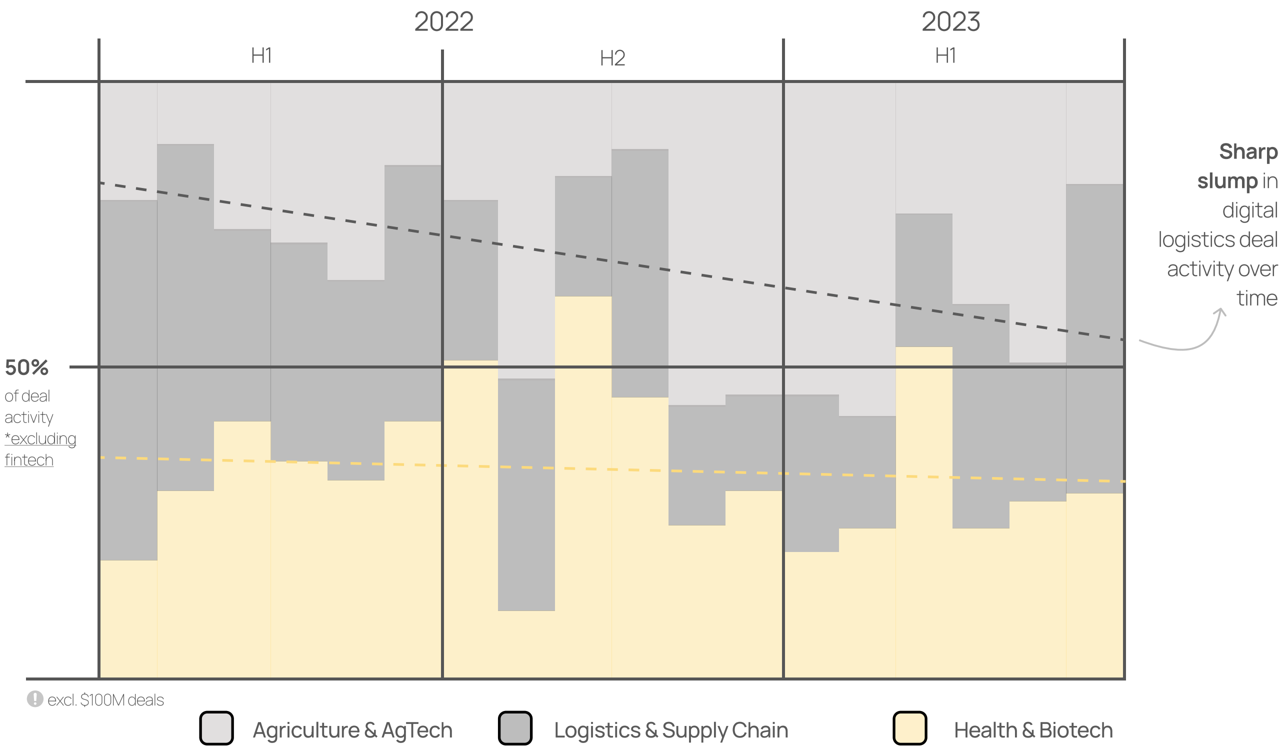
Where is the hope?
Where is the resilience?

