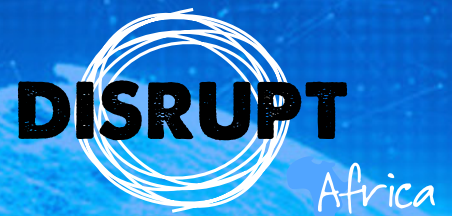


African Tech Startups

FUNDING REPORT 2020



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|  | <p>Otundi Ventures invests in founders that are building technology-enabled businesses across Africa.</p> <p>otundi.com</p> |

To our friends across Africa's tech startup and investment ecosystem:

The Disrupt Africa team is delighted to present to you the sixth edition of the African Tech Startups Funding Report, covering 2020.

This is a funding report with a difference, not only because it tells the story of yet another record year of investment activity in the African startup ecosystem, one achieved in spite of the ongoing COVID-19 pandemic, but because it is the first year we have open-sourced the report and its associated dataset.

The publication has built a formidable customer base since the release of its first edition in January 2016, including leading global tech companies, supranational investors, Big Four consulting companies, venture capital firms, and international trade bodies. Yet it was a concern to us that the data and analysis contained within its pages were not reaching the people that could arguably benefit from it most - African startup founders.

We determined to put this right, and as such are delighted to have partnered with **Catalyst Fund**, **RTB House**, **Quona Capital**, **4Di Capital**, **Villgro Africa**, **Lateral Capital**, and **Otundi Ventures** to open-source the *African Tech Startups Funding Report* and deliver it to everyone, corporate or startup, institution or angel, for free.

The valued support of these esteemed partners, all of whom are contributing so much otherwise to the development of the continent's tech startup ecosystem, will ensure the report ends up in the hands of thousands of entrepreneurs, who can use the data and trends it details to inform their own fundraising strategies. We cannot thank them enough, and hope to work with them in the future on ensuring access to leading data and analysis remains free.

To that data, then. 2020 produced a record year for funding activity in the African tech startup ecosystem, and is the latest installment in a series of releases that tracks the strong growth the sector has seen from an investment perspective over the last six years.

In the first edition of this report, Disrupt Africa found that 125 tech startups had raised funding in 2015, to the tune of US\$185,785,500. We were all pleased by the solid starting point from which figures could only increase. Fast forward to January 2021, and we are immensely proud to report that in 2020, 397 startups raised US\$701,460,565. **That means total annual funding flowing into African tech startups has grown by 278 per cent since we began our work in 2015.**

Though the bulk of funding activity continues to take place in the "big four" markets of Nigeria, Kenya, South Africa and Egypt, there is pleasing growth in activity in other ecosystems, while acquisitions are becoming a regular feature of the ecosystem. The number of active investors on the continent continues to grow exponentially, at all stages, and with funding spreading across more geographies and an increasing number of verticals, the future looks very bright indeed.

There is one potential spanner in the works, in that regard, and we would be remiss if we failed to address the COVID-19 shaped elephant in the room at this point. The fact more African tech startups managed to accumulate more funding than any year on record even while a global pandemic raged, - threatening economic collapse, putting an end to travel and causing chaos in terms of due diligence processes - is a remarkable one, and the continent's startup and investor communities deserve due credit.

However, the true impact of COVID-19 on African tech startup funding may yet to be felt. The majority of the rounds that took place in 2020, especially those earlier in the year, would have been under discussion long before “COVID-19” was even a phrase in our collective vocabulary. Moreover, funds had been raised, LPs had written cheques, and capital, in most cases, was required to be disbursed. It may have ended up going into fewer startups than might otherwise have raised, at larger ticket sizes, as investors looked to minimise risk, but be invested it must.

Raising a new fund, in the current climate, is another thing entirely, and we have already heard stories of funds delaying fundraising or investment plans being put on hold. Corporate budgets are in flux, development institutions may prioritise aid over investment, and signing up LPs to your latest African fund given the risks that are inherent with relatively early-stage investments in emerging market businesses, may yet prove much more challenging in 2021. It is this that could yet have a negative impact on investment, and startups must await nervously developments for 2021.

So far, however, this year has been lucrative for African entrepreneurs, and in any case our primary focus in these pages is to look back on a record-breaking 2020. In the following pages we share our year’s work and analysis with you, telling the story of an ecosystem increasingly confident in itself, maturing nicely, spreading continent-wide, and endlessly innovative.

As with our previous funding reports, this research is based on our initial dataset gleaned from reporting on funding rounds throughout the year, which we have supplemented with widespread polling of hundreds of startups, investors, and tech hubs.

The result is our best calculation of the minimum value of the investment that has gone into the tech entrepreneurship ecosystem in Africa in 2020. The real total figure is sure to be higher - with some deals taking place behind closed doors or slipping through our nets. However we are confident we have provided a realistic, reliable - and the most comprehensive available - set of data.

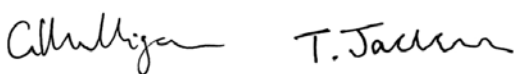
What we can guarantee is that our dedication to precise information and reporting continues; and our six years’ worth of data can be relied on as a minimum “benchmark” to measure the progress of the ecosystem.

In this report we detail the value of funding flowing into Africa’s various markets, the number of funding rounds raised in each country and sector, average deal sizes, as well as standout deals. We have provided analysis of six key markets across the continent, as well as details of funding trends in a further 18 countries. We also look in-depth at 13 different tech sectors. A separate section is dedicated to tracking acquisitions on the continent, while the full list of funded African tech startups is provided as an appendix, sorted by country and sector.

And, of course, thanks to our partners, it is free to all!

We remain available at any point for follow-up discussions and questions; and would also appreciate feedback as to how we can work to make our publication of more value to you in the future.

All the best for 2021,



Gabriella Mulligan

Tom Jackson

Co-founders of Disrupt Africa

The Disrupt Africa African Tech Startups Funding Report 2020 is based on data gathered by the Disrupt Africa team over the course of 2020. The information contained herein is an accurate work of journalism - the compilation of our list of funding rounds, as well as all analysis within the report, has been conducted in-house.

A complete record of funding rounds was kept over the year, as they were disclosed publicly or confidentially to the Disrupt Africa team. Using that initial dataset as a base, we have polled hundreds of startups, investors, hubs and other ecosystem players to identify rounds that we may have missed, or to clarify the amount raised where this was not initially disclosed.

Where amounts were publicly disclosed, or startups have informed us they can be disclosed, they are declared in the report. Where the figure was given in confidence, the number has been included in the aggregate total but not identified in the report.

Where we were unable to definitively ascertain the amount raised by a particular company, we have estimated the lowest possible figure based on the details we have managed to obtain. For example, if a startup indicated their funding was a "seven-figure dollar amount", we have estimated that figure as US\$1,000,000.

In a few cases, we have used a combination of the investment parameters of the funder in question, previous rounds raised by the startup, and the size of rounds raised by similar companies in similar sectors, to come up with a minimum possible figure.

We do not claim to have identified every funding round going to an African tech startup in 2020, as there will be some that took place quietly. As such, the overall total funding raised is likely to be higher than our total; especially given our very conservative estimates of undisclosed rounds.

This report seeks to ascertain a minimum figure for funding for 2020 as we continue to track the growth of the African tech startup ecosystem, for the sixth consecutive year.

Comparative data used to reflect on progress over the years since 2015 stems from previous editions of this report, published annually for the past six years.

A note on the definition of a startup. In deciding what "startups" to include and exclude from this study, Disrupt Africa has followed its usual editorial process, working on a case-by-case basis to decide whether a company qualifies as a startup. The definition of "startup" is more subjective than objective in any region; especially so in Africa where the scene is so nascent and there are no established qualifications in terms of revenues and employee numbers.

Startups are young businesses where success is not guaranteed, where people choosing to work for the company are forgoing stability in exchange for innovation and the promise of tremendous growth. This ability to grow is key, what differentiates startups from small businesses is the potential - and desire - to scale regardless of geography.

More specifically, for the purposes of this report, the majority of companies featured are no older than seven years old, are still in the process of scaling up, their potential profitability is still growing - regardless of whether profitability has to date been achieved -, and they may still seek external funding. We have excluded companies that are spin-offs of corporates or any other large entity, or that have developed past the point of being a startup, by our own definition of one.

The definition of “African startup” is also a controversial topic. In the clearest scenario, an African start-up would be headquartered in Africa, founded by an African, and have Africa as its primary market. This, however, is rarely the case. Many Africa-based, Africa-focused startups are founded by non-Africans. Many Africa-focused, African-founded startups are, for regulatory and financial reasons, headquartered outside the continent. Many Africa-founded, Africa-based startups target customers elsewhere in the world.

Once again, Disrupt Africa tackles this issue on a case-by-case basis, and we may not always get it right in everybody’s eyes. For the most part, the startups included in this report are at least Africa-based and Africa-focused, and we have applied thinking around the economic impact of a company - and where that impact is most felt - in the event of a startup diverging from this.



OVERVIEW

Record funding year for record number of startups.

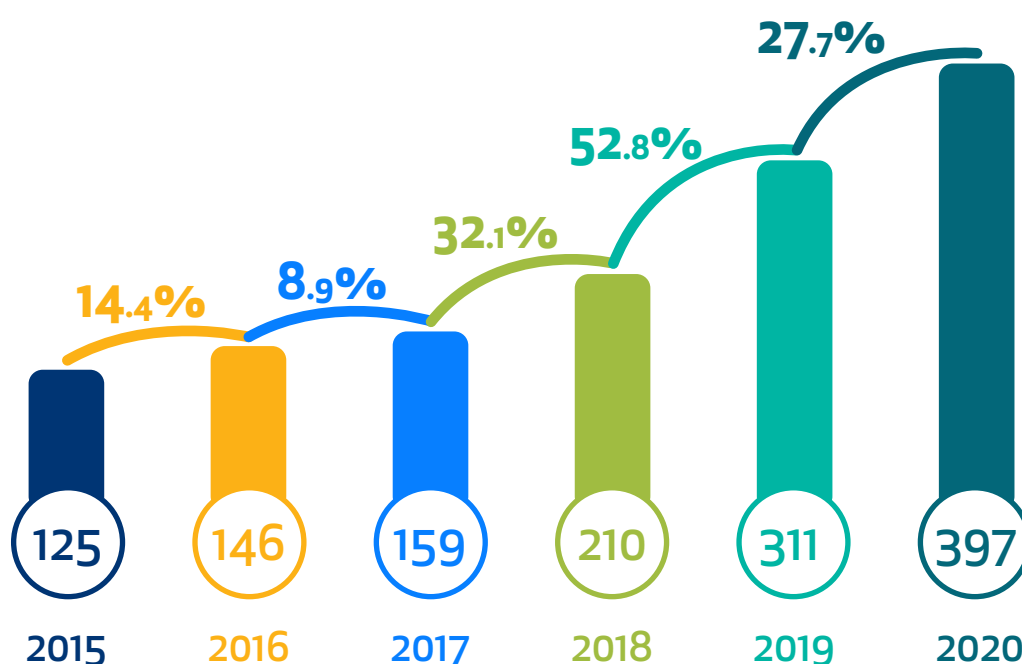
New records were set in 2020, as 397 startups raised an impressive US\$701,460,565 in total funding. Both these figures are up substantially on previous years; with the number of funded startups up 27.7 per cent on 2019, and the funding total 42.7 per cent higher than the previous year.

The number of startups to secure funding has continuously increased each year since Disrupt Africa began publishing its annual funding report. In 2015, only 125 startups secured investment. This figure grew to 146 the following year, 159 in 2017, and 210 in 2018. The number leapt in 2019 to 311, and continued to climb in 2020.

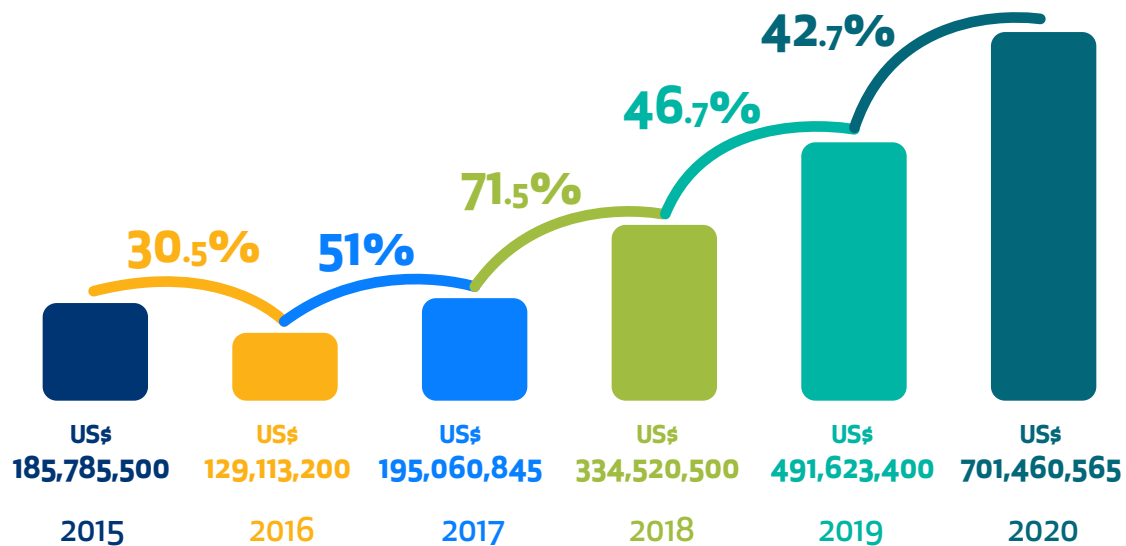
Similarly, the amount of funding going to African startups has increased year-on-year for the past five years (with a decrease from 2015 to 2016 preventing the clean sweep). When Disrupt Africa records began in 2015, the continent's startups raised a combined US\$185,785,500. This total declined 30.5 per cent to US\$129,113,200 in 2016. Thereafter began the growth - in 2017, total funds raised were up 51 per cent at US\$195,060,845; soared a further 71.5 per cent in 2018 to reach US\$334,520,500; and in 2019 grew 46.7 per cent again to US\$491,623,400.

In 2020, growth across both these measures did slow slightly as compared to its hockeystick tendencies in preceding years - most likely in response to the COVID-19 pandemic, but we can safely say that the African startup ecosystem has remained robust throughout the tribulations of 2020.

Growth in number of funded startups, by year



Growth in total funding, by year



Attesting to the resilience of the ecosystem is the burst of renewed growth in the average deal size, which hit US\$1,766,903 in 2020. While average deal sizes have risen, dipped and plateaued to varying extents over the past six years, the 2020 figure sees the average amount secured increase 11.8 per cent on the 2019 average.

