



Q1-Q2  
2023

# Venture Capital Activity in Africa

## Africa in the Global Context: Another Lean Year for Venture Capital

Global investments in venture capital reached US\$144 billion in the first half of 2023, with double-digit negative growth in both Q1 and Q2 culminating in an overall 50% decline from the US\$293 billion invested in 2022 H1<sup>1</sup>. Familiar macroeconomic constraints including stubbornly high interest rates, European geopolitical instability and concerns related to the stability of the global banking system are partially attributable for this funding winter. However, record losses by industry titans including the US\$5.5 billion investment loss in Q4'22 for SoftBank's Vision Funds<sup>2</sup>; a 33% mark down of portfolio value for Tiger Global's venture capital funds<sup>3</sup>; and the dissolution of Sequoia Capital (arguably the industry's biggest global brand) into three independent regional entities in June 2023<sup>4</sup> have also rocked the boat and magnified turbulence in the VC market this year. After reaching a peak of close to US\$187 billion in Q4'21, global VC investment has fallen in each subsequent quarter to stand at US\$65 billion in Q2 2023<sup>5</sup>.

How does venture capital in Africa fare against these changes in the global marketplace? Amidst what was then the strongest half-year activity the continent had seen to date despite the already entrenched global macroeconomic downturn, the 2022 *Mid-Year Venture Capital Activity Report* questioned whether the industry was running on borrowed time. The other shoe has since dropped - the African venture ecosystem is no longer the last man standing. Finally falling prey to shifting market forces, venture investments in Africa fell by 43% YoY in 2023 H1. This is against a backdrop of relatively strong fundraising by African VC fund managers in 2022<sup>6</sup>. VC investors thus appear to be adopting a cautious approach to capital deployment, given the significant degree of market uncertainty which show no signs of immediate resolution.

Figure 1: Global Comparison of YoY Changes to VC Deal Volume, 2023 H1\*

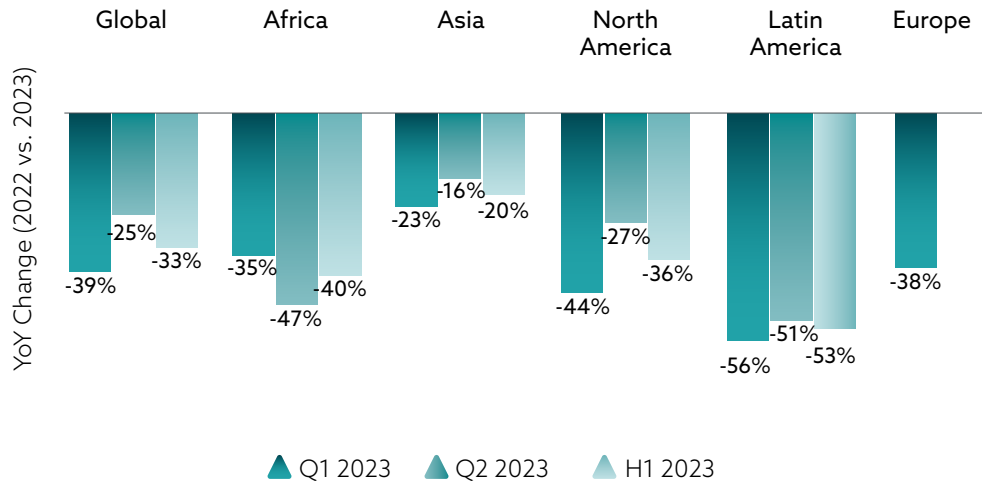
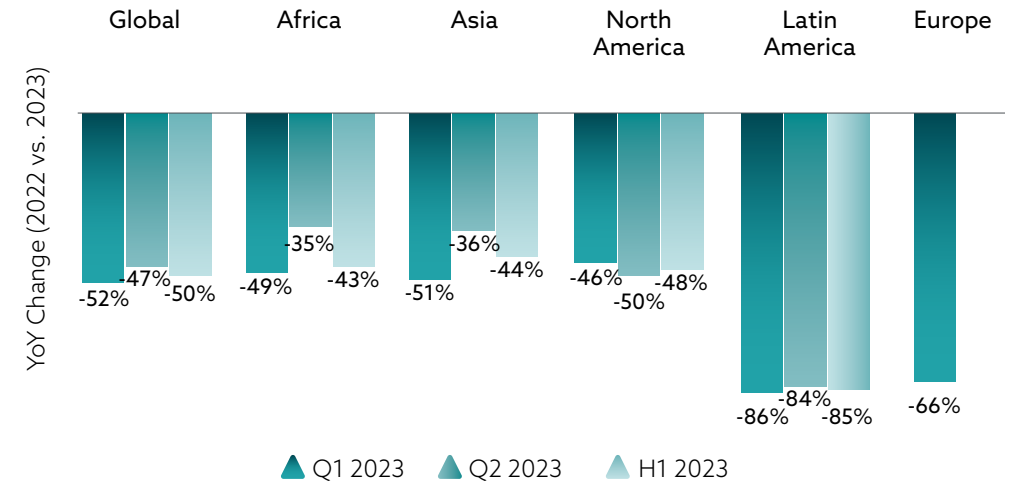


Figure 2: Global Comparison of YoY Changes to VC Deal Value, 2023 H1\*



# 2023 H1 IN REVIEW

## A Winter, or a Plateau?

The first half of 2023 saw 263 VC deals take place in Africa's venture ecosystem, allocating a cumulative US\$2.1 billion of capital to 258 unique companies. This corresponds to a 40% decrease by both volume and value compared to the US\$3.5 billion raised in 2022 H1. At slightly over US\$1 billion raised each quarter, this contraction in startup funding is being referred to by some as a "funding winter" for African venture capital. Sensationalist headlines aside, channels of capital to African startups have undoubtedly tapered off since Q3'22, in a belated but anticipated knock-on effect of the global macroeconomic downturn. However, rather than a funding winter, the funding dips of Q1'23 and Q2'23 are better described as a funding plateau. When evaluated against the historical average for the period between 2017-2022, industry activity in Africa's venture capital ecosystem in 2023 compares favourably.

