

*Report by the Partech Africa Team, led Cyril Collon and Tidjane Dème, General Partners at Partech.*

## **2018 was a Monumental Year for African Tech Start-ups, with US\$ 1.163 Billion raised in equity funding, a 108% YoY Growth.**

2018 saw another record year for the African VC market. It's quite simply astonishing. When we started our journey to create the Partech Africa Fund in 2015, we had anticipated the \$1 Billion mark to be broken by 2020. We are now already 2 years ahead of our projections. Even better news, the ecosystem is shaping up at every investment stage, already including the early growth stage, which is very promising from a maturity curve perspective and a very critical step forward to keep the rise of African Tech mainstream. 2018 figures are confirming the growing attractiveness of African entrepreneurs, their ability to transform the continent into a global powerhouse and their increasing influence on the emerging market.

### **Methodology**

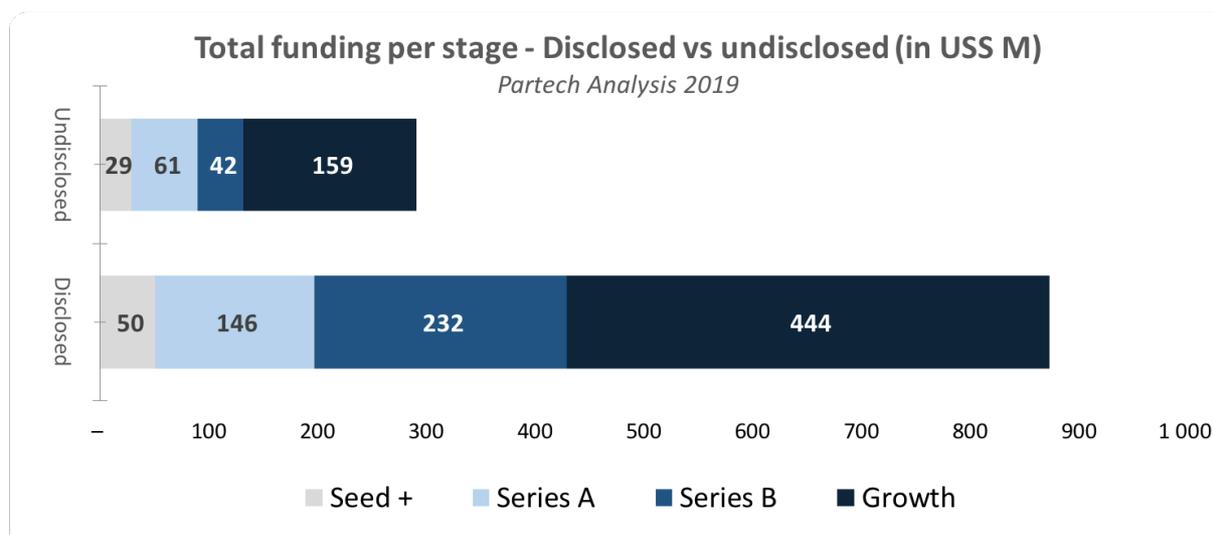
First, let's discuss our methodology, as more and more reports are coming up with different figures regarding the investment landscape in Africa (which, by the way, is another very good sign of the continent's attractiveness and dynamics! 😊 )

The fact of the matter is that each report simply chooses to track different things! So, let's be clear about what we are counting.

Our methodology has remained unchanged since our first report, and here is a recap of the fundamentals:

1. We only cover deals that are in **Tech & Digital** spaces. Nothing else!
2. Our numbers are for **Equity deals only**. We are excluding any grants, awards, prizes, debt, loans, Initial Coin Offering (ICO), non-equity assistance and M&A deals.
3. Our numbers only include **funding rounds higher than US\$ 200K and lower than US\$ 100 Million**. We cover what we can categorize as **Late Seed to Growth stage Equity rounds**. Angel deals or small Seed deals below 200K\$ (which are numerous on the continent) are omitted voluntarily.

