

AFRICA

NXT

2023

THE STATE OF TECH IN AFRICA TODAY

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EMEKA AJENE

Principal, Africreate
Publisher, Afridigest

AFRIDIGEST



DAMILARE DOSUNMU

Senior Reporter,
TechCabal

techcabal

What we'll cover

- **Africa Tech in context: it's still early**
- **Key themes**
 - **The rise of debt**
 - **Fintech beyond payments**
 - **Hybrid strategy**
 - **The new normal**
 - **The rise of Africa-focused VCs**

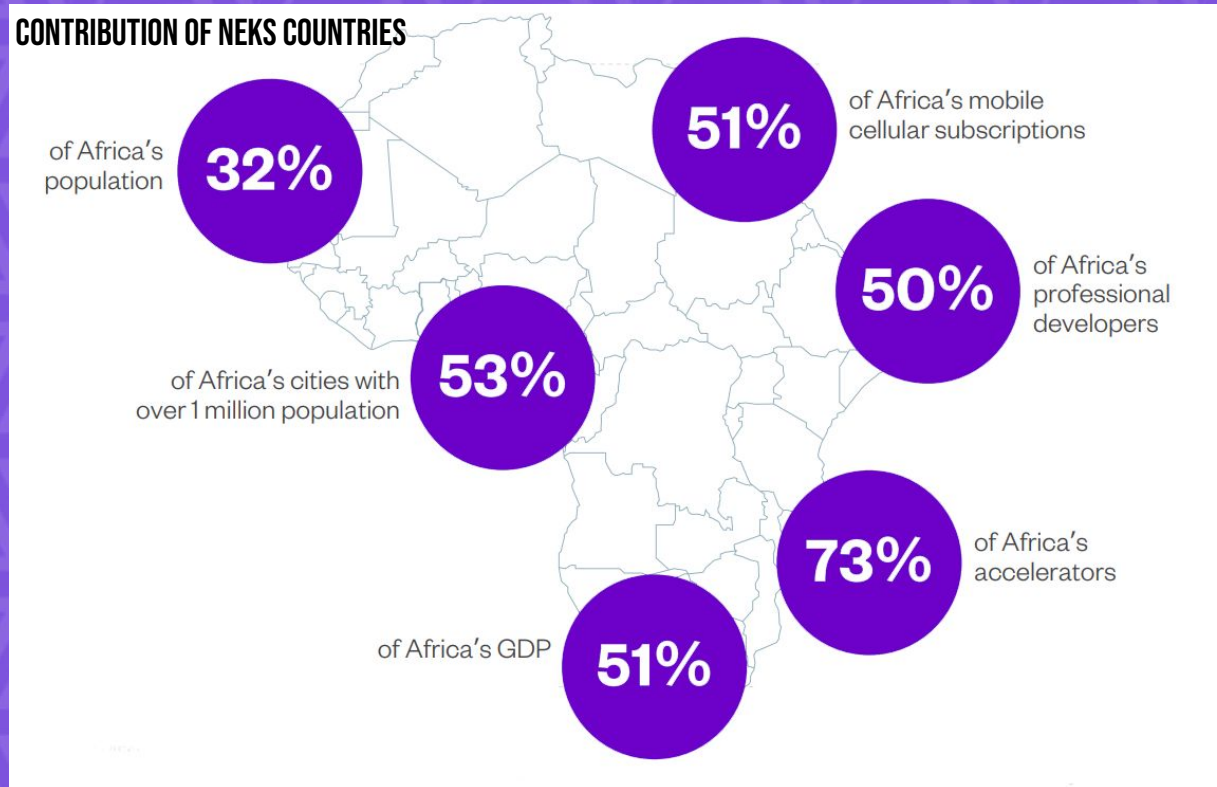
AFRICA TECH IN CONTEXT



**Why does ~75% of all funding go to
NEKS (Nigeria, Egypt, Kenya, and
South Africa)?**

Africa's digital opportunity is not evenly distributed

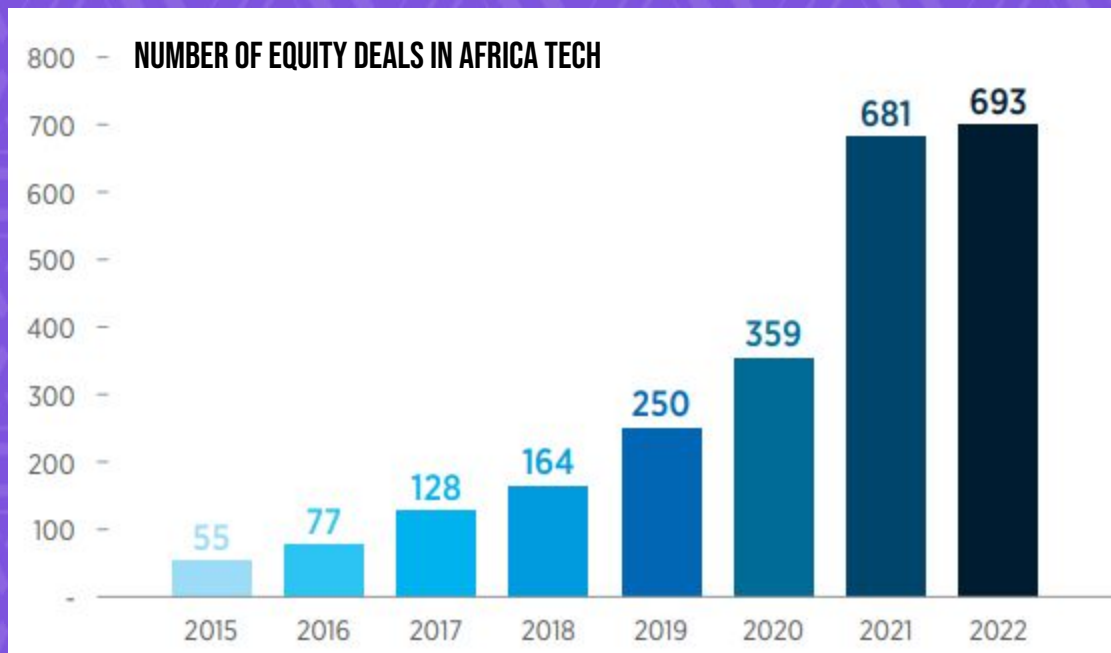
NEKS has just 1/3 of population but 51% of GDP & more





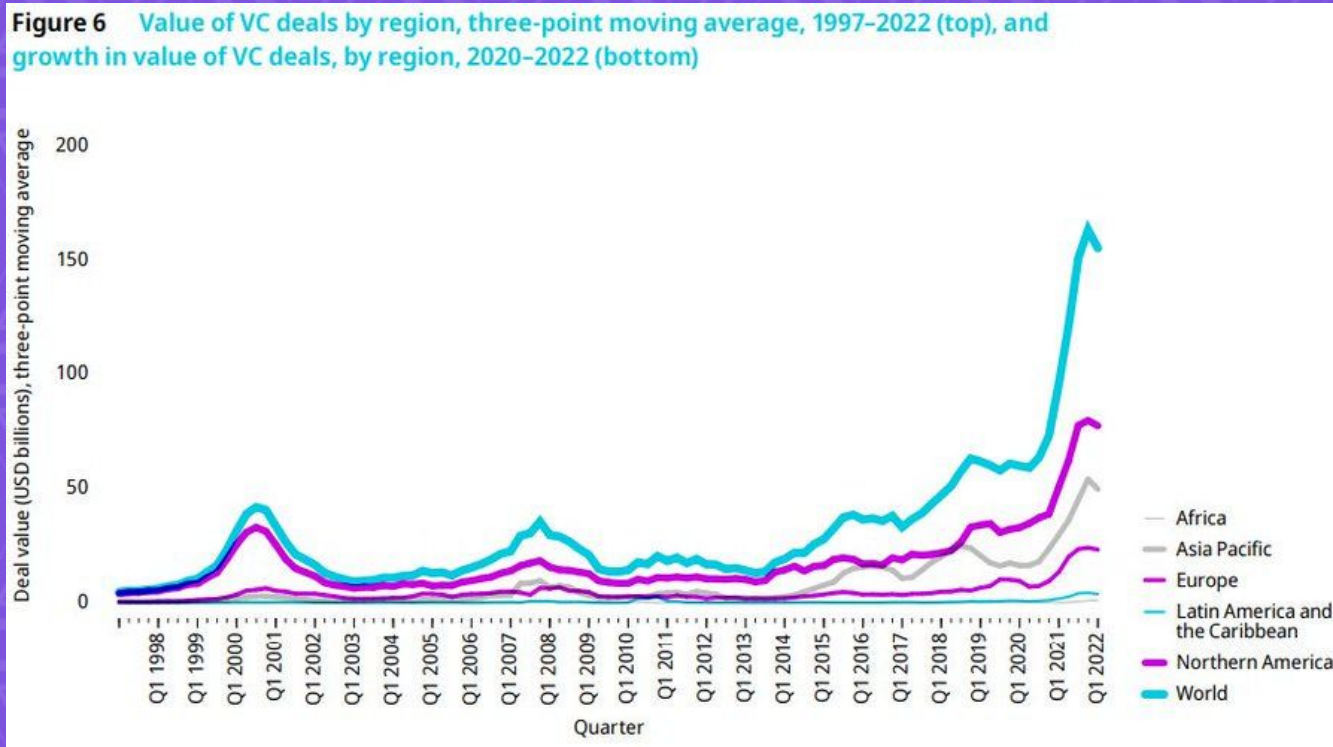
**How many VC deals were done
per month on average in 2022?**

From 1 deal a week to 2 deals a day



Roughly 58 equity deals per month on average in 2022

Despite the growth, it's still early



- For every \$1 invested in a VC deal globally, less than \$0.01 goes to Africa

Early days for the digital economy

	Egypt	Kenya	Nigeria	South Africa	Morocco	Ethiopia	Tanzania	Uganda	Ghana	Cote D'Ivoire	US	EU	China	India	Brazil
Internet Usage % of individuals using the internet ⁽¹⁾	61%	42%	52%	64%	74%	24%	27%	30%	53%	50%	91%	92%	69%	54%	78%
Mobile Usage mobile subscriptions per 100 people ⁽²⁾	93	114	99	162	134	39	86	61	130	152	106	121	119	84	97
% smartphone users ⁽¹⁾	42%	47%	53%	78%	86%	24%	31%	26%	50%	54%	87%	81%	72%	61%	69%
Banked Population % of people with financial institution account ⁽²⁾	27%	79%	45%	85%	44%	35%	52%	66%	68%	51%	95%	96%	89%	78%	84%
Credit Card Penetration % of people that made purchases using credit cards in past year ⁽¹⁾	4%	7%	4%	10%	na	na	2%	3%	7%	1%	69%	47%	22%	3%	29%
Digital Payments % of people that sent or received digital payments in past year ⁽²⁾	23%	79%	30%	60%	17%	12%	43%	55%	50%	38%	91%	92%	68%	29%	58%

● A lot of room to run

Data Source: FT Partners.

Big Tech starting to take note



MARK ZUCKERBERG

Africa is where the future is going to be built.



JACK DORSEY

Africa will define the future.



SAM ALTMAN

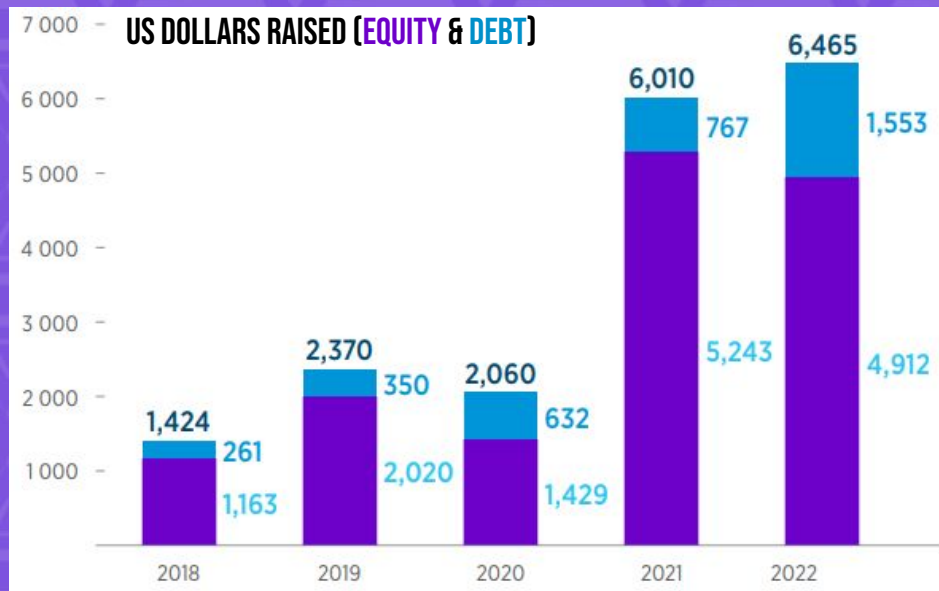
Africa is going to be the fastest growing and most important market over the next coming decades for many companies.

THE RISE OF DEBT



**How much was raised per day in 2022
by Africa-focused startups
on average?**

Historical Growth: +4X from 2018



- On average, ~\$18M was raised every day in 2022
- 46% CAGR 2018-2022
- Debt explosion in 2022



**What's causing the rise
of debt funding?**

Why the increase in debt funding?



TIDJANE DEME

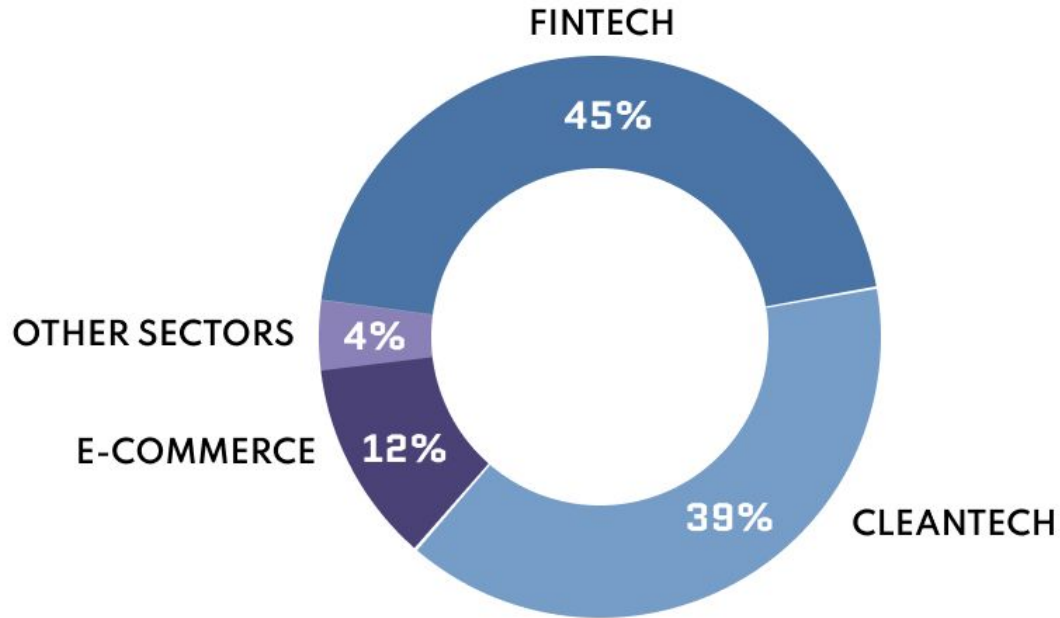
General Partner, Partech Africa

What this increase in debt funding means is that **more startups are reaching maturity** levels where they can access debt.

In addition to this, across the table there are **more players providing debt**.

Fintech drives debt funding

2022 DEBT FUNDING BY SECTOR, AFRICA TECH



Source: Partech.

Case study: Moove Africa



Mobility fintech Moove secures \$105m to scale its vehicle financing business globally


Moove secures \$20m debt funding from British International Investment

Moove raises \$10m funding from NBK Capital Partners for expansion



Specialized mobility lender

- Finances up to 95% of vehicle cost
- Integrates API directly with Uber & other mobility platforms to capture unique data: driving hours, revenue, ratings, etc.
- Develops alternative driver credit score
- Lends at 8–13% annual interest rates
- Repayment deducted directly from platform
- Validated model; stable, repeatable growth → attractive to debt providers



**FINTECH BEYOND
PAYMENTS, NEOBANKS,
AND CONSUMER/SME
LENDING**



What fintech trends do you notice outside of payments, neobanks, and consumer/SME lending?

3 fintech trends beyond payments

Fintech 'plumbing'

API infrastructure / Open finance
Embedded finance
BaaS

Asset financing

4 WHEELS



2 WHEELS



SMARTPHONES

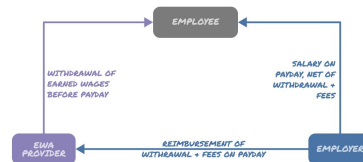


SOLAR



Earned wage access

'Salary on-demand'



Earned Wage Access

 **GHANA**

 cadana  zuberi

 **NIGERIA**

 earnipay  SeamlessHR  brassmoney

 salad  kerapay  PAY MASTA

 **EGYPT**

 KHAZNA  nowpay

 **KENYA**

 workpay

 **SOUTH AFRICA**

 paymenow  floatpays

 Level  jem smartwage

 Finclusion

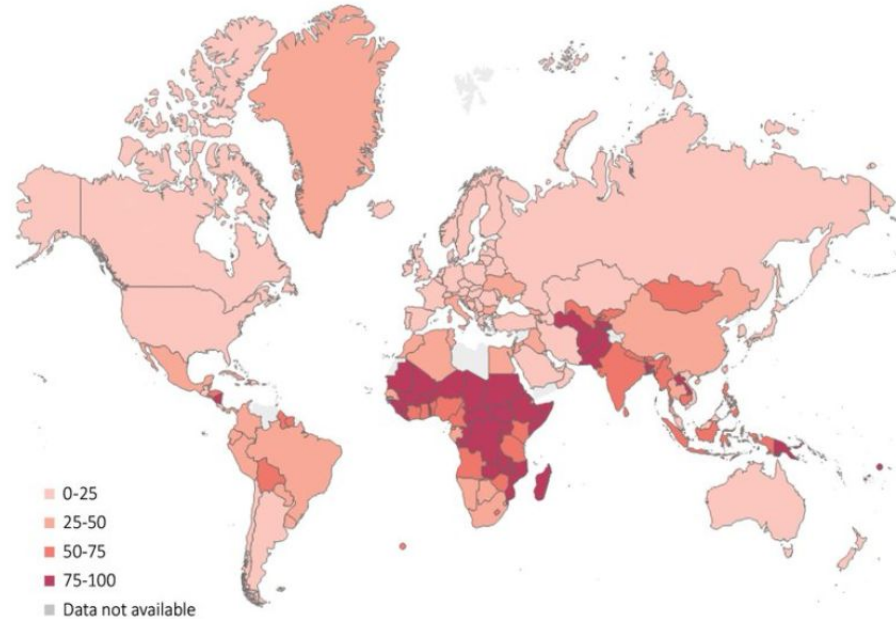
HYBRID STRATEGY



What's a hybrid strategy?

'Online-only' can be hard to scale today

% of the population not using the Internet



Data Source: Source: International Telecommunication Union.

Hybrid strategy: online + offline



Ideas & Perspectives

In Brief

Strategy

To scale in African markets today, startups need to run hybrid strategies

Despite all the attention Africa's digital revolution receives, the reality is that this digitization is driven in large part by the analog world of atoms and bits. Entrepreneurs should embrace this.



Emeka Ajene - September 2022



TAYO OVIOLU

Co-Founder & CEO, Paga

About 17 million of our 21 million-strong customer base use our 140,000-strong agent network. [The rest] transact via digital wallets on both smartphones and via USSD on feature phones.

Case study: Tyme Bank



South Africa's 'first fully digital bank' but not *fully* digital

- Hybrid offline+online playbook: kiosks and human agents deployed in retail environments (Pick n Pay stores)

- 80% of its ~6 million account holders created their accounts offline rather than through digital channels like the web or smartphone apps

- Expansion to Philippines with the same playbook: kiosks plus human agents in retail environments via partnership with one of the country's largest retailers (Robinsons)

Physical points of presence

	Onboarding	Cash-in/out
TymeBank	730	14 300
Standard Bank	535	5 200
ABSA	698	9 600
FNB	628	4 700
Nedbank	680	4 200
Capitec	832	2 800

Embracing today's offline reality



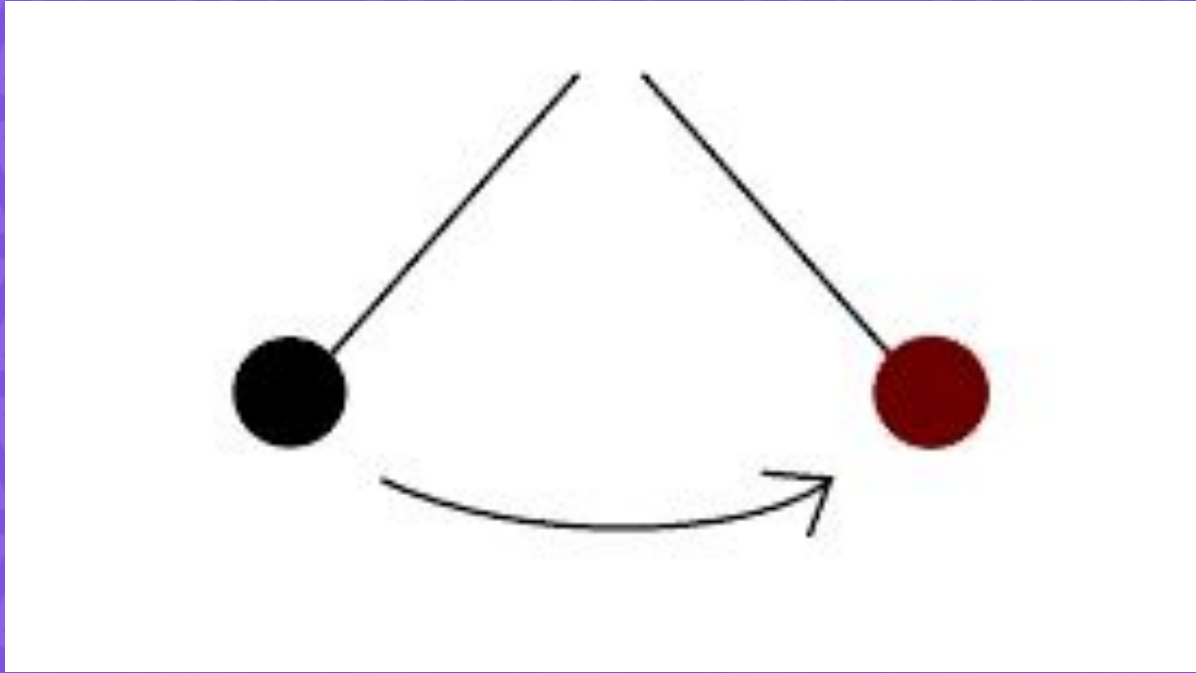
Move money without internet.

Stax is a simple & secure way to transfer money, buy airtime, & pay bills in Africa without dialling USSD codes or relying on an internet connection.



THE NEW NORMAL

Pendulum has swung



A return to pragmatism

Afridigest presents...

IN THE HOT SEAT 🔥🪑



Emeka Ajene
(@eajene)
Publisher
Afridigest

Happy new year, Peter! What's in store for Africa Tech this year? Make one quick public prediction.

The return of pragmatism.

Global VCs who were responsible for setting record high valuations have retreated. A global economic slowdown will make growth harder for many, and with currency depreciation to boot, dollar revenue growth will slow. I expect valuations to bottom out this year.

Investors too will be faced with a reckoning of sorts, as this notion that you could flip and exit after a round or two is gone. A focus on fundamentals will force many to be more discerning and really put their ability to select well to the test.



Peter Oriaifo
(@P_Oriaifo)
Principal
Oui Capital

Staff & footprint rationalization

Wave, a Stripe-backed African fintech valued at \$1.7 billion, cut 15% of its staff in June

African fintech unicorn Chipper Cash lays off about 12.5% of staff

Kenyan logistics startup Sendy cuts 10% of its workforce

Kenyan B2B e-commerce platform Marketforce cut about 9% of staff in reorganization strategy

Nigerian digital bank Kuda is the latest African startup to lay off employees

Sendy conducts second round of layoffs, 20% of its remaining staff affected

SWVL plans to lay off 32% of its team two months after going public

Egyptian healthtech startup Vezeeta cuts 10% of 500-person staff

More job cuts loom as Sendy changes course in Nigeria

Down rounds ↑, valuations ↓, M&A ↑

FTX marked down Chipper Cash's \$2B valuation to \$1.25B

54gene valuation slashed by over \$100M amid job cuts and CEO exit



Eghosa Omoigui
@EghosaO

how many of the companies listed are still unicorns in today's market? so once unicorns but now looking more like pelicans.



JasonNjoku
@JasonNjoku

Public market comps for Stripe have collapsed. Block (formerly Square) is down 70% from High Aug21, while Affirm has fallen 89% since its peak in Nov21. [@PayPal](#) is down 72% from its high. Applying this to our Fintechs. Do we still have Unicorns in Africa?

It's not all bad news though

AFRICA'S UNICORN LIST

As of February 2023



Company	Sector	Country [1st Ops]	Last Public Valuation	Year First Valued at \$1B+	Unicorn Round lead[s]
Interswitch	FINTECH		~\$1.0B	2019	VISA
Flutterwave	FINTECH		>\$3.0B	2021	TIGER GLOBAL AVENIR GROWTH
OPay	FINTECH		~\$2.0B	2021	SOFTBANK VISION FUND 2
wave	FINTECH		~\$1.7B	2021	SEQUOIA HERITAGE FOUNDERS FUND RIBBIT CAPITAL STRIPE
Andela	TALENT MARKETPLACE		~\$1.5B	2021	SOFTBANK VISION FUND 2
Chipper	FINTECH		~\$1.25B	2021	FTX
mnt halan	FINTECH		~\$1.0B	2023	CHIMERA INVESTMENTS

Your intelligent guide to Africa's tech ecosystem: afridigest.com

BioNTech to acquire Tunisia's AI startup InstaDeep in a \$680m deal

Jan 11, 2023





THE RISE OF AFRICA-FOCUSED VCs

More dry powder for Africa-focused VCs

Pan-African early-stage firm Ventures Platform closes fund, hits \$46M

Partech hits first close of largest Africa-focused fund, at €245M

Egyptian venture capital firm Algebra Ventures hits first close of second fund at \$100M

TLcom Capital reaches first close of \$70M for second fund backing African startups

QUESTIONS/COMMENTS

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EMEKA AJENE

Principal, Africreate
Publisher, Afridigest

► emeka@africreate.com

DAMILARE DOSUNMU

Senior Reporter,
TechCabal

► damilare@bigcabal.com

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