



Q3
2023

Venture Capital Activity in Africa

Q3 2023 IN REVIEW

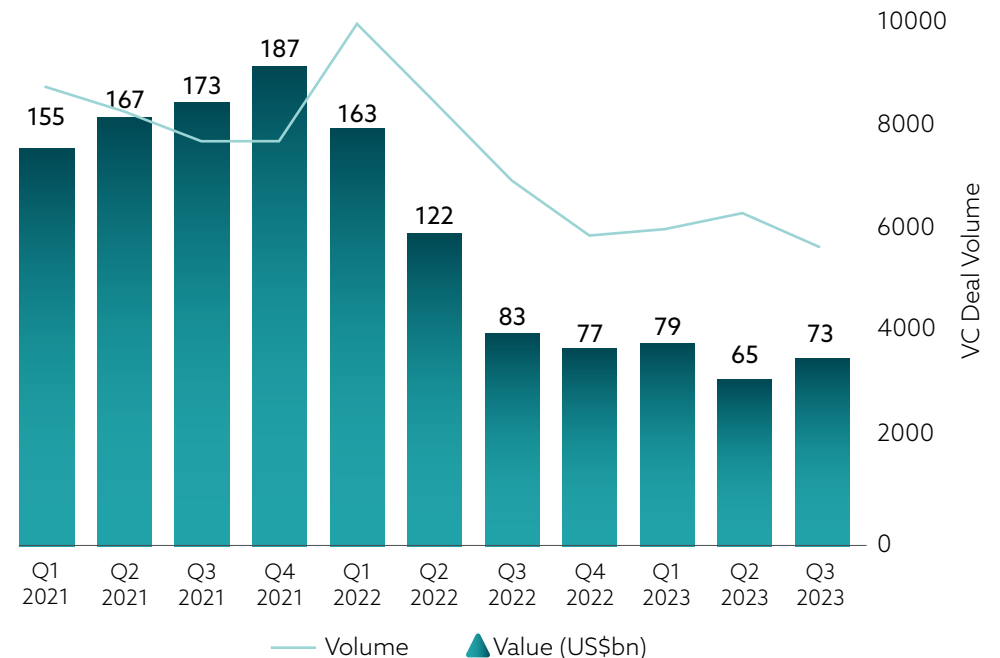
Global Venture Capital - The Scramble for AI

Global venture capital fell to US\$73 billion in the third quarter of 2023, continuing its now 18-month descent in funding since mid-2022¹. The capital free-for-all appears to have all but dried up as investors adopt a more judicious approach to their capital allocation decisions. In North America and Europe, Generative AI is proving to be the exception to this investor stringency, encouraging otherwise cautious investors to open their chequebooks for what many technologists consider to be the next great frontier. A staggering US\$1.5 billion went to American AI startup *Anthropic* in September 2023, while AI software maker and data analytics company *Databricks* raised US\$500 million in the same month. Despite the breath of life provided by these high-profile technology deals, the US\$73 billion across 5617 deals invested in Q3 2023 remains particularly low compared to the US\$83 billion across 6901 deals recorded in Q3 2022. When we consider the year to date, funding for AI-related companies had surpassed US\$35 billion by the close of September - equivalent to almost 1 in 5 dollars of total venture funding for the period globally.

Overall, the pace of dealmaking has slowed significantly across every region. This comes as no surprise given the current macroeconomic environment, where concerns regarding valuations, exits (and the lack thereof), and potential returns are top of mind for investors. North America accounted for the largest share of global venture capital flows in Q3 2023 with US\$31.4 billion invested - including two US\$1 billion+ megadeals during the quarter. Asia followed with US\$22.3 billion raised. The region was also home to five of Q3's top ten deals globally², somewhat

regaining its footing to register a marginal 8% YoY contraction in startup funding. European investors also stepped away from the sidelines in the third quarter of 2023 with US\$16.4 billion invested - up by 28% quarter over quarter but flat year over year.

Figure 1: Volume and Value (US\$bn) of Global Venture Capital, 2023



Source: Crunchbase 2023 Global Funding Report

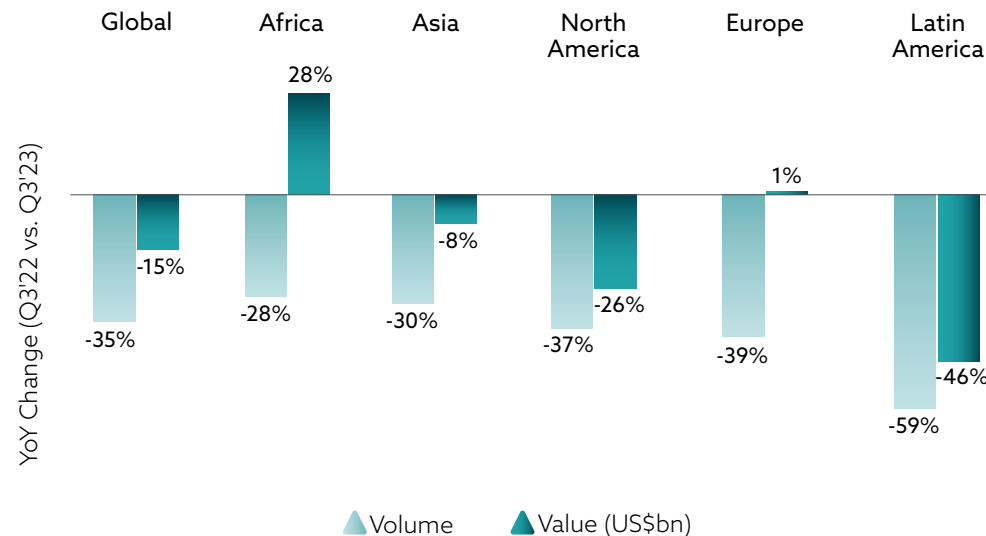
¹ Crunchbase, 2023. [Crunchbase Q3 2023 Global Funding Report](#)

² KPMG, 2023. [Venture Pulse Q3 2023](#)

Africa in the Global Context

Africa remains the lowest contributor to global venture capital, assuming just 2% of the overall total by volume and 1.2% by value in Q3 2023. However, market activity in Africa's venture ecosystem shows the continent weathered the latest ebbs and flows of the global funding winter with fewer scrapes than other regions. African entrepreneurs closed out Q3 2023 having raised 28% more capital than they did during the same period a year prior – making it the only region to witness positive YoY growth that quarter, outside of Europe. Moreover, venture capital funding to Africa throughout 2023 has consistently outpaced Latin America, the continent's closest socio-economic comparator. Africa raised a total US\$2.9 billion between Q1 and Q3 2023, compared to just US\$1.6 billion for Latin America within the same timeframe.