A long-term lens is therefore necessary to temper overly pessimistic concerns of what may appear at first glance to be a nosedive in deal activity, particularly as the ecosystem comes down from a two-year trend of triple digit acceleration. In contrast to the capital free-for-all of 2021 H2 into 2022 H1, VC investors are applying a more judicious approach to investment - but are still actively allocating capital to startups with strong fundamentals.

## Investors Retreat from Super-Sized Deals

VC investors shied away from big-ticket funding rounds in the first six months of 2023. 5 super-sized deals raising just over US\$1 billion took place in 2023 H1, falling from 9 such deals that brought US\$1.3 billion to the industry in the same period in 2022. Although the number of startups concluding deals with a value of US\$100 million or more fell in 2023 H1, the proportion of overall funding assumed by these large, high profile funding rounds in each quarter remained largely consistent with the historical average.

Of note, while super-sized deals routinely comprise both equity and debt, venture debt is assuming a larger component and consequently playing a more prominent role in these funding rounds. 3 of the continent's 5 megadeals in 2023 H1 raised a substantial amount of debt financing as part of the investment round.

Over US\$200 million of Kenyan asset financing platform *M-Kopa's* fundraise was sustainability-linked debt financing<sup>7</sup>, South African car subscription startup *Planet 42's* fundraise included a US\$75 million credit facility<sup>8</sup>, while Egyptian FinTech unicorn *MNT-Halan* raised US\$140 million through two securitized bond issuances to complement their US\$260 million equity raise.

## Double Digit YoY and QoQ Declines at Every Investment Stage

Although most acute at the late stage, every investment stage saw significant contractions by both volume and value in 2023 H1. On the early stages of the venture capital continuum, seed-stage deals assumed the largest proportion of venture capital deal activity in Africa in both Q1'23 and Q2'23<sup>9</sup>. While this is a recurrent trend in Africa's venture ecosystem, seed-stage deals accounted for a colossal 71% and 72% of venture deal flow to startups on the continent in the first two quarters of 2023, respectively<sup>10</sup>. Nevertheless, deal counts in this category fell by 55% from 2022 H1, debunking to some extent early predictions that seed rounds would remain unaffected in 2023. These initial predictions were based on the premise that the smaller ticket sizes characteristic of seed-stage deals would lend this investment stage a higher degree of insulation from global macroeconomic headwinds.

The anomalous dominance of seed-stage deals is in part due to the virtual absence of late-stage deals on the continent in 2023 H1. Just 2 late-stage deals took place in Q1'23 while 3 occurred in Q2'23, accounting for a cumulative US\$0.5 billion of venture capital. Given the significant market uncertainty in developed markets, the fall of the later stages comes as no surprise as global VC investors (which disproportionately lead the charge for these large, late-stage deals) continued to pull back from mega rounds. Nevertheless, even with this slowdown in late-stage funding, a number of high-profile deals took place in 2023 H1. Examples include the US\$77.8 million pre-Series C round in South African digital bank *TymeBank* and the US\$330 million Series F in drone designer and manufacturer *Zipline*.

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

West Africa attracted the highest overall volume of VC Deals in Africa in 2023 H1, closing out Q1'23 with 35 deals and Q2'23 with 33 deals executed (equivalent to 22% and 31%, respectively). West Africa only narrowly assumes the top spot in 2023 H1, with East Africa vying for close second after particularly strong dealmaking activity in Q1'23. Additionally, while both regions dominated in terms of the number of deals taking place, the value of funding raised by these bi-coastal entrepreneurs in 2023 H1 lagged slightly behind other regions, namely Southern (19%) and North Africa (18%).

While startups with a multi-region geographic footprint typically account for a small proportion of VC deal volume each year, they routinely comprise the largest share of deal value, and 2023 H1 was no exception. This trend is particularly visible in Q2'23, which saw multi-region deals command just 7% of VC deal volume in Africa, but a significant 60% of deal value between April and June 2023. These include the US\$14 million Series B for solar energy and digital devices asset financier *Yellow Africa*, as well as the two megadeal rounds in *Zipline* and *M-Kopa*, respectively.

## FinTech and Neo-Banks Bolster Financials, Whilst CleanTech Shines a Light on Utilities

FinTech continued to drive deal activity on the continent in 2023 H1, standing once again as the most dominant vertical amongst tech-enabled startups that successfully received funding. By extension, the Financials sector showed resilience, largely maintaining historical averages in terms of the proportion of funding the sector attracted by both volume and value across both quarters. Several of the largest deals for the period can also be attributed to the Financials sector, including a US\$35 million Series B round in South African digital lender *Lulalend*, a US\$30 million pre-Series B funding round for Nigerian payment service provider *Nomba*, as well as three of the five super-sized deals the period saw, which account for a combined US\$615 million.

CleanTech is making waves in the global venture capital landscape, tying with FinTech as the most popular vertical amongst the top 10 highest-funded startups internationally in Q1'23<sup>11</sup>. CleanTech, Renewable Energy and Energy Storage have garnered increasing interest and investment from European VC investors specifically, amidst the extended Russia-Ukraine war and concerns regarding both the availability and cost of energy in the last 18 months. The rising tide of CleanTech globally was also visible in Africa's early-stage ecosystem, where CleanTech was the second most active vertical amongst African VC-backed technology or tech-enabled companies in 2023 H1. Whilst CleanTech is largely a sector-agnostic vertical, it is responsible for the modest increases in deal activity channelled to the Utilities sector in recent years. Although still considered an emerging area of investment, funding recipients leveraging technology to improve environmental sustainability include €19 million to Madagascan clean energy provider *WeLight*, as well as US\$8 million Series A for *Qotto*, a solar kits provider with operations in Burkina Faso and Benin.