BRITER BRIDGES

Top 3 sectors show deal resilience, some with increased H1 2023 activity

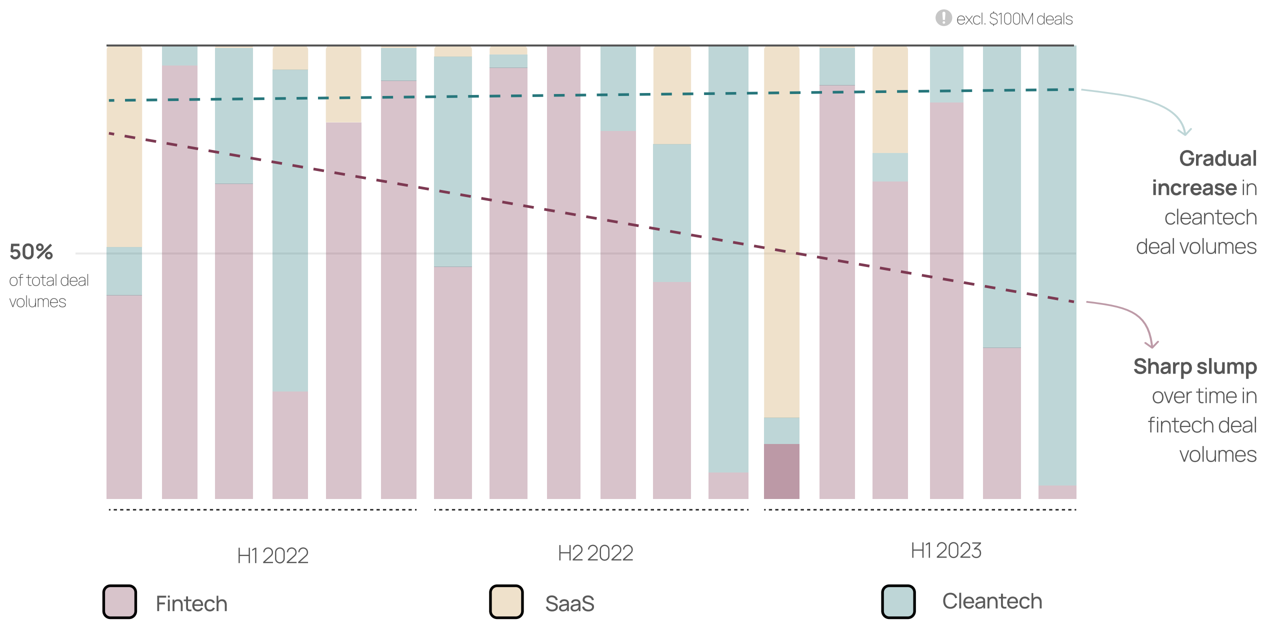
The two figures below show deal activity across the top 4 sectors in Africa over the last 18 months. The first figure includes fintech which still accounts for the majority of funding, whereas the second figure excludes fintech to show a clearer comparison across the other sectors. It shows that fintech, health and biotech, agtech have seen similar deal activity over the last three quarters. Fintech in particular has seen a bounce back in deal activity in H1 2023 after following below 50% of the total deal activity in H2 2022. Health and biotech have even seen a small increase. However, deal activity in digital logistics has actually fallen quite significantly.