Figure 2: Global Comparison of YoY Changes to VC Deal Volume & Value (US\$bn), 2023 Q3



Source: AVCA Database & Crunchbase 2023 Global Funding Report

A Mixed Bag

African startups raised a total of US\$895 million across 118 venture capital deals between July and September 2023 – falling just shy of the US\$1 billion in value precedent set in the two first quarters of the year. Industry performance this quarter is best described as a mixed bag. While both the volume and value of venture capital deals that took place remain higher than the historical average, deal volumes for Q3 2023 underperform whilst deal values remain flat when compared with the same three-month period in 2022. When viewed from a QoQ lens, deal volume dropped by 10% while deal value only held steady thanks to the US\$150 million Series C round raised by a consumer financing company. Excluding this deal, QoQ changes to deal value would have registered a far more significant 24% drop than the 12% contraction actually recorded. Despite their infrequency, super-sized deals (deals with a value of US\$100 million and over) have contributed to 40% of venture deal values in 2023 to date. Comparatively, super-sized deals accounted for 30% of the annual total in Africa in 2022, and 50% in 2021. Given the unexpected decline of the seed and early-stage, this suggests that these US\$100 million+ funding rounds are plugging the funding shortfall to keep the industry afloat in 2023 thus far.

As 2023 hurtles to a close, perceptions of industry performance and expectations for the future are far from uniform. While some startups including [MNT-Halan](#) celebrated monumental fundraising milestones to achieve the coveted 'unicorn' status earlier in the year, others ([54 Gene](#), [Dash](#), and [Sendy](#)) closed their doors in Q3 despite their once highly-celebrated status on the continent. The final tally for 2023 to date stands at US\$2.95 billion – down from US\$4.3 billion that was raised by the same point last year. At the close of Q3, Africa's venture capital industry has managed to attract two thirds (69%) of the capital it accrued by September 2022, and a more disappointing 56% of the total value of venture capital channelled to the continent in 2022 more broadly. Against this uncertain backdrop, it remains to be seen how far the industry will be able to push the funding needle in Q4 2023 to close the gap to the levels maintained in 2022.

Seed and Early-Stage Plummet

In what appears to be a global phenomenon, seed and early-stage companies in Africa saw depressed deal activity in Q3 2023. Although every investment stage saw significant contractions by both volume and value, the number of seed stage deals taking place in Africa during the third quarter of 2023 shrank by 46% when evaluated against figures for the same period in 2022, while the early-stage registered 40% negative growth. More alarming are the year over year changes for these two investment stages when viewed from a broader lens of the year-to-date. Deal values spiralled downwards to the tune of -70% for the seed stage and -60% for the early stage. From a deal volume perspective, 131 seed and 50 early-stage deals took place in Africa between Q1 and Q3 2023, compared to the 273 seed and 118 early-stage venture capital deals that occurred in the first nine months of 2022. Nevertheless, even with this slowdown in early-stage funding, a number of high-profile deals took place in Q3 of 2023. Examples include the US\$33 million Series B round in *LemFi*, a FinTech platform providing financial services for immigrants and the US\$40 million Series A round Congolese alternative energy startup *Nuru*.

Conversely, when compared to both the preceding quarter and the same period in 2022, the late stage held steady in Q3 2023. A total of 3 late-stage deals – all at Series C – took place, boosting the median value of the investment stage to date for 2023.

West Africa Leads by Volume; Multi-Region Leads by Value

West Africa attracted the highest overall volume of VC Deals in Africa in Q3 2023, concluding the penultimate quarter of the year with 34 deals at a combined value of US\$341 million. Despite particularly strong dealmaking in Q1 2023, entrepreneurial activity in East Africa has fallen in every subsequent quarter, enabling Southern Africa (which garnered 20% of aggregate deal volume) to claim second place overall in Q3 2023. Excluding startups with a multi-region geographic footprint, which routinely receive the largest proportion of venture funding allocated to the continent, West and Southern Africa also led the scales by value, owing to the dominance of Nigeria

and South Africa, respectively. North Africa runs in the middle of the pack in both Q3 2023 and throughout the year to date, assuming a consistent share across both venture capital deal volume and value.

The Backbone of African Consumerism – Payments, Technology and E-Commerce – Claim Bulk of Volume and Value

Financials (25%), Information Technology (19%) and Consumer Discretionary (17%) were the 3 most active sectors by volume from the start of the year through to Q3 2023, collectively accounting for just under two thirds of the total number of venture capital deals concluded on the continent. Worth noting are the industry groups and verticals driving each sector's popularity. For the Financials sector, startups providing Financial Services³ (driven by payments) account for the largest proportion, with pockets of deal activity in Digital Banks (20%) and InsurTech (11%). Software & Services commanded 81% of deal volumes to the Information Technology sector, whilst Consumer Discretionary owes its dominance to E-Commerce and Consumer Services in equal measure.

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 their distribution and accessibility to the mass market. Accordingly, FinTech stood once again as the most dominant vertical amongst tech-enabled startups that successfully received funding in Q3 2023, followed by CleanTech and E-Commerce as a close third. However, their popularity also underscores how investors are opting to bet on the familiar in 2023 – making investment choices that are aligned with well-established themes with clearly defined paths to profitability.