## Business as Usual for Venture Debt

Venture Debt remained relatively unaffected in 2023 H1, with deals in both Q1'23 and Q2'23 equalling or coming close to the volumes and values recorded in the same periods the preceding year. Overall, 25 venture debt deals totalling just over US\$0.4 billion took place in the first half of 2023, making use of a variety of instruments including direct lending, convertible loan notes, lines of credit (in both local and hard currency) and bond issuances.

While venture debt is being used with increasing frequency in Africa's early-stage ecosystem, it remains an emerging trend on the periphery rather than a key component of the African investment ecosystem at present. However, increased uptake of venture debt strategies is highly likely in the short-medium term, as founders seek to maintain growth through the present macroeconomic downturn. As access to liquidity becomes more challenging, growth stage startups may turn to venture debt as a financing alternative or cash cushion for business development and market expansion.

# A Winter, Or A Plateau?

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

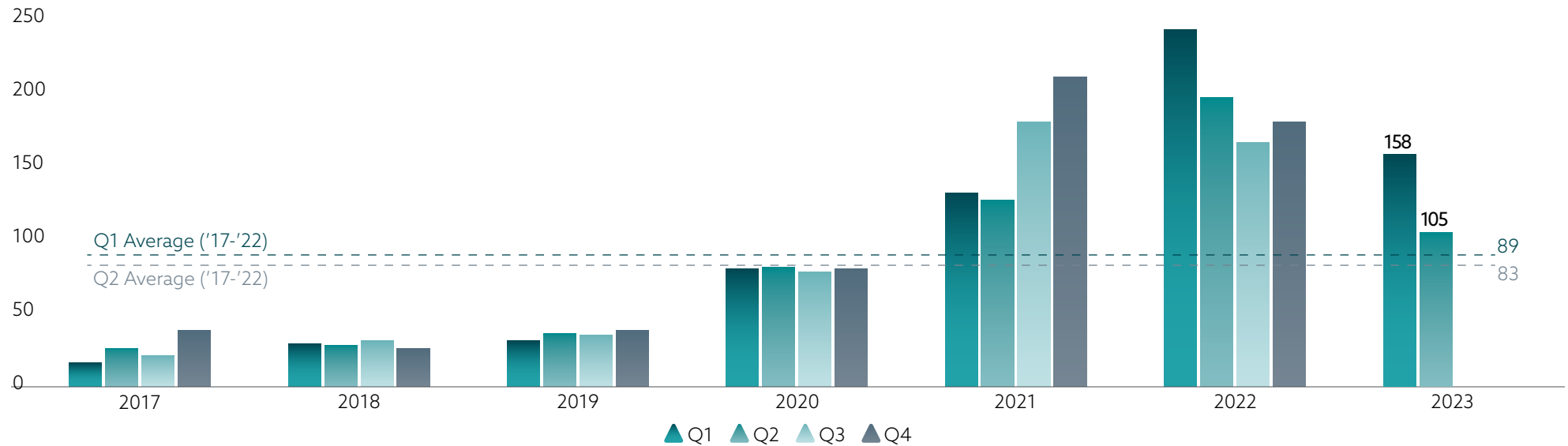
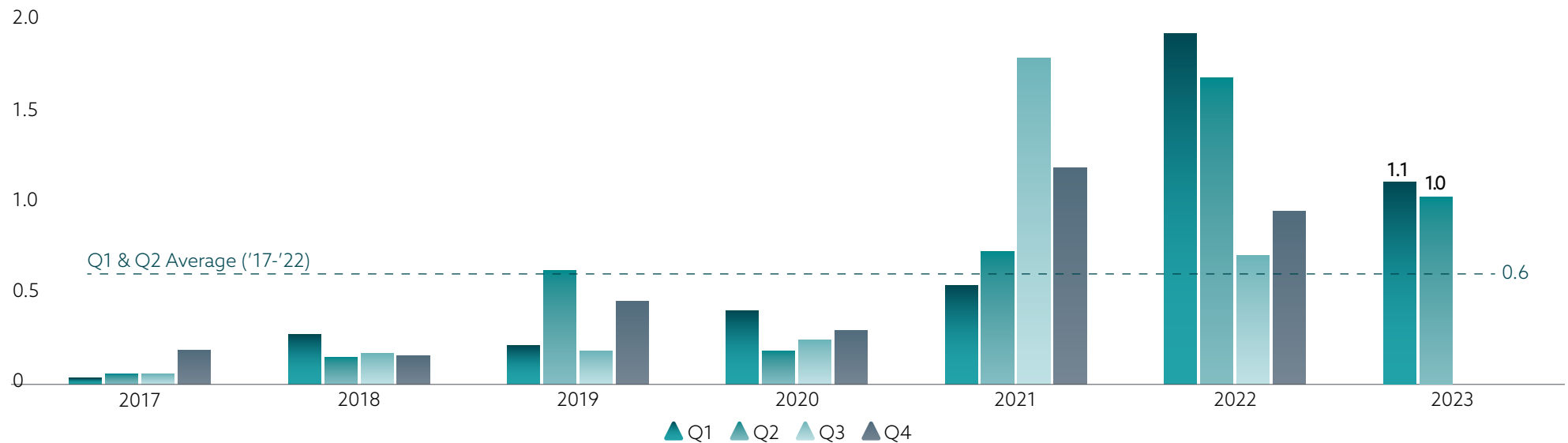


Figure 4: Total Value (US\$bn) of Venture Capital Deals in Africa, by Year & Quarter





# Investors Retreat from Super-Sized Deals

Figure 5: Megadeal Contribution to Total Value of Venture Capital Deals in Africa, by Year & Quarter<sup>12</sup>