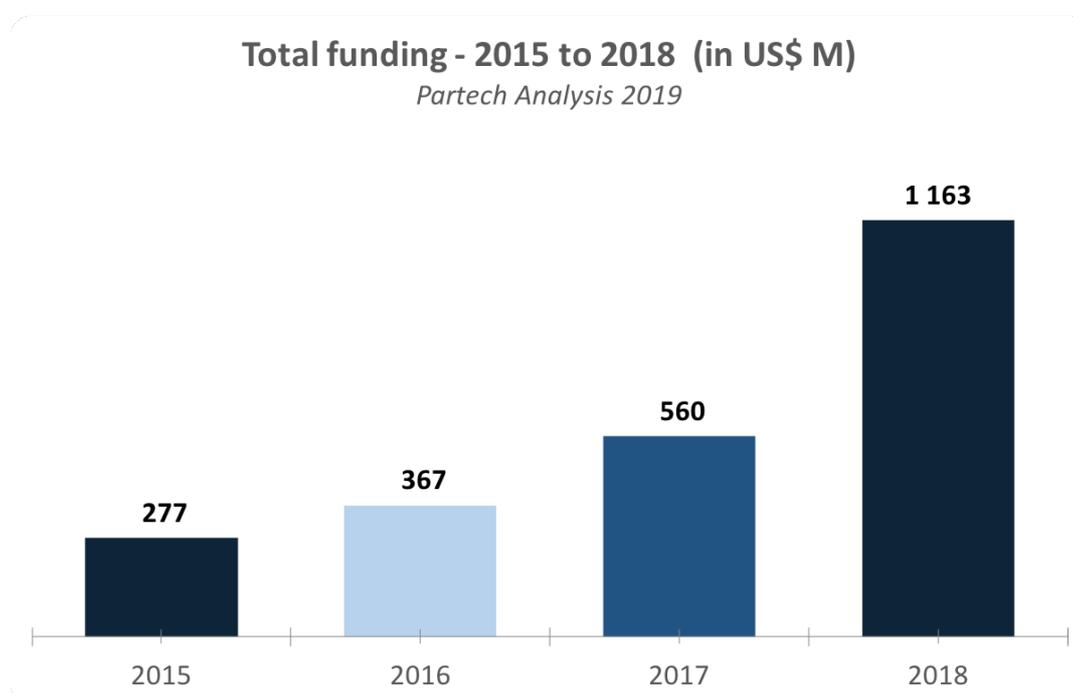
4. We include **disclosed deals** but we also collect and analyze **undisclosed deals, accessing more detailed information** thanks to our relationships with the ecosystem and the entrepreneurs (by the way, they trust us to respect this confidentiality and we do. So, we only share aggregate numbers. Please don't ask for line by line figures). However, this also means that African start-ups have most certainly raised more than the US\$ 1.163 Billion in equity. Undisclosed deals that we have information on represented another **US\$ 291 Million** i.e. **25% of the total funding** in 2018 (see Figure below).
5. The numbers cover **African start-ups that we define as companies with their primary market being in Africa itself** (i.e. in terms of operations & revenues). In other words, what we call an African start-up is not based on the HQ's location or the country of incorporation.
6. For start-ups with a local presence in more than one African country, **only one primary country of operation has been identified and selected** (at the time of entering our database) and that is where the investment is accounted for and will be accounted for down the road if there are follow-on rounds. This means the country by country breakdown reflects where the companies started and is NOT a good evaluation of where the investment is spent.



## **Findings**

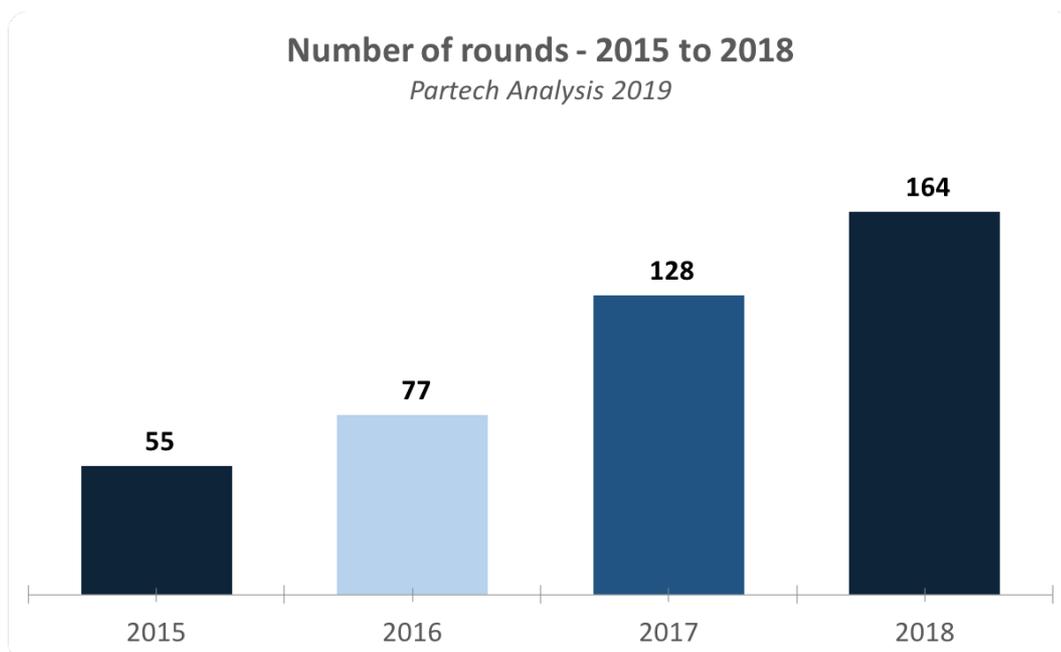
### **146 African tech start-ups raised a total of US\$ 1.163 Billion in equity through 164 rounds.**