Venture Debt to Broaden and Bridge

The longstanding immunity of venture debt to the funding winter finally begun to wane in the third quarter: 13 venture debt deals amounting to US\$230 million took place in Q3 2023, compared to 20 deals at US\$367 million during the

³ Please note that according to the GICS classification system, the Financial Services industry group includes the following: Diversified Financial Services, Consumer Finance, Capital Markets and Mortgage Real Estate Investment Trusts (REITs).

same period last year. This translates to both a YoY and QoQ decline for the asset class. However, while fewer 'pure' or exclusive venture debt dealmaking occurred, Q3 2023 nevertheless saw mixed equity and debt funding rounds appear with increased frequency in Africa's venture ecosystem, where the latter forms a substantial part of fundraising rounds. Notable examples include *Okra Solar's* Series A round in September (US\$7.85 million equity and US\$4.15 million debt); the pre-Series A funding round (US\$7 million equity and US\$3.4 million debt) in Ghanaian AgTech startup *Complete Farmer*; and finally South African solar energy startup *Wetility's* ZAR903 million fundraise, which included a ZAR600 million commercial debt package from a consortium of commercial and development banks⁴.

The inclusion of venture debt at these investment stages is illustrative of its catalytic role as working capital for early-stage businesses. However, venture debt is also being used by more mature startups to facilitate geographic expansion. This is the case with mobility FinTech startup *Moove Africa* which has raised US\$325 million to date (US\$150 million in equity and over US\$175 million in debt), enabling the startup to expand its revenue-based financing model globally. Similarly, Kenyan solar home system provider *d.Light* raised a US\$125 million securitisation facility in August to enable its country and product expansion to Tanzania, bringing the company's total securitised financing to US\$490 million since 2020⁵. The preceding highlights the demonstrable utility of venture debt as bridge funding for cash-strapped startups or development capital for mature startups to broaden and scale.

⁴ TechCabal, 2023. [Multichoice-Backed Solar Startup Wetility Raises \\$48 Million to Expand Solar Energy Product](#)

⁵ d.Light, 2023. [d.Light Closes USD\\$125M Funding Through A Securitization Facility To Meet Growing Demand For Off-Grid Solar Products In Tanzania](#)