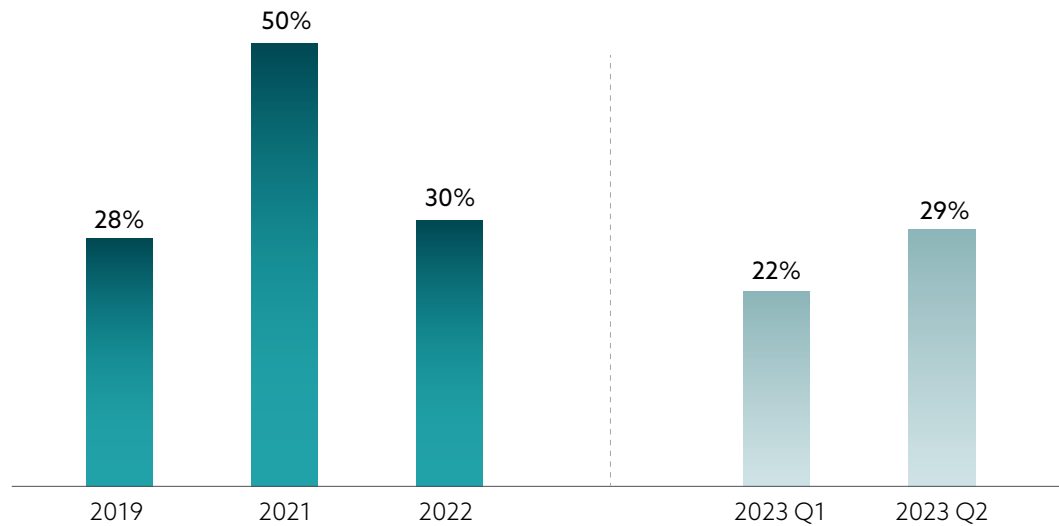


Figure 6: Selection of Publicly Disclosed Megadeals, 2023 H1

Portfolio Company	HQ Location	Region (Operations)	Date	Industry Group	Deal Amount (US\$ mn)
Zipline International	United States	Multi-Region	Apr-23	Transportation	330
MNT-Halan	Egypt	North Africa	Feb-23	Financial Services	260
M-Kopa	Kenya	Multi-Region	May-23	Financial Services	255
TerraPay	United Kingdom	Multi-Region	Mar-23	Financial Services	100
Planet42	South Africa	Southern Africa	Feb-23	Consumer Discretionary Distribution & Retail	100

