



African Private Equity and
Venture Capital Association



2022 H1 African Venture Capital Activity Report

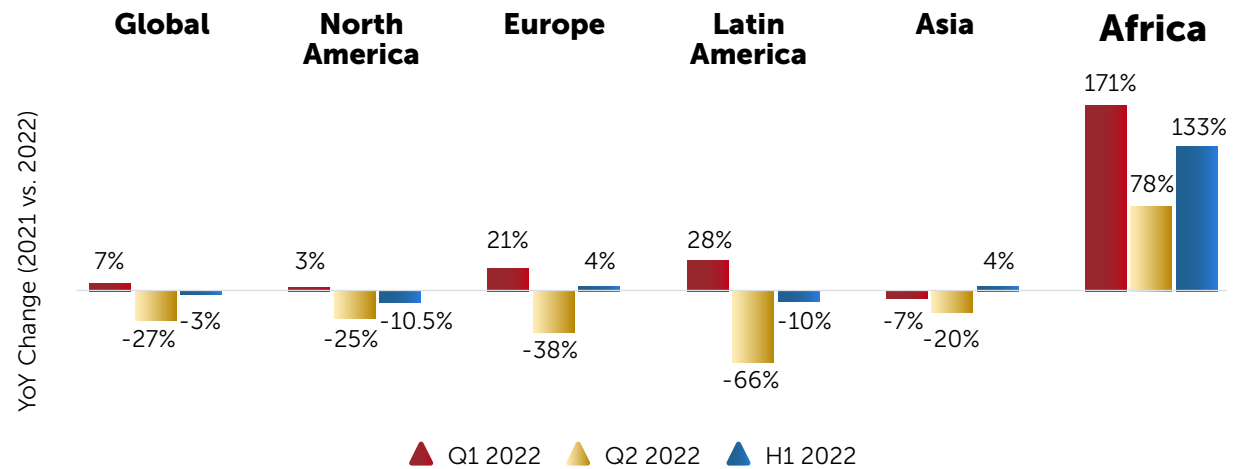
September 2022

Macroeconomic Summary

Africa's innovation ecosystem has seen a highly eventful start to the year. Riding high from a record breaking 2021 on multiple fronts, gloomy predictions ringing from every corner only a few months into 2022 of a global macroeconomic downturn featuring protracted periods of feeble growth and elevated inflation have raised questions of whether the industry is running on borrowed time, and if its inflection point is imminent.

The outpouring of venture capital in Africa in 2022 H1 indicates otherwise. **US\$3.5 billion was raised from 300 unique companies** in the strongest H1 the continent has seen to date. Africa's venture ecosystem has shown bullish trends despite surging inflation and an unfavourable macroeconomic climate. While the global venture market experienced significant contractions in startup funding to varying regional degrees, Africa's venture ecosystem saw YoY growth of 133% compared to 2021 H1¹.

This decline in funding globally can be attributed to pronounced contractions in developed markets in Q2. Illustratively, the United States saw a contraction of -25% in startup funding compared to Q2 2021, while Germany and France saw contractions of -39% and -15%, respectively. Further East, Asia's venture market also succumbed to this downward spiral in funding, albeit to a more moderate degree with China recording a contraction of -3% in Q2 2022 from the year before².



In addition to Africa's hitherto immunity to the decline in funding seen globally, economic growth predictions for sub-Saharan Africa in 2022 H2 also allow for a relatively positive outlook for the second half of the year. At 3.7%, this forecast is a modest shadow of the double-digit growth witnessed in the mid-2010s. Nevertheless, they remain higher than growth averages predicted for Latin America and the Caribbean (2.5%), Europe and Central Asia (2.9%) and the global average (2.9%) in 2022³.

Finally, preliminary analysis of VC fundraising also tempers anxious conclusions of those waiting for the other shoe to drop. 16 Africa-focused venture capital funds have announced a final or interim close in the first half of 2022, with a cumulative fundraise of close to half a billion (US\$495 million). This capital will be deployed in startups and projects across the continent in the next several months, with this deal activity ensuring the moderate short-term health of the industry. While the head and tailwinds of the final quarter of 2022 remain to be seen, Africa's promising organic recovery from the pandemic; its strong market fundamentals that continue to drive growth; and the depth of entrepreneurial innovation the continent has to offer all bode well for the long-term persistence of the rising tide of venture capital in Africa.