1. The VC funding raised by African tech start-ups in 2018 totaled **US\$ 1.163 Billion**, compared to US\$ 560 Million in 2017, a **+108% growth YoY**.



The yearly funding amount is accelerating exponentially, from a YoY growth rate of +33% in 2016, +53% in 2017 to now +108% in 2018. This represents **x4,2 growth multiple in the last 36 months**.

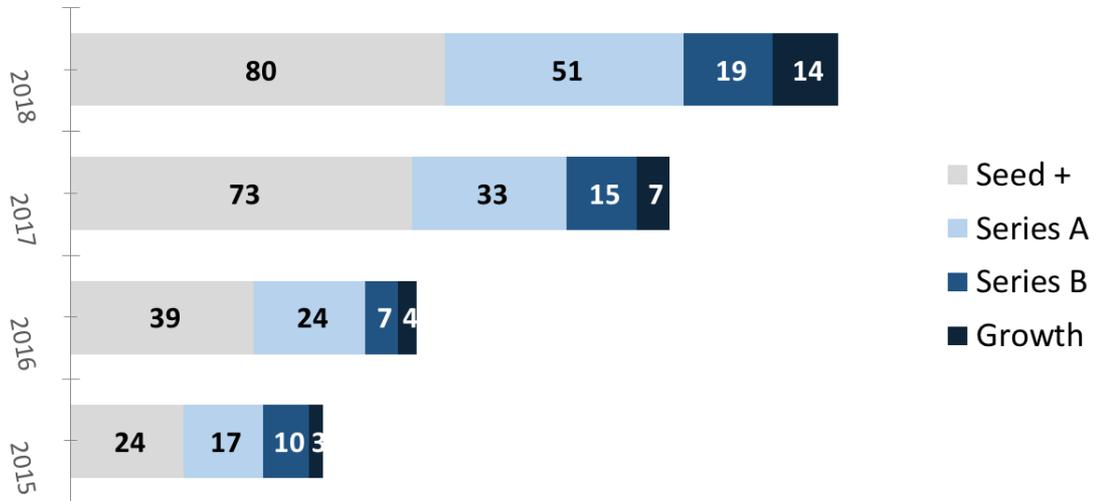
2. We tracked a total of **164 rounds** raised by **146 start-ups** compared to 128 rounds from 124 start-ups last year, a **+28% growth YoY**.



3. Three important trends to be highlighted, reflecting the increasing investor confidence in the potential of African start-ups, are:
- The number of **Series A & B stage** start-ups attracting funding are massively accelerating with **70 rounds (+46% YoY)**, representing a total of **US\$ US\$ 482 Million (+58% YoY)**.
  - The rise of large venture **growth deals**, with **14 rounds (+100% YoY)**, totaling **US\$ 602 Million (+120% YoY)**. It is definitively not anecdotal anymore and a crucial signal that that early stage companies will receive follow-on rounds to growth stage.
  - A number of PE investors (TPG, Helios, Goldman Sachs, Carlyle, etc.) as well as major Corporate players (Naspers, Paypal, Pernod Ricard, etc.) are now joining the game earlier, investing early & growth stage tickets in African tech start-ups.

