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## In another record-breaking year, African Tech Start-ups Raised US\$ 560 Million in VC funding in 2017, a 53% YoY Growth

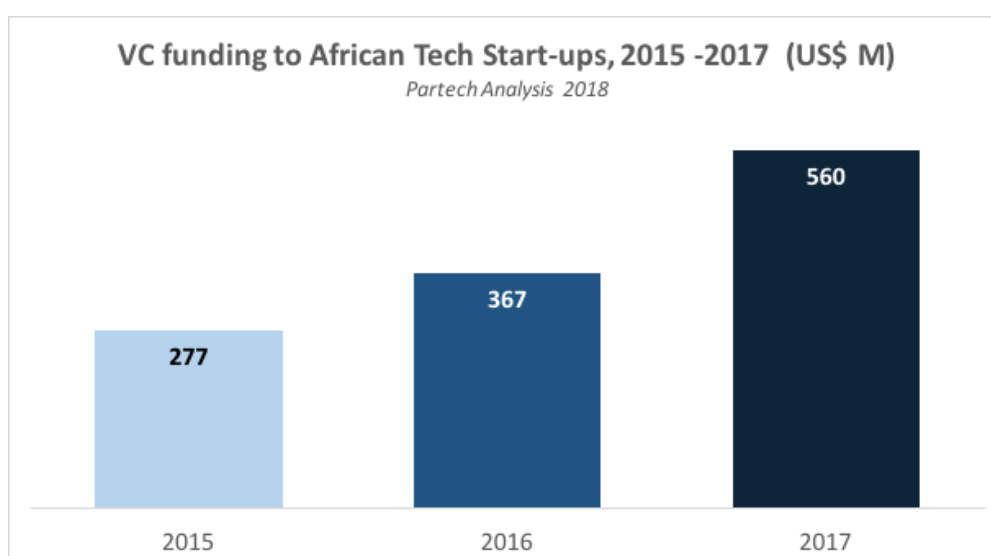
The African tech scene has definitively turned another corner this year with increasing venture capital commitments to African start-ups, a larger number of transactions, 128 in total, and a broader geographic distribution.

Africa is not just grabbing the world's attention: African entrepreneurs are leveraging tech & digital to tackle the continent's fundamental challenges. They are the leading innovators in key verticals, leapfrogging usages, and Venture Capital has become the core catalyst to these opportunities.

### Findings

### 124 African tech start-ups raised a total of US\$ 560 Million in equity through 128 rounds.

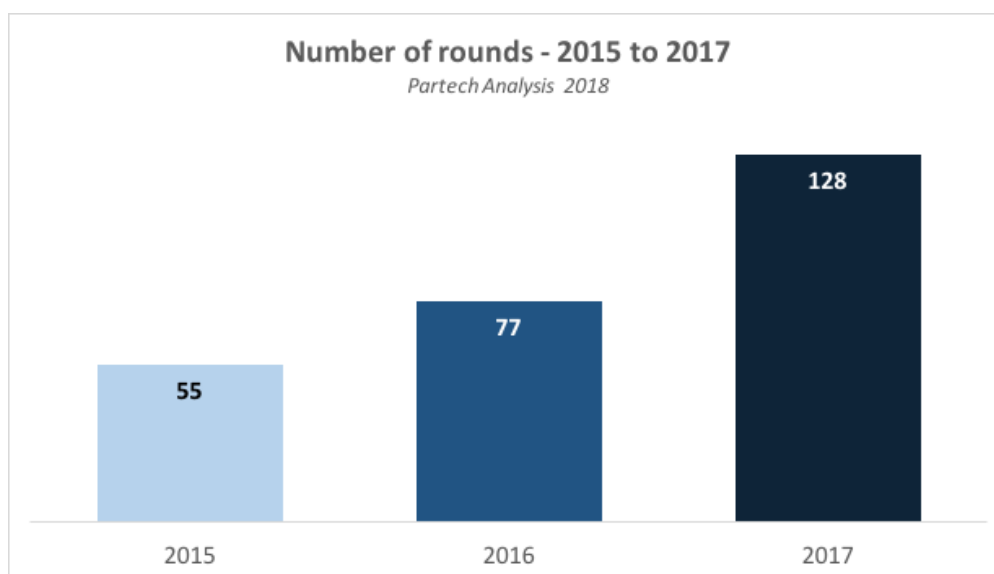
1. The VC funding raised by African tech start-ups in 2017 totalled US\$ 560 Million, compared to US\$ 366.8 Million in 2016, a **+53% growth YoY**.