1 Calculations of global industry growth averages are obtained using data from the *Crunchbase 2022 Global Funding Report*. Calculations of Africa's growth averages are based on AVCA Data.
 2 CB Insights, 2022. [Global State of Venture](#)
 3 The World Bank, 2022. [Global Economic Prospects](#)

2022 H1 Venture Capital in Africa: Key Facts


2020 H1


US\$**0.6** billion raised by
156 unique companies

US\$**5.8** million average deal size

 **0** No super-sized deals

 **73** unique companies backed by at least one **impact investor**

 **24%** of the investee companies were start-ups with a **female founder** or multiple founders, including at least one female


 **Consumer Discretionary** was the most active sector by both VC deal volume (22%) and value (25%)


2021 H1


US\$**1.5** billion raised by
249 unique companies

US\$**6.7** million average deal size

 **4** super-sized deals with a cumulative US\$**0.6** billion raised

 **93** unique companies backed by at least one **impact investor**


 **25%** of the investee companies were start-ups with a **female founder** or multiple founders, including at least one female


 **Financials** was the most active sector by VC deal volume (24%), while the Industrials sector led by VC deal value (28%)


2022 H1


US\$**3.5** billion raised by
300 unique companies

US\$**11.0** million average deal size

 **9** super-sized deals with a cumulative US\$**1.3** billion raised

 **104** unique companies backed by at least one **impact investor**

 **27%** of the investee companies were start-ups with a **female founder** or multiple founders, including at least one female

 **Financials** was the most active sector by both VC deal volume (32%) and value (44%)

Global Trends

The Continual Rise of VC in Africa

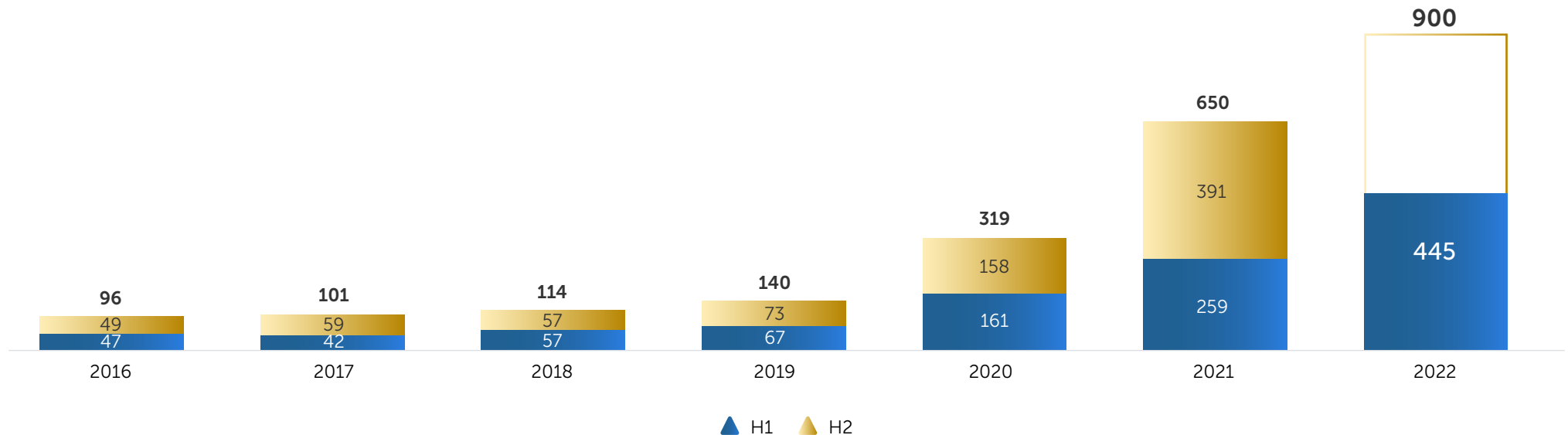
AVCA's 2022 *Venture Capital in Africa* report predicted an economic revival for the continent in 2022, following the double-digit growth the industry witnessed in 2021. While the head and tailwinds of the final quarter of 2022 remain to be seen, the rising tide of venture capital in Africa in 2022 H1 affirmed this optimism for the industry at the start of the year.

The first half 2022 saw 445 VC deals (to 300 unique companies) take place in Africa's venture ecosystem, in yet another record for the industry. This corresponds to a YoY growth of 72% from 2021 H1. Despite the historic tendency for increased deal activity in

the tail end of the year⁴, the first six months of 2022 demonstrated strong annual growth in a muted global macroeconomic environment where contractions rather than expansions were the norm.

▶ **Assuming all else remains unchanged and a similar compound annual growth rate carries forward into 2022 H2, we can expect the total volume of VC deals to reach approximately 900 deals by the close of 2022⁵ - a 38% YoY increase from the 650 deals that took place in 2021.**

Figure 1: Annual Evolution of VC Deal Volume, 2016 – 2022 H1



⁴ On average between 2016 and 2021, deals in the second half of the year have commanded 54% of the total number of deals taking place annually.