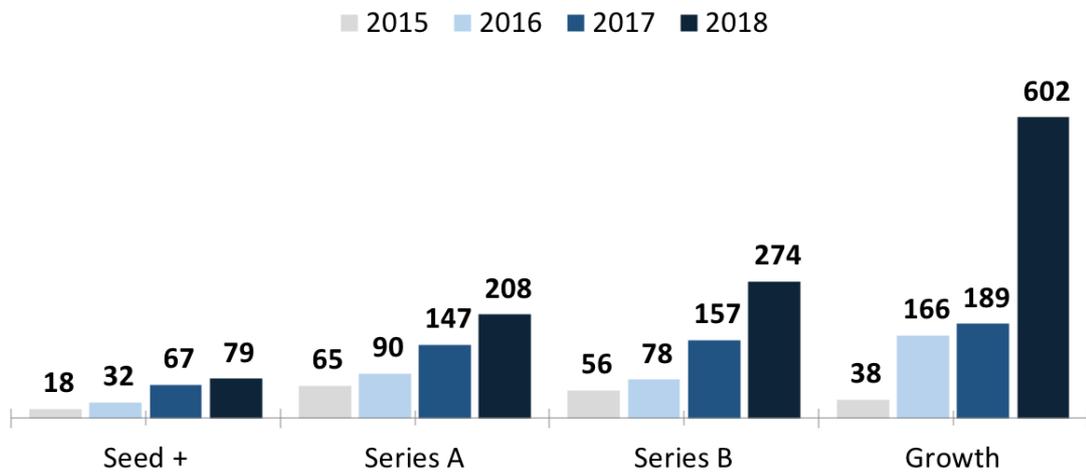
### Number of funding rounds per stage - 2015 to 2018

Partech Analysis 2019



### Total funding per stage - 2015 to 2018 (in US\$ M)

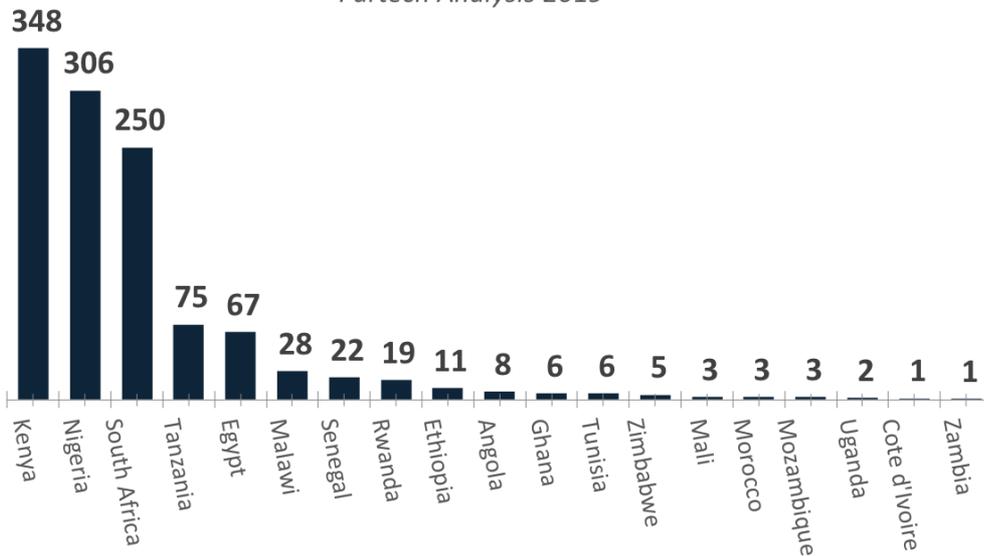
Partech Analysis 2019



Kenya, Nigeria and South Africa are still leading the race, absorbing 78% of the total funding, exactly as per last year with Egypt closing-up.

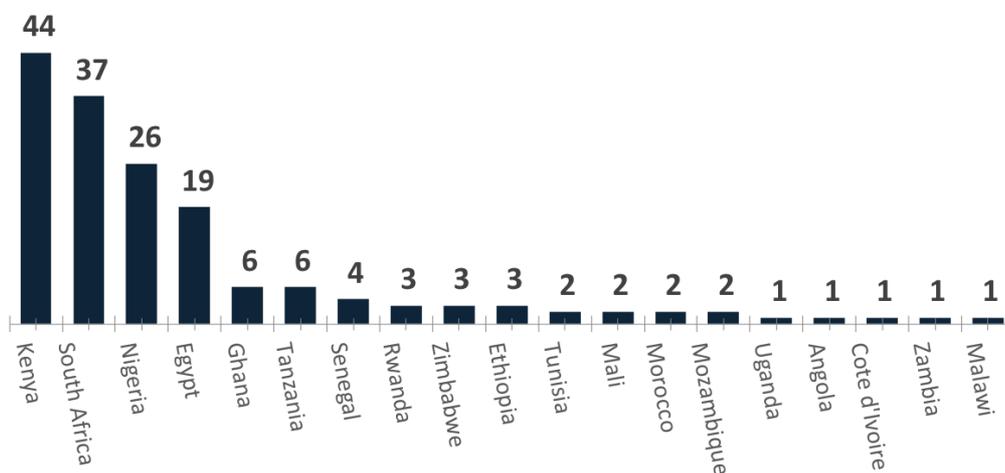
Total funding per country - 2018 (in US\$ M)