# Double Digit YoY and QoQ Declines at Every Investment Stage

Figure 7: Annual Evolution of VC Deal Volume by Stage, 2017-2023 H1

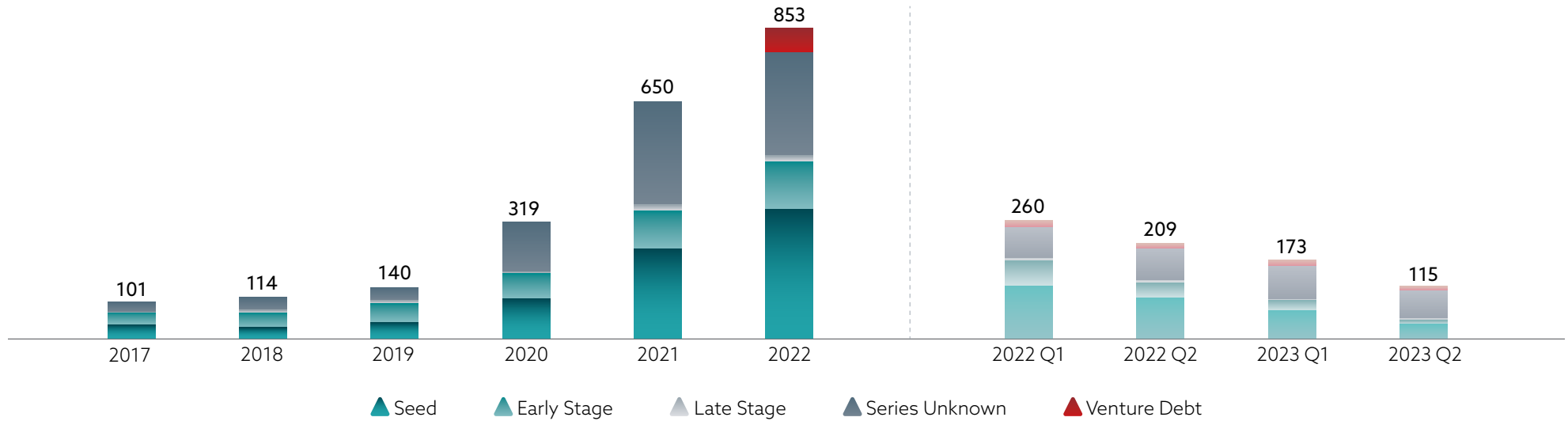


Figure 8: Annual Evolution of VC Deal Value (US\$bn) by Stage, 2017-2023 H1

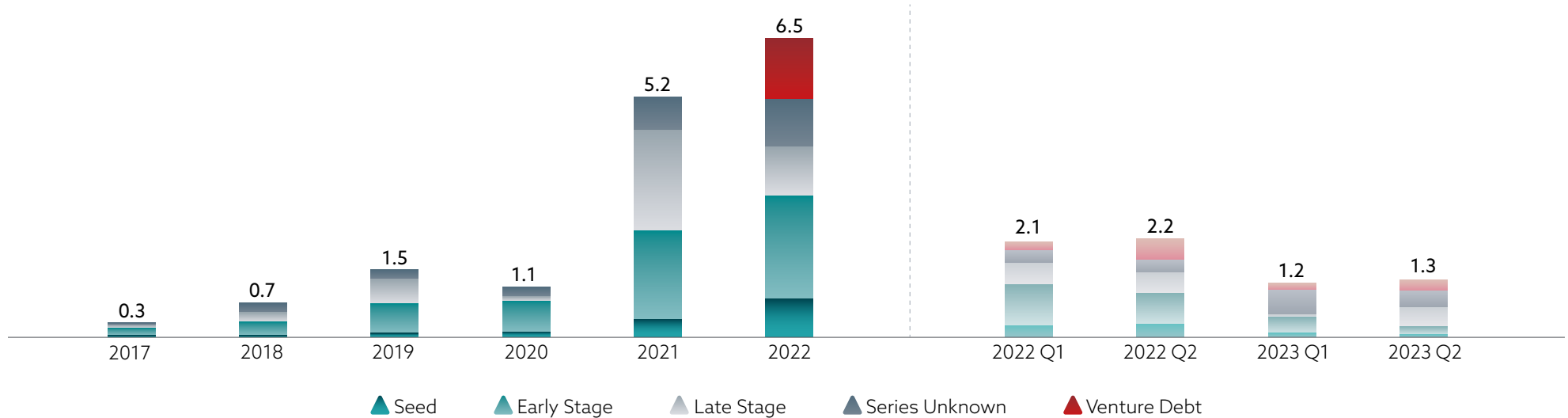


Figure 9: Annual Evolution of Median Deal Size by Stage, 2017-2023 H1 (US\$bn)

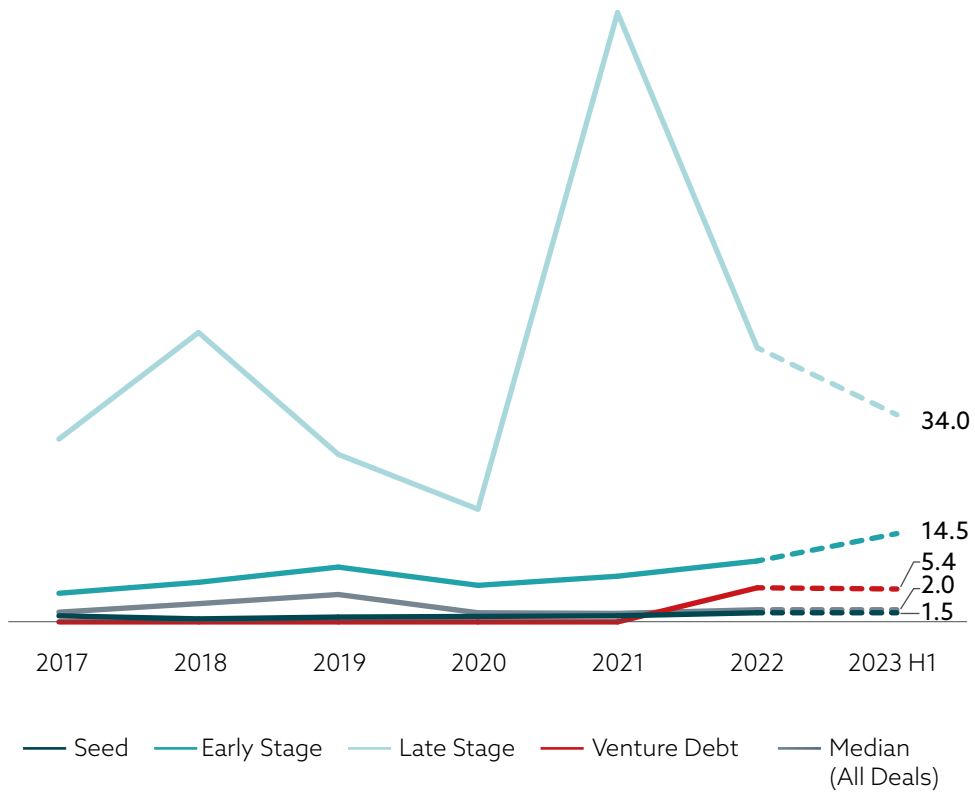
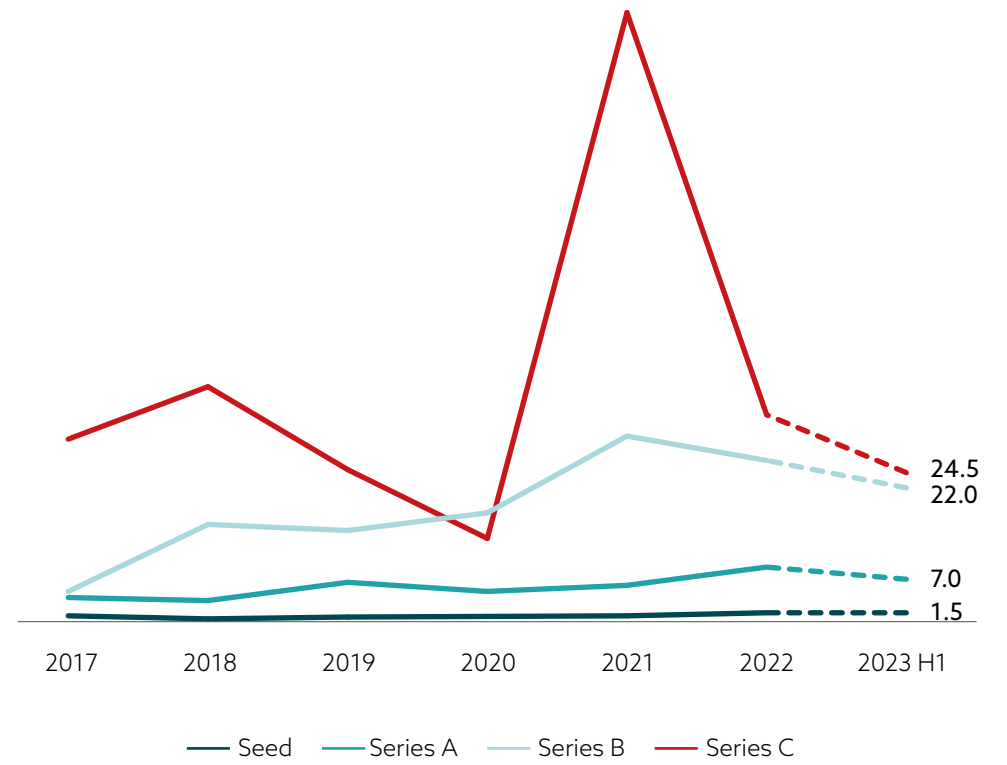