This is a **x14 growth multiple** since 2012 in terms of amount invested.

If you exclude Off-grid deals, investment in digital start-ups in Africa have actually almost doubled, +90%, with US\$ 440 Million in 2017 vs. US\$ 231 Million in 2016.

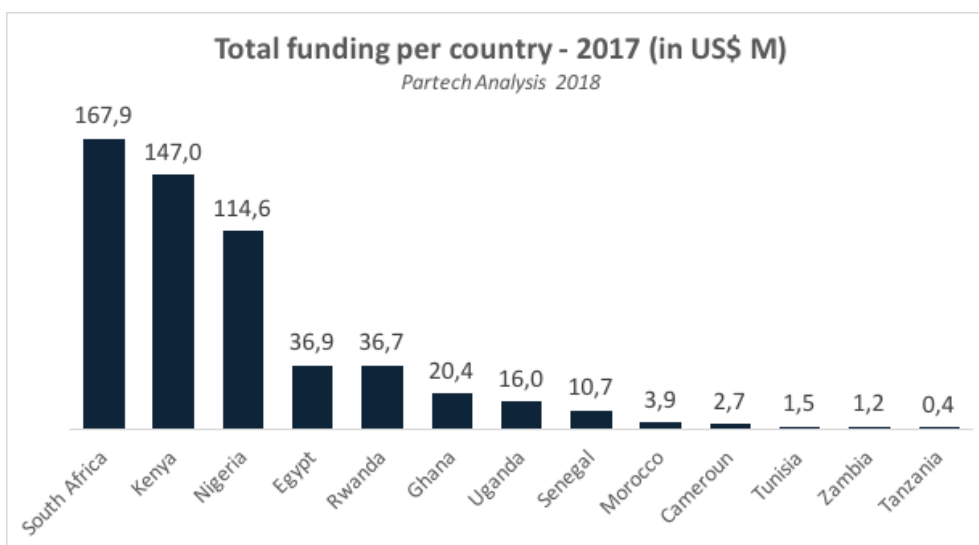
2. The ongoing transformation of the VC tech space translates in the number of start-ups that were funded. In 2017, it has jumped to a total of **128 rounds** (Seed+ to Growth stages) from **124 African tech start-ups**, compared to 77 rounds last year from 74 start-ups; a **+61% growth YoY** in the number of VC-backed tech start-ups.



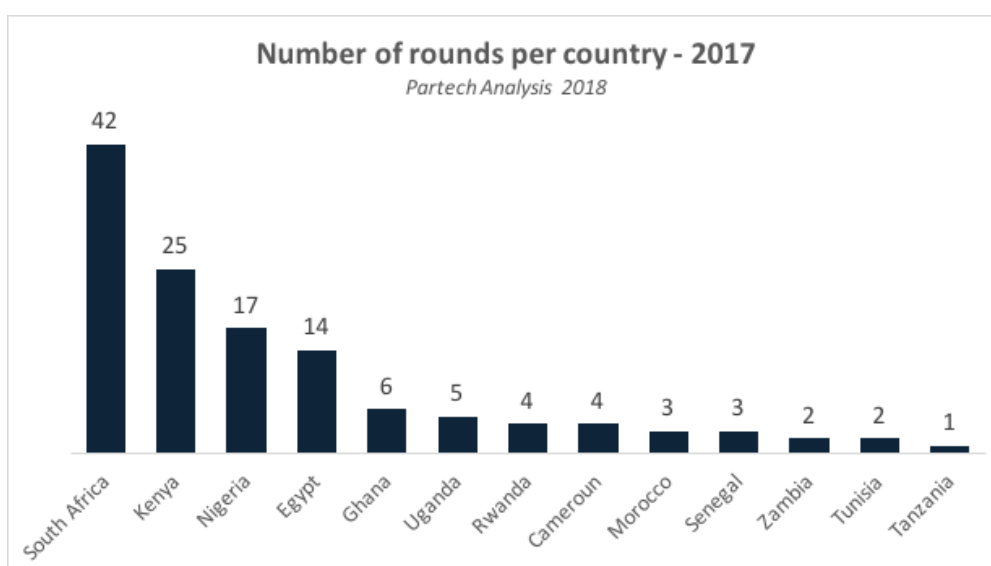
## **The Top 3 markets, South Africa, Kenya and Nigeria, received 76% of the total funding, down from 81% in 2016.**

The geographic distribution remains predominantly focused on the top 3 markets with an investment landscape that smoothly continues to expand.