Partech Analysis 2019



Number of rounds per country - 2018

Partech Analysis 2019



### 1. Kenya

- Kenya takes the lead this year attracting **US\$ 348 Million (+136% YoY)** in funding over **44 deals (+76% YoY)**
- A total of **11 start-ups** raised 13 rounds **equal to or higher than US\$ 5 Million.**

Company Name	Vertical	Sector	Funding (\$m)	Main investors
Tala	Financial Inclusion	FinTech	50,00	Revolution, IVP, Data Collective, Lowercase Capital, Ribbit Capital, Female Founders Fund
Cellulant	Financial Inclusion	FinTech	47,50	The Rise Fund, Impact Fund, Endeavor, Satya Capital, Velocity Capital Private Equity, Progression Capital Africa
Dlight	Financial Inclusion	Offgrid Tech	41,00	FMO, Swedfund, Norfund, Inspired Evolution
Branch	Financial Inclusion	FinTech	20,00	Trinity Ventures, Andreessen Horowitz, CreditEase, IFC
Twiga Foods	B2B & Tech adoption	Enterprise	10,00	IFC, TLcom Capital Partners, DOB Equity, 1776, Wamda Capital, Adolph H. Lundin , gafspfund.org, Omidyar Network, Uqalo, Blue
M-Kopa	Financial Inclusion	Offgrid Tech	10,00	CDC Group, Generation Investment Management, LGT Venture Philanthropy
Africa's Talking	B2B & Tech adoption	Enterprise	8,62	IFC, Orange, Social Capital
Lori Systems	B2B & Tech adoption	Enterprise	6,17	Undisclosed
Mobius	Online & Mobile Consumer services	E/M/S/Commerce	6,00	PanAfrican Investment, Playfair Capital, Techstars, Chandaria, VestedWorld
BitPesa	Financial Inclusion	FinTech	5,00	Sompo Holdings
WeFarm	Online & Mobile Consumer services	Shared Economy	5,00	True Ventures, Niklas Zennström, Matt Mullenweg, Bryan Meehan, Norrskan Foundation, LocalGlobe, Accelerated Digital
M-Kopa	Financial Inclusion	Offgrid Tech	Undisclosed	Sumitomo Corporation
Tala	Financial Inclusion	FinTech	Undisclosed	Paypal

## 2. Nigeria

- Nigeria has attracted **US\$ 306 Million (+167% YoY)** in funding over **26 deals (+53% YoY)**
- A total of **12 start-ups** raised 13 rounds equal to or higher than **US\$ 5 Million**.

Company Name	Vertical	Sector	Funding (\$m)	Main investors
Frontier Car Group	B2B & Tech adoption	Enterprise	89,00	Naspers
Frontier Car Group	B2B & Tech adoption	Enterprise	41,00	Balderton Capital, TPG Growth, Fraser McCombs Capital, Autotech Ventures
Wakanow	Online & Mobile Consumer services	E/M/S/Commerce	40,00	Carlyle Group
Mines	Financial Inclusion	FinTech	13,00	The Rise Fund, X/Seed Capital Partners, Western Technology Investment, Velocity Capital, Trans Sahara Investment, Singularity Mastercard, CRE Venture Capital, FinTech Collective, 4dxventures.com, rabacap.com, Greycroft Partners, Green Visor
Flutterwave	Financial Inclusion	FinTech	10,00	Global Innovation Fund, Unreasonable Capital, Adlevo Capital, Goodwell, Omidyar Network,
Paga	Financial Inclusion	FinTech	10,00	Stripe, Visa, Tencent, Y Combinator, Stripe, Y Combinator, Tom Stafford, Dale Mathias, Gbenga Oyeboode
Paystack	Financial Inclusion	FinTech	8,00	Omidyar Network, Alitheia Capital, Bamboo Capital Partners, Tekton Ventures, Accion, Newid Capital
Lidya	Financial Inclusion	FinTech	6,90	IFC, YCombinator, WTI, Cardinal Stone Partners, Chandaria Capital, TLcom
Kobo360	B2B & Tech adoption	Enterprise	6,00	4DX Ventures, Y Combinator, Lynett Capital, Social Capital, Western Technology Investment, Friåle, Golden Palm
Tizeti	B2B & Tech adoption	Connectivity	5,23	The Rise Fund, EchoVC Partners, B&Y Venture Partners
SystemOne	B2B & Tech adoption	Enterprise	5,00	TLcom Capital Partners
Terragon Group	B2B & Tech adoption	Enterprise	5,00	TLcom Capital Partners
Jumia	Online & Mobile Consumer services	E/M/S/Commerce	Undisclosed	Pernod Ricard

## 3. South Africa

- South Africa has slowed down compared to Kenya and Nigeria, with **US\$ 250 Million (+49% YoY)** in funding over **37 deals (-12% YoY)**.
- In this case, **6 start-ups** raised as many rounds equal to or higher than **US\$ 5 Million**.