A Mixed Bag

Figure 3: Volume of Venture Capital Deals in Africa, by Year & Quarter

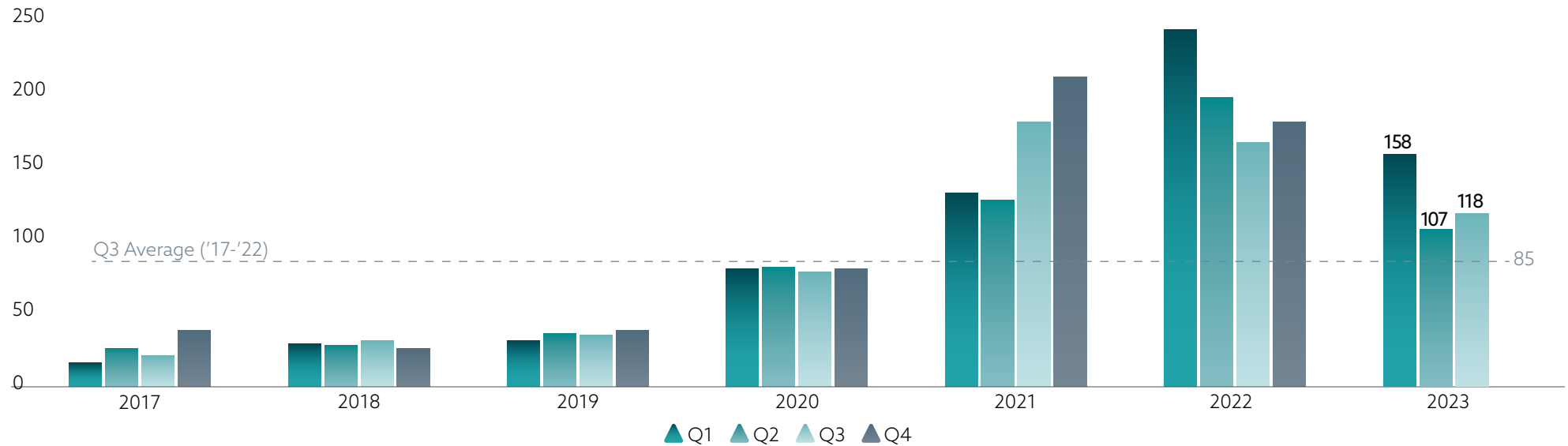


Figure 4: Volume of Venture Capital Deals in Africa by Year, Q1-Q3 vs. Q4

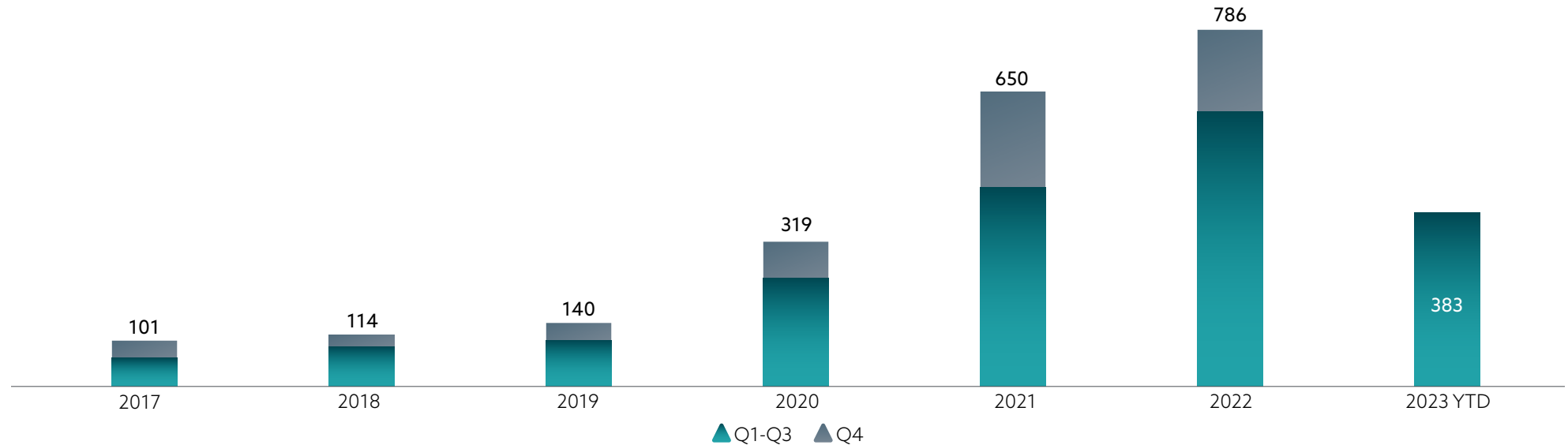


Figure 5: Value of Venture Capital Deals in Africa, by Year & Quarter, US\$bn

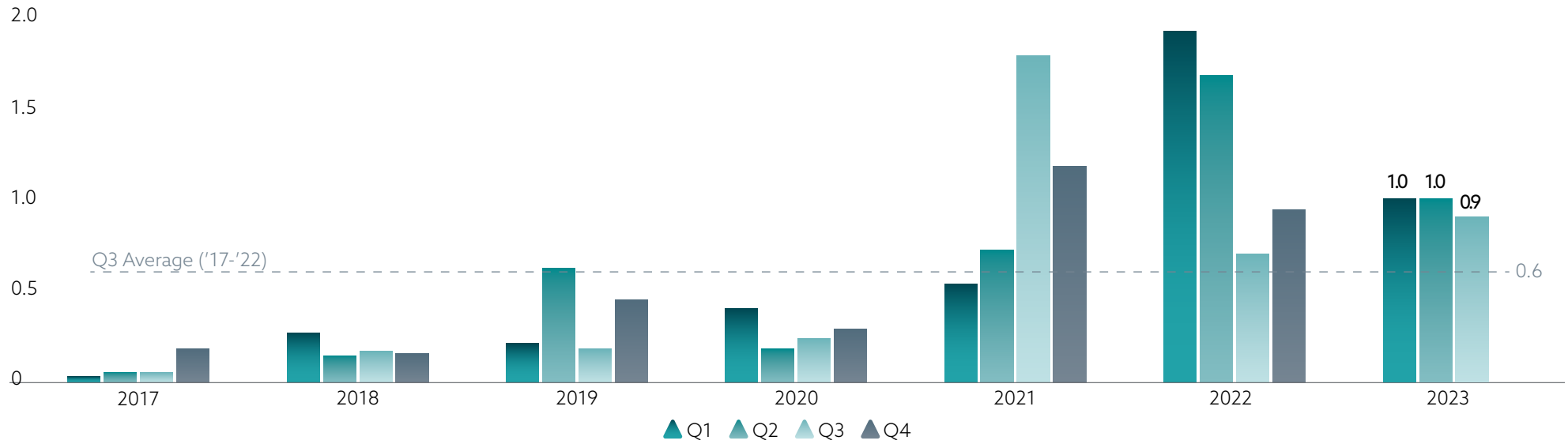
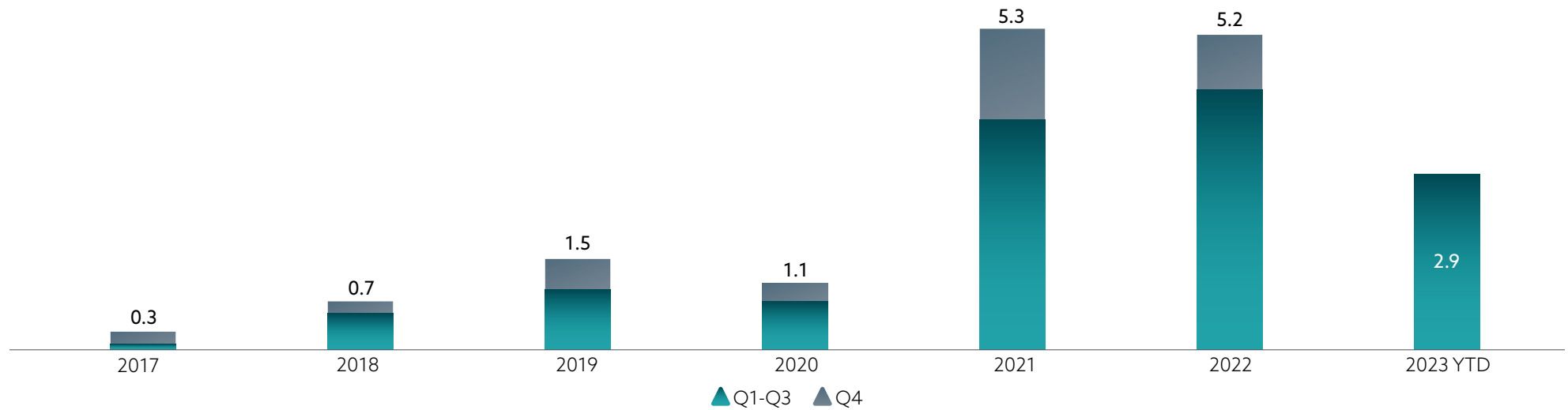