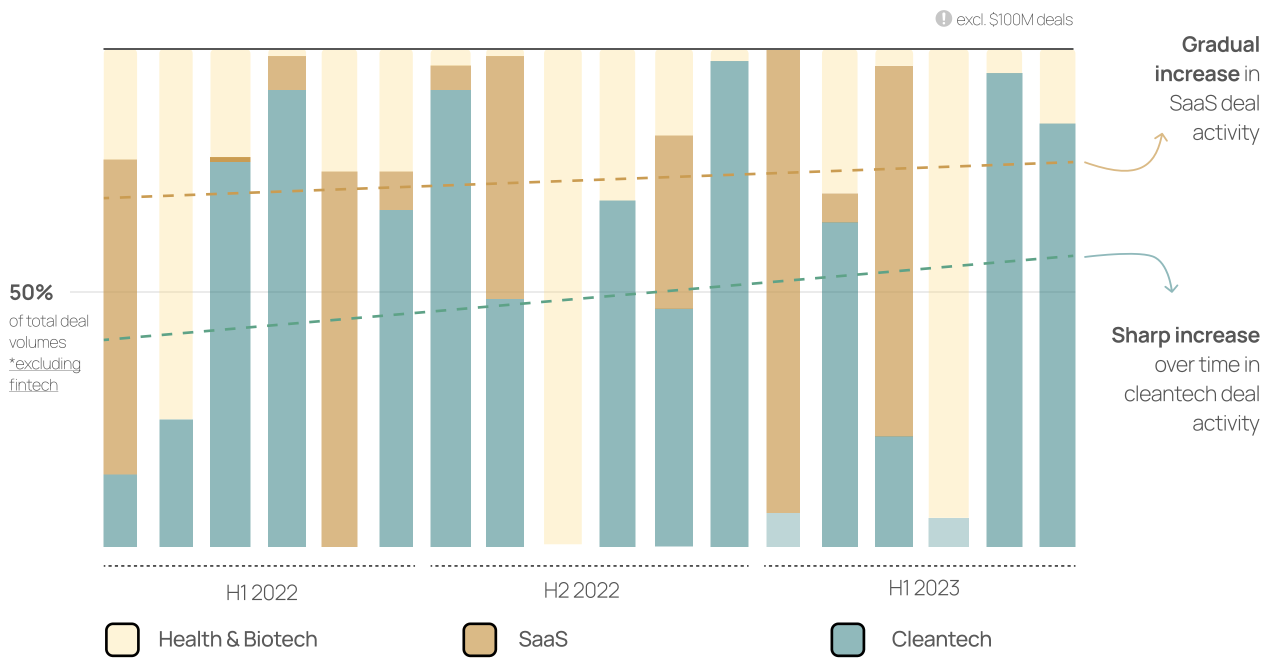




While deal activity remains resilient, deal volumes tell a different story

The figures below show the change in volume of funding over the last 18 months for the top 3 sectors: Fintech, cleantech and health and biotech. It shows that fintech deal activity remained resilient from H1 2022 to H1 2023, funding volumes dropped off significantly. This is largely due to the drop off in later stage funding which drove fintech volumes over the previous periods. In contrast, the cleantech and healthtech and biotech sectors stand out, managing to maintain a more consistent level of deal volumes despite the tumultuous circumstances. Cleantech startups actually saw sharp increases in funding volumes from $45m in H1 2021 to $415m in H1 2022 to $530m in H1 2023. One of the most interesting observations in H1 2023 was the increase in SaaS deal activity. SaaS is a cross-cutting sector that includes software solutions from sectors ranging from finance to agriculture. This is consistent with feedback from the ecosystem which suggests that software startups are better aligned with the investing horizon for VCs and the excepted returns, whereas hardware startups, particularly in new emerging sectors like agriculture and climate may need to look to other financing options to grow their businesses.