Company Name	Vertical	Sector	Funding (\$m)	Main investors
Webuycars	B2B & Tech adoption	Enterprise	98,00	Naspers
Jumo	Financial Inclusion	FinTech	52,00	Goldman Sachs Investment Partners, Finnfund, Vostok Emerging Finance, Gemcorp, LeapFrog Investments, Proparco
Yoco	Financial Inclusion	FinTech	16,00	Partech, Orange, FMO, Velocity Capital, Quona Capital
MFS Africa	B2B & Tech adoption	Enterprise	14,00	LUN Partners Group, Goodwell Investments, Equator Capital Partners, FSD Africa.
Jumo	Financial Inclusion	FinTech	12,50	Odey Asset Management
DataProphet	B2B & Tech adoption	Enterprise	Undisclosed	Knife Capital, Section 12J, KNF Ventures

#### 4. Rest Of Africa

- The geographic distribution has expanded with a total of **19 countries counting at least one equity tech deal** above US\$ 200K this year, compared to 13 countries in 2017
- With a total funding of **US\$ 260 Million (+100% YoY)** raised over **57 deals (+30% YoY)**, the rest of the continent is actually growing as fast as the top 3 markets and now attracting decent attention.
- And it is not just small deals: **10 start-ups** raised 11 rounds **equal to or higher than US\$ 5 Million** in the rest of the continent.
- It's important to note though that **Egypt** takes the lead here with **19 deals**, nearly catching up with South Africa in activity.
- **In French-speaking Africa, Senegal confirms itself as the leading hub with US\$ 22 Million** raised in **4 deals**. Overall this group only raised US\$ 54.3 Million vs. US\$ 55.5 Million last year, stagnating where the rest of the market has doubled.

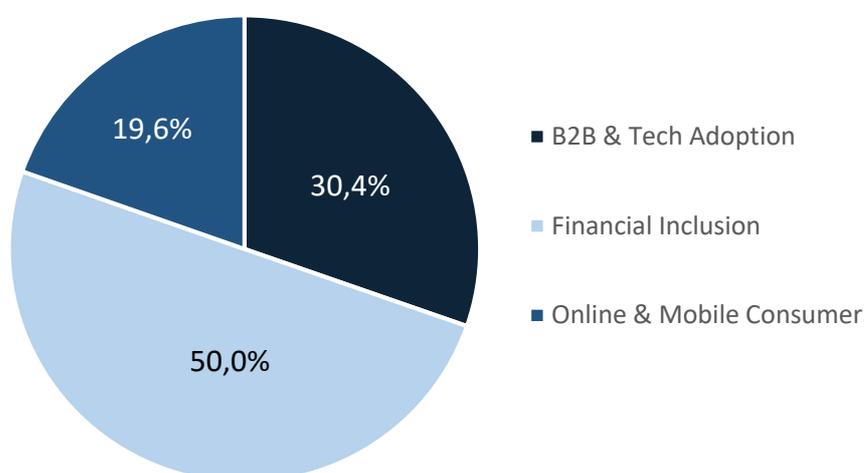
Company Name	Vertical	Sector	Funding (\$m)	Main investors
ZOLA Electric	Financial Inclusion	Offgrid Tech	55,00	Helios Investment Partners, GE Ventures
UNICAF	Online & Mobile Consumer services	EdTech	28,00	Goldman Sachs Investment Partners, CDC Group, University Ventures, edX
Vezeeta	Online & Mobile Consumer services	Health Tech	12,00	BECO Capital, Vostok New Ventures, Silicon Badia, Crescent Enterprises
M-Birr	Financial Inclusion	FinTech	9,87	EIB, DEG
Swvl	Online & Mobile Consumer services	Shared Economy	8,00	BECO Capital, DiGAME, Silicon Badia. Raed Ventures, Arzan VC, Oman Technology Fund, Esther Dyson
RentalCoins	Online & Mobile Consumer services	Shared Economy	7,70	Undisclosed
Masary	Financial Inclusion	FinTech	7,30	Ebtikar Information Technology
Jibu	B2B & Tech adoption	Enterprise	7,00	The Danone.Communities Mutual Fund, Stone Family Foundation, Segal Family Foundation, NRD Capital Management, Maclellan
Wuzzuf	Online & Mobile Consumer services	E/M/S/Commerce	6,00	EBRD, Vostok New Ventures, Endure Capital, Kingsway Capital
Mobisol	Financial Inclusion	Offgrid Tech	Undisclosed	Investec, IFC, FMO
SunFunder	Financial Inclusion	FinTech	Undisclosed	Shell Global, Schneider Electric, Better Ventures
Swvl	Online & Mobile Consumer services	Shared Economy	Undisclosed	BECO Capital, DiGAME, Silicon Badia, Raed Ventures, Arzan VC, Sawari Ventures, Oman Technology Fund, Dash Ventures, Esther