1. Regarding amounts raised, the leading trio is unchanged, however:
  - **South Africa** is taking the top spot with **US\$ 168 Million** in funding (30% of total investment), showing a +74% growth YoY largely due to the TakeLot deal.
  - **Kenya** is truly confirming its leading tech start-up nation role with **US\$ 147 Million** (26% of total), showing a strong +58% growth YoY.
  - **Nigeria** has slowed down compared to its 2 challengers, with **US\$ 115 Million** (20% of total), representing a +5% growth YoY.



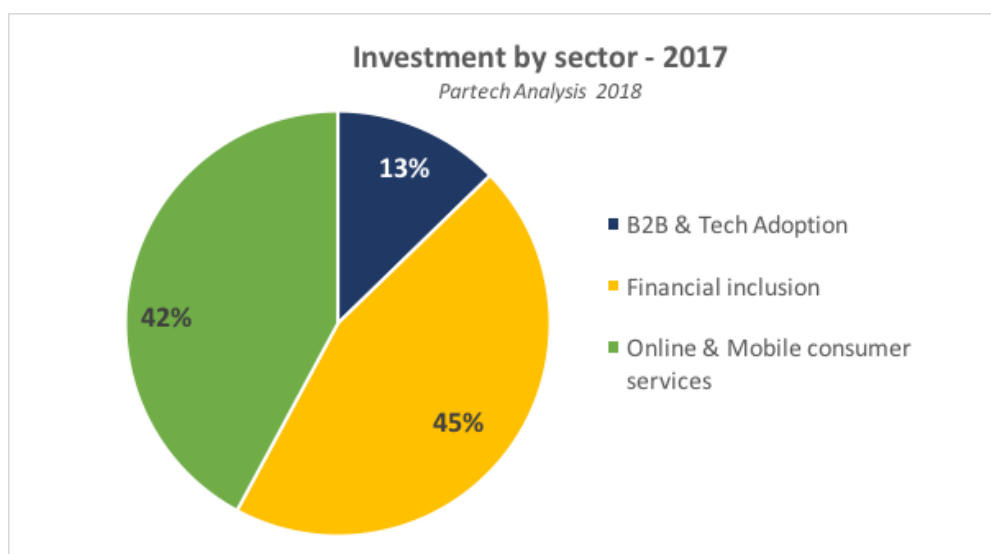
2. **South Africa** is yet again #1 in number of start-ups getting funded with **42 deals** (33% of total transaction), followed by **Kenya** with **25 deals** (20% of total) and **Nigeria** with **17 deals** (14% of total).
3. **Egypt is seriously stepping up, ranked #4**, both in terms of total investments and transactions, with notably a number of deals close to Nigeria, 14 vs. 17 i.e. 12% of the total transactions.
4. **Francophone African countries are confirming traction**, now representing almost **14% of the total transactions** (16 deals) and **10% of the total funding** (US\$ 55.5 Million) with 5 countries: Rwanda, Senegal, Morocco, Cameroun and Tunisia.



## The Top 3 verticals remain Off-Grid Tech, Fintech & E/M/S-Commerce, attracting 61% of the total funding, down from 72% in 2016.