⁵ Annualised Deal Volume 2022

Global Trends

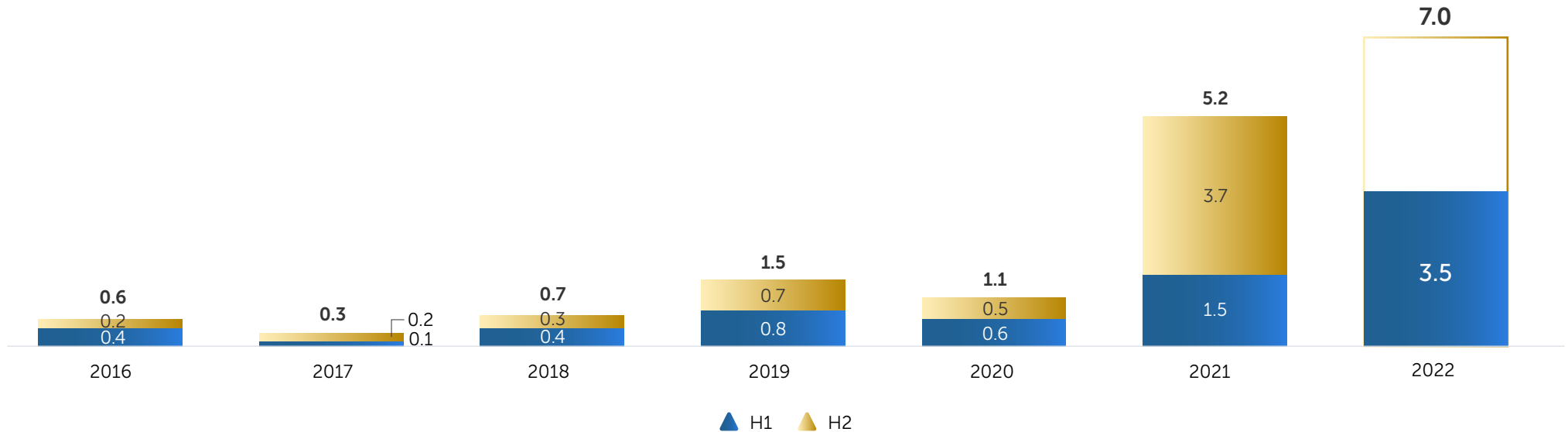
The value of VC deals reported in Africa in the first six months of 2022 also echo this resounding growth story. **The cumulative value of VC deals reached US\$3.5 billion in 2022 H1, raised by 300 unique startups.** This equates to a 133% YoY increase from 2021 H1 - far outstripping the global average and establishing Africa as the only market to register more than single digit growth for the period. This impressive growth in startup funding, which goes against the grain of global trends this year, demonstrates the depth of opportunity as well as the potential the continent has to offer. It is also the result of a concerted effort by African governments in recent years to nurture vibrant and supportive ecosystems, enabling entrepreneurship and investment to thrive. Recent examples of this include the Zambian government's bid to transform the country into a regional startup hub and "the Singapore of Africa"⁶. Likewise, the launch of *Silicon Zanzibar*⁷ by the Tanzanian government further exemplifies this commitment to creating enabling environments for African startups to thrive, remain competitive, and attract commercial capital. Therefore, although Africa's venture

ecosystem is comparatively less advanced than its continental counterparts (representing just 1% of global venture funding in 2022 H1), we can undoubtedly anticipate more growth for the industry in the future.

Looking forward, given a historic concentration of deal activity and value towards the end of the year, we can expect the value of VC deals in 2022 H2 to at least equal, but more likely moderately exceed, those of 2022 H1.

▶ **Assuming all else remains unchanged and a similar compound annual growth rate carries forward into 2022 H2, we can expect the value of capital generated by African startups to reach US\$7.0 billion by the close of 2022⁸ - a 35% YoY increase from the US\$5.2 billion raised in 2021.**

Figure 2: Annual Evolution of VC Deal Value (US\$ bn), 2016 – 2022 H1



6 FDI Intelligence, 2022. *Zambia's Bid To Become Africa's Next Tech Hub*

7 *Silicon Zanzibar* is a public-private initiative to attract and relocate tech companies and workers from across Africa and beyond to the island of Zanzibar.

8 Annualised Deal Volume 2022

Investment Stage Focus

▶ **The industry's impressive pace of investment acceleration is also visible from a more micro-focused lens, where every investment stage recorded double-digit growth in 2022 H1.**

Seed stage deals, which continually comprise the largest proportion of VC deal volume in Africa, demonstrated a robust 97% YoY increase from the previous year. The median value of seed deals also showed significant growth in this period, rising from US\$0.6 million in 2021 H1 to US\$1.8 million in 2022 H1. With the volume of seed-stage deals almost doubling year-on-year, this growing sample also illustrates how startups have concurrently been raising larger seed funding rounds. Notable seed deals that took place in the first half of 2022 include the US\$19 million seed round in Egyptian infrastructure management platform *Pylon*, as well as the US\$23 million seed round in *MARA*, a pan-African cryptocurrency startup.