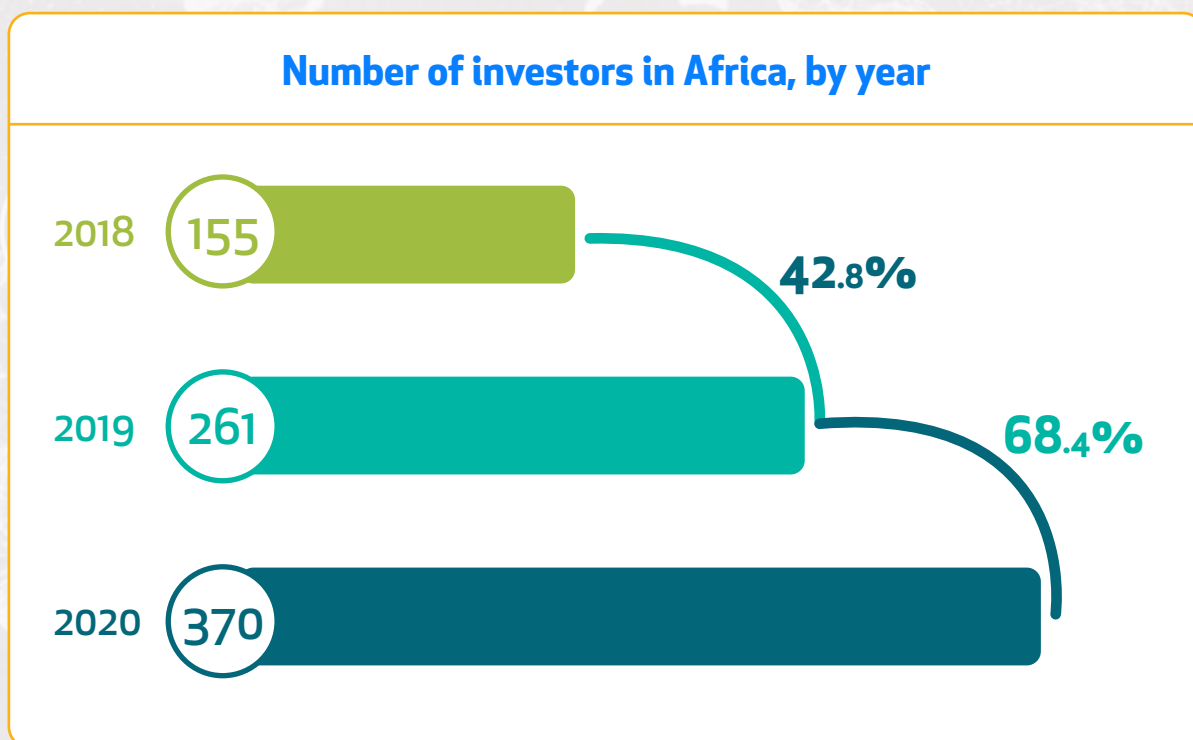
Stand-out rounds this year went to Egyptian e-health venture Vezeeta (US\$40,000,000), Nigerian fintech Flutterwave (US\$35,000,000), South African retail-tech startup Skynamo (US\$30,000,000), Kenyan agri-tech company Twiga Foods (US\$29,400,000), and Kenyan conservation tech solution Komaza (US\$28,000,000).

5
Top five rounds of 2020



Investor numbers rapidly multiplying.

A key feature of the African startup landscape in 2020 is the growth in the number of investors on the continent. This year, we counted at least 370 active investors; marking 42.8 per cent growth on the previous year, when our data tracked 261 investors. This figure was in itself a 68.4 per cent rise on the 155 investors we found in 2018.

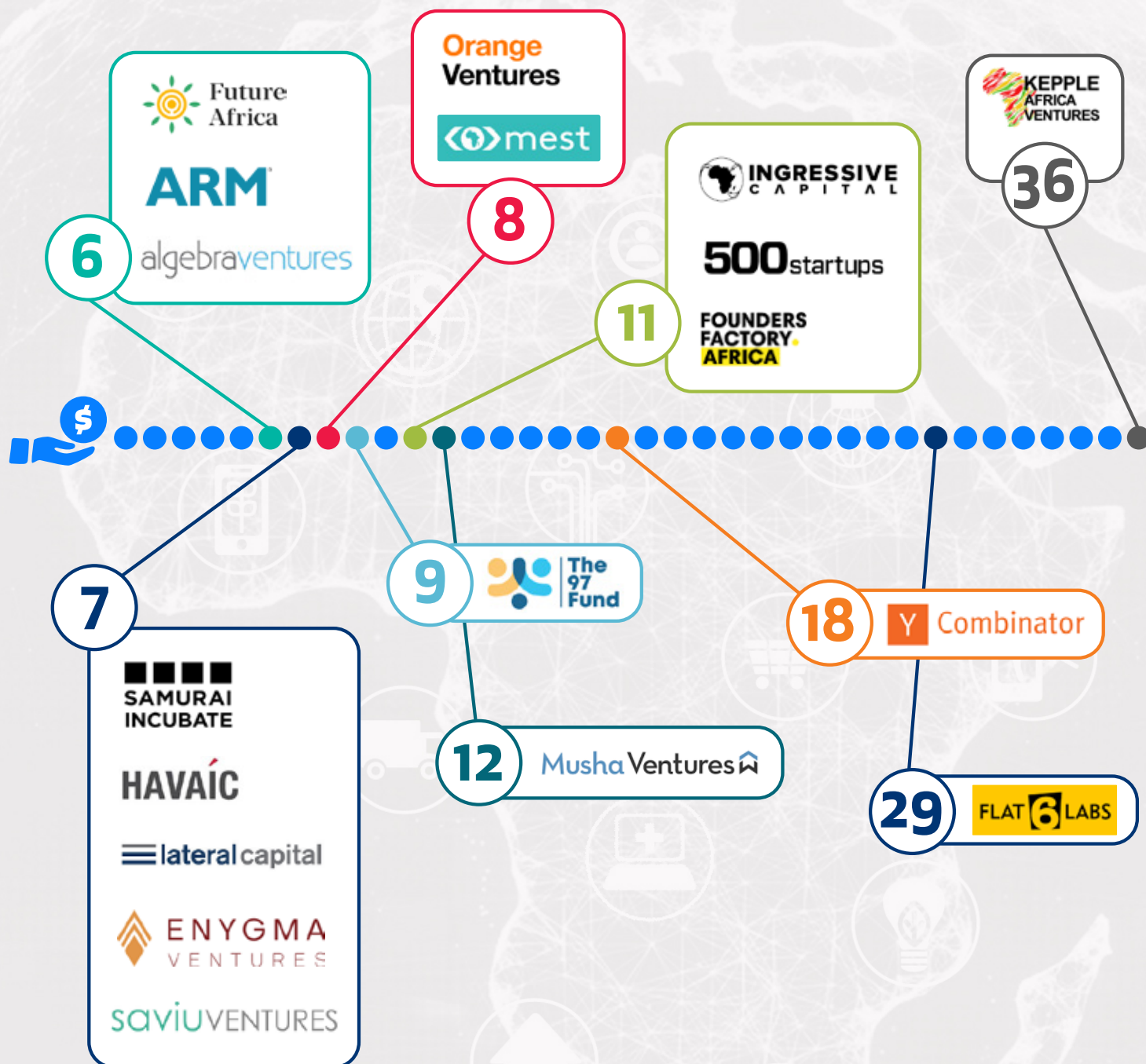


With a large range of institutional investors, VC firms, family offices and angels active in Africa, there is clearly an increasing confidence and interest in backing startups on the continent across all stages of the startup lifecycle.

While the 370 investors tracked in 2020 already displays impressive growth on previous years, the figure is in reality likely to be much higher, given the host of deals where investors - angels in particular - chose to remain anonymous or were not announced by the startup in question.

Looking at the number of deals completed by investors in 2020, the majority made between one and four investments. Only seven made more than 10 investments over the course of the year - with the standout most active investor being Kepple Africa Ventures, which backed 36 startups.

Accelerator-linked investments were also particularly common, with Flat6Labs, Y Combinator, Founders Factory Africa, 500 Startups and MEST Africa among the most prolific investors on the continent.

The top investors in Africa in 2020,
by number of investments

Investment is heading for more destinations, but “big four” still collects lion’s share.

As recently as 2018, we talked of a “big three” of African tech investments destinations - South Africa, Kenya and Nigeria. With the emergence of Egypt over the last couple of years, however, that is now conclusively a “big four”.

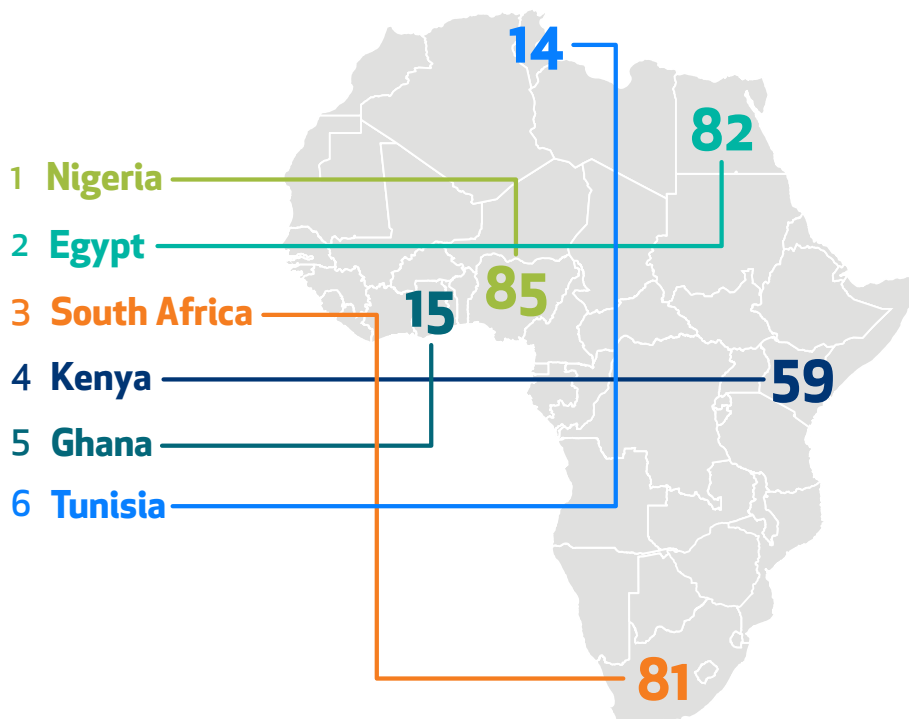
A total of 307 startups from Nigeria, Kenya, South Africa and Egypt raised funding in 2020, accounting for 77.3 per cent of funded ventures on the continent. This share is, however, on the decline, from 83.6 per cent in 2019, as a larger percentage of startups from outside those four markets are raising funds.

In 2020, startups secured investment in 24 countries, a sizeable leap on previous years. In 2019, there were funded companies in 19 countries, while there were 20 in 2018 and 18 in 2017.







Though more startups from less established markets are raising funding, capital continues to concentrate itself on the “big four”. The total amount of investment that went into startups from Nigeria, Kenya, South Africa and Egypt was US\$625,659,000. This accounted for 89.2 per cent of the overall African tally, a share that was up from 87.5 per cent in 2019 and 79.4 per cent in 2018.

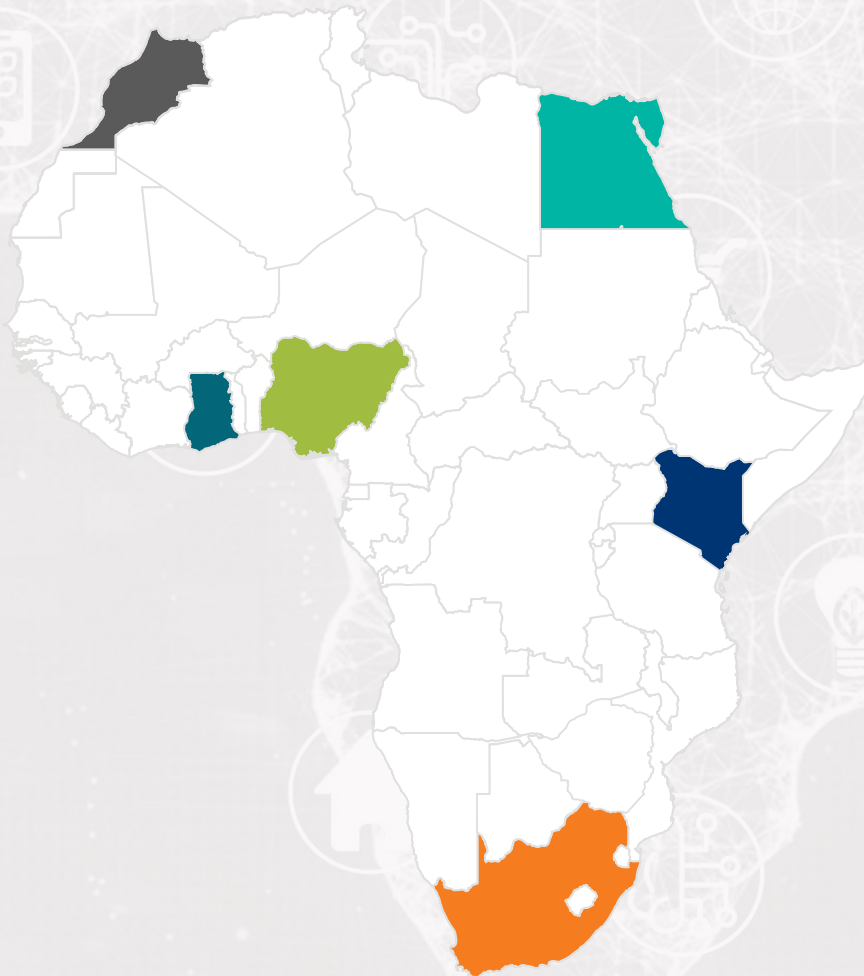
So while investors are increasingly taking punts on startups in less developed startup ecosystems, those investing at bigger ticket sizes are continuing to focus on the “big four”, a trend that is only increasing over time.

Funded African tech startups, by country



Funding raised by African tech startups, by country

| | | | |
|---|--------------|-----------------|--|
| 1 | Kenya | US\$191,381,000 |  |
| 2 | Nigeria | US\$150,358,000 |  |
| 3 | South Africa | US\$142,523,000 |  |
| 4 | Egypt | US\$141,397,000 |  |
| 5 | Ghana | US\$19,897,000 |  |
| 6 | Morocco | US\$10,306,000 |  |



Dominant fintech still the sector to beat.

Looking at funding figures for 2019, it seemed like fintech - long Africa's most attractive destination for tech startup funding - might be losing some of its allure. Though the number of funded ventures continued to rise, total investment had declined by almost 20 per cent from 2018.

Fast forward 12 months, however, and the picture is a little different. Though growth in the number of fintech startups that raised funding slowed ever so slightly, its share of total backed ventures was higher in 2020 than in 2019. The combined amount raised by fintech companies over the course of the year jumped 49.3 per cent to US\$160,319,065, again giving the fintech sector a larger share of the African total than the year before.

Fintech, then, is demonstrably still the one to beat when it comes to what vertical is most attractive to Africa-focused tech investors. Yet that does not mean there have not been some very positive developments elsewhere, with the overall growth in investment coming into African tech startups by no means solely attributable to the financial technology sector. Fintech may still be progressing solidly, but its growth is being outpaced by other verticals.

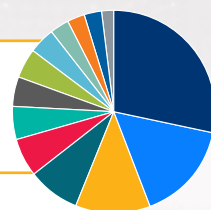
The entertainment sector was the biggest-growing one in Africa in 2020, with the number of companies raising funding leaping by 1,765 per cent. By the same metric, recruitment and HR grew 272.4 per cent, e-health by 257.5 per cent, and prop-tech - 191.5 per cent. E-commerce and retail-tech, one of the closest challengers to fintech in terms of securing investment, saw total funds grow by 85.6 per cent.

The above sectors all had bigger rates of growth in terms of total funding, suggesting that the gap between fintech and the rest will gradually close. Maturity of a sector is clearly relevant here. Fintech, e-commerce and e-health are the most developed spaces on the continent, and as such are seeing steady growth in terms of both funded ventures and total amounts raised.

Elsewhere, less mature sectors can be forgiven for some uncertain steps, and even some steps back here and there. The logistics and transport spaces, for example, saw more startups receive funding, though the combined amount raised by startups in each of these two areas declined. Agri-tech saw fewer startups raise more money than in 2019. These sectors are all making progress, but at this early stage of their development it remains uneven.

What is key is that there is impressive, if sometimes unsteady, progress on most fronts. Yet as we move into 2021 fintech remains the undisputed champion when it comes to attractiveness to investors of all shapes and sizes.