Figure 6: Value of Venture Capital Deals in Africa by Year, Q1-Q3 vs. Q4, US\$bn



Seed and Early Stage Plummet

Figure 7: Annual Evolution of VC Deal Volume by Stage, 2017-2023 Q3

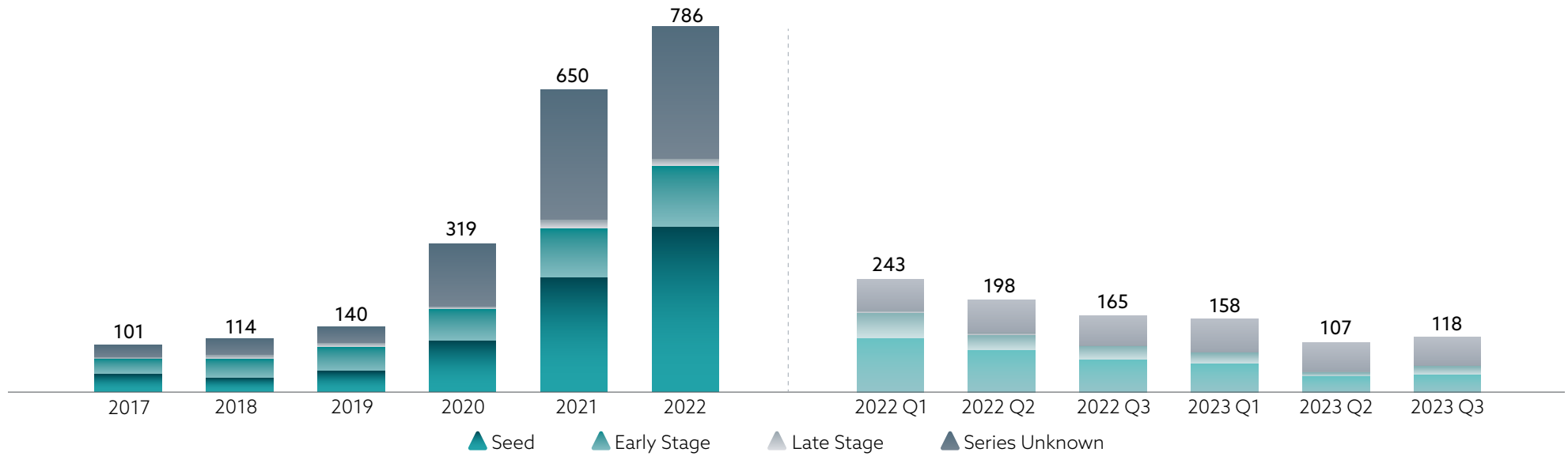