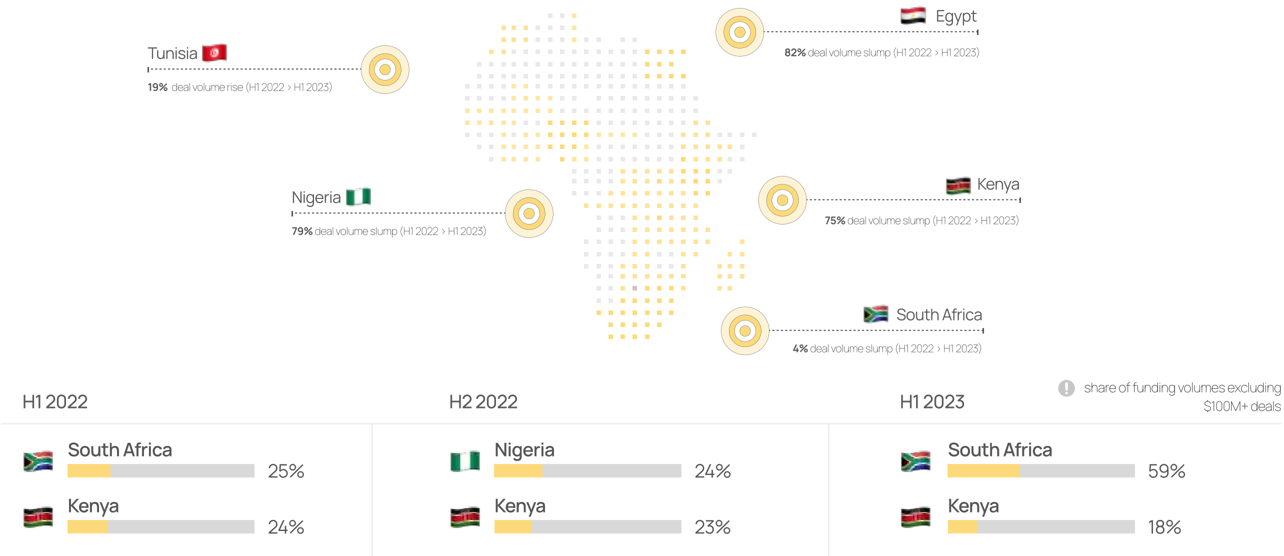


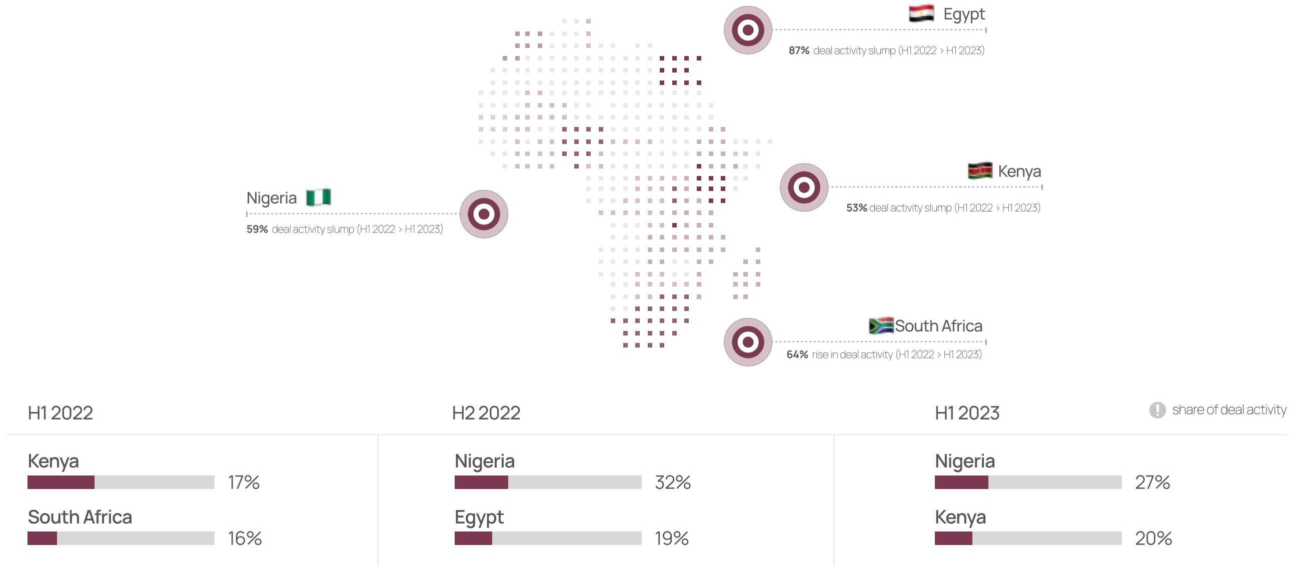
An inversion amongst the Big 4 from H1 2022 to H1 2023

The markets that experienced the biggest drop off in funding in H1 2023 were also those markets that saw the fastest increasing in funding in 2021 and 2022. For example, Egypt experienced the sharpest decline in deal activity in H1 2023 following its rapid ascent into the top 3 in 2022. Similarly Nigeria, which saw the minting of the most unicorns in Africa, saw the biggest drop off in funding volumes. Further, South Africa, which saw the lowest share of funding amongst the Big 4 in 2022, has captured the largest share of funding so far this year. Unlike the rest of the Big 4 this has largely been driven by a clustering of deals at the mid-stage where the rest of the continent is feeling the squeeze. Similarly, Kenya has remained resilient in terms of number of deals.

Second tier markets continue their rise through the downturn

Several markets outside of the Big 4 saw resilience and even growth through the downturn. For instance, Ghana emerged as a significant player in H1 2023, securing a place among the top four countries in terms of deal activity and top 5 in terms of volume of funding. Senegal, Morocco and Uganda have all remained stable in terms of volume of funding and deal activity and Tunisia recovering from its slump in H2 2022 even when excluding Instadeep's acquisition.