## Looking at sector break-down, the outstanding story is the rise of Enterprise/B2B platforms

Driven by Fintech, **Financial Inclusion** remains the main investment sector in the continent, attracting **50% of the total funding**.

However, we witness a shift putting **B2B & Tech adoption** in the 2<sup>nd</sup> position with **30.4% of funding (vs 13% in 2017)** while **Consumer Services** only account for **19.6% (vs 42% in 2017)**.

Investment by Sector - 2018  
Partech Analysis 2019

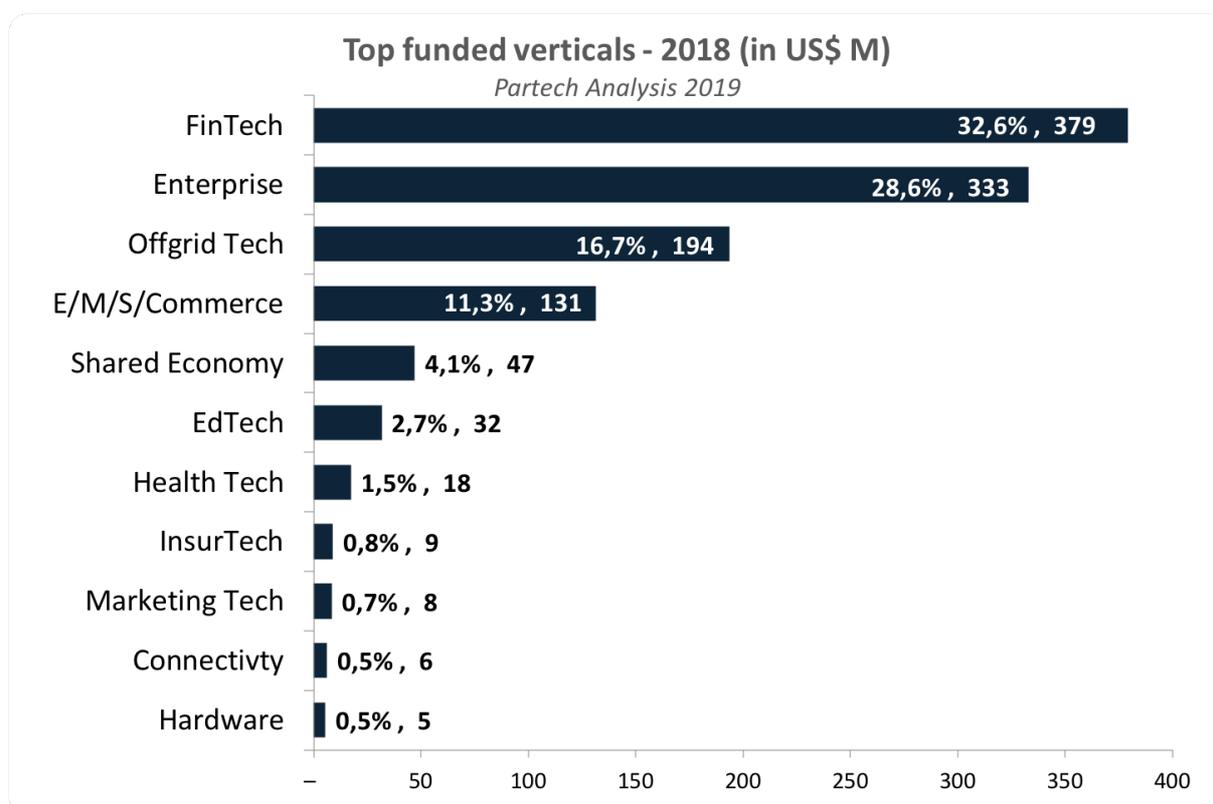


Let's zoom in to understand this upheaval in investment sectors.