Figure 8: Annual Evolution of VC Deal Value by Stage, 2017-2023 Q3, US\$bn

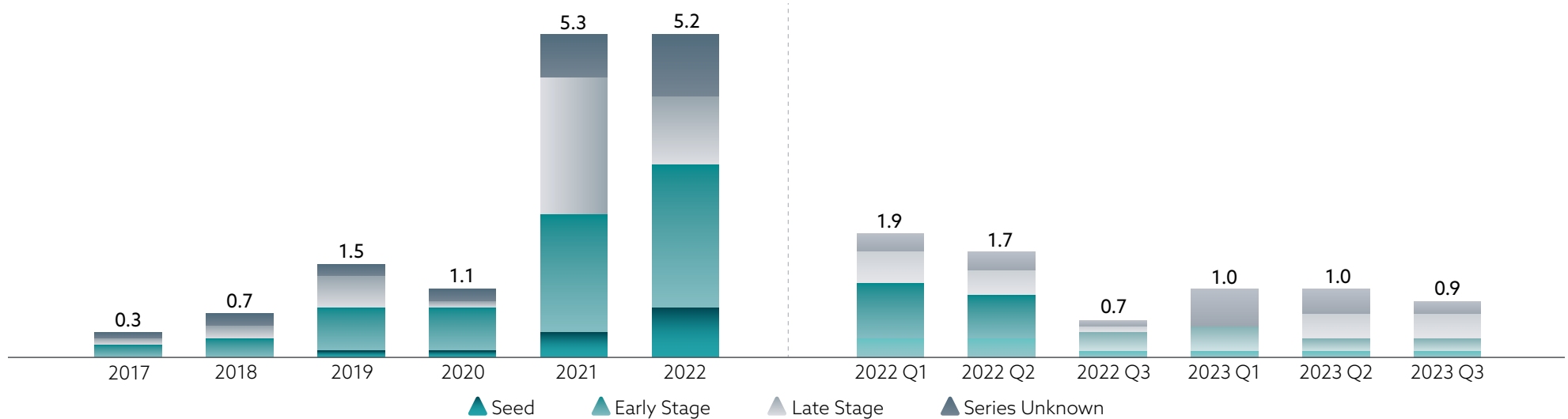
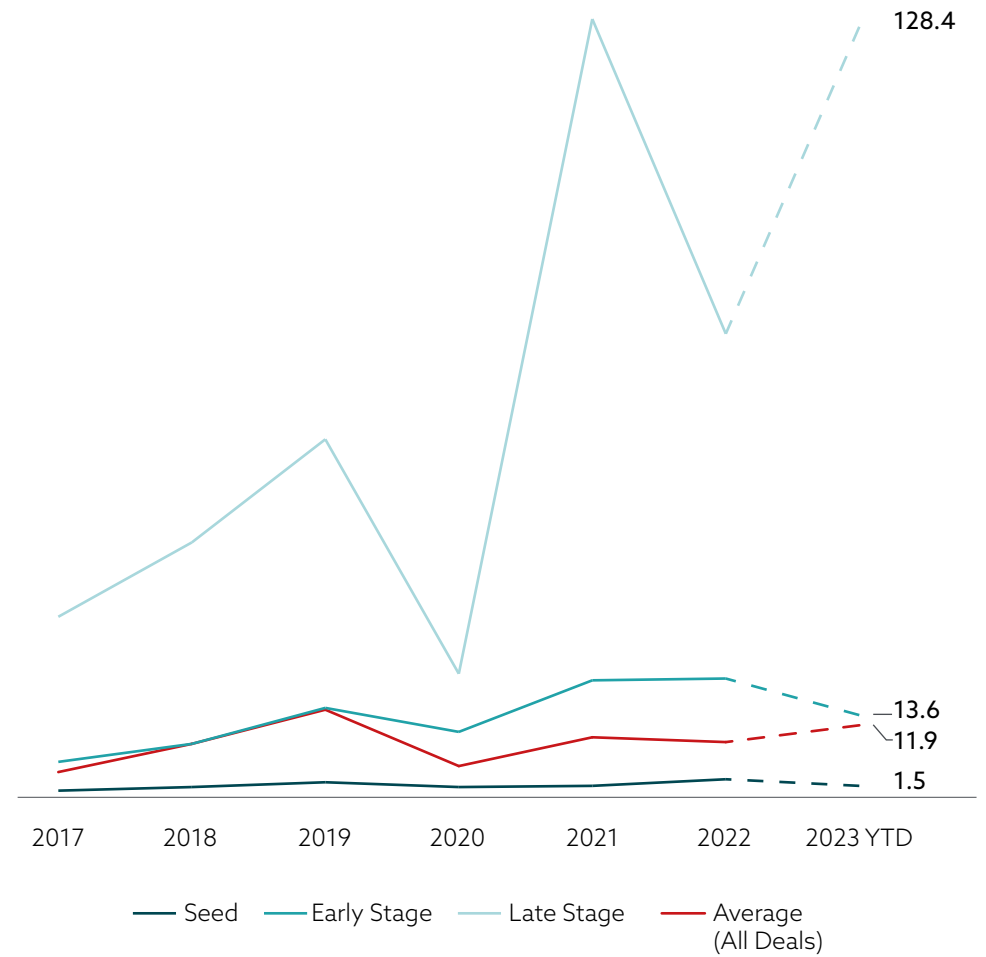
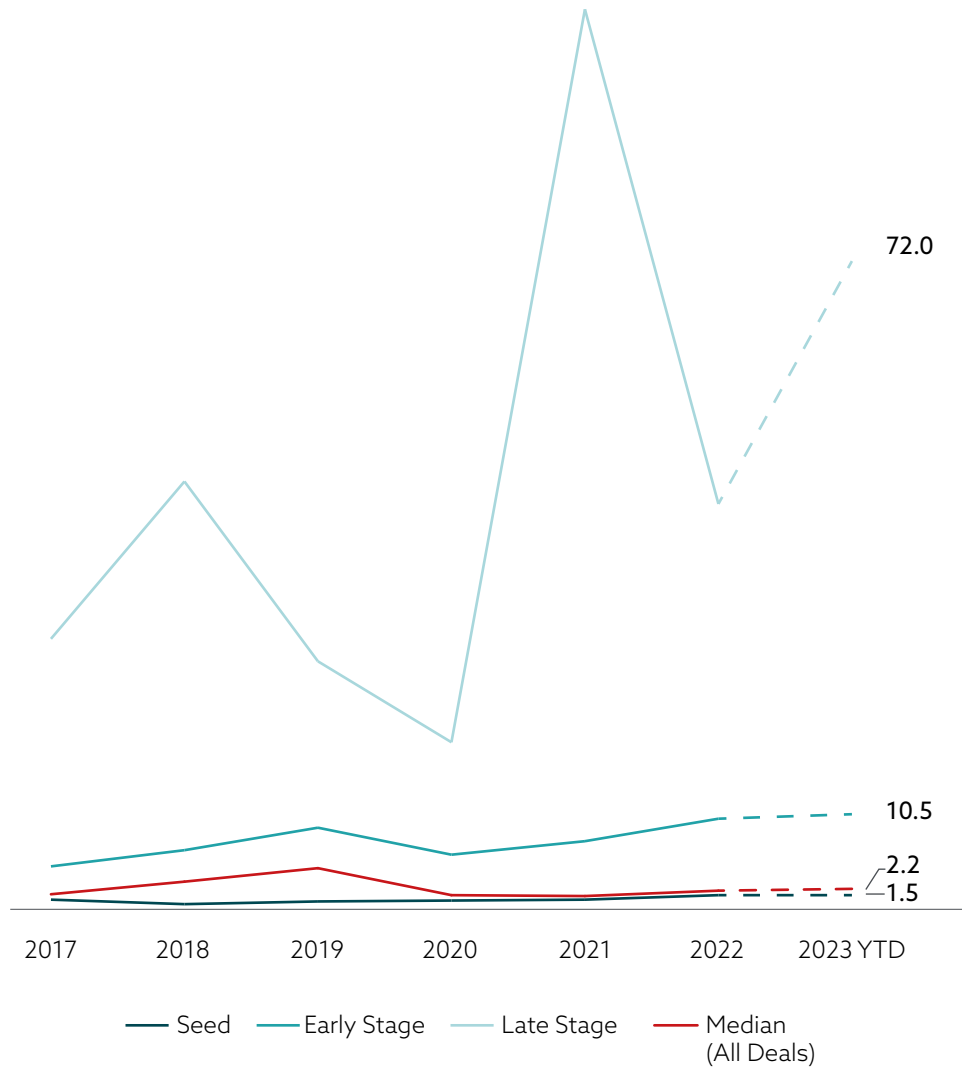