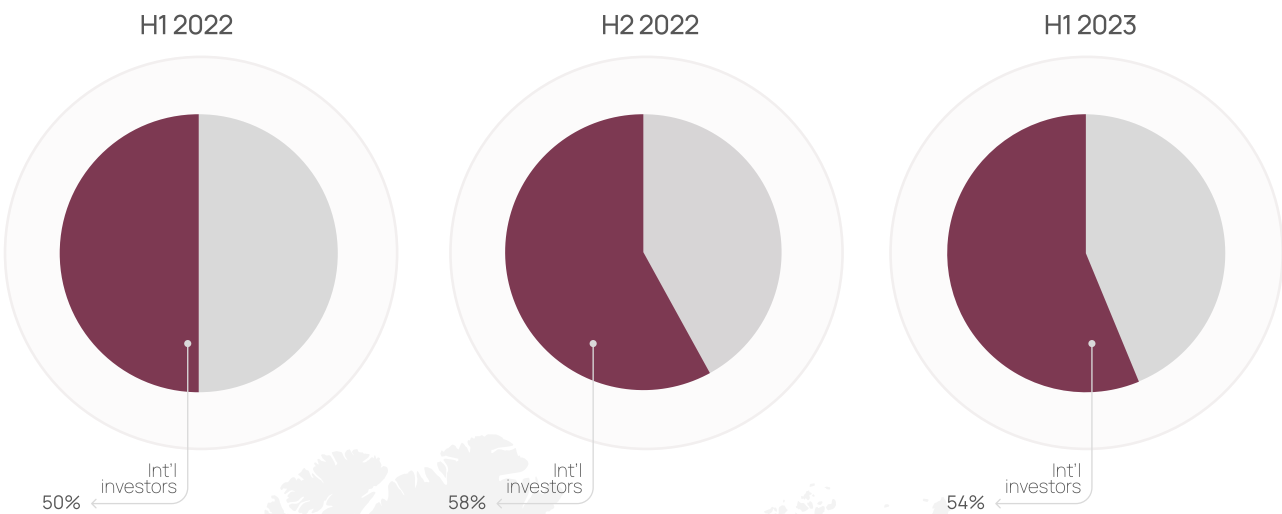
BRITER BRIDGES

Who is shaping the resilience?

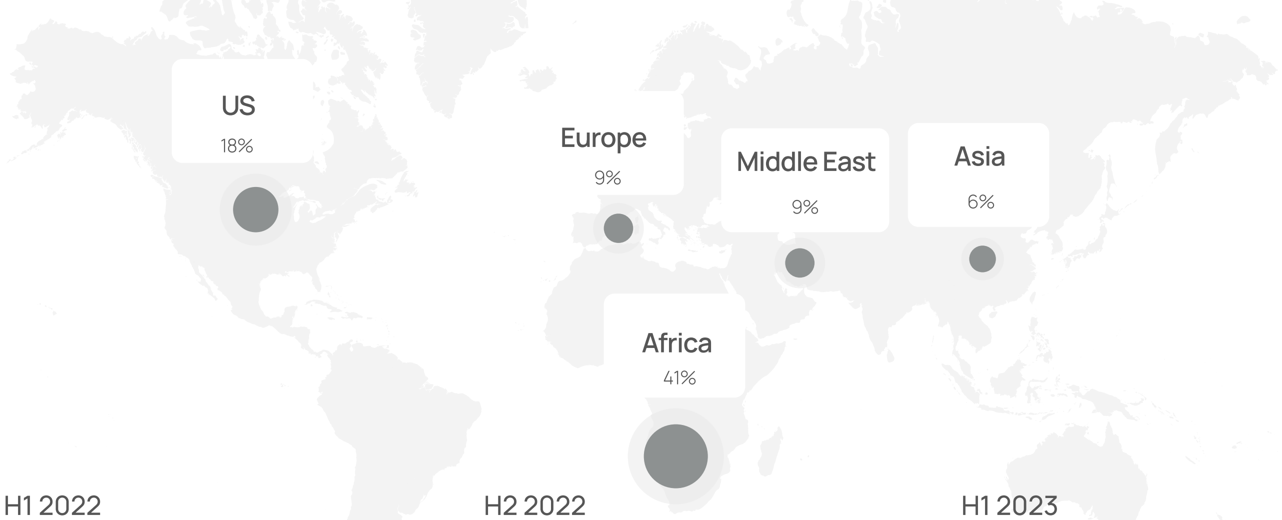
BRITER BRIDGES

While foreign VCs retreat, local investors step up

To delve into the forces behind resilience and investment support during this challenging period, it becomes imperative to address the fundamental reality that Africa's ecosystem heavily depends on foreign investors. This reliance inherently exposes the region to shifts in the risk attitudes of these external investors. In this context, it becomes evident that the top 50 investors (by announced deals), for each respective half of the year, primarily comprise international entities. This also includes development finance institutions (DFIs) and investors with offices in Africa. However, a trend is unfolding, indicating a gradual decrease in the number of international investors within this top tier. Further the remaining 50% of local investors are playing a bigger and bigger role in terms of volume of funding. Nigeria is the most significant contributor to this local investor contingent, holding the majority share, followed closely by Egypt and South Africa.