Figure 3: Evolution of VC Deal Volume, by Stage, 2020 H1 – 2022 H1*

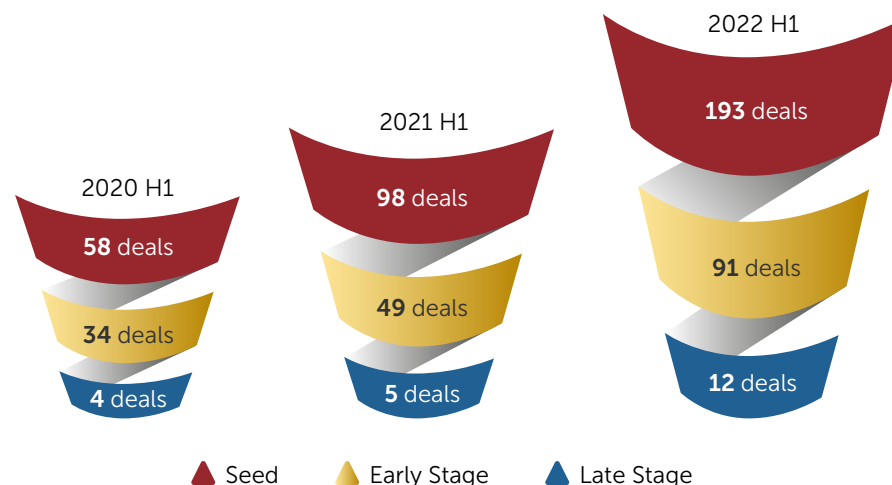
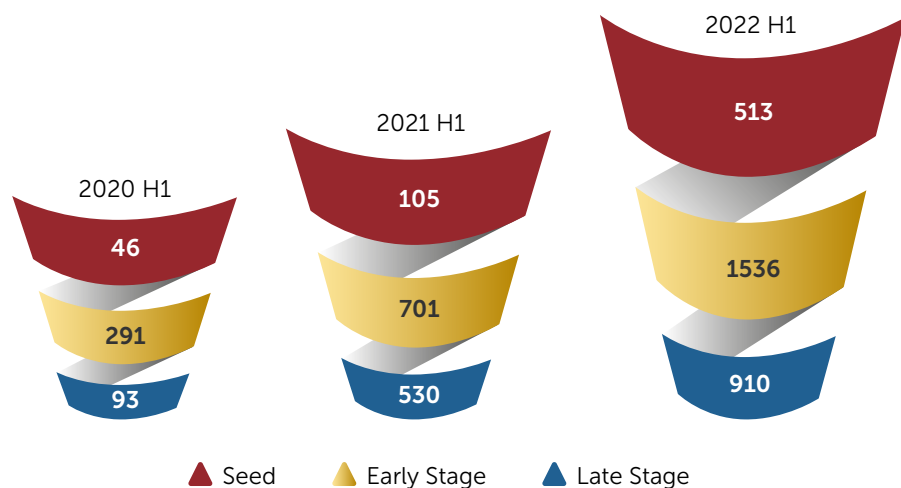


Figure 4: Evolution of VC Deal Value (US\$ mn), by Stage, 2020 H1 – 2022 H1*



On the opposite side of the spectrum, late-stage deals (which more than doubled in the last year) are appearing with increasing frequency in Africa's startup ecosystem. Curiously, only three of the nine super-sized deals (deals with a value of US\$100 million or more) that took place in 2022 H1 fell in the late-stage category. This suggests that **startups are raising larger, high-profile funding rounds earlier in their funding lifecycle**. A selection of late-stage deals that occurred in this period include *Flutterwave's* US\$250 million Series D round and the US\$91 million Series C round in South African chat commerce provider *Clickatell*.

* Please note the annual volume and value of VC Deals presented here exclude those in the "Series Unknown" category.