Number of funded startups, by sector



FINTECH - 99
24.9%



E-COMMERCE & RETAIL-TECH - 55
13.9%



E-HEALTH - 41
10.3%



LOGISTICS - 29
7.3%



ENERGY - 22
5.5%



RECRUITMENT & HR - 18
4.5%



ED-TECH - 17
4.3%



AGRI-TECH - 16
4%



TRANSPORT - 15
3.8%



ENTERTAINMENT - 10
2.5%



AI/IoT - 10
2.5%



PROP-TECH - 10
2.5%



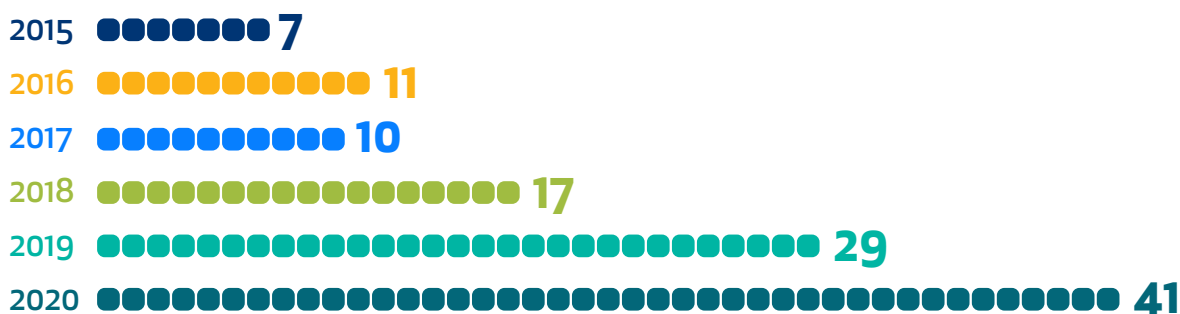
MARKETING - 6
1.5%

African e-health comes of age in era of COVID-19.

Beyond fintech, probably the most exciting developments from a sector perspective were to be found in the e-health space, which could be said to have come of age in 2020. In a breakthrough year, African e-health startups raised more funding in 2020 than they did in all of the previous five years combined.

The sector powered into second place for total investment secured, banking US\$102,994,000; and third place for the number of ventures that raised, with 41 startups backed. More startups in the e-health space (10) raised rounds of US\$1 million or above than ever before.

Funded African e-health startups, by year



All of this continued a growth trajectory that began in 2018. Indeed, the fact that growth was already entrenched prior to 2020, and the likelihood that many of the rounds announced at least until the mid-point of the year would have been under discussion for many months, means that the growth in e-health funding cannot be attributed exclusively to the COVID-19 pandemic.

Yet the strong base e-health is starting from when it comes to investment inflows could stand it in good stead in the COVID-19 era. While, in spite of the positive developments of 2020 from a general funding perspective, the economic impact of the virus is still likely to be keenly-felt by Africa's emerging startup ecosystems, both in terms of startup revenues and global investment volumes, the e-health space in Africa is one of few that actually stands to benefit from the crisis.

African health-tech startups cannot have expected to become so undeniably relevant so quickly, but they have risen to the challenge. Various healthcare-focused startups across the continent have reacted to the crisis by reformatting existing services or launching new ones, and COVID-19 has spurred uptake of e-health solutions, with patients asked to stay home and worried about going to their local, crowded health facilities. Healthcare organisations have also turned to tech to ease the adaptation to the "new normal", adopting practice management and virtual healthcare platforms.

These pandemic-induced developments will only lead to more investor interest in the e-health sector, and speak to a bright future, in the shorter-term at least. The unanswered question is whether or not the sector has the ability to prosper in a post-coronavirus world. Will short-term behavioural changes signal a paradigm shift? For now, investors are betting that they will.

Biggest e-health funding rounds in 2020

Vezeeta.com US\$40 million

helium health US\$10 million

mPharma US\$17 million

ILARA HEALTH US\$3.75 million

54gene US\$15 million

F/ELD US\$3.6 million



COUNTRIES



KENYA



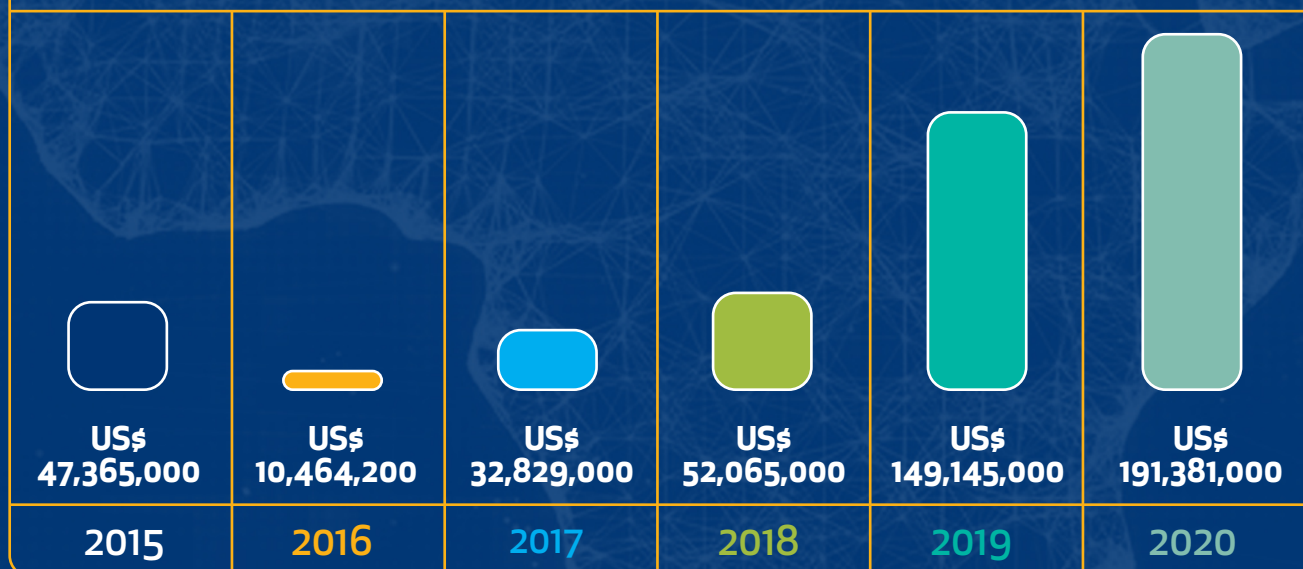
KENYA

For the second year running, Kenyan startups raised a record amount of funding in 2020, securing a combined total of US\$191,381,000. Accounting for 27.3 per cent of the continent's total investment, this is the largest amount of funding ever achieved by a single country. The record was previously also held by Kenya, when in 2019 the country's startups netted US\$149,145,000.

This outstanding amount of funding was however raised by relatively "few" ventures - with 59 Kenyan startups responsible for the investment total. This is only the fourth highest tally in terms of number of funded companies - with Nigeria, Egypt and South Africa all boasting more funded startups, albeit to a (substantially) lesser cash total.

Both the amount of funding raised and the number of startups to raise it have continued to grow annually in Kenya over the past five years. The 2020 total investment raised is up 28.3 per cent on the previous year's result of US\$149,145,000; similarly the number of startups to raise (59), is an increase of 31.1 per cent on the 45 to bag funding in 2019. 2019 itself had also proved a watershed year for Kenya, as funding secured shot up 186.5 per cent on 2018, with 21.6 per cent more startups contributing to the total pot.

Total startup funding in Kenya, by year



18

26

24

37

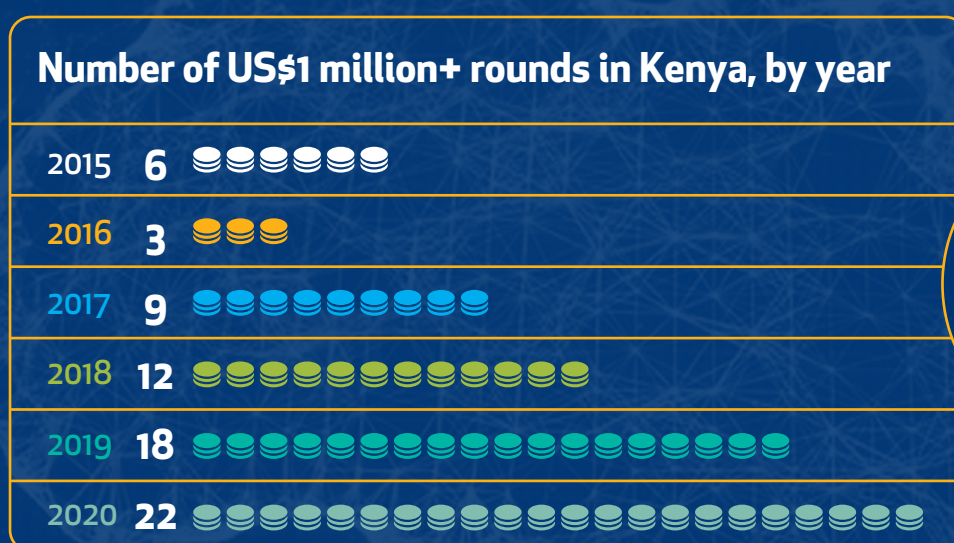
45

59

Number of funded Kenyan startups, by year

This is the second year in a row that Kenya has had the fewest funded startups among the “big four” countries, but raising the highest total amount. This is due to the consistently high average ticket size raised by Kenyan ventures. Although in 2020, the average deal was down slightly at US\$3,243,746 (from US\$3,314,334 in 2019), it is still the highest average amount of any country.

Twenty-two (22) Kenyan startups raised US\$1 million or more, meaning that 37.3 per cent of the country’s funded ventures bagged million dollar-plus rounds. The number of startups raising over a million dollars has been on the rise for years in Kenya; and the size of these rounds is also fanning out - whereas in the early years even the highest rounds were in the US\$1-2 million range, today large tickets span from US\$1 million to US\$30 million, evidencing the increasing availability of growth funding.



Kenya accounted for some of the continent’s standout rounds of the year, such as agri-tech company Twiga Foods (US\$29,400,000) and conservation venture Komaza (US\$28,000,000). Other notable raises in the country went to logistics startup Sendy (US\$20,000,000), retail-tech solution Sokowatch (US\$14,000,000), and energy ventures SunCulture (US\$14,000,000), Angaza (US\$13,500,000), and Solarise (US\$10,000,000).

On a sector view, whereas in other leading Sub-Saharan markets like Nigeria and South Africa fintech is dominant, in Kenya investor activity is much more evenly distributed. Fintech and e-commerce are the two leading spaces in terms of number of funded startups, with 13 and 12 respectively, while the e-health, logistics and energy sectors each saw five startups backed. Four agri-tech companies also raised.

Similarly with funds raised, fintech’s share is far lower than in other leading markets on the continent. Conversely, in Kenya there is a heightened prevalence of large-raising energy firms, and agri-tech is a more prominent space than elsewhere. Thus the energy sector contributed US\$41 million (21.4 per cent of Kenya’s total), and agri-tech US\$35.7 million (18.7 per cent of the total). The remaining funds were split between the logistics space (US\$27.3 million, 14.3 per cent), e-commerce (US\$23.7 million, 12.4 per cent), and fintech (US\$16.2 million, 8.5 per cent).

For years, Kenya has been home to a vibrant community of entrepreneurs working across sectors, and genuinely innovative solutions regularly emanate from the country. However, in funding terms, it is somewhat of a polarised location. Investors are attracted to Kenyan opportunities, and are willing to back the solid, proven companies active in the region. Hence Kenya has a constant flow of large rounds backed by multiple international VCs and institutions clubbing together on a good investment.

However, it is notable - more so than in other countries on the continent - that all the major rounds raised in Kenya go to companies with expat founders/CEOs. For example, of the six standout deals noted above, all went to companies with expat founders.

For those Kenyan entrepreneurs starting out, looking for seed or other early-stage funding, the prospects might not be so bright. While there is a cluster of accelerator-linked investors (the likes of MEST Africa, Villgro Africa) and a few VC firms (Kepple Africa Ventures, Musha Ventures) willing to back the early stages of the pipeline, generally speaking smaller ticket-sizes are harder to achieve in Kenya. The country certainly lacks the thriving local angel community apparent in Nigeria, for example.

So while Kenya has the innovation and on-the-ground activity to keep producing success stories year by year, more needs to be done to promote local investment into local companies at all stages of the startup lifecycle.

QUONA CAPITAL

A venture firm focused
on fintech for
inclusion in emerging
markets



More information: quona.com



Quona's global portfolio of 35+ companies includes:





NIGERIA



NIGERIA

Home to the most funded startups and attracting the second largest amount of investment, Nigeria continues to be a startup powerhouse on the continent. In 2020, 85 Nigerian startups raised a combined US\$150,358,000 - accounting for 21.4 per cent of the total.

The growth in the number of startups securing funding was particularly remarkable in 2020, as the country saw a 77 per cent increase on the previous year. In 2019, Nigeria ranked in third place for number of backed startups, so 2020 marks a big leap forward on this front.

The total amount of funding raised sees Nigeria rank second on the continent for the second year running; although placing some way behind Kenya. Nonetheless, Nigeria has seen its own solid growth trajectory in terms of investment attracted over the past years. 2020's total is up 22.8 per cent on the US\$122,475,000 raised in 2019; which in turn was a 29 per cent rise on US\$94,912,000 in 2018.

Total startup funding in Nigeria, by year









This year in particular, Nigeria is characterised by a large number of startups raising at smaller ticket sizes, which accounts for the slight decline in the country's average deal size to US\$1,768,918 (from US\$2,551,563 in 2019). Over the past six years, the trend in general in Nigeria has been a gradual slide in average ticket sizes - with more support for more startups raising at the lower end of the spectrum, interspersed with a few later-stage (Series A, occasional Series B), larger rounds.

That being said, 23 startups raised in excess of the million dollar mark in 2020 - accounting for 27.1 per cent of the country's funded startups, continuing an uptick in this regard over a number of preceding years. In 2019, 15 startups raised US\$1 million or more, 13 in 2018, and six in 2017.

There was one truly standout round in Nigeria this year - with fintech Flutterwave raising a US\$35 million Series B. There were a few other impressive deals, however, as fellow fintech Bitfxt secured US\$15 million, as did e-health venture 54gene (US\$15 million). Fintech Aella Credit, e-health startup Helium Health, and fintech Kuda each raised US\$10 million.

Top six Nigerian funding rounds in 2020

| | |
|--|--|
|  Flutterwave® (Fintech) US\$35 million |  AELLA CREDIT (Fintech) US\$10 million |
|  BFG (Fintech) US\$15 million |  helium health (E-health) US\$10 million |
|  54gene (E-health) US\$15 million |  kuda. (Fintech) US\$10 million |

This list of exceptional rounds gives away the fact that fintech is by far and away the favoured sector for investors in Nigeria. The percentage of funded startups that were fintech, as well as the share of Nigeria's funding contributed by fintechs almost doubled. Meanwhile the total cash amount raised by the country's fintechs more than doubled.

Thirty-seven (37) fintech startups (43.5 per cent of Nigeria's funded ventures) raised US\$89,342,000 (59.4 per cent of the country's total investment). Compare this to the previous year, when 11 fintech startups (22.9 per cent of Nigeria's funded companies) raised US\$37,645,000 (22.9 per cent of funds).

The above list of stand-out rounds accounts for US\$70 million of the US\$89.3 million total secured by Nigerian fintech ventures, which means the remaining US\$19.3 million was shared among 33 companies.

Beyond fintech, e-health was the obvious second sector in Nigeria - albeit substantially behind fintech - with 10.6 per cent of funded startups (nine), and 20.7 per cent of funding (US\$31,068,000). E-commerce and logistics saw eight and five startups funded respectively. In terms of funds secured, e-commerce bagged US\$10,710,000 (7.1 per cent of the total), and energy US\$7.2 million (4.8 per cent).

There is a prevalence of accelerators and early-stage venture funds covering the smaller ticket sizes in Nigeria - the likes of Y Combinator, Ventures Platform, Microtraction, Acuity Ventures, Ingressive Capital, Kepple Africa Ventures and Sherpa Ventures. Later-stage funds such as TLcom Capital, 4dx Ventures, Partech and Lateral Capital are also active in the country, while there is some institutional and corporate interest with IFC and ARM among this year's investors.

Disrupt Africa has commented in the past couple of years that Nigeria's market notably sees funding available at all levels of the startup lifecycle - driven in particular by a well developed local investor scene. This continues to be true, with the likes of above-mentioned local organisations Ventures Platform and Microtraction consistently active, while 2020 also saw successful local entrepreneur Iyinoluwa Aboyeji (Andela, Flutterwave) launch the Future Africa fund committing to back up to 20 startups a year.

International entities are also more than willing to back Nigerian ventures, and the country is likely to attract ever-increasing attention after hosting the continent's landmark moment of the year - namely, Nigerian fintech Paystack's acquisition by Stripe in a deal reported to be worth US\$200 million.