Profiling of top 50 investors by country, H1 2023

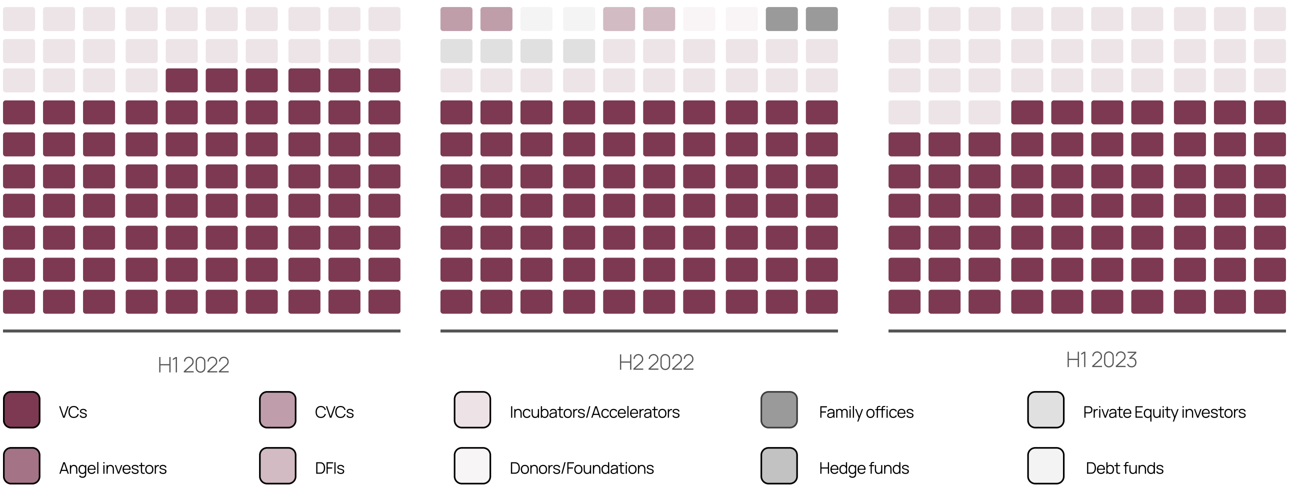


H1 2022		H2 2022		H1 2023	
Nigeria	34%	USA	32%	USA	26%
USA	26%	Nigeria	16%	Nigeria	20%
France	8%	South Africa	8%	UK	8%

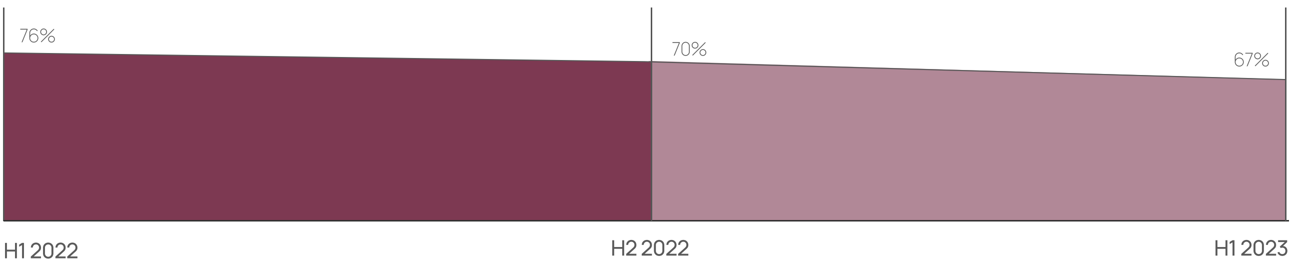
Corporates and DFIs playing a more prominent role

Venture capital firms continue to play a pivotal role in capital deployment within the investment landscape, anchoring their significance by activity. However, a discernible shift has unfolded over the past year, with their engagement showing a gradual decrease. As this transformation takes shape, a notable emergence of alternative investment entities becomes apparent. Corporate venture outfits, development finance institutions (DFIs), and private equity investors are increasingly assuming a more prominent role, stepping up their involvement in the ecosystem.