Geographic Focus

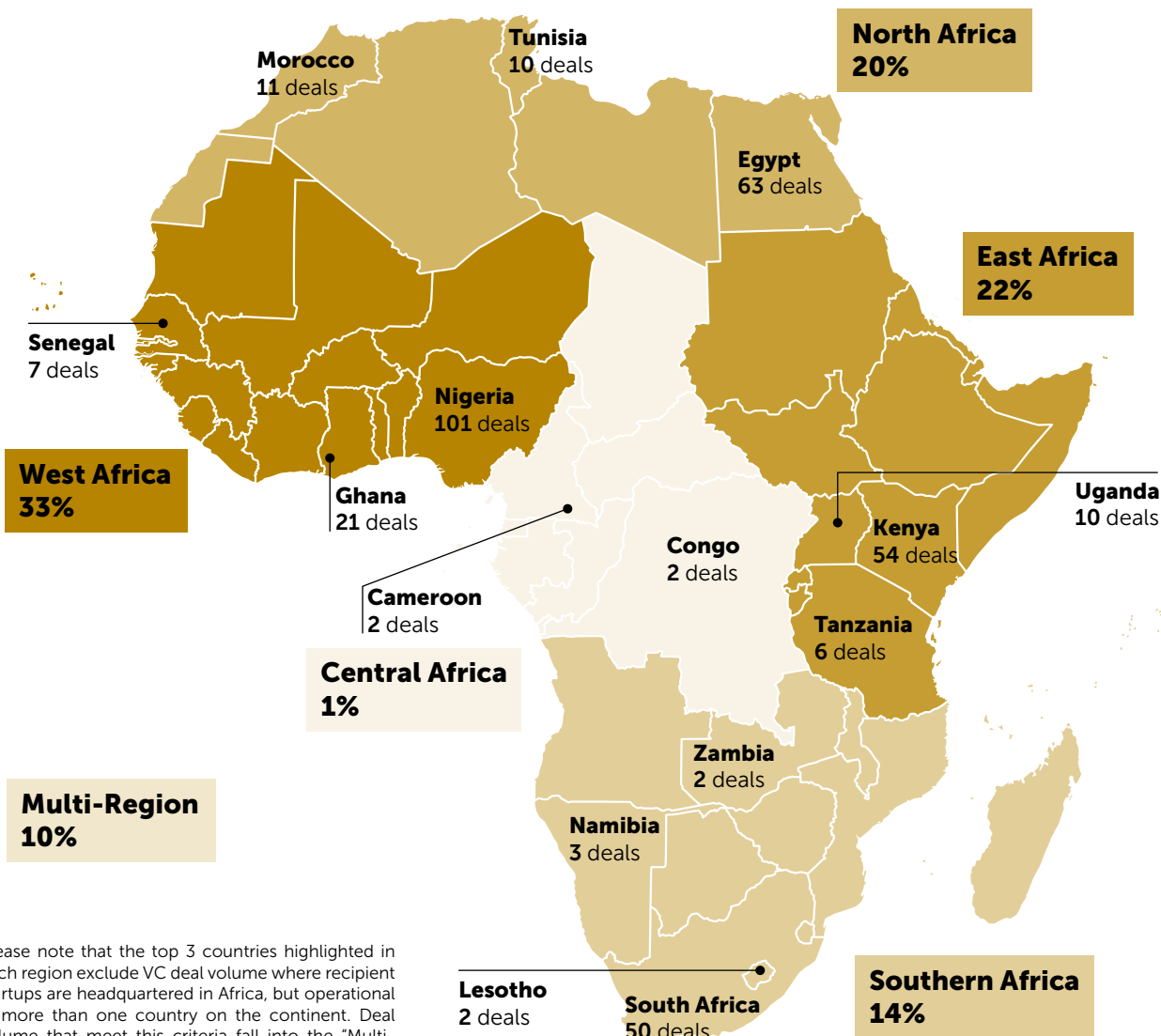
Geographic Spotlight: Multi-Region Deals

While multi-region deals typically account for a small proportion of VC deal volume each year, they routinely comprise the largest share of deal value, and 2022 H1 was no exception. Multi-region deals commanded an average of 14% of VC deal volume but a significant 45% of VC deal value between 2016 and 2021. More specifically, multi-region deals grew from 17 deals with a cumulative value of US\$0.5 billion in 2016, to 44 deals with a cumulative value of US\$1.8 billion in 2021. Worth noting, the volume (42) and value (US\$1.5 billion) of multi-region deals that took place in 2022 H1 nearly equals those that took place in 2021.

The moderate, but steady, surge in multi-region deal activity doesn't necessarily indicate an investor preference for startups with a widespread geographic footprint, but is rather **evidence of businesses raising follow-on funding over time earmarked for geographic expansion**. African startups are establishing a multi-regional presence on the continent in two ways: either by **direct, organic business expansion in new markets**, or via the **use of mergers and acquisitions (M&A)** as a tool for their regional expansion over time. The larger ticket sizes that typically accompany multi-region deals enable recipient portfolio companies to not only accelerate customer acquisition in existing markets, but also enables them to scale regionally either by establishing their own brand's presence or by using M&A as a tool for market entry across borders.

Of the 42 multi-region deals that took place in 2022 H1, 16 deals (38%) were in companies which have pursued geographic diversification via direct business expansion, while 15 deals (36%) were in companies that have leveraged M&A to facilitate their regional expansion, indicating the dynamism of this strategy.

Figure 5: Share of VC Deal Volume in Africa by Region and Top 3 Countries Regionally* By Volume, 2022 H1



* Please note that the top 3 countries highlighted in each region exclude VC deal volume where recipient startups are headquartered in Africa, but operational in more than one country on the continent. Deal volume that meet this criteria fall into the "Multi-Region" category.

Geographic Focus

Examples of startups that raised funding earmarked for geographic expansion in 2022 H1 include:

Wasoko




Wasoko's US\$125 million Series B round that enabled the Kenyan e-commerce firm to launch in Côte d'Ivoire and Senegal, thereby officially expanding into West Africa.

M-Kopa



The US\$75 million funding round in Kenyan solar and financial technology firm *M-Kopa* in March 2022, which the company intends to use to cement their launch in Ghana and expand into additional countries, adding to its hubs in Kenya, Uganda, Nigeria.