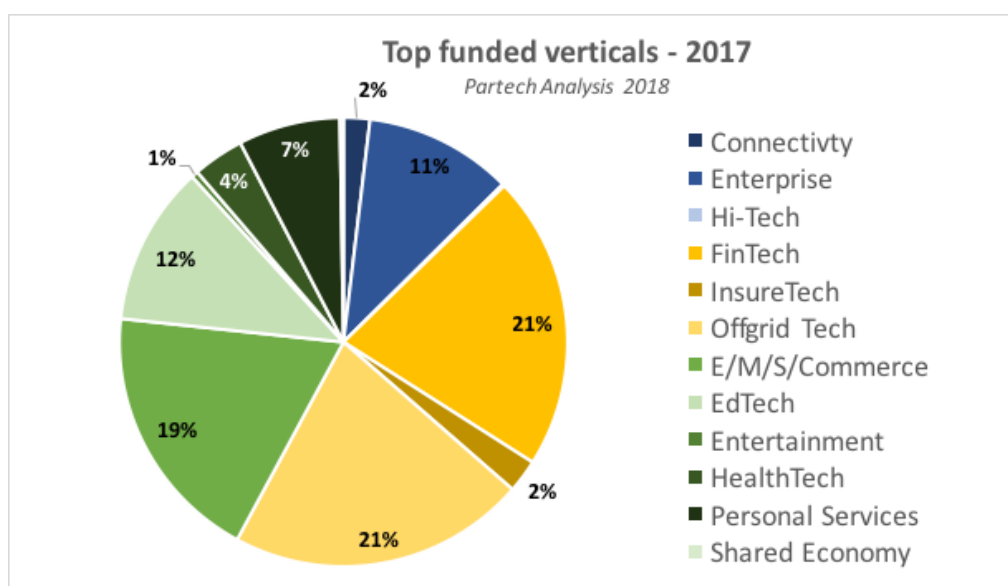
Two sectors, Financial Inclusion and Online & Mobile Consumer Services, represent 87% of total funding thanks to the Top 3 verticals that remain Off-Grid Tech (#1), Fintech (#2) and E/M/S-Commerce (#3).

However, the sector distribution sees B2B & Tech Adoption showing a steep increase to 13% of total funding (compared to 3.3% in 2016) driven by the B2B/Enterprise vertical representing this year 18% of the total deals.



1. **Financial Inclusion** accounted this year for **45%** of the total investment at US\$ 253 Million, down from 56% in 2016 across **46 transactions**.
  - **Off-Grid Tech** – US\$120M (-10% YoY), 21% of total funding, 13 deals.  
As a good sign of market maturity, Off-Grid tech start-ups raised almost the same amount of equity in 2017 (US\$ 134 Million in 2016) but additionally deeply leveraged debt financing for growth capital with (information outside the scope of this report) another US\$ 117 Million raised in debt.
  - **Fintech** – US\$119M (+70% YoY), 21% of total funding, 29 deals.
  - **InsurTech** – US\$14M (+470% YoY), 2.5% of total funding, 4 deals.
  
2. **Online & Mobile Consumer Services** accounted for **42%** at US\$ 236 Million, stable compared to last year's 40,5% share, across **54 transactions**. The 4 main sub-verticals this year are:
  - **E/M/S-Commerce** – US\$105M (+74% YoY), 19% of funding, 19 deals.
  - **EdTech** – US\$65M (+120% YoY), 12% of total funding, 5 deals.