As Nigeria puts forward more of these global startup successes, combined with the active local entrepreneurial and investor community it has, the country will continue to dominate the pages of this report for many years to come.



EGYPT



EGYPT

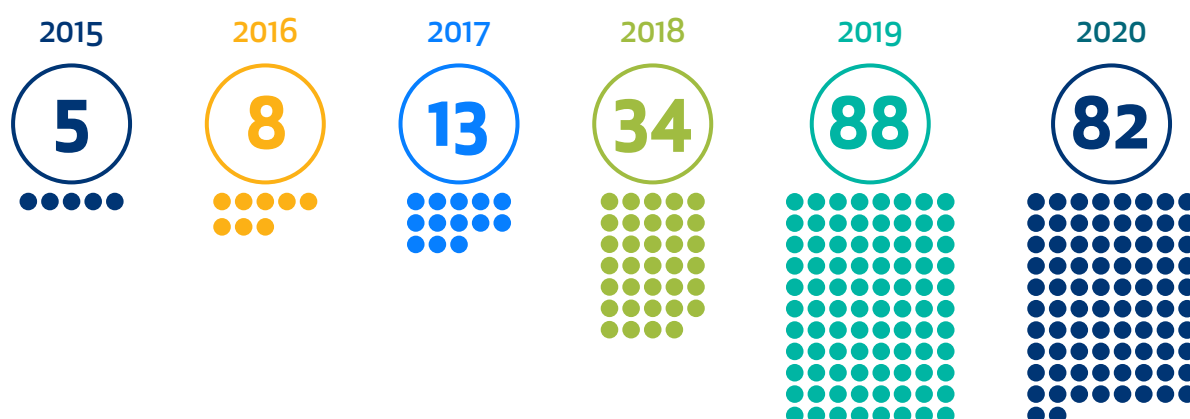
After a groundbreaking 2019 that saw it disrupt the traditional order of African tech startup funding, Egypt followed up with an even stronger 2020 that confirms the “big three” of Kenya, Nigeria and South Africa is now emphatically a “big four”.

Eighty-two (82) Egyptian startups secured investment over the course of the year. The number of ventures raising backing in Egypt exploded in 2019, increasing 159 per cent on 2018 figures, so this actually represented a slight regression (down 6.8 per cent). Nonetheless, it was a number second only to Nigeria, comprising 20.7 per cent of the overall total, and means the number of funded Egyptian startups has grown by 1,540 per cent since just five secured investment in 2015.

Total startup funding in Egypt, by year



Number of funded Egyptian startups, by year



Whereas the number of Egyptian startups that received funding slightly declined, the total amount raised leapt significantly. The US\$141,397,000 combined investment taken in by the country's 82 startups was up 65 per cent on US\$85,614,000 in 2019. Though Egypt slipped behind South Africa into fourth place in 2020, its proportion of total investment raised by African startups increased to 20.2 per cent from 17.4 per cent in 2019.

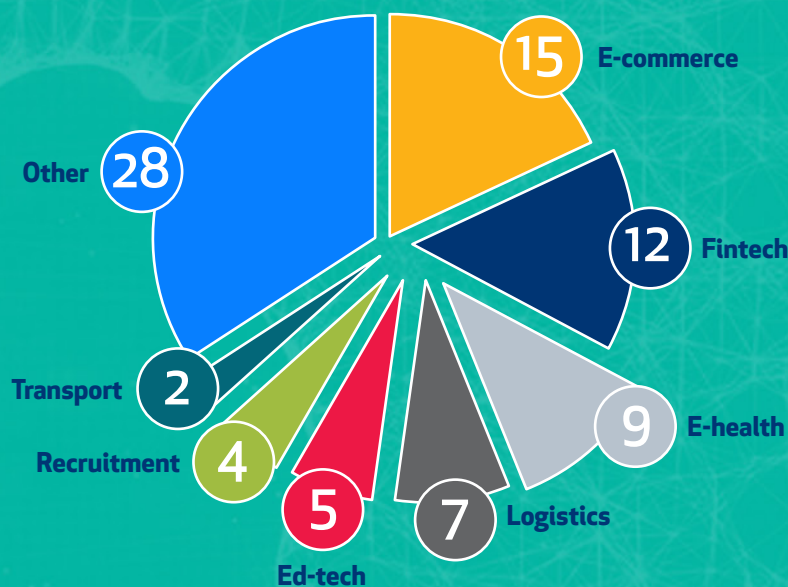
Like startup numbers, total funding raised in Egypt has been on the rise since 2015, when it was less than US\$5 million. Uninspiring growth in 2016 and 2017 meant the country was a relatively small contributor to the overall tallies in those years; growth of over 500 per cent between 2017 and 2018 signalled Egypt's emergence as a major player, and the startup ecosystem has not looked back.

There were other positive developments as well. Whereas in 2019 for more than 40 per cent of funded Egyptian startups the only source of funding was a small amount raised from participating in an accelerator programme, such as Misk500, Startupbootcamp Fintech, or Flat6Labs, in 2020 this was less the case. Flat6Labs was still a large contributor, investing in 21 Egyptian startups, but this was only a nominal contribution, and the fact the total number of funded startups went down while total raised went up speaks to increased VC activity.

Given this development, the average raised per startup leapt to US\$1,724,354 in 2020 from US\$972,886 in 2019.

From a sector perspective, Egypt stands apart from the norm across the continent in that fintech is much less a focus for investors than it is elsewhere. E-commerce and retail-tech is favourite when it comes to investors in the North African country, and beyond that investment is much more spread out than in other markets. This is demonstrated by the fact that 34.1 per cent of the startups backed in 2020 do not operate in any of the primary sectors detailed in this report, but rather more niche areas.

Funded Egyptian startups, by sector



In terms of total funding per sector, e-health was a clear leader with US\$43,515,000, though this was a figure distorted by the US\$40 million Series D round raised by Vezeeta early in the year. Transport startups raised a combined US\$39 million, though this was only spread across two rounds, and other key sectors were e-commerce and retail-tech (US\$14,572,000), fintech (US\$13,179,000), recruitment (US\$4,562,000), and logistics (US\$3,012,000).

More signs of wider ecosystem growth in Egypt came in the larger spread of investment across a greater number of companies. Whereas in 2019, 49.1 per cent of total funding was raised by one company - transport startup Swvl - in 2020 investment was more evenly distributed, in spite of Vezeeta's round and the fact Swvl again secured a multi-million dollar investment. Twenty-one (21) Egyptian startups raised US\$1 million or more, up from nine in 2019. Vezeeta stole the show, but Swvl, elmenus, Instabug, WUZZUF, Halan and Moneyfellows all raised US\$4 million or more, meaning a more even spread.

In 2019, we noted that multiple rounds in the late hundreds of thousands suggested the "missing middle" - funds investing tickets between early-stage accelerators and angel groups like Cairo Angels, Alex Angels and AUC Angels, and institutional investors from Egypt, the Middle East and globally - was closing. That remains increasingly the case in 2020, with regular seven-figure seed and Series A rounds from the likes of Algebra Ventures, 500 Falcons and Endure Capital pushing up average ticket sizes.

With startups increasingly raising larger amounts, new funds launching on a regular basis, and the advantage of having easy access into both Sub-Saharan Africa and the Arabic-speaking markets of the Middle East, Egypt has quickly developed into a powerhouse of a startup ecosystem. Combining strong support at early-stage with growing potential for follow-on and proven appetite for investments at Series C and D levels, the country seems poised for even greater growth in future.





SOUTH AFRICA



SOUTH AFRICA

South Africa clearly staked a claim as the third most attractive investment destination on the African continent in 2020, taking that spot for both the number of startups funded and the total investment raised.

Eighty-one (81) South African startups raised funding over the course of the year, representing 20.4 per cent of the African total and fewer than only Nigeria (85) and Egypt (82). This was up 2.5 per cent on the 79 that raised in 2019, which made up 25.4 per cent of the total that year. Slower growth was always to be expected given the leap that the 2019 number demonstrated on 2018 - up 97.5 per cent from 40 startups.

South Africa ranked third for total funding, the combined US\$142,523,000 raised by its startups making up 20.3 per cent of the total. This was up 95.2 per cent on US\$73,019,400 (14.9 per cent of the total) in 2019, a figure that had in turn been an increase of 21.8 per cent from US\$59,971,000 (17.9 per cent of total) in 2018. Having appeared to have been stagnating between 2015 and 2018, with growth relatively small, the amount of investment coming into the South African ecosystem has been growing exponentially in the last few years.

Funding raised by South African startups, by year



US\$
54,568,000

2015



US\$
46,789,000

2016



US\$
49,579,200

2017



US\$
59,971,000

2018



US\$
73,019,400

2019



US\$
142,523,000

2020

The average amount of funding raised by South African startups also leapt significantly in 2020, growing 90.4 per cent to US\$1,759,543 from US\$924,296 in 2019. South Africa has seen overall - if unsteady - growth in average investment sizes since hitting a low of US\$731,078 in 2016.

**Average amount
of investment raised
by South African
startups, by year**



2015 - **US\$1,212,622**

2016 - **US\$731,078**

2017 - **US\$840,325**

2018 - **US\$1,499,375**

2019 - **US\$924,296**

2020 - **US\$1,759,543**

This growth in average ticket sizes was aided by the fact 26 startups (32.1 per cent of the South African companies that raised) secured US\$1 million or more in 2020, more than any other country, and the same number as in 2019. The standout round was the US\$30 million raised by retail-tech company Skynamo, but there were also notable rounds for Aerobotics (US\$16,500,000), Planet42 (US\$12,400,000), WhereIsMyTransport (US\$7,500,000), Valentre Institute (US\$7,000,000), DataProphet (US\$6,000,000), and Wyzetalk (undisclosed).

Fintech has been a leader in South Africa for the last few years when it comes to investment, and nothing changed in that regard in 2020. Twenty-six (26) fintech startups (32.1 per cent of the total) were backed over the course of the year, a figure that remained fairly constant with 2019 (28; 35.4 per cent). E-health (10; 12.3 per cent), e-commerce and retail-tech (seven; 8.6 per cent), and ed-tech (seven; 8.6 per cent) were the other most popular sectors in terms of funded startup numbers.

From the perspective of the amount of funding raised by these startups, Skynamo's US\$30,000,000 round helped fire e-commerce and retail-tech to the top of the pile, with the US\$41,046,000 raised by companies in that space representing 28.8 per cent of South Africa's funding tally. Fintech was a close second, with the US\$36,803,000 raised by South African fintech startups making up 25.8 per cent of the overall total.

Though e-commerce and retail-tech's lead has a lot to do with the Skynamo round, it must be noted at this juncture that the share of funding taken by fintech startups in South Africa has been generally declining as other sectors have rallied over the last few years. In 2019 fintech startups raised US\$30,004,000 (41.1 per cent of the total), while in 2018 they raised US\$41,514,000 (69.2 per cent).

2020 was also a strong year for agri-tech (US\$18,525,000; 13 per cent), ed-tech (US\$10,715,000; 7.5 per cent), and AI/IoT (US\$9,850,000; 6.9 per cent).

South African startups benefit from the relatively mature status of the local ecosystem, which has active investors at most stages of the startup lifecycle. Early-stage is well covered by an active angel investment scene incorporating a relatively high number of groups and individuals, as well as early-stage funds like E4E Africa. The "middle", meanwhile, is accommodated by scale-up funds like Knife Capital, Kalon Venture Partners and CRE Venture Capital.

As we have noted before, however, international VCs and institutional and corporate investors are much less active in South Africa than in other geographies, though the likes of Standard Bank and Nedbank are working towards changing the latter. This means that South African startups are not raising the mega-rounds we have seen in the likes of Kenya and Nigeria, and why the Skynamo round earlier in the year was so refreshing. Local startups must hope that it sets a new trend of larger-scale investors backing South African companies to expand internationally in the way they have backed startups in other developed ecosystems.



GHANA



GHANA

Ghana continued to put up a good performance in 2020, ranking as Africa's fifth most active market for yet another year (2016, 2018, 2019 and 2020). It listed fifth on the continent both in terms of the number of funded startups, and the amount of funding raised.

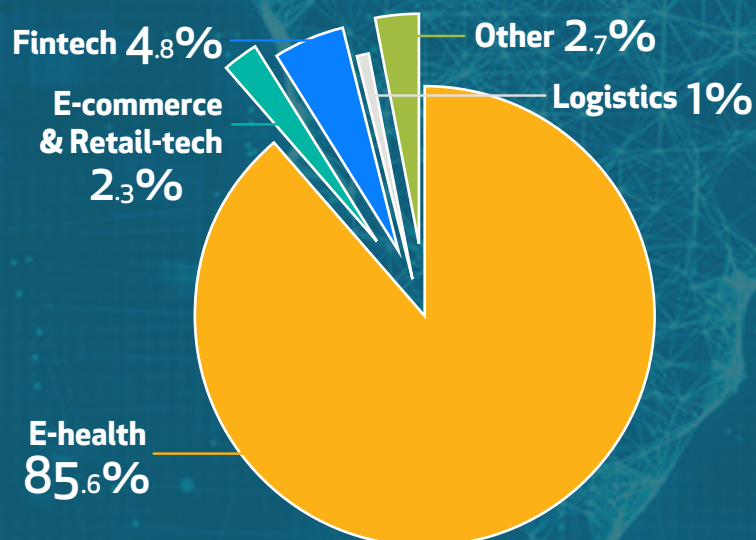
Fifteen (15) Ghanaian startups (3.8 per cent of Africa's funded ventures) secured investment in 2020, up 25 per cent from 12 in 2019. Together, they raised US\$19,897,000 (2.8 per cent of the continent's total), which represents a slight decrease (6.2 per cent) from 2019.

Ghana's total funding amount is each year carried by two companies - energy venture PEG Africa, and e-health startup mPharma. In 2020, PEG Africa did not raise a sizeable round as it has done in previous years, accounting for the decrease in funding this year. (In 2016, the company accounted for 96 per cent of Ghana's funding; in 2017, for 60.6 per cent; in 2018, 95 per cent once again, and in 2019, 42.5 per cent of Ghana's total). However, this year mPharma did raise, and contributed 85.4 per cent of the country's total funds.

The mPharma round (US\$17 million) was the only raise over the million dollar mark. Other than this the most notable deals involved fintech ZeePay (US\$940,000) and management consultancy platform Africa Foresight Group (US\$700,000).

E-health was by far the best-funded sector in Ghana, given mPharma's raise, joined by one other small investment into Redbird. Beyond that, the remaining funding was quite evenly distributed. E-commerce and retail-tech was the only sector to have more than two startups raise (four), contributing US\$450,000 to the funding pot, while two fintech startups raised a combined US\$965,000. Logistics contributed US\$200,000, and there were a handful of other small raises completing the total.

Ghanaian startup funding, by sector



Given that the Ghanaian ecosystem is characterised by early-stage activity, most funding is contributed by incubator-linked or early-stage investors, such as Founders Factory Africa, Samurai Incubate, Kepple Africa Ventures, Sherpa Ventures, and MEST Africa. The majority of deals fall in the less than US\$100,000 category. Global corporates and institutions are willing to place money into Ghanaian ventures at the later-stage; for example, this year mPharma received backing from the likes of CDC Group and Novartis.

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Olivia Koburongo
CEO MamaOpe Medicals Ltd, Uganda

Feel free to contact us through admin@villgroafrica.org

“Driving sustainable. social and market-based innovations across Africa”

A wireframe map of the African continent is centered on a solid blue background. The map is composed of a network of thin, light-blue lines that form a mesh over the landmasses. The word "TUNISIA" is written in a bold, orange, sans-serif font, positioned in the center of the African continent.

TUNISIA



TUNISIA

Tunisia's startup funding outlook has made marked progress in 2020, with 14 startups raising investment. This is up 75 per cent on 2019, when only eight startups raised. Prior to that three startups secured funds each year between 2016-2018, none in 2015. Thus overall the country is displaying decidedly more activity as the years pass.

The total amount of cash raised came to US\$3,883,000, which is a substantial decrease of 50.1 per cent on the US\$7,778,000 secured in 2019. However, that year US\$7,000,000 was raised by AI venture Instadeep - 90 per cent of the total amount. In 2020, there was no such round skewing the outcome, rather, a fairer distribution of funding going to 14 different companies, which is a big positive.