Umba



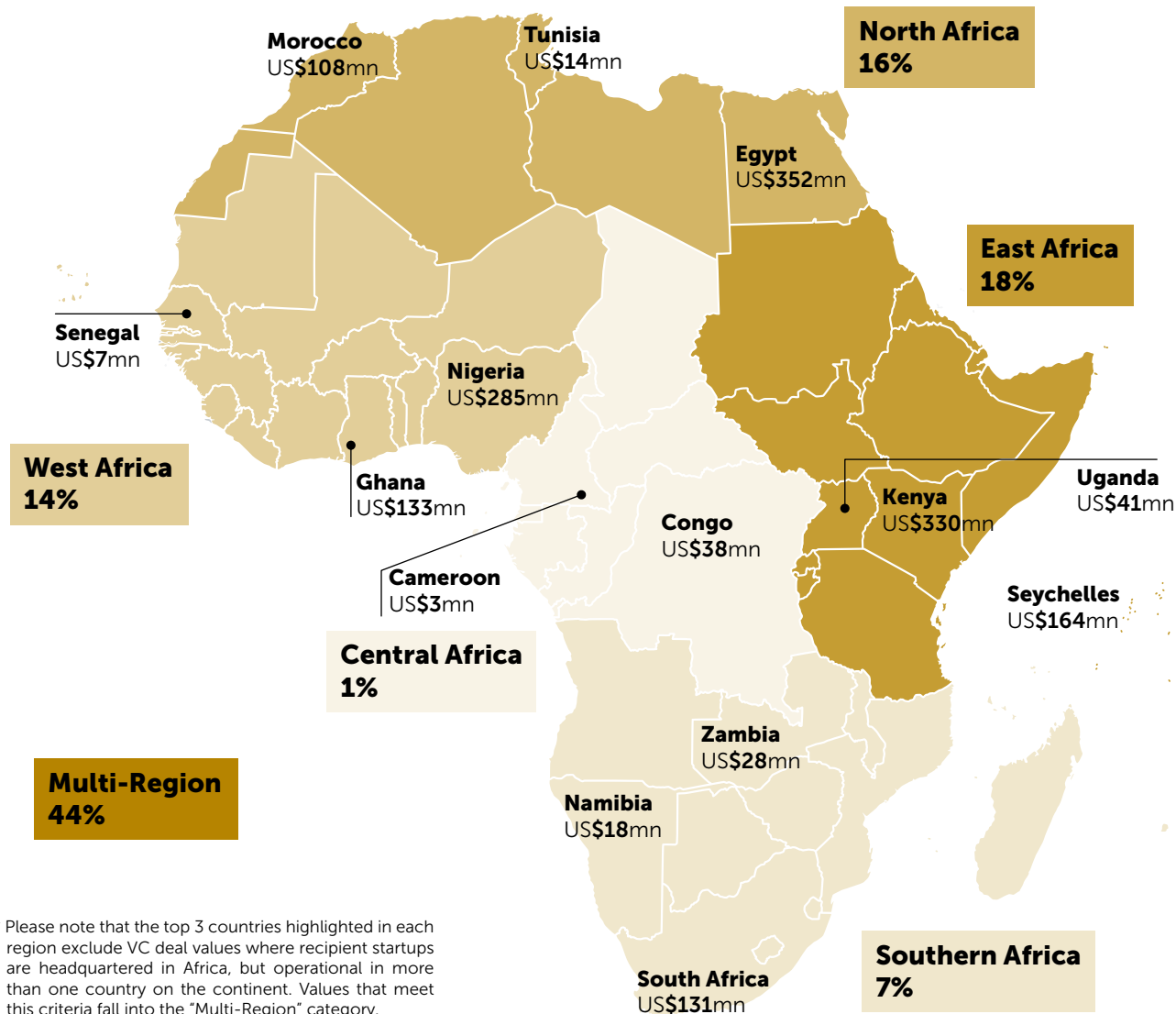
Nigerian digital bank *Umba* raised a US\$15 million Series A round in April 2022 to expand into three new African markets, and recently announced the acquisition of Kenyan community microfinance bank *Daraja* in August 2022.

MFS Africa



Shortly after announcing a US\$100 million Series C2 funding round, in June 2022 *MFS Africa* announced the acquisition of U.S. Based *Global Technology Partners*, a prepaid cards processor in Africa which works with over 80 banks in 34 African countries. This follows on from another acquisition that took place in March 2022 where *MFS Africa* acquired Nigerian super-agent *Baxi*, facilitating their entry into the West African market.