Investor types (top 50 investors)



VC share of top 50 investors by deal activity



Top investors H1 2022	
Launch Africa	VC investor
Future Africa	VC investor
Voltron Capital	VC investor
Ingressive Capital	VC investor
4DX	VC investor

Top investors H2 2022	
Y Combinator	Accelerator
Launch Africa	VC investor
Plug & Play	Accelerator
500 Global	VC investor
Oikocredit	PE investor

Top investors H1 2023	
Ventures Platform	VC investor
Launch Africa	VC investor
Y Combinator	Accelerator
Proparco	DFI
IFC	DFI

New funds announced in H1 2023

Amidst concerns over reported dry powder, a glimmer of hope emerges from the landscape as a series of substantial new fund announcements come to the fore this year.

Do not miss the **2023 Africa Investor Catalogue**. Sign up here for early access.

Partech Africa II
Fund size (first close): $245M
Sector/Geography focus: tech, pan-Africa

Ventures Platform
Fund size: $40M
Sector/Geography focus: tech, pan-Africa

Seedstars Africa VC
Fund size: $20M
Sector/Geography focus: tech, pan-Africa

Pepea Fund
Fund size: €20M
Sector/Geography focus: tech, pan-Africa

Persistent Energy
Fund size: $100M
Sector/Geography focus: tech, pan-Africa

Incofin W2AF
Fund size: €36M
Sector/Geography focus: tech, pan-Africa & Asia

Disruptech VC
Fund size: $5M
Sector/Geography focus: tech, pan-Africa

Verod-Kepple (VKAV)
Fund size: $43M
Sector/Geography focus: tech, pan-Africa

GAIA Impact Fund II
Fund size: €30M
Sector/Geography focus: tech, pan-Africa

MCE Social Capital
Fund size: $19.5M
Sector/Geography focus: tech, pan-Africa

Amethis Fund III
Fund size: €140M
Sector/Geography focus: tech, pan-Africa

AfricaGoGreen (AGGF)
Fund size: $87M
Sector/Geography focus: tech, pan-Africa

Lendable MSME Fintech Fund
Fund size: $110M
Sector/Geography focus: tech, pan-Africa

Convergence Partners
Fund size: $296M
Sector/Geography focus: tech, pan-Africa

StartupWise Guys
Fund size: $9.35M
Sector/Geography focus: tech, pan-Africa

CCHub Edtech Fellowship
Fund size: $15M
Sector/Geography focus: EdTech, pan-Africa

The list above does not guarantee 100% comprehensiveness and it rather aims at showcasing a picture of the market

So what's next? Where do we go from here?

BRITER BRIDGES

Key observations and takeaways

A challenging fundraising environment

The last 18 months has seen a stark change in the venture capital and investment landscape in Africa. Startups have shifted from a focus on growth at all costs to capital efficiency and survival. Many startups have had to make big layoffs in response and many are struggling to raise follow-on funding, particularly those that raised big sums at high valuations in the second half of 2021 and the first half of 2022. Further, many local investors themselves are struggling to close new funds and major foreign investors that have played a big role in providing late stage funding for startups have retreated for the time being.

Promising trends emerging , but questions remain

While investors are increasingly cautious around the growth and late stage, early stage investors have not had to react in the same way as ticket sizes are much smaller, portfolios are more diverse and not burdened by high valuations and there's a bigger emphasis on patient capital. The result is that early stage investing has remained resilient in Africa. Further, DFIs and corporates are increasingly looking towards the early stage to stimulate innovation in specific sectors to address different socio-economic and business challenges. This is evident in the sectors that investors are looking at in the early stage. There has been a slight shift away from fintech dominance in Africa and to a broader set of sectors and products that could be even more impactful. For example, Cleantech and Healthtech startups were the only sectors to see an increase in the volume of funding from H1 2022 to H1 2023. A similar phenomenon is also taking shape in terms of the markets that investors are active in. There are several new markets that are emerging from the downturn to challenge the dominance of the Big 4. Markets like Ghana, Morocco, Uganda and Tunisia are seeing more and more deal activity and funding, whereas markets like Nigeria and Egypt saw the biggest drop off in volume of funding. It will be interesting to monitor these trends over the remainder of the year to see if it is the beginning of a new focus amongst investors in Africa or if there is a shift back to the Big 4 and Fintech as private equity markets recover.