Figure 10: Annual Evolution of Median Deal Size by Series, 2017-2023 H1 (US\$bn)



# 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 H1

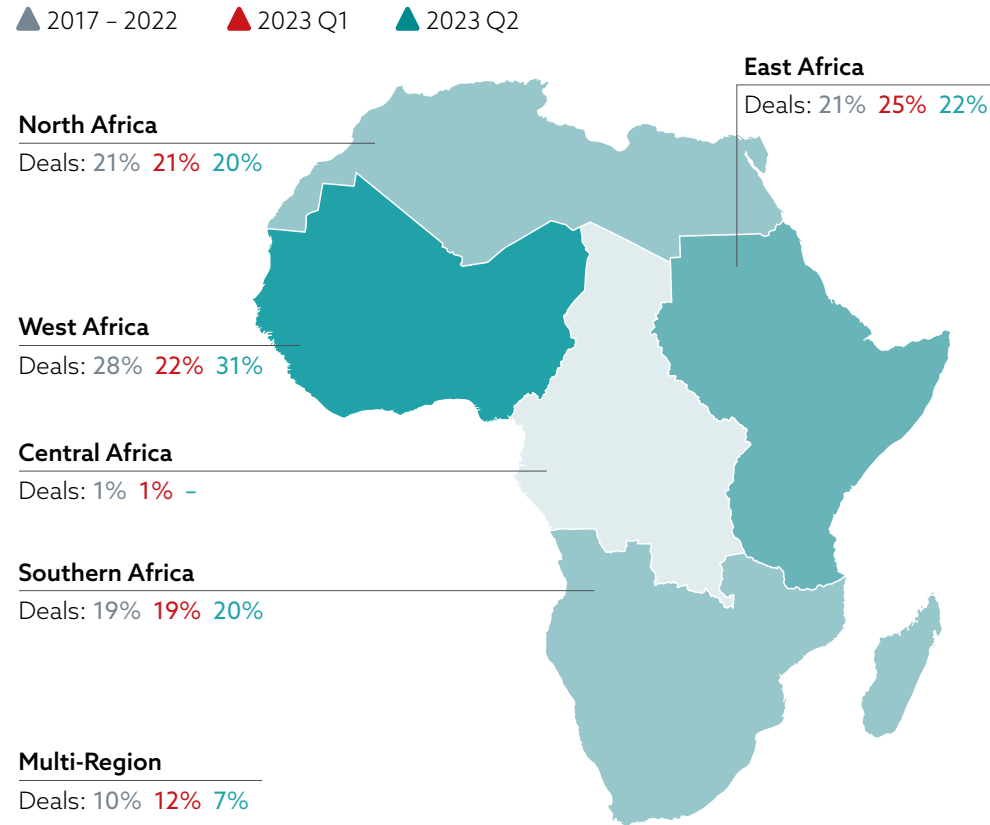
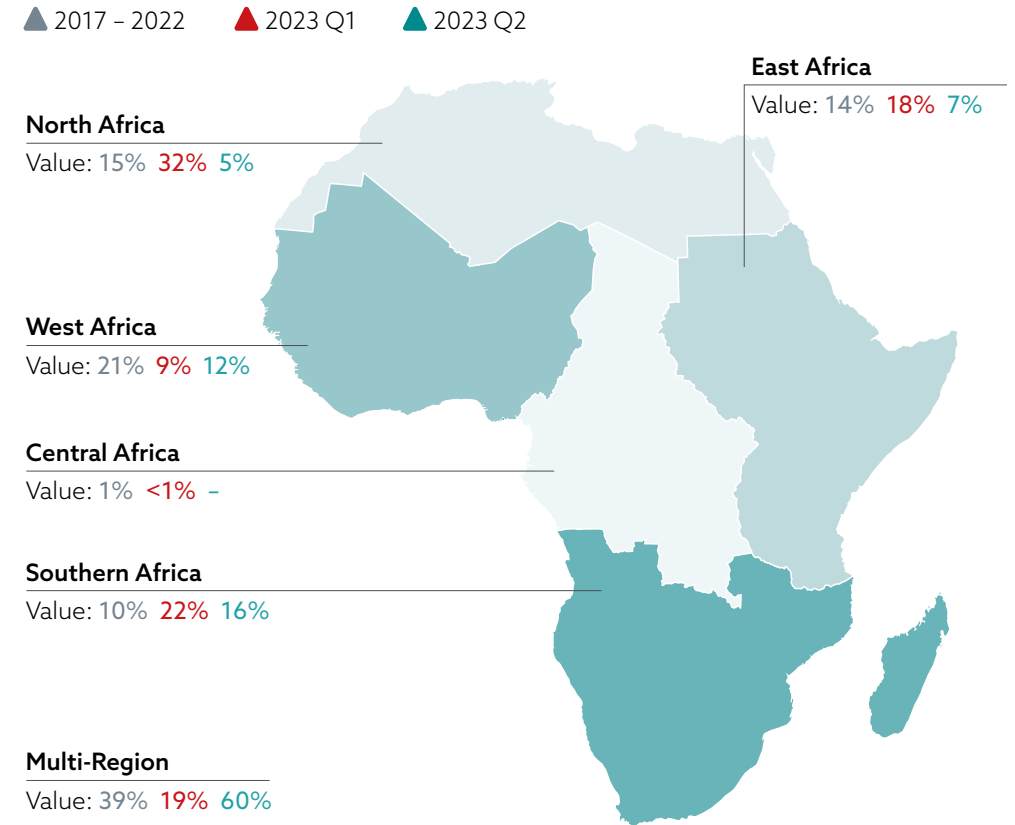