1. **Financial Inclusion** still attracts the lion's share with **50% of the total investment at US\$ 582 Million**, over **64 transactions**.
  - **Fintech** – **US\$379M (+218% YoY)**, 33% of total funding, 42 deals (+45% YoY).
  - **Off-Grid Tech** – **US\$194M (+62% YoY)**, 17% of funding, 17 deals (+31% YoY).
  - **InsurTech** – **US\$8.9M (-36% YoY)**, 0.8% of total funding, 5 deals (+25% YoY).
2. **B2B & Tech Adoption** continues its phenomenal growth to account for **30.4% at US\$ 353 Million (+397% YoY)**, across **55 transactions**. This spectacular trend, again last year, goes mainly to Enterprise Software start-ups.
  - **Enterprise** – **US\$333M (+455% YoY)**, 29% of funding, 44 deals (+91% YoY).
  - **Connectivity & Hardware** – **US\$11.6M (+10% YoY)**, 1% of funding, 5 deals.
  - **Marketing Tech** – emerges this year with 6 deals accounting for **US\$8.4M**.

3. **Online & Mobile Consumer Services** stay flat in absolute funds at **US\$ 228 Million** (- 3% YoY) but now only represent **19.6%** of total funding (vs 42% in 2017), across **45 transactions** (-17% YoY). The 4 main sub-verticals this year are:

- **E-Commerce** – US\$131.5M (+25% YoY), 11% of funding, 19 deals (+16% YoY).
- **Shared Economy & Personal Services** – US\$47M (+15% YoY), 4% of total funding, 12 deals (-25% YoY).
- **EdTech** – US\$31.8M (-51% YoY), 2.7% of total funding, 3 deals (vs 5 in 2017).
- **HealthTech** – US\$18M (-14% YoY), 1.5% of total funding, in 7 deals.



## Maturing cohorts attract high tickets leading to an average round size of \$43M in Growth stage

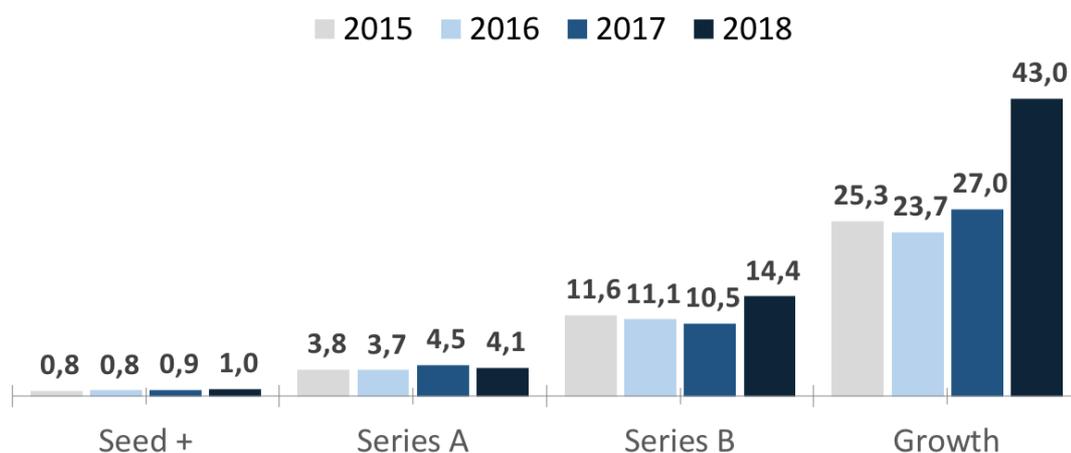
When we look across stages of investments, we find the following:

1. **Seed+** round sizes average **US\$ 1 Million** (vs. US\$ 0.91 Million in 2017) with **80 transactions** (+10%), accounting for **US\$ 79 Million**.
2. **Series A** round sizes have slightly decreased to **US\$ 4.1 Million** (vs. US\$ 4.5 Million in 2017) with **51 transactions** (+55% YoY), totaling **US\$ 208 Million**.

3. **Series B** round sizes have bumped up this year to average **US\$ 14.4 Million** (vs US\$ 10.5 Million in 2017) with **19 transactions** (+27% YoY), totaling **US\$ 274 Million**.
4. **Growth stage** finally shapes up as a category in this report (we did not have enough data points in previous years). Growth stage deals averaged **US\$ 43 Million** per round in 2018 (vs US\$ 27 Million in 2017) with a number of transactions that doubled from 2017 to **14 transactions in 2018**. Total funding is impressive with **US\$ 602 Million** in 2018 (+217% YoY).

### Average round size per stage - 2015 to 2018 (in US\$ M)

Partech Analysis 2019



Africa is on!

Cyril Collon & Tidjane Dème, General Partners at Partech