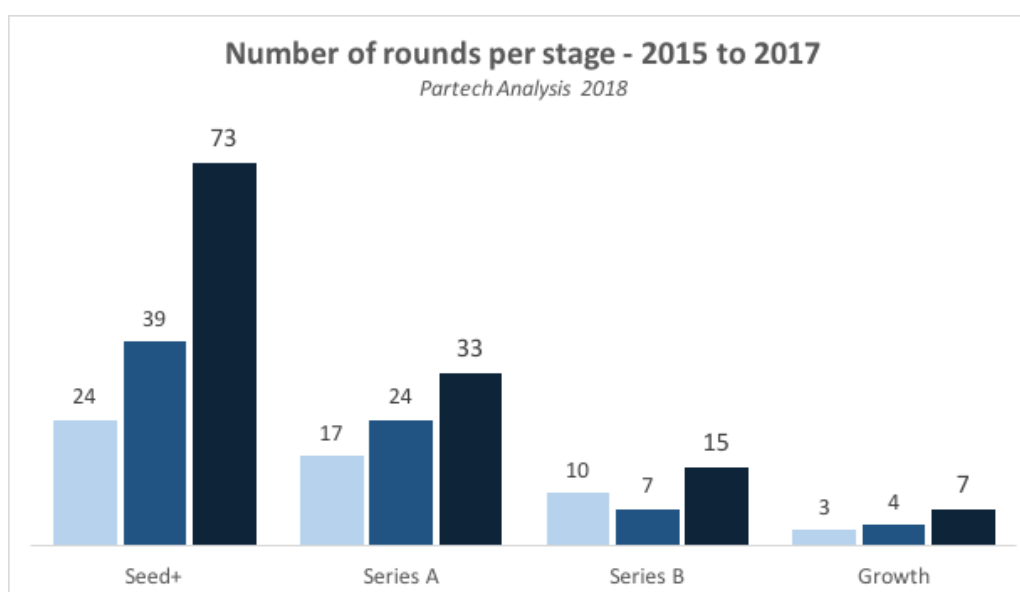
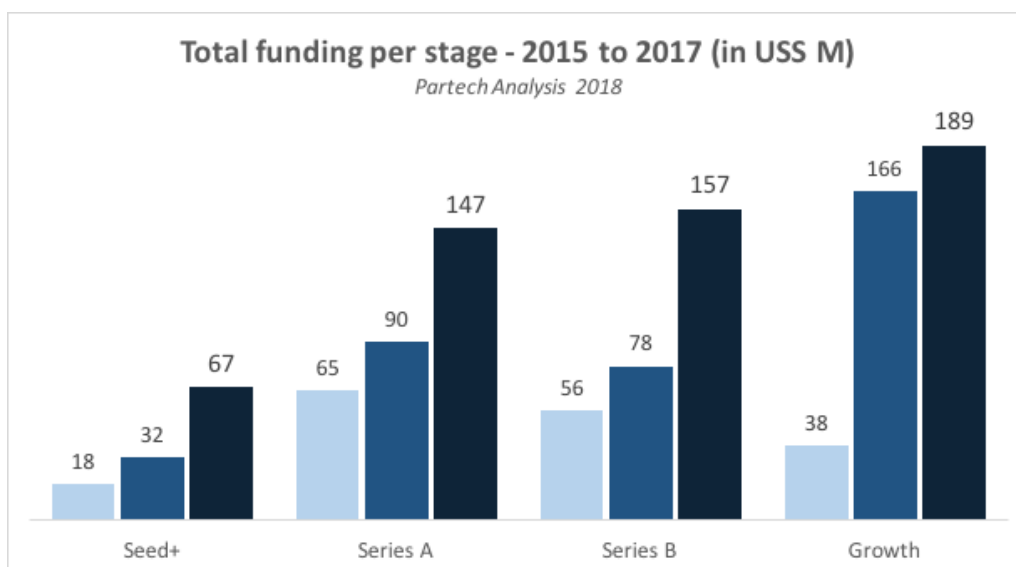
- **Personal Services** – US\$41M (+3000% YoY), 7% of total funding, 16 deals.
  - **HealthTech** – US\$21M (+125% YoY), 4% of total funding, 7 deals.
3. **B2B & Tech Adoption** accounted for **13%** at US\$ 71 Million, compared to 3,3% last year, across **20 transactions**. This spectacular trend goes mainly to Enterprise Software start-ups.
- **Enterprise** – US\$60M (+800% YoY), 11% of total funding, 23 deals.
  - **Connectivity** – US\$10M (+360% YoY), 2% of total funding, 3 deals.



## Africa's Series A deal size reached US\$ 4.5 Million in 2017

Fund managers are focusing more and more on tech start-ups. 2017 is the year where the private equity sector mindset is moving to a long-term strategy where access to growth/PE capital requirement to build game-changing African SMBs requires better structuring of early-stage equity funding in the first place.

1. Total funding going to Seed+ and Early Stage (Series A & Series B) has grown **+86% YoY** to reach **US\$ 371 Million** in 2017.
2. **Seed+** round size was **US\$0.91M** (vs. US\$ 0.83m in 2016) with **73 transactions, +92% YoY** in number of transactions.
3. **Series A** round size has reached **US\$4.5M** in 2017 (vs. US\$ 3.7m in 2016) with **33 transactions, +38% YoY** in number of transactions.
4. **Series B** is stabilizing at **US\$10.5M** (vs. US\$ 11.1m in 2016) with **15 transactions, +114% YoY** in number of transactions.



### **Methodology**

Our methodology remains unchanged. We track data limited to certain types of African deals and start-ups. As a recap:

1. The numbers only include **deals higher than US\$200K and voluntary exclude what we call megadeals i.e. above US\$ 100 Million** (this year the largest round accounted for was Takelot \$69M Series D).
2. The numbers **exclude any Grant, Debt and ICO deals.**

3. The numbers cover African start-ups that we define as the ones having their **primary market in Africa** (i.e. in terms of operation & revenues). It is independent of HQs location or country of incorporation.
4. For start-ups with a local presence in more than one African country, **only one primary country of operation has been identified** and that is where the investment is accounted for.

Africa is on!

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