Figure 6: Share of VC Deal Value in Africa by Region and Top 3 Countries Regionally* By Value, 2022 H1



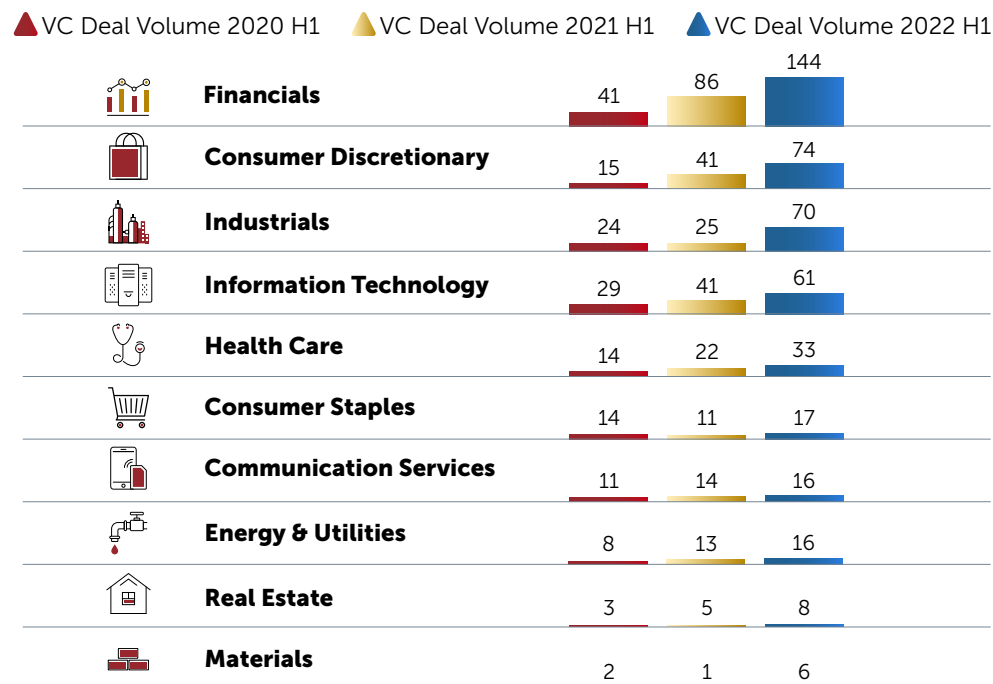
* Please note that the top 3 countries highlighted in each region exclude VC deal values where recipient startups are headquartered in Africa, but operational in more than one country on the continent. Values that meet this criteria fall into the "Multi-Region" category.

Sector Focus

Sectors Maintaining Momentum

When categorised from a sector-specific level, the distribution of early-stage financing in 2022 H1 reveals a familiar picture. **Financials remains a titan of the ecosystem as the most active sector** by both volume (32%) and value (44%), **followed by Consumer Discretionary** which drew 17% of deal volume. Overtaking Information Technology, the **Industrials sector emerged as the third most active sector** by volume in 2022 H1, accounting for 16% of the total number of VC deals that took place in the period. It owes its increasing prominence in Africa's venture landscape to a surge of deals in the Transportation and Commercial and Professional Services⁹ industries. Each sector carried forward a strong growth momentum into the first six months of 2022, maintaining a YoY growth of 60%+ from 2021 H1.

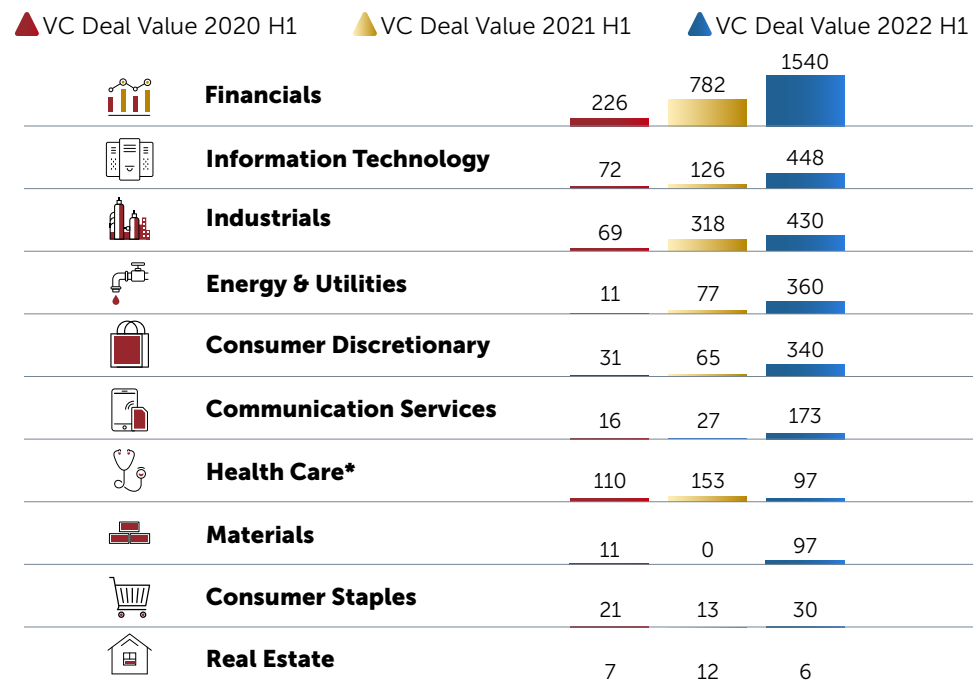
Figure 7: VC Deal Volume, by Sector, 2020 H1 – 2022 H1