The only startup to raise over US\$1 million was transport venture IntiGo, with US\$1,326,000. Beyond this, deals ranged between US\$65,000 and US\$850,000 - a healthy spread.

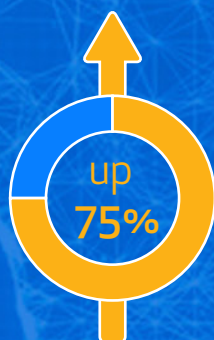
Necessarily, early-stage investors are the most active in Tunisia. Eight of the 14 startups to raise were backed by startup seed programme and early-stage fund Flat6Labs, while the other investments were conducted by the likes of Kepple Africa Ventures and Orange Ventures Africa. A number of angel investors were also active.

In terms of sector, the largest round of the year went to the transport sector, while the second largest amount was secured by a coding company. Two deals were in the ed-tech space, and a further two in e-commerce and retail-tech. Otherwise, deals were spread out. Generally speaking it is too early to look for trends or themes in investor preferences in Tunisia, as realistically investors are simply backing good ideas and MVPs as and when they arise.

8
Startups
raised funding

2019

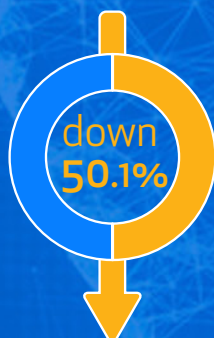
US\$7,778,000



14
Startups
raised funding

2020

US\$3,883,000





REST OF AFRICA

REST OF AFRICA

Looking at the pan-African landscape, 2020 was a solid year with more startups raising in more countries. Ventures were backed in 24 countries, the widest geographic spread of investment since Disrupt Africa data began.

As noted already, the traditional “big three” has definitively become the “big four” in the last few years with Egypt’s impressive burst into the spotlight in 2018, which it has sustained. These four countries were home to 77.3 per cent of funded ventures on the continent, and 89.2 per cent of total funding.

If we add Ghana and Tunisia then these top six countries accounted for 84.6 per cent of funded startups and 92.6 per cent of total investment.

However, there is evidence emerging of a trend towards funding slowly spreading across the continent, as the proportion of funding retained by the leading four countries declines, and the amount of funding going to alternative markets expands.

In 2020, 90 startups from 20 markets outside the “big four” secured backing; and among these “new” markets are many of the fastest growing ones on the continent. In 2019, 51 companies in 15 alternative markets raised funding, while in 2018 there were 27 funded startups in 14 countries outside the big four.

Biggest increases in total startup funding between 2019-2020

Ethiopia - 9,160%

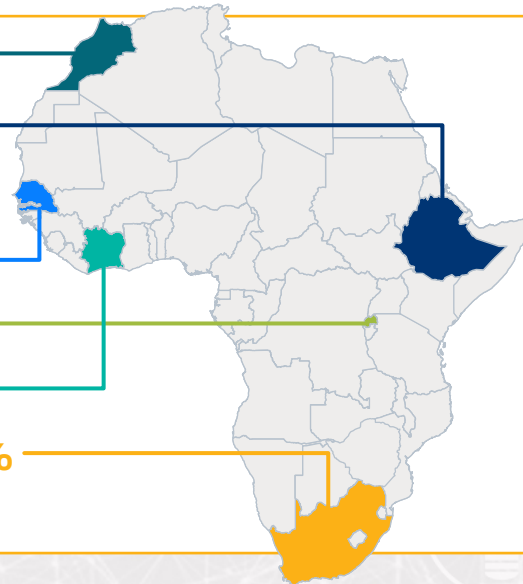
Morocco - 1,570%

Senegal - 697%

Rwanda - 248%

Ivory Coast - 240%

South Africa - 95.2%



Uganda had a mixed year in 2020, falling out of the top six markets on the continent, although the number of startups to gain backing in the country more than doubled, with 13 startups raising funding (up from six in both 2019 and 2018). These 13 ventures secured a combined US\$1,369,065 - quite a tumble from the previous year’s US\$4,035,000, explaining the country’s relegation from the top six.

Among the positive performances of 2020, Morocco had a good year. Ten startups raised US\$10,306,000, whereas the country barely registered in 2019, with two startups raising a combined US\$617,000 - one of the biggest growth stories on the continent (1,570 per cent growth).

The Ivory Coast also did well, as its number of funded startups increased by 50 per cent to six, and their total funding leapt by 240 per cent to US\$3,935,000. For the second year in a row, Senegal saw four startups raise funding, but the total amount they secured jumped 697 per cent to US\$9,368,000 (thanks to energy company Oolu's US\$8.5 million raise). A strong year in West Africa.

The biggest growth story in Africa this year went to Ethiopia, which saw five startups raise US\$2,315,000, up 9,160 per cent from the single US\$25,000 recorded in 2019. Admittedly US\$2 million of this went to software development and training company Gebeya.

Otherwise good news emerged from all over Africa during the course of 2020. Four Zambian companies raised a combined US\$3,850,000, which is up 41.3 per cent from the US\$2,725,000 shared by three startups in 2019. This included a US\$2,100,000 round for agri-tech Good Nature Agro, as well as a US\$1,000,000 raise by fintech Lupiya.

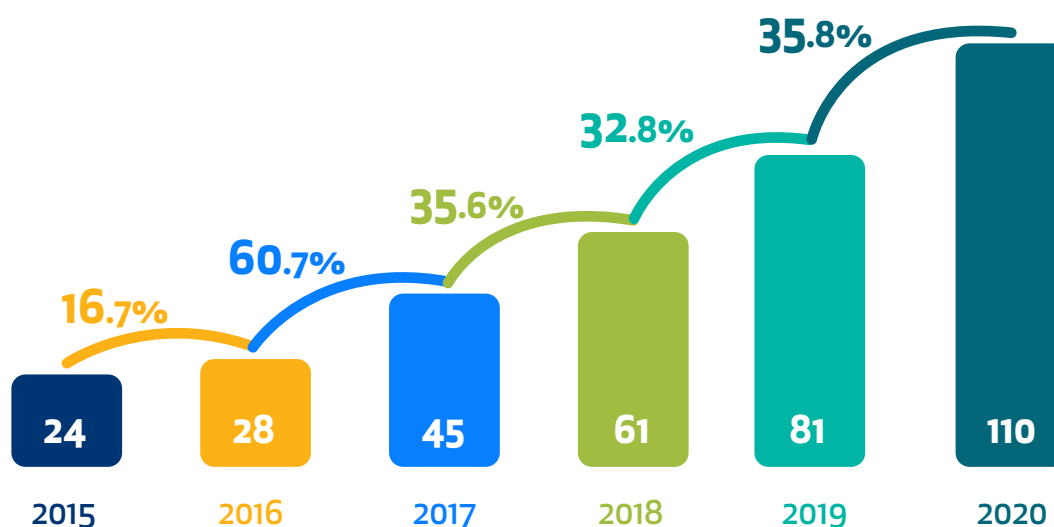
The US\$4 million raised by two startups from Rwanda this year (both rounds worth US\$1 million or greater), was up 248 per cent on the US\$1,150,000 raised by two companies in 2019.

Three Malian startups secured US\$4,500,000 (two energy, one transport), and a further three Tanzanian startups raised US\$3,300,000 (two agri-tech, one retail-tech). Two Cameroonian e-health startups shared US\$2,512,000, while Madagascar appeared on this list for the first time, with two startups securing a combined US\$600,000.

The data also recorded rounds in Algeria, Benin, Chad, the Democratic Republic of Congo (DRC), Mauritius, Sierra Leone, and Zimbabwe.

To end on a positive note, across the whole of Africa, Disrupt Africa recorded 110 fundraising rounds of US\$1 million or over. This is a great achievement and shows extraordinary growth over the past six years - 354.2 per cent growth from 2015 to 2020.

Growth in number of African startup funding rounds of US\$1 million or above, by year





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The COVID-19 pandemic has shown us the powerful role digital financial services can play in enabling individuals and small businesses in African markets to continue operating in the face of crises and to build financial resilience. Since March 2020, we saw an uptick in digital transactions conducted, an increase in adoption of insurance and savings products and a shift toward digital commerce.

During this uncertain and tumultuous year, we have also seen Africa's fintech sector continuing to break records. From acquisition of Nigeria's Paystack by Stripe, to the number of funding rounds topping tens of millions of dollars, to the rise in smaller rounds granted to a wider variety of fintech offerings than ever before, this year African fintech startups have made real waves around the world.

As economies have become more digital, and mobile money, smartphone, internet penetration and digital infrastructure improved across the world, there is an opportunity for startups to expand the array of financial services that can be offered digitally and the distribution channels they leverage. Fintech today is no longer a standalone sector; rather, financial services have become increasingly embedded into other digital offerings across sectors - from health to digital commerce, to education, logistics and more - growing the value proposition of these offerings so they might better serve and retain customers.

It's important to note, however, that much of this progress remains concentrated in particular markets and segments of the population. Those without easy access to smartphones or reliable power, for example, are finding themselves further excluded, proving there remains additional work for fintech innovators to truly deepen financial inclusion and improve financial health.

At Catalyst Fund we look forward to continued growth for the fintech sector as we work with innovators to build and scale more solutions that are not only game-changing for the industry but much more inclusive, resilient and sustainable, for all.



Maelis Carraro, director of Catalyst Fund



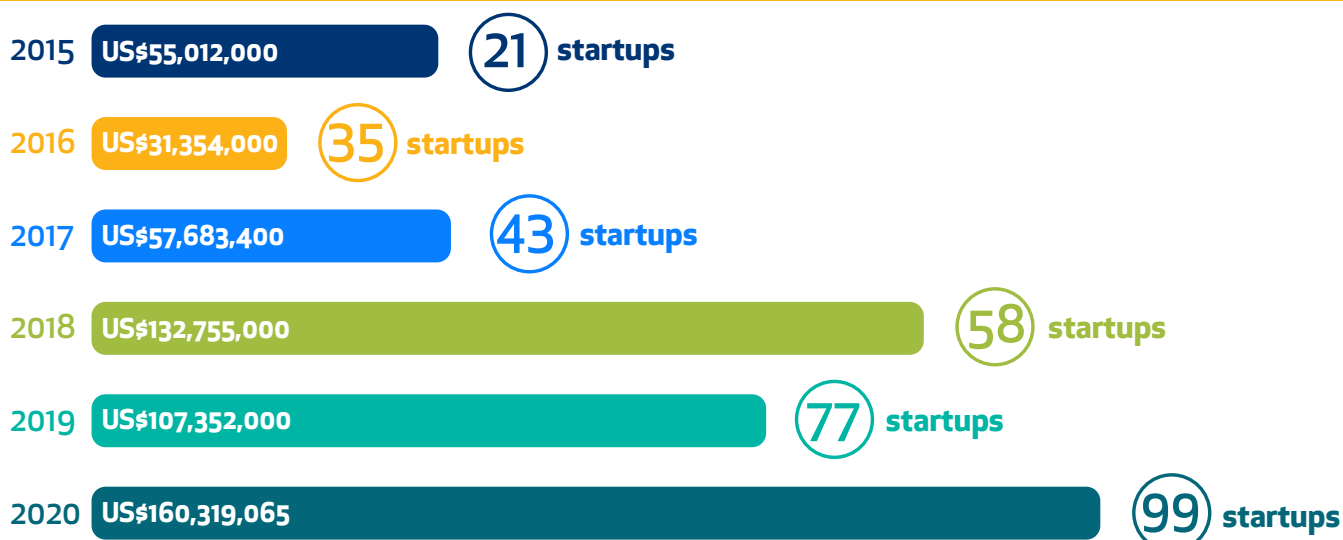
FINTECH

The financial technology sector was, yet again, the most attractive to investors in 2020, with more startups securing funding than any other sector and a combined total that dwarfed all others.

Ninety-nine (99) fintech startups raised investment over the course of the year, representing 24.9 per cent of the overall total. This was up 28.6 per cent on the 77 ventures that raised in 2019, with fintech's share of funded startups marginally increasing from the 24.8 per cent it represented that year.

Though growth has slowed from the 32.8 per cent achieved in 2019 and the 34.9 per cent witnessed in 2018, fintech is still a clear leader in this regard, with 80 per cent more startups securing backing than its closest challengers - e-commerce and retail-tech.

Fintech funding, by year



These 99 startups raised a combined US\$160,319,065 in capital. This made up 22.9 per cent of the African total for 2020, and was 55.6 per cent more than the second placed sector - e-health. It also represented a 49.3 per cent increase on the US\$107,352,000 (21.8 per cent of the total) raised in 2019. Fintech's share of total funding is on the rise again, then, with investment into the space having rebounded after falling 19.1 per cent in 2019 from US\$132,755,000 in 2018, when it accounted for a high of 39.7 per cent of startup funding.

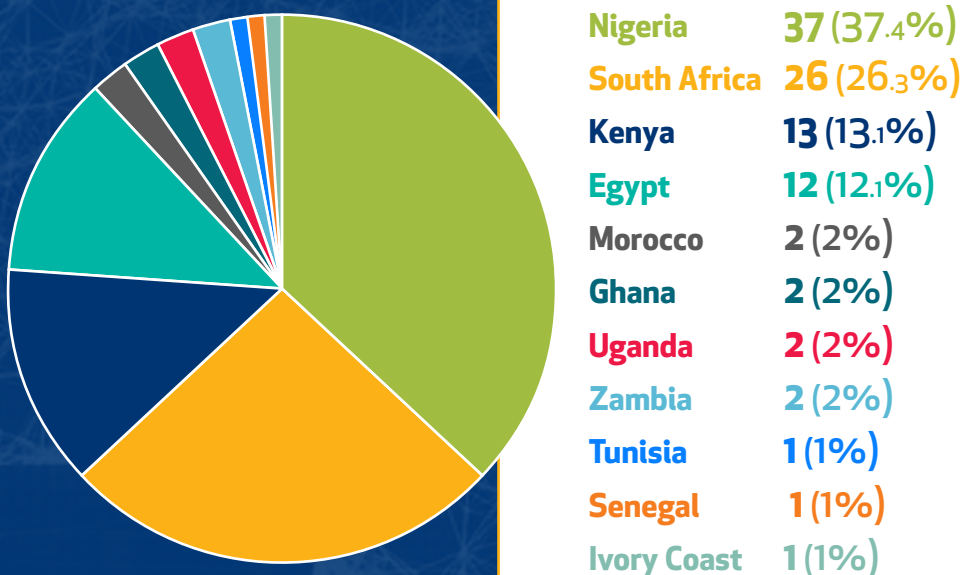
The average amount of funding raised by an African fintech startup in 2020 was US\$1,619,384, up from US\$1,394,182 in 2019. This is a figure that fluctuates - it was as high as US\$2,288,879 in 2018, but as low as US\$1,341,474 in 2017.

The positive news is compounded by the number of African fintech ventures that raised amounts of US\$1 million or over increasing by one-third to 32 in 2020 from 24 in 2019. This is a figure that has steadily been on the rise, with 20 fintech startups raising more than US\$1 million in 2018, 17 in 2017, three in 2016, and five in 2015.

Standout fintech rounds across the continent over the course of 2020 were raised by Nigerian payments company Flutterwave (US\$35,000,000), Nigerian cryptocurrency exchange Bitfxt (US\$15,000,000), South African consumer financing startup Planet42 (US\$12,400,000), Nigerian digital bank Kuda (US\$10,000,000), and Nigerian lending platform Aella Credit (US\$10,000,000).

This small sample of the biggest rounds hints at the importance of fintech within the Nigerian startup ecosystem, and that is borne out by the wider numbers. Thirty-seven (37) Nigerian ventures account for 37.4 per cent of the 99 funded fintech startups in 2020, some way ahead of South Africa with 26 (26.3 per cent), Kenya with 13 (13.1 per cent) and Egypt with 12 (12.1 per cent).