Figure 9: Annual Evolution of Median Deal Size by Stage, 2017-2023 Q3, US\$mn

Figure 10: Annual Evolution of Average Deal Size by Stage, 2017-2023 Q3, US\$mn



West Africa Leads by Volume; Multi-Region Leads by Value

Figure 11: Share of VC Deal Volume in Africa, by Region, 2017 – 2022 vs 2023

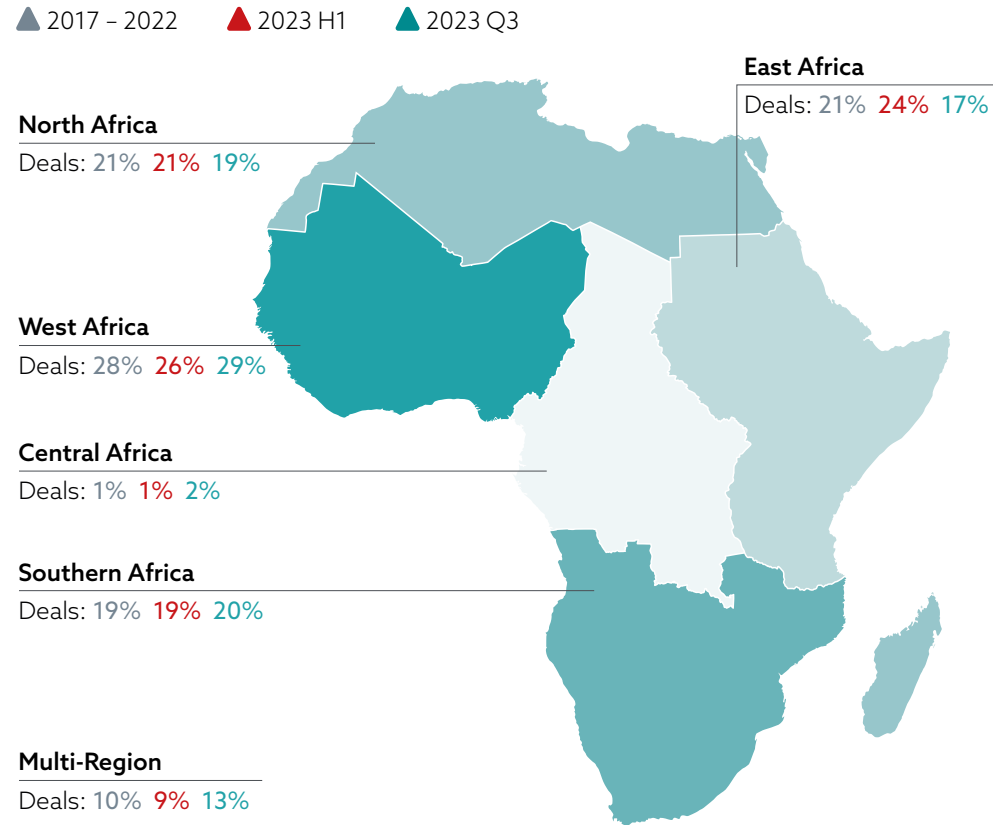
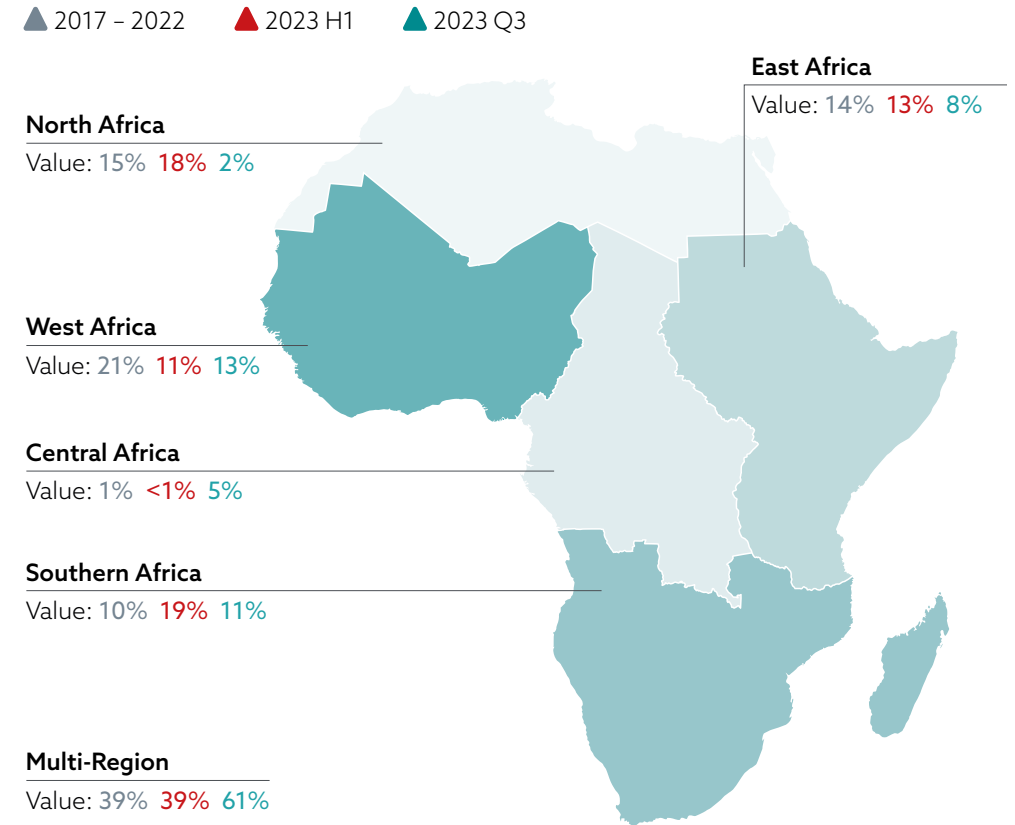


Figure 12: Share of VC Deal Value in Africa, by Region, 2017 – 2022 vs 2023



The Backbone of African Consumerism – Payments, Technology and E-Commerce - Claim Bulk of Volume and Value