Figure 12: Share of VC Deal Value in Africa, by Region, 2017 – 2022 vs 2023 H1





# FinTech and Neo-Banks Bolster Financials, Whilst CleanTech Shines a Light on Utilities

Figure 13: Share of VC Deal Volume by Sector, 2017-2022 vs. 2023 H1

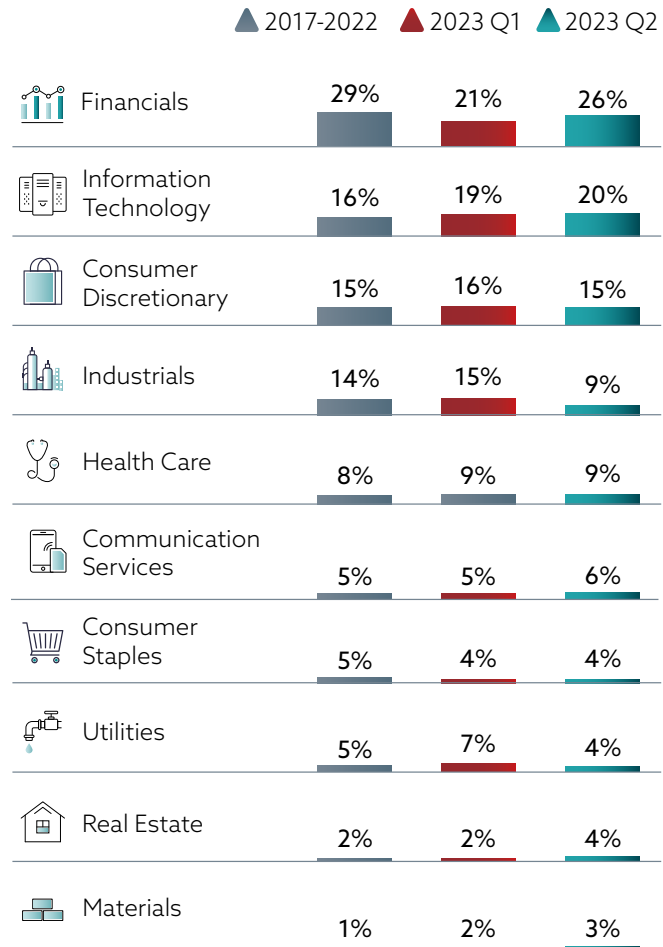


Figure 14: Share of VC Deal Value by Sector, 2017-2022 vs. 2023 H1

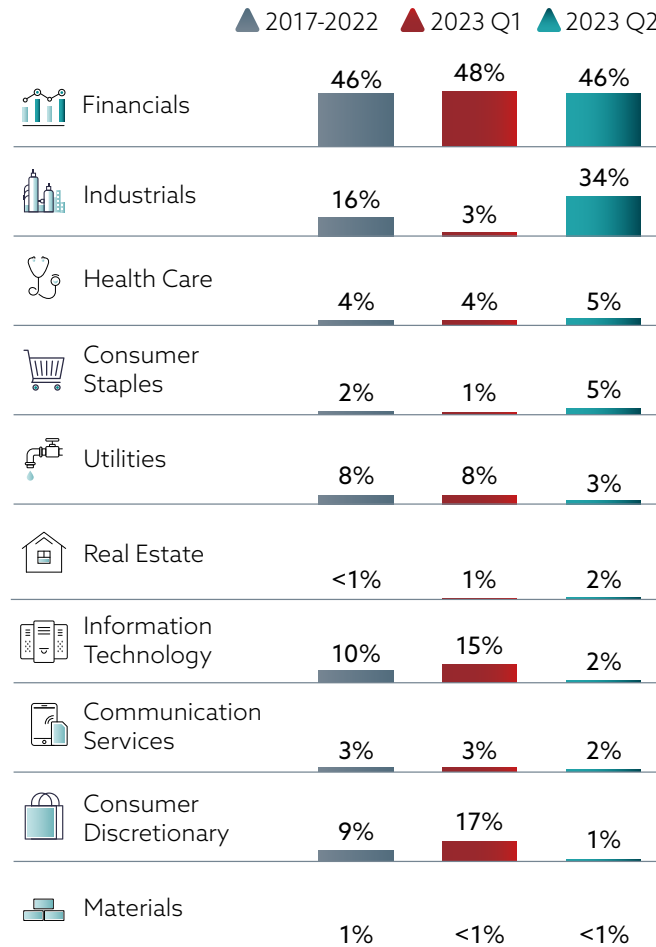
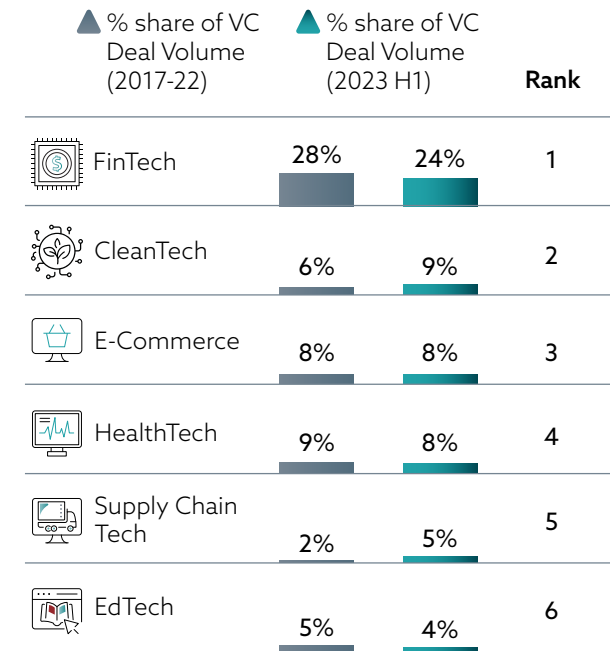