Sectors Emerging from the Margins to the Mainstream

Health Care: The number of Health Care deals struck in the first half of the year have shown incremental year-on-year development between 2020 and 2022. While the sector only accounts for 7% of the cumulative volume of deals recorded in Africa at the start of 2022, it nevertheless remains a rising sector to watch. Early-stage companies offering traditional Health Care Equipment and Services routinely attract the bulk of deal activity in the sector. However, deals in the Pharmaceuticals, Biotechnology & Life Sciences industry have shown modest acceleration in the last three years - rising from one such deal in 2020 H1 to a dozen in 2022 H1. Examples of deals in this category that took place in 2022 H1 include the US\$3 million seed round in Ghanaian cancer research and diagnostics company *Yemaachi Biotech*, as well as BluePeak Private Capital's US\$15 million seed round in *Africure*, a pan-African generic pharmaceuticals manufacturer.

Figure 8: VC Deal Value (US\$m), by Sector, 2020 H1 – 2022 H1



⁹ Commercial and Professional Services is a sub-industry within the Industrials sector, and covers companies offering Human Resource & Employment Services, Environmental & Facilities Services as well as Research & Consulting Services, among others.
* Please note close to one third of Health Care deals that took place in 2022 H1 had deal values that were not disclosed. As such, it is very likely the value of VC deals that took place in this timeframe significantly exceed the US\$97 million reported here.

Sector Focus

Education: A lasting imprint of the Covid-19 pandemic which necessitated online, home-based learning for students has been a proliferation of startups using innovative technology to facilitate learning. There are now over 150 active EdTech startups across 25 African countries¹⁰ bridging the gap in access to quality education, a significant proportion of which are less than three years old. Illustratively, the number of EdTech startups that raised funding increased by 64% in the last year, from 14 in 2021 H1 to 23 in 2022 H1. Notable EdTech deals that took place in 2022 H1 include the US\$8 million Series A in Tunisian startup *GoMyCode* led by AfricInvest, as well as the US\$6 million Series A in *Kukua*, a Kenyan educational entertainment company.

82% of VC deals reported in 2022 H1 were in technology and tech-enabled companies operating across a variety of sectors








Clean Tech

CleanTech rose five places to become **the second most active vertical amongst technology or tech-enabled companies that successfully raised venture capital in 2022 H1**. A unique and largely sector-agnostic vertical, CleanTech refers to companies that harness or develop technology which seeks to improve environmental sustainability or to reduce the negative environmental impact of natural resources consumed through human activities. CleanTech deal activity will likely continue its ascent in forthcoming years, as impact investors motivated to meet Africa’s sustainable development agenda back the growing number of African entrepreneurs delivering innovative, effective, and sustainable solutions to pressing socio-environmental challenges. Notable CleanTech deals that took place in 2022 H1 include the US\$19 million Series C round in Kenyan sanitation and waste management company *Sanergy*, as well as the US\$6.2 million Series A in *Romco Group*, a CleanTech metals recycling company.

Utilities: AVCA’s *2021 African Private Capital Activity Report* found that the Utilities sector dominated infrastructure investments in 2021, accounting for 56% of deal volume therein. As the subject of modest increases in deal activity in recent years, this sector has also begun to gain traction in the venture ecosystem. Of note, all fifteen Utilities deals struck in 2022 H1 were climate related investments. Funding recipients were a varied combination of independent power and renewable electricity producers, as well as CleanTech startups leveraging technology to accelerate the renewable energy transition. Notable deals that took place in 2022 H1 include the US\$260 million Series D in off-grid solar energy provider *Sun King*. This super-sized deal accounted for a significant 72% of funding allocated to the Utilities sector in 2022 H1. Another is the US\$40 million Series C round in *GridX*, a company building customized digital energy solutions for businesses in sub-Saharan Africa.

Figure 9: Top 5 Verticals Amongst Tech-Enabled Companies, 2021 H1 – 2022 H1

▲ VC Deal Volume 2021 H1 ▲ VC Deal Volume 2022 H1

Sector Within Technology	2021 H1	2022 H1	YoY Change
 FinTech	67	123	▲ 84%
 CleanTech	5	26	▲ 420%
 E-Commerce	18	26	▲ 44%
 Edtech	14	23	▲ 64%
 Health Tech	15	20	▲ 33%

¹⁰ Startuplist Africa, 2022. [EdTech Startups in Africa](#).

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 36-38.



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About AVCA

CHAMPIONING PRIVATE INVESTMENT IN AFRICA

The African Private Equity and Venture 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.