Figure 13: Share of VC Deal Volume by Sector, 2017-2022 vs. 2023

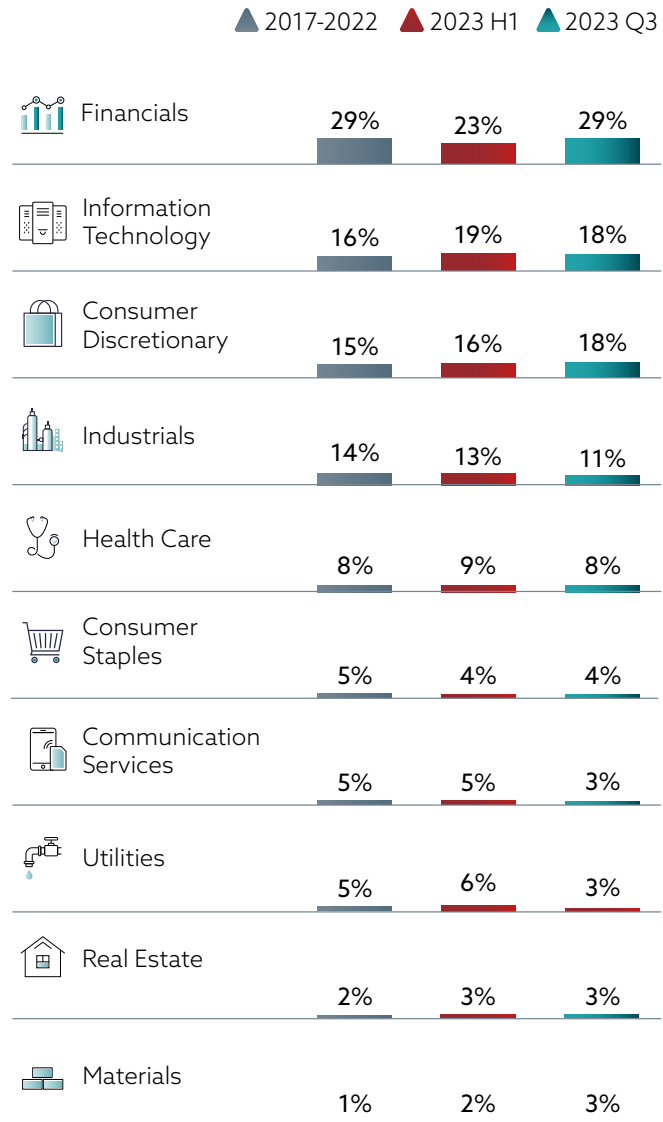


Figure 14: Share of VC Deal Value by Sector, 2017-2022 vs. 2023

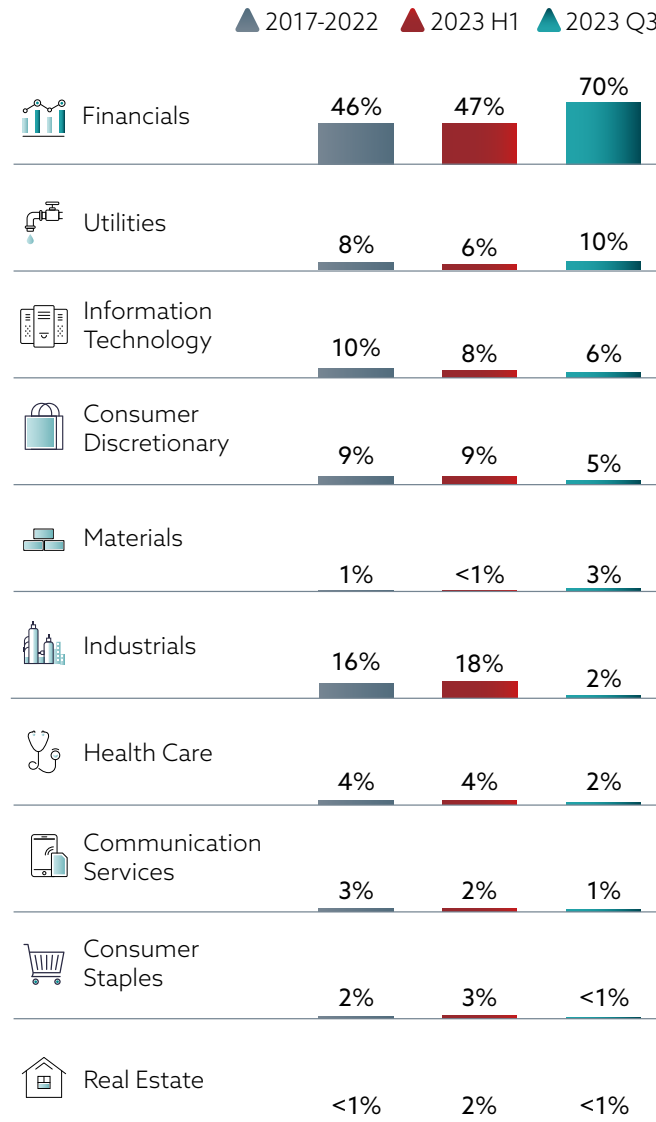
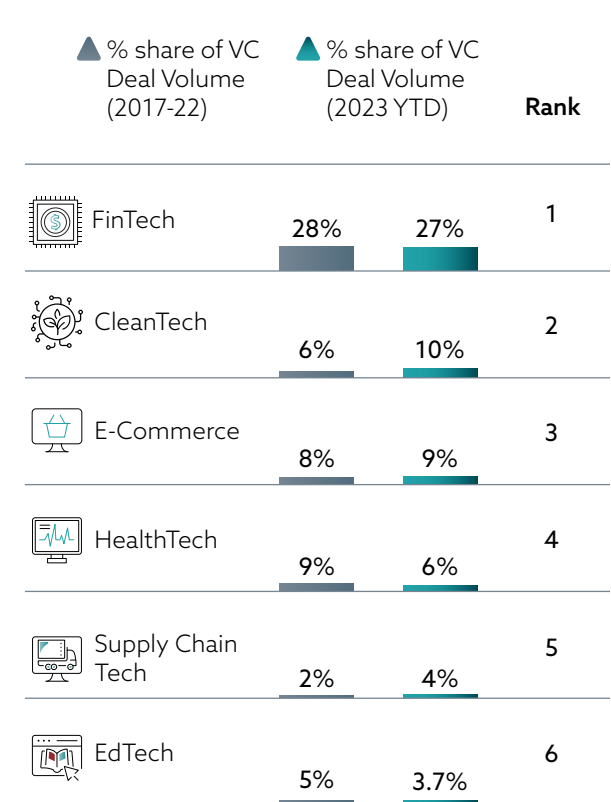


Figure 15: Top Verticals Amongst Tech-Enabled Companies, 2017-2023



Venture Debt to Broaden and Bridge

Figure 16: Total Volume of Venture Debt Deals in Africa, by Year & Quarter



Figure 17: Total Value of Venture Debt Deals in Africa, by Year & Quarter, US\$mn

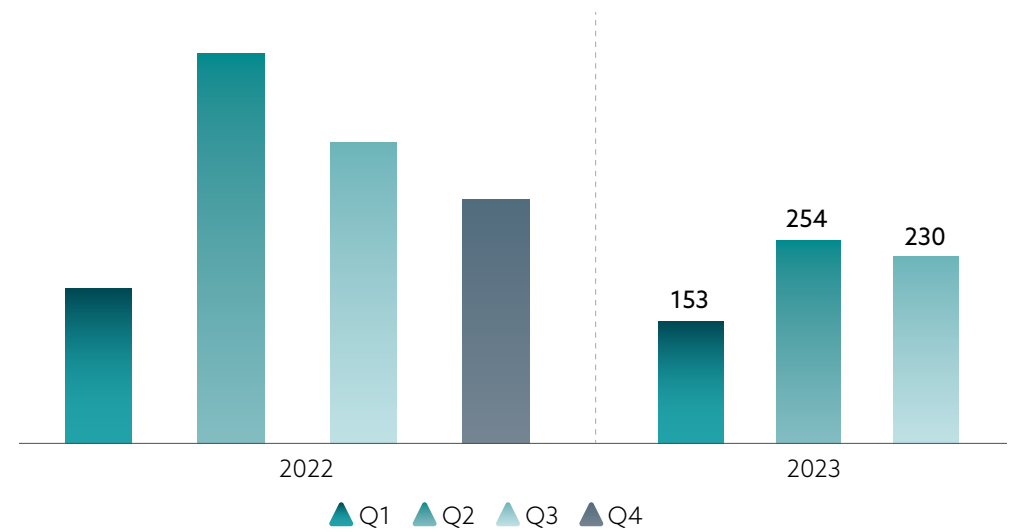


Figure 18: Evolution of Median Venture Debt Deal Value (US\$mn), 2022-2023



Research Methodology

This report maintains the same methodology used in the full year Venture Capital in Africa series. A detailed overview of the Research Methodology used can be accessed [here](#), on pages 39-40.



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