More innovative financing will be needed

The H1 report shows an ecosystem that has undergone rapid change over the last 18 months from its peak in H2 2021. The increasing pressure on startups and investors alike is raising questions about whether venture capital is an appropriate asset class for investing in innovation in Africa at all. Particularly for emerging sectors that have different financing needs than SaaS and Fintech products that have dominated the market over the last decade. Unlocking the potential of these sectors will require more innovation on the financing side, and finding the right capital stack for different sectors and different funders is going to be a key trend in the next phase of Africa's investment and innovation journey. Already we are seeing innovations emerging on the debt side and more and more DFIs are looking at how they can provide concessional financing to de-risk and crowd in other sources of financing for startups. We will be tracking these developments in more depth for the remainder of the year and look forward to providing an update on how these trends have played out in our annual Africa investment report released in January. Until then, sign-up for our BriterEye newsletter or follow us on LinkedIn, Twitter and Instagram as we share our latest insights on what's happening in the venture capital and investment landscape in Africa.

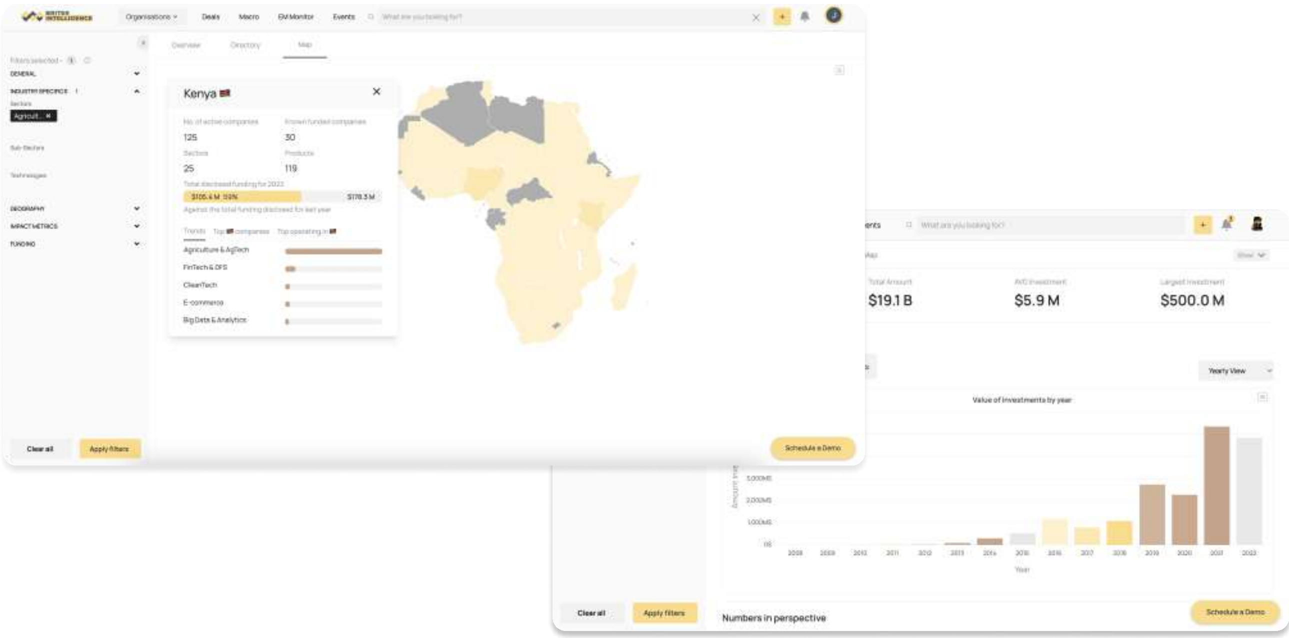
Dive into the data and track industry developments

BRITER BRIDGES

Briter Intelligence

The underlying data used to produce this investment report has been gathered from Briter Intelligence, a leading business intelligence platform dedicated to emerging markets.

Briter Intelligence boasts over two decades worth investment deals' log, over 10,000 organisations listed, events, emerging markets comparisons and integration with a number of global macroeconomic data to allow comprehensive analysis. Startups, investors, corporates, governments, philanthropies and other organisations use it regularly to learn about the ecosystems they work in and find opportunities in these markets.



Request a demo with Briter Bridges' team **here**.

Already a user? Engage our team: **hello@briterbridges.com**

Follow us on our social media channels or our website!

@briterbridges

briterbridges.com

intelligence.briterbridges.com

H1 **AFRICA INVESTMENT REPORT 2023**

Briter Bridges Ltd.

briterbridges.com

intelligence.briterbridges.com