Figure 15: Top Verticals Amongst Tech-Enabled Companies, 2017-2023 H1



# Business as Usual for Venture Debt

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

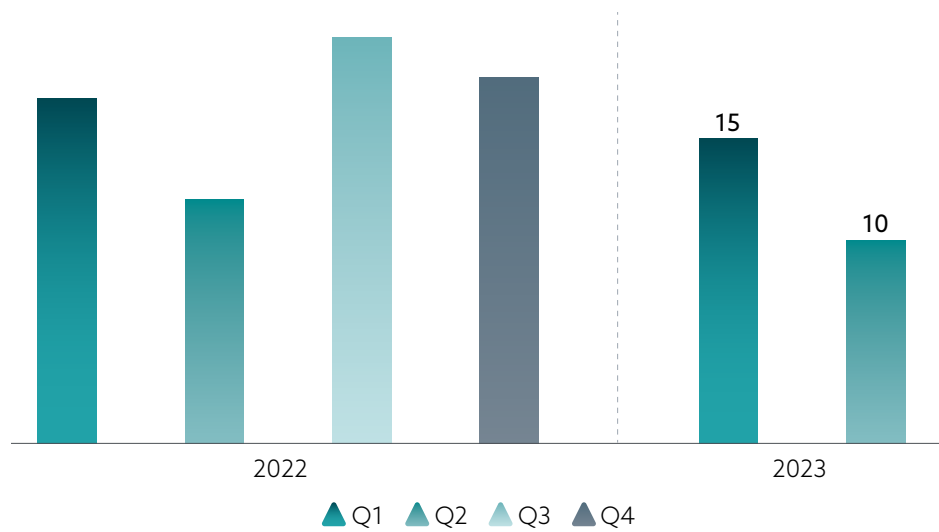


Figure 17: Total Value of Venture Debt Deals in Africa, by Year & Quarter

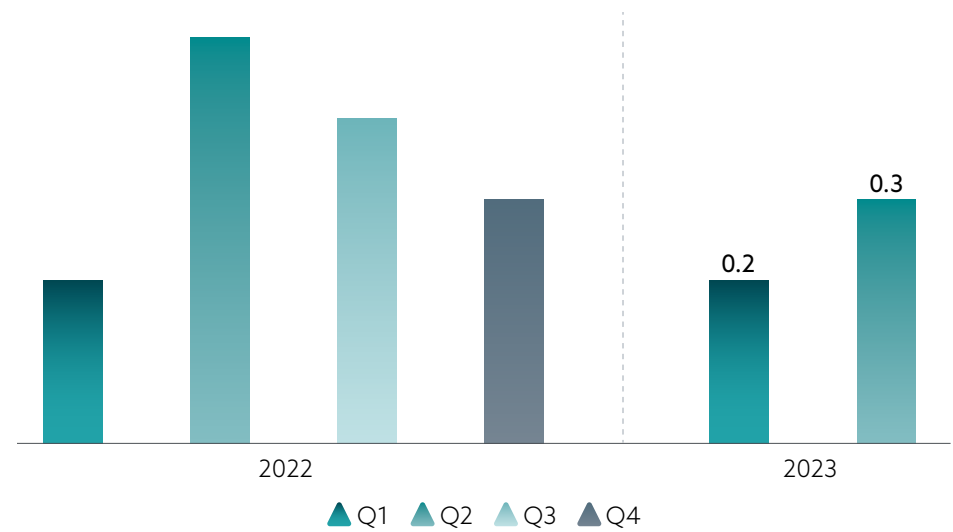


Figure 18: Evolution of Median Venture Debt Deal Value, 2022-2023 H1 (US\$bn)



## 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.

## Endnotes

- \* Please note data on venture capital activity in Europe for Q2'23 was unavailable at the time of publication, and is thus omitted from this chart.
- 1 Crunchbase, 2023. [Crunchbase Q2 2023 Global Funding Report](#)
- 2 Financial Times, 2023. [Softbank's Vision Funds Post \\$5.5bn Loss](#)
- 3 Wall Street Journal, 2023. [Tiger Global Writes Down Venture Funds' Bets by 33% in 2022](#)
- 4 Forbes, 2023. [Sequoia Is Splitting Into Three VC Firms](#)
- 5 Crunchbase, 2023. [Crunchbase Q2 2023 Global Funding Report](#)
- 6 AVCA, 2023. [2022 Venture Capital in Africa Report](#)
- 7 M-KOPA, 2023. [M-KOPA Raises over \\$250m in New Financing](#)
- 8 TechCrunch, 2023. [South African Car Subscription Service Planet42 Raises \\$100M Equity, Debt](#)
- 9 Excluding deals in the "Series Unknown" Category
- 10 By comparison, the historical average share of deals in this category between 2017-2022 is 55%
- 11 KPMG Private Enterprise, 2023. [Venture Pulse Q1 2023](#)
- 12 Please note no super-sized venture capital deals took place in Africa prior to 2019, nor in 2020



### Contact AVCA

37 North Row  
3rd Floor  
London W1K 6DH

E [avca@avca-africa.org](mailto:avca@avca-africa.org)  
W [www.avca-africa.org](http://www.avca-africa.org)  
C [www.avcaconference.com](http://www.avcaconference.com)  
T +44 (0)20 3874 7008

## Championing Private Investment in Africa

The African Private Capital Association is the pan-African industry body which promotes and enables private investment in Africa.

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.