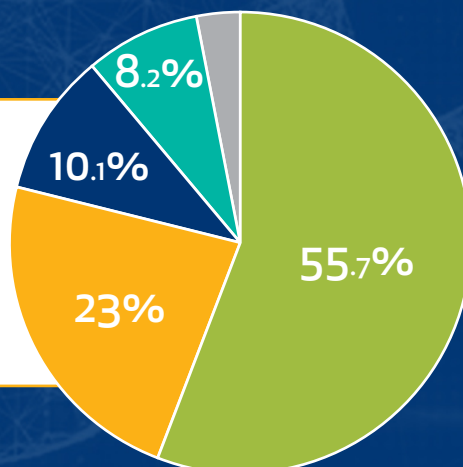
Funded fintech startups, by country



Fintech funding in the “big four”

| | |
|--------------|----------------|
| Nigeria | US\$89,342,000 |
| South Africa | US\$36,803,000 |
| Kenya | US\$16,230,000 |
| Egypt | US\$13,179,000 |

97%



The country is even more dominant when it comes to total investment secured by the sector. Nigerian fintech companies raised US\$89,342,000 in 2020, a number that accounts for 55.7 per cent of the overall total and is 143 per cent greater than that raised by its nearest competitor. That was South Africa, whose startups raised US\$36,803,000 (23 per cent of the total), while the next most significant were Kenya (US\$16,230,000; 10.1 per cent) and Egypt (US\$13,179,000; 8.2 per cent). The “big four”, in fact, account for 97 per cent of total fintech funding.

All of this signals a fairly major change from 2019, when South Africa was leader in terms of the number of funded startups (28; 36.3 per cent), and Nigeria a distant third with only 11 financed fintechs. Nigeria did account for the largest proportion of funding in 2019 - its US\$37,645,000 coming ahead of South Africa on US\$30,004,000 and Kenya on US\$20,135,000 - but the extent of the country's lead in both these metrics in 2020 is a sudden development.

Though fintech funding is increasingly leaning towards Nigeria, it is clear that the sector remains an investor favourite across the continent, and this is showing no sign of changing any time soon, even as other sectors post impressive growth figures. In spite of the developments in the financial services industry in the last few years, it is estimated that at least half of Africans lack access to any kind of formal financial services, and many of those that do have access still count as underserved.

Fintech startups across the continent - more than 600 of them, according to Disrupt Africa's most recent numbers - are addressing these access challenges, and even as areas such as payments and lending become saturated in more developed African markets, the sector has some way still to grow. Startups are increasingly active in areas as diverse as insurtech, investtech, and KYC, while there also remains substantial potential for startups that have built a customer base for, say, a payments solution, to bolt on lending and insurance products. The potential to scale, then, is vast from a vertical perspective as well as a geographic or market size one, with many African fintechs moving towards full “digital bank” status.

Increasing collaboration with - rather than competition against - established banking incumbents is also boosting the sector, and African banks are joining the throng of active investors in the continent's fintech space. South Africa's Standard Bank and Nedbank are leading the way here. Central banks and regulators are also increasingly launching sandboxes to allow fintechs to solve nation-specific challenges and plug into national systems.

All of this - huge potential to grow from both geographic and product perspectives, massive addressable target markets, innovative solutions breaking down barriers, and growing links with both corporates and regulators - is leading to strong and sustained investor interest and confidence in Africa's fintech space, and we can expect it to retain its status as market leader for some time yet.

E-COMMERCE & RETAIL-TECH

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RTB HOUSE =



E-commerce has for years been a big contributor to the investment inflows into the continent. However, while many expected extraordinary growth in the sector, similar to that observed in Europe, China, or the Americas, Africa has proven to be a much harder nut to crack, considering the amount of “offline” challenges faced in this theoretically “online” sector. Lockdowns proved to significantly help with the adoption of e-commerce services by new users in developed markets, but the underdeveloped logistics infrastructure and inventory issues faced in Africa allowed only the best-prepared brands to enjoy similarly strong trends.

RTB House is in a unique position to have first-hand knowledge of this topic. In the last four years, we have become an unquestionable leader in growing online sales for the top players in the sector in Africa, such as Jumia, Takealot, Konga, Bidorbuy, Masoko, OneDayOnly, Shoprite, Clicks, Makro, Game, PicknPay, Foschini, Markham or Mr. Price. Being a global player with more than 750 experts in 30 locations across the globe, we can see the similarities between the regions, while taking into account what makes e-commerce in Africa special.



Marek Zmyslowski, general manager Africa at RTB House

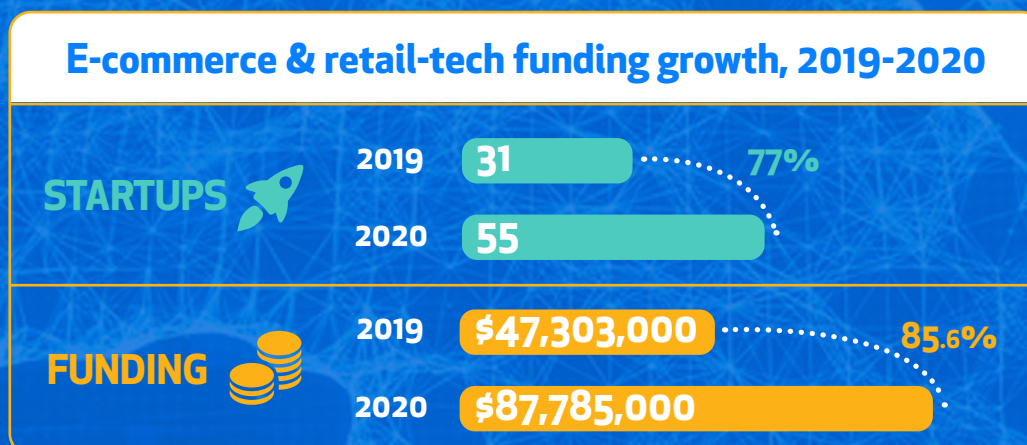


E-COMMERCE & RETAIL-TECH

The African e-commerce and retail-tech sector has been among the continent's most volatile for some years, but now appears to be on a solid upward trajectory, based partly on the emergence of the retail-tech segment on the continent.

2020 saw 55 e-commerce and retail-tech startups secure funding, a number that represented 13.9 per cent of the total and was second only to fintech. It was also an increase of 77 per cent on the 31 startups (10 per cent of the total) that raised investment in 2019. It is the second year in a row the sector has posted strong growth in the number of funded startups, with the 2019 figure up 72.2 per cent on 2018.

Those 55 startups raised a combined US\$87,785,000 in funds, 12.5 per cent of the African total and a figure bettered only by startups in the fintech and e-health verticals. This represented 85.6 per cent growth on the year before, when startups raised US\$47,303,000 - 9.6 per cent of the total. This in turn was up 283 per cent from US\$12,361,000 (3.7 per cent of funds) in 2018.



This represents extremely strong growth over the last couple of years, with the number of funded e-commerce and retail-tech startups leaping by 205.6 per cent between 2018 and 2020, and the combined funding secured by those ventures increasing by 610.2 per cent. This growth also stands in stark contrast to the fluctuations seen in the sector in the past. 2018 had seen a general decline on 2017, when 25 startups raised total funding of US\$16,754,200. In 2016, the space brought in just US\$3,726,000, having secured US\$17,982,000 in 2015.

Though investors have always been attracted by the opportunities afforded by the growth in spending power across Africa, and the increased internet penetration and development of online platforms to sell products to this new consumer base, there have also always been off-putting factors. The high costs of building inventory, lack of trust around online payments, and the challenges around delivering goods outside - and even inside - major urban centres have all contributed to the idea of e-commerce as an opportunity-laden but extremely risky and capital-intensive business in Africa.

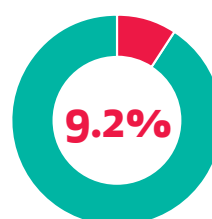
The African e-commerce and retail-tech sector has been among the continent's most volatile for some years, but now appears to be on a solid upward trajectory, based partly on the emergence of the retail-tech segment on the continent.

E-commerce vs. retail-tech funding 2019-2020

2019

E-commerce - US\$42,933,000

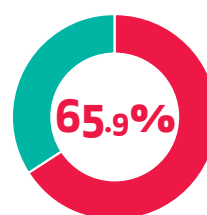
Retail-tech - US\$4,370,000



2020

E-commerce - US\$29,935,000

Retail-tech - US\$57,850,000



Whereas in 2019, seven of 31 funded startups (22.6 per cent) in the space were retail-tech, raising just 9.2 per cent of the sector's overall tally, in 2020 this share had increased notably. Retail-tech accounted for 20 of 55 backed ventures (36.4 per cent of the total), and its contribution towards the sector's total combined funding leapt to US\$57,850,000 (65.9 per cent).

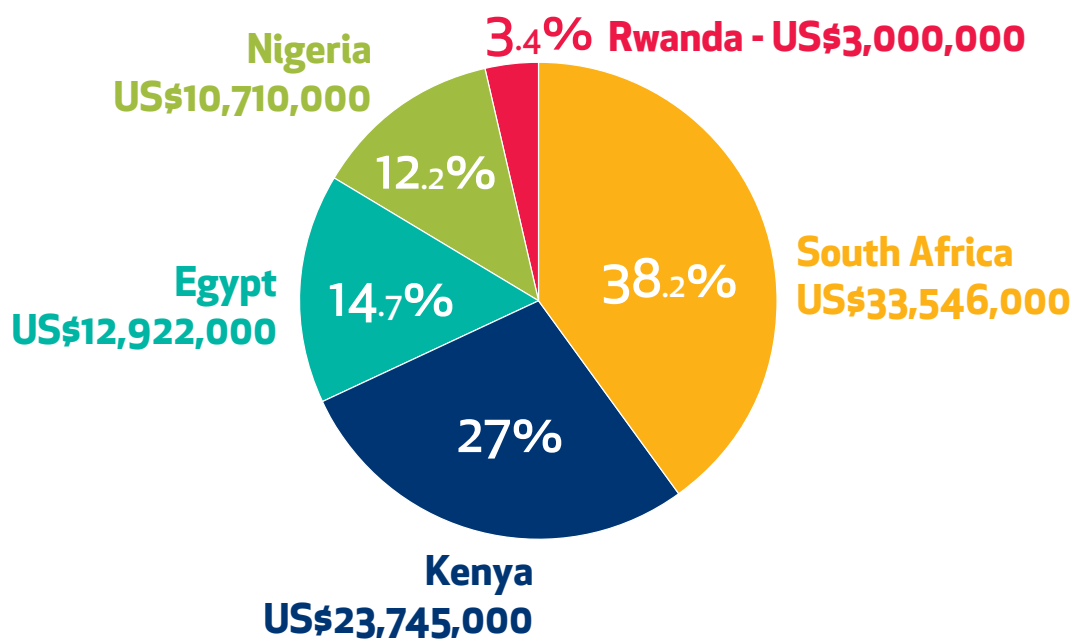
The drop-off in funding for consumer-facing commerce platforms in 2020, occasioned primarily by the lack of a mega round such as the US\$28 million raised by Kenya's Copia in 2019, was more than accounted for by the leap in retail-tech investment, to allow the e-commerce and retail-tech sector as a whole to post strong growth in 2020. The increase in funding for merchant-focused retail management solutions, however, did gain a huge boost from the US\$30 million round raised by South African company Skynamo, which accounted for almost half of retail-tech funding and almost one-third of the overall sector's total.

The average raise in the sector grew to US\$1,596,091, up from US\$1,525,903 in 2019 and US\$686,722 in 2018. This came as 16 startups raised US\$1 million or over, up from five in 2019 and five in 2018. Twelve (12) of those were e-commerce ventures; four retail-tech.

Where is e-commerce and retail-tech cash being raised? In terms of the location of funded startups, Egypt was the leader, with 13 startups accounting for 23.6 per cent of the total. Kenya (12; 21.8 per cent) and Nigeria (8; 14.5 per cent) came second, and third, with South Africa lagging behind in fourth (7; 12.7 per cent).

Egypt has always been a leader in this space in terms of total startups, with 13 in 2019 and seven in 2018. South Africa sprang to the forefront of the sector in terms of funding in 2020, however, with the Skynamo round contributing strongly to a US\$33,546,000 total that means the country accounted for 38.2 per cent of e-commerce and retail-tech investment over the course of the year. Kenya, Egypt and Nigeria made up the top four, with a strong showing from Rwanda.

E-commerce & retail-tech funding, by country



Standout rounds, aside from Skynamo's, went to Kenya's Sokowatch (US\$14,000,000) and Nigeria's TradeDepot (US\$10,000,000). These three rounds, indeed, all of them retail-tech, accounted for more than 60 per cent of funding in the e-commerce and retail-tech sector. Within e-commerce, Copia raised US\$5,000,000, while there were also sizeable rounds for Egypt's Brimore (US\$3,000,000) and ExpandCart (US\$2,500,000).



E-HEALTH



E-HEALTH

The e-health space bounded up the rankings in 2020, continuing its growth trajectory that began in earnest in 2018. This year, 41 startups secured funding (making up 10.3 per cent of all funded ventures), putting e-health in third place for number of funded ventures.

This figure was up 41.4 per cent on 2019, when 29 startups were funded (9.3 per cent of total). That in turn was an increase of 70.6 per cent on the year before, when 17 startups received investment (8.1 per cent of 2018's total). As such, the e-health space continued to see solid growth in the number of companies attracting investor backing in 2020, albeit at a slower pace than the previous break-away year.

In terms of total funding raised, the e-health sector put on an even more impressive show, shooting to second place for investment secured. E-health startups raised US\$102,994,000 in 2020, accounting for 14.7 per cent of Africa's total startup funding. This is up 257.5 per cent on the US\$28,808,000 (5.9 per cent of total) raised in 2019, which in turn was 51.8 per cent higher than 2018's US\$18,975,000 (5.6 per cent of funds). Thus the amount of cash secured by the e-health space in 2020 rocketed ahead of previous years, and was the third fastest growing sector in this regard.

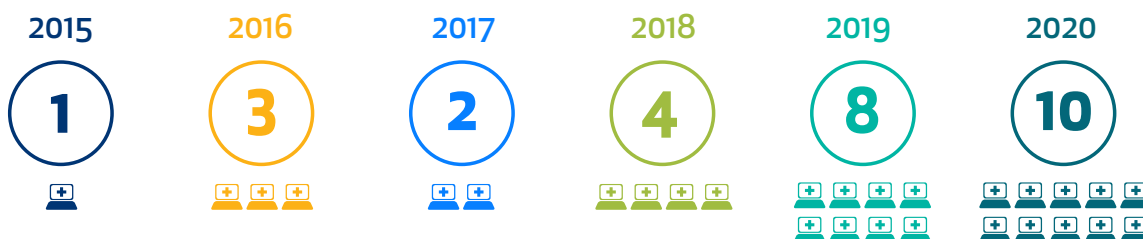
African e-health funding, by year



Indeed, African e-health startups raised more funding in 2020 than they did in all of the previous five years combined.

There was also good news in terms of the number of notable rounds raised in 2020, with 10 startups securing US\$1 million or more. In 2019, there were eight such rounds, and four in 2018.

E-health investment rounds over US\$1 million, by year



Funding became more spread out, beginning to lean away from the previous trend of e-health funding belonging in large part to a single mega-raising company. The year's standout rounds went to Egypt's Vezeeta, which raised US\$40 million (38.8 per cent of e-health funding); Ghana's mPharma with US\$17 million (16.5 per cent); Nigeria's 54gene at US\$15 million (14.6 per cent); and Nigeria's Helium Health, which raised US\$10 million (9.7 per cent of the e-health total). Together these four companies accounted for 79.6 per cent of e-health funding, and signalled a decreasing reliance on mega-rounds to bolster e-health's overall performance.

In 2015, 92 per cent of e-health funding was accounted for by South African company LifeQ, while in 2016 Vezeeta took home 59.8 per cent of the total. 2017 saw mPharma raise 69.6 per cent of e-funding, while in 2018 Vezeeta again accounted for 68.5 per cent of funds. In 2019, mPharma raised the biggest round, but accounted for less than one-third of total e-health funding, and this more even distribution of funding extended into 2020, with money being spread around multiple strong contenders.

In addition to the four stand-out rounds, there were also a handful of substantial mid-range raises (Kenya's Ilara Health; Nigeria's Field Intelligence; Cameroon's Healthlane). All-in-all, the surge in investment into the sector resulted in a boost to the average ticket size, which in 2020 came to US\$2,512,049.

More than 80 per cent of funded e-health startups were based in the "big four" countries. South Africa led with 10 backed ventures (24.4 per cent of the sector's total); closely followed by Nigeria and Egypt with nine apiece (22 per cent each). Kenya was home to five funded startups (12.2 per cent).

There were greater disparities between locations in terms of amount of investment secured, in part due to the major rounds secured. Egypt was far ahead of the pack, home to 42.3 per cent of e-health funding as its startups raised a combined US\$43,515,000 (thanks to Vezeeta's US\$40 million raise). Nigeria contributed 30.2 per cent of the total with US\$31,068,000, bolstered by 54gene and Helium Health. Ghana netted US\$17,037,000 (16.5 per cent of the total), mostly accreditable to mPharma. Beyond these three markets, Kenya boosted the pot by US\$5,000,000 (4.9 per cent of total); South Africa added US\$3,687,000 (3.58 per cent); and Cameroon contributed US\$2,512,000 (2.4 per cent).

For the third year running, e-health had its best year on record, with more startups securing - a lot! - more funding. In an unforeseeable twist of events, this increased investor interest has also combined with COVID-19 hitting Africa, and e-health startups across the continent are reporting a resultant heightening in customer adoption. Given all this, then, the e-health sector has bounded ahead in 2020, with some founders telling Disrupt Africa they feel the sector has progressed by five to 10 years in the space of these 12 months.

Bearing in mind that the majority of funding that was announced in 2020 will stem from discussions and processes that pre-date COVID-19, it is safe to expect that 2021 may hold even better news for the e-health sector, as long as post-pandemic economic conditions allow. As consumers and medical practices alike have flocked to health-tech solutions to improve healthcare access in a socially distanced and locked-down world, the traction and revenues of e-health startups has soared. Hopefully this will translate to more positive funding stories in the coming year.

The only question that remains is whether consumer habits will continue to prefer virtual health solutions as the world begins to normalise post-COVID; or will it prove a sector where personal contact is deemed of utmost importance? While the answer to this may make-or-break the sector in the long term, the world is unlikely to return to "normal" in 2021, and as such we would expect continued growth and positive news in the short-term at the very least.



LOGISTICS



LOGISTICS

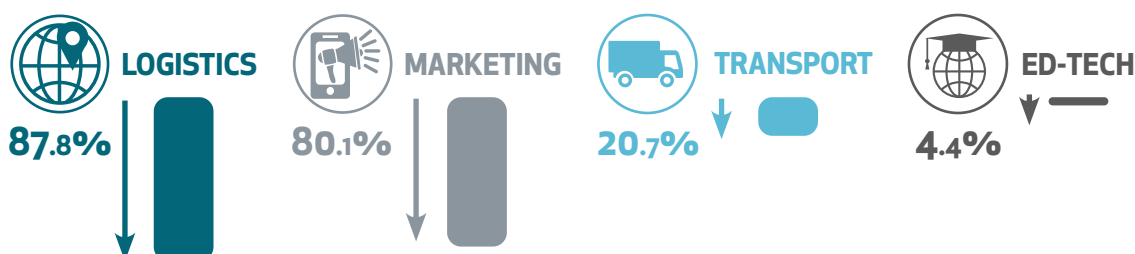
The logistics sector fell from grace in 2020 as compared to the previous year - a landmark 12 months when it ranked as the second most funded sector on the continent.

In 2020, 29 logistics startups raised investment (accounting for 7.3 per cent of funded companies) - growth of 26.1 per cent on 2019 statistics when 23 startups received backing (7.4 per cent of that year's total). 2019 had been a watershed year for the logistics space, with funded startups growing by 91.7 per cent from the 12 companies to secure funding in 2018. Comparatively, then, the increase in 2020 was more moderate.

In total, logistics ventures raised US\$37,075,000 (5.3 per cent of Africa's pot), which is a major slide of 87.8 per cent on the previous year, when US\$69,627,000 (14.2 per cent) was raised. As mentioned above, 2019 was a record year for the logistics sector - funding had leapt 264.6 per cent on the US\$19,096,000 (5.7 per cent of total funds) raised in 2018.

This total amount of funding sees the logistics space post the biggest decline in total investment year-on-year (2019-2020); and sees the sector place seventh for total amount of funding (albeit fourth for the number of startups backed).

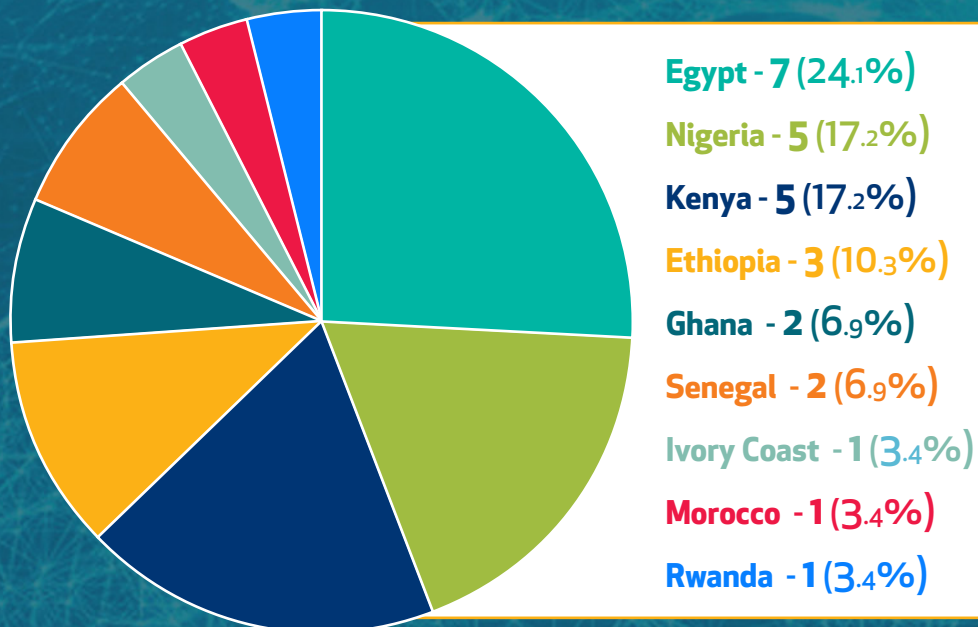
Sectors with biggest decline in total funding 2019-2020



The decline of 2020 was partially explained by the fact that in 2019 the logistics sector saw two mega-rounds, raised by Nigeria's Kobo360 (US\$30 million) and Kenya's Lori Systems (undisclosed), which together accounted for 80 per cent of the year's logistics funding.

In 2020, Kenya's Sendy produced the biggest investment news, securing US\$20 million - which in fact fell among the top 10 African tech deals of the year. In addition, a further five startups also raised US\$1 million or more. There were also six million dollar-plus rounds in 2019, as such in this sense the sector has held strong in 2020, but lacked the same calibre of rounds as the preceding year.

In terms of number of backed startups, Egypt continues to lead the pack with seven startups securing funding (24.1 per cent). Nigeria and Kenya were each home to five funded ventures (accounting for 17.2 per cent each); while Ethiopia contributed three (10.3 per cent). Ghana and Senegal had two backed startups each, while there were one apiece in Ivory Coast, Morocco, Rwanda, South Africa, and Tunisia.

Funded logistics startups, by country

However, the outlook is different from the perspective of total investment raised, as Kenya rules the roost with US\$27,326,000, or 73.7 per cent of the sector's total. While this total was fuelled by Sendy's US\$20 million round, even without that raise, Kenya has the highest total. Egypt followed with only US\$3,012,000 (8.1 per cent of the total), and Nigeria brought in US\$2,338,000 (6.3 per cent). Combined, these three markets contributed 88.1 per cent of the logistics haul for 2020.

Over the years, Nigeria and Kenya have typically dominated the logistics space, both home to big name companies which regularly produce big funding news (notably Kobo360 and Lori Systems), with clusters of emerging startups also bringing note-worthy action to the table. Egypt's emergence is quite new, really only starting in 2019, and characterised by a higher number of startups raising at smaller ticket sizes.

Despite the overall disappointing performance of the logistics sector in 2020, these markets will continue to hold strong as they are home to quality startups answering a real need. Investors are willing to put money into these countries, and their success in the annual funding rankings largely depends on whether or not the headline companies are fundraising in a given year.

Beyond these countries, it is a positive to see some backing going to a wide span of destinations, and given that logistics remains a sizeable challenge in all African markets, the opportunity is there for the taking for local startups and investors active in this space. This is especially the case in 2021, when the advent of the African Continental Free Trade Area (AfCFTA) should smooth intra-African trade processes, with logistics startups set to play a key role in the new era of free trade on the continent.



ENERGY



ENERGY

The African energy sector had an impressive 2020, with sizeable increases in both the number of startups that raised money and the combined amount taken in by those companies, as investors continued to be attracted by the combination of significant potential returns and the ability to provide power and all its many benefits to previously disconnected communities using alternative energies and innovative business models.

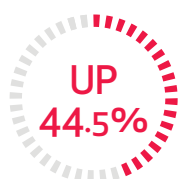
Funded energy startups



to 22



Funds raised by energy startups



to \$70,306,000



Twenty-two (22) African energy companies raised funding over the course of the year, making up 5.5 per cent of the continent's funded ventures. This was an increase of 83.3 per cent on the 12 startups (3.9 per cent of the total) that raised in 2019. In 2018, 10 energy startups secured investment.

The total amount raised by energy companies over the 12 months grew by 44.5 per cent to US\$70,306,000. This figure, which represented 10 per cent of the African total, compares with US\$48,665,000 in 2019, though the proportion of overall funding has barely changed (9.9 per cent in 2019). 2020 saw a return to growth for the energy space in this regard, after 2019's figure was almost exactly the same as 2018's US\$48,351,000. Total funding for 2018 had been up 100 per cent on US\$24,130,000 in 2017, while 2017 was up 168 per cent on 2016.

All of this puts energy in fourth position for total funding on the continent, and in fifth when it comes to the number of startups.

Half - 11 - of the funded energy startups raised US\$1 million or over, up from seven in 2019. Traditionally, energy startups have been disproportionately large fundraisers, given the need for larger amounts of capital to reach real scale and the slow path to profitability for business models usually built around providing access to power to low-income populations via pay-as-you-go (PAYG) services.

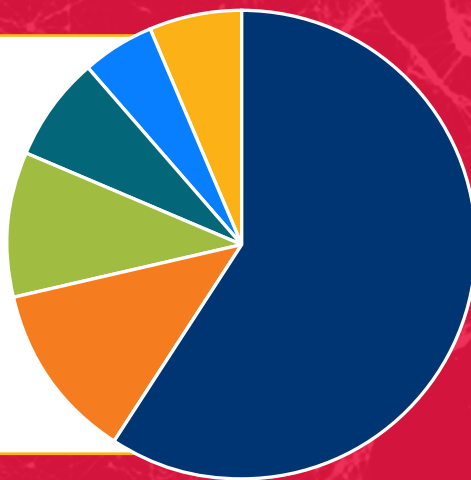
However, the percentage of startups raising rounds above the US\$1 million mark is on the decline, from 58.3 per cent, suggesting that funding is increasingly going into earlier-stage ventures. This trend is also evident in the decline in the size of the average round to US\$3,195,727 from US\$4,055,417 in 2019.

Kenya remains a key market in the energy space, with more energy startups raising funding from the East African country - five - than anywhere else. Nigeria saw four energy startups backed, while South Africa and Mali - a country with one of the poorest rates of access to electricity in the world - both had two. Nine further countries had one funded energy venture in 2020.

Kenya's lead in the space was more clearly demonstrated by its share of total funding, which at US\$41 million was just shy of 60 per cent. This dwarfed the amounts raised by its nearest competitors, which were Senegal (US\$8,500,000), Nigeria (US\$7,200,000) and Sierra Leone (US\$5,000,000). Perhaps inevitably, the key rounds of the year were also Kenyan - SunCulture (US\$14,000,000), Angaza (US\$13,500,000) and Solarise (US\$10,000,000).

Energy funding, by country

| | |
|---------------------|--------------------------------|
| Kenya | US\$41 million (58.3%) |
| Senegal | US\$8.5 million (12.1%) |
| Nigeria | US\$7.2 million (10.2%) |
| Sierra Leone | US\$5 million (7.1%) |
| Mali | US\$4 million (5.7%) |
| Other | US\$4.6 million (6.6%) |





RECRUITMENT & HR



RECRUITMENT & HR

2020 saw 18 recruitment and HR startups, comprising 4.5 per cent of the total, secure funding, up 28.6 per cent on 14 startups (4.5 per cent of the total) that raised in 2019.

This signalled continued, but slowing, growth in the space - as 2019 saw an increase of 55.6 per cent on nine funded startups in 2018, which in turn had seen an increase of 125 per cent on four in 2017.

18 Startups raised funding in 2020, up 28.6% on 2019

Total secured funding, however, skyrocketed in 2020. Only the entertainment sector saw bigger annual growth, with investment jumping 272.4 per cent to US\$17,604,500 from US\$4,727,000 in 2019. The recruitment and HR space's share of overall funding also increased significantly, to 2.5 per cent from just one per cent in 2019.

The average amount raised was also on the rise - up to US\$978,028 from US\$337,643 in 2019. However, it had stood at US\$1,227,222 in 2018.

This growth signalled a return to form for what is a temperamental sector. Funding had fallen 57.2 per cent in 2019 from a previous high of US\$11,045,000 (3.3 per cent of the total) in 2018. So though 2020 numbers give reason for optimism, it is to be remembered that the recruitment and HR space is still a developing one, prone to steps back as well as forward.

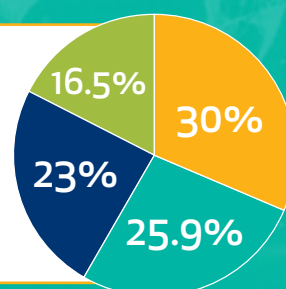
The sector is, however, showing signs of development in that it is becoming less reliant on standout rounds to boost overall performance. Whereas in 2018, one round accounted for more than half of funding (the US\$6 million taken in by Egyptian jobs platform WUZZUF), and in 2019 the lack of any such round diminished the sector significantly, in 2020 there were a number of decent-sized tickets that presented a healthier overall picture.

The number of startups in the sector that raised US\$1 million or over increased by 100 per cent to four. The standout rounds were raised by WUZZUF (US\$4,000,000) and Kenyan recruitment startup Fuzu (US\$3,860,000), while there were also notable undisclosed ones for HR companies Wyzetalk and SeamlessHR.

In terms of the geographic spread of rounds, Egypt's four funded ventures accounted for 22.2 per cent of the whole, followed by South Africa, Kenya and Nigeria with three - 16.7 per cent - each. Uganda was represented by two startups, 11.1 per cent of the total. South Africa was the leader when it came to the total amount raised, with US\$5,276,000, followed by Egypt (US\$4,562,000), Kenya (US\$4,060,000), and Nigeria (US\$2,900,000). In fact, the "big four" raked in a combined 95.4 per cent of recruitment and HR sector's total investment, suggesting the space's growth is driven by more developed African startup ecosystems.

"Big four" accounted for 95.4 per cent of recruitment & HR funding

| | |
|--------------|---------------|
| South Africa | US\$5,276,000 |
| Egypt | US\$4,562,000 |
| Kenya | US\$4,060,000 |
| Nigeria | US\$2,900,000 |



A stylized map of the African continent is centered on a dark blue background. The map is composed of a light gray wireframe or network pattern, with lines connecting various points across the landmass. The overall aesthetic is technological and digital.

ED-TECH



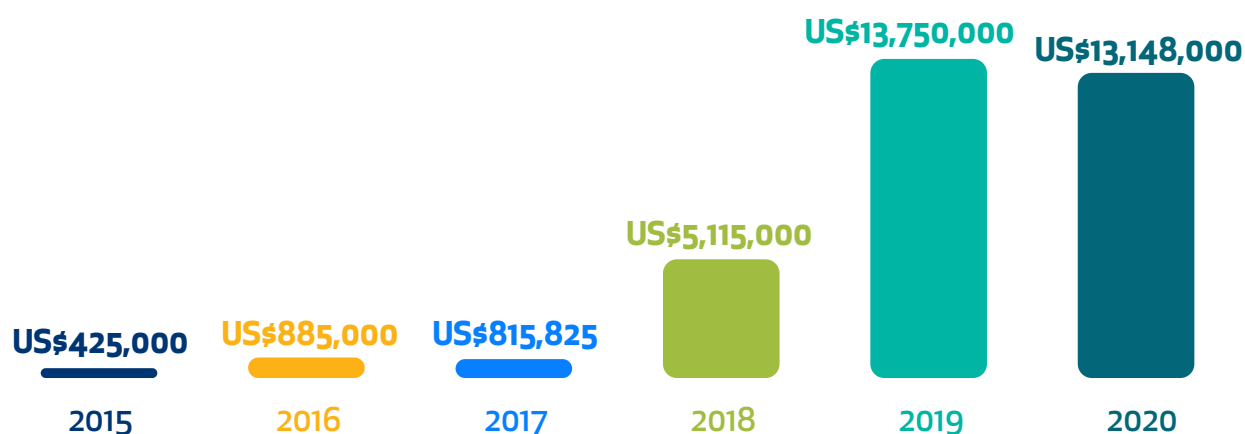
ED-TECH

Africa's ed-tech space treaded water to some extent in 2020, consolidating rather than building upon a couple of years worth of decent growth, and seeing its share of African investment fall.

Seventeen (17) ed-tech startups secured investment, just one more than in 2019, and two less than in 2018, with the sector's share of funded startups declining to 4.3 per cent from 5.1 per cent in 2019 and nine per cent in 2018.

Total funding raised by ed-tech ventures saw a slight decline - 4.4 per cent to US\$13,148,000 (1.9 per cent of the total) from US\$13,750,000 (2.8 per cent of total) in 2019. This signalled a sudden slow-down after the amount of investment available to ed-tech startups leapt 168.8 per cent in 2019 from 2018 figures.

Ed-tech funding, by year



In spite of the end of what had been a reasonable period of development, ed-tech funding remains markedly higher than just a few short years ago. Ed-tech ventures raised only US\$815,825 in 2017, US\$885,000 in 2016 and US\$425,000 in 2015, placing 2020 figures in stark contrast.

The average raised by African ed-tech startups fell to US\$773,412 from US\$859,375 in 2019. The 2019 number had been up from US\$269,210 in 2018. The amount of companies raising rounds worth US\$1 million or more also fell, to three from four in 2019. Progress is still evident over the years, however, with only one startup raising US\$1 million or over in 2018.

The most notable rounds were raised in South Africa, which accounted for 41.2 per cent of funded ed-tech ventures, and 81.5 per cent of capital. Indeed, two South African rounds, for online learning platforms Valentre Institute (founded by GetSmarter founder Rob Paddock and backed to the tune of US\$7,000,000) and The Student Hub (which received US\$2,917,000 from Naspers) made up 75 per cent of total ed-tech funding in 2020.

Egypt was in second place for both metrics, with 29.4 per cent of startups and 13.4 per cent of capital, with no other notable performers from a geographical perspective.

The lack of sustained growth from a funding perspective in the ed-tech space can be put down to a number of factors, including difficulties implementing tech solutions in underfunded school communities with limited infrastructure, and a lack of digitally-literate teachers. Factors such as this have stymied uptake of e-learning solutions across the continent, causing doubts among investors.

That said, the potential for ed-tech solutions to have a real impact on education outcomes across Africa has long been evident, with startups developing innovative ways of accessing educational material, helping teachers, linking students with tutors, and helping schools better manage their processes. Startups had a chance in 2020 to demonstrate the value of such digital solutions as schools closed their doors, and homeschooling became the “new normal”, as a result of COVID-19, so the question now will be whether ed-tech solutions can maintain higher than normal levels of uptake in order to encourage further growth from an investment perspective in 2021.

lateral capital

Lateral Capital is a mission driven venture fund. We partner with visionary entrepreneurs building essential digital infrastructure for Africa. We can invest from Seed to Growth with a combination of debt and equity across key verticals such as fintech, energy, education and healthcare.

Our portfolio of 17+ companies includes:



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AGRI-TECH



AGRI-TECH

In last year's edition of this report, we described an "explosion" of funding in the African agri-tech space, primarily led by notable rounds in Kenya, yet 2020 presented a more nuanced picture as the sector develops in the kind of uneven manner that characterises earlier-stage verticals on the continent.

Sixteen (16) African agri-tech startups were on the receiving end of funding in 2020, making up four per cent of the total. This was one less startup than in 2019, when agri-tech represented 5.5 per cent of all the companies that raised, and means 2020 must go down as a year of stagnation from this perspective after the number of funded ventures increased by 54.5 per cent to 17 in 2019 from 11 in 2018. 2017 also saw 11 funded agri-tech companies, while there were eight in 2016 and just one in 2015.

The number of startups raising funding may have declined, but the total investment secured by agri-tech companies saw impressive growth in 2020. In all, US\$59,990,000 was raised by agri-tech startups across Africa in 2020 - 8.6 per cent of the total, and up 23.7 per cent on US\$48,499,000 in 2019.

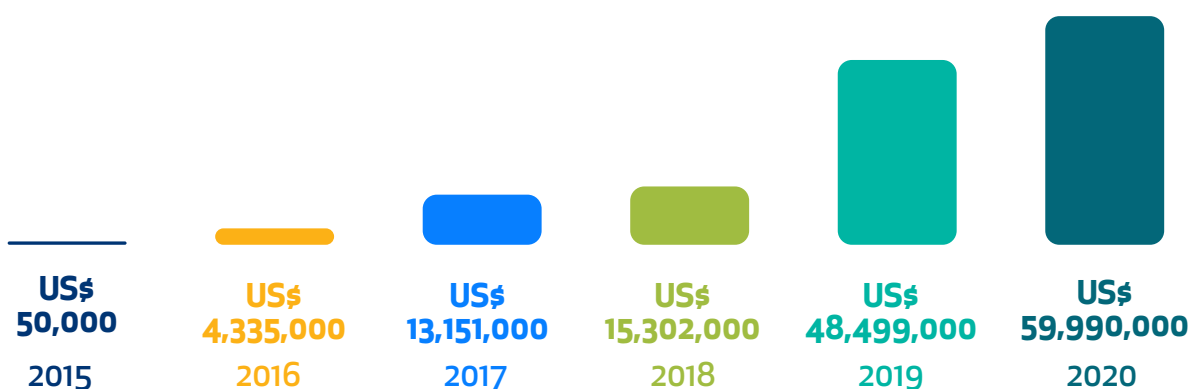
This continues strong growth in this regard. 2019 was up 217 per cent from US\$15,302,000 (4.6 per cent of funding) in 2018. This in turn had been a 16.4 per cent rise on 2017's US\$13,151,000. 2017 was up from US\$4,335,000 in 2016, a 203 per cent increase, while growth that year was a barely believable 8,660 per cent from just US\$50,000 in 2015.

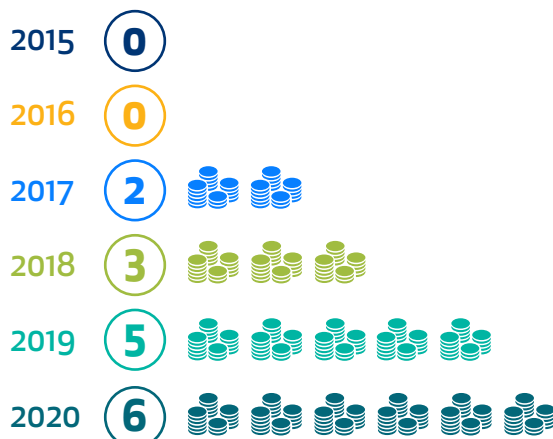
So while the agri-sector places a lowly eighth on the continent for the number of startups backed, it climbs to fifth when we consider the total capital secured.

Moreover, there are small signs that funding is becoming slightly more distributed. Whereas in 2019 the two best funded agri-tech startups (the Kenyan companies Twiga Foods and Apollo Agriculture) accounted for 88.4 per cent of funding, in 2020 the two best funded (Twiga Foods, again, and South Africa's Aerobotics) took only 76.5 per cent.

The average raise in the agri-tech space went up to US\$3,749,375 from US\$2,852,882 in 2019, and US\$1,391,090 in 2018, while six startups raised US\$1 million or over, up from five in 2019 and three in 2018.

Agri-tech funding, by year



**Agri-tech startups
raising \$1 million
or more**

Aside from Twiga Foods and Aerobotics, there were also strong raises from Apollo Agriculture (US\$6,000,000) and Tanzania's East Africa Fruits (US\$3,100,000).

Kenya remains the dominant market, accounting for a quarter of funded startups and 59.5 per cent of total investment. Its share is down on 2019, however, when it accounted for more than half of startups and 92.4 per cent of total funds. In 2018 the country was the base for 36.4 per cent of funded startups and 79.3 per cent of total funding, and in 2017 it was responsible for 79.5 per cent of funding.

This year, Kenya's share of both funded startups and combined raised capital was lower than usual as a result of a strong year in South Africa, which also accounted for 25 per cent of startups, with those ventures raising 30.9 per cent of total investment.

Investors continue to see strong potential in African agriculture, which remains big business across Africa, especially in certain key markets like Kenya and South Africa. The continent's primary employer and accounting for more than 30 per cent of gross domestic product, the sector still has room to grow, especially when it comes to addressing increasing global food insecurity. Tech startups doing things like helping farmers access markets, inputs, insurance, financing and knowledge, or improving farm management and increasing outputs, have a huge role to play in this, and the big rounds being taken in by certain companies in the space speak to the faith investors have that the sector is ripe for returns and impact.



TRANSPORT



TRANSPORT

The transport sector continued its fluctuating path in 2020, with marginally more startups raising less money than in 2019. Fifteen (15) startups (accounting for 3.8 per cent of funded startups) secured investment in 2020, up 15.4 per cent on the previous year. Together they raised US\$52,098,000 (7.4 per cent of the continent's total), which was down 20.7 per cent on the US\$65,682,000 (13.4 per cent) raised in 2019. Like this, the transport space ranked sixth for total funding, but ninth for the number of backed startups.

The sector is notoriously volatile, with peaks and troughs coming year after year. In 2019, the number of startups to raise was down 18.75 per cent from 2018, a year which saw 16 backed startups account for 7.6 per cent of Africa's funded companies. Conversely, the US\$65,682,000 secured in 2019 had been a serious leap of 90.3 per cent from US\$34,523,000 (10.3 per cent of funds) raised in 2018.

Number of funded transport startups, by year



Total transport funding, by year



Despite the bumpy trajectory the sector is taking, overall there has been substantial growth since Disrupt Africa began tracking investment - particularly so in the last three years. The sector is definitely bolstered by a few big companies, which regularly bring in sizeable funding rounds and keep attention firmly on transport solutions on the continent.

In 2020, headline news came from Egypt's Swvl, which raised an undisclosed round (following a US\$42 million Series B-2 in 2019); fellow Egyptian startup Halan, which bagged a US\$15 million Series B; and South Africa's WhereIsMyTransport, with a US\$7.5 million Series A raise.

A total of six startups raised over US\$1 million; and the average raise in the sector came to US\$3,473,000. Both these figures are down on 2019, when there were eight deals over the million dollar mark, and the average ticket size was US\$5,052,462.

In terms of funded startups, Nigeria and Kenya lead the space with three companies each. Egypt was home to two. Algeria, Ivory Coast, Mali, Mauritius, Morocco, South Africa and Tunisia each had one funded startup.

From a cash perspective, Egypt is by far and away the leading market, accounting for 74.9 per cent of funding. The WhereIsMyTransport round pulls South Africa into second place, with 14.4 per cent of funds.

Public transportation in Africa still awaits to be solved, with no reliable and safe means of transport currently on offer in any market, in reality. Transport startups face huge challenges addressing such a fundamental gap in the market, in such very big markets. But ultimately, this means the transport sector sets the stage for great success stories. With innovative, business-minded teams backed by patient investors, exciting headlines are inevitable in the future.





ENTERTAINMENT



ENTERTAINMENT

The entertainment space had its best year on record in 2020. Ten startups (accounting for 2.5 per cent of Africa's funded ventures), raised a combined US\$13,900,000 - two per cent of total funds.

This follows from years of general growth - even if unreliable. In 2019, four startups raised only US\$745,000 - thus 2020 achieved year-on-year growth rates of 150 per cent for funded startups, and 1,765 per cent for investment amount. This second statistic places the entertainment space as the biggest growing sector for total funding in 2020.

Biggest growth in total funding 2019-2020



ENTERTAINMENT
1,765%



RECRUITMENT & HR
272.4%



E-HEALTH
257.5%



PROP-TECH
191.5%



E-COMMERCE & RETAIL-TECH
85.6%



FINTECH
49.3%



ENERGY
44.5%



AGRI-TECH
23.7%

Prior to 2020, 2016 was the last successful year for the entertainment sector, when four startups raised a total US\$12,202,000 - mostly attributable to Nigerian video-on-demand venture iROKO. In 2017, seven companies shared US\$2,800,520; and in 2018 three startups raised only US\$120,000.

On the back of this data, it is evident that the entertainment space in Africa is still in its early days, and is characterised by a clutch of early-mover companies that intermittently raise cash; otherwise, the landscape is relatively sparse.

This year four of the 10 funded startups raised ticket sizes over US\$1 million - with the overall average round coming to US\$1,390,000.

The standout performer of 2020 was Kenya's Mdundo, which raised US\$6,400,000 through its IPO listing on the Nasdaq First North Growth Market Denmark.

No market was particularly the leader, although South Africa contributed two million-dollar plus rounds with Carry1st (US\$2,500,000) and Sea Monster (US\$1,000,000). The Ivory Coast was home to the third largest round of the year, with StarNews Mobile securing US\$1,800,000.

Africans are avid consumers of content, however, finding the best model to make entertainment businesses work for content producers, content platforms, and end consumers has proven difficult to date. High data costs and the prevalence of piracy have hindered entertainment startups in making any real grasp on the market.

Even early relative "success" stories like iROKO have in 2020 backed away from the African market, choosing to focus instead on diaspora markets in North America and Europe amidst floundering revenues. On the other hand, the positive (oversubscribed) reception of Mdundo's Danish IPO suggests there is still an appetite for entertainment investments, and with patience we might still see more of these news stories emerging in the space in the longer term.



AI / IoT



AI / IoT

It is just the second year that AI / IoT has merited a section of its own in this report, as activity in the space slowly begins to pick up. Ten (10) startups (2.5 per cent) raised a combined US\$11,627,000 (1.66 per cent) - more or less holding level with the previous year, when 10 startups secured US\$11,270,000. This displays 3.2 per cent growth in the total amount of investment.

2019 was really the watershed year for AI / IoT in Africa, with funding into the space leaping up from earlier years. The US\$11,270,000 raised by 10 companies in 2019 had been a jump of 223 per cent on 2018, when four ventures shared US\$3,600,000. Prior to that, the odd funding round of note popped up occasionally (for example, South Africa's IoT.nxt raised US\$7.7 million in 2017), but nothing to warrant reference to a "sector" emerging.

This year four startups raised over the million-dollar mark, and the average raise was US\$1,162,700 - however, all-in-all, the space is still fuelled in large part by individual companies achieving big rounds. In 2019, 62 per cent of total investment went to Tunisia's Instadeep (US\$7 million), while this year it was South Africa's DataProphet that accounted for 51.6 per cent of funding.

In addition to DataProphet's US\$6 million raise, South Africa was home to two more notable rounds, with inQuba raising an undisclosed amount, and LightWare netting US\$1.5 million. With one additional smaller raise, these were sufficient to put South Africa substantially ahead of the rest of the continent in the AI / IoT stakes.

Notable AI / IoT funding rounds to date

2017 - US\$7.7 million



2019 - US\$7million



2020 - US\$6 million



Across Africa, this sector is still very early-stage, and any advancements that have taken place have occurred in more developed ecosystems, primarily South Africa. Yet the potential application of AI / IoT services to sectors as diverse as manufacturing, security and financial services means it is one to keep an eye on, and we expect substantial growth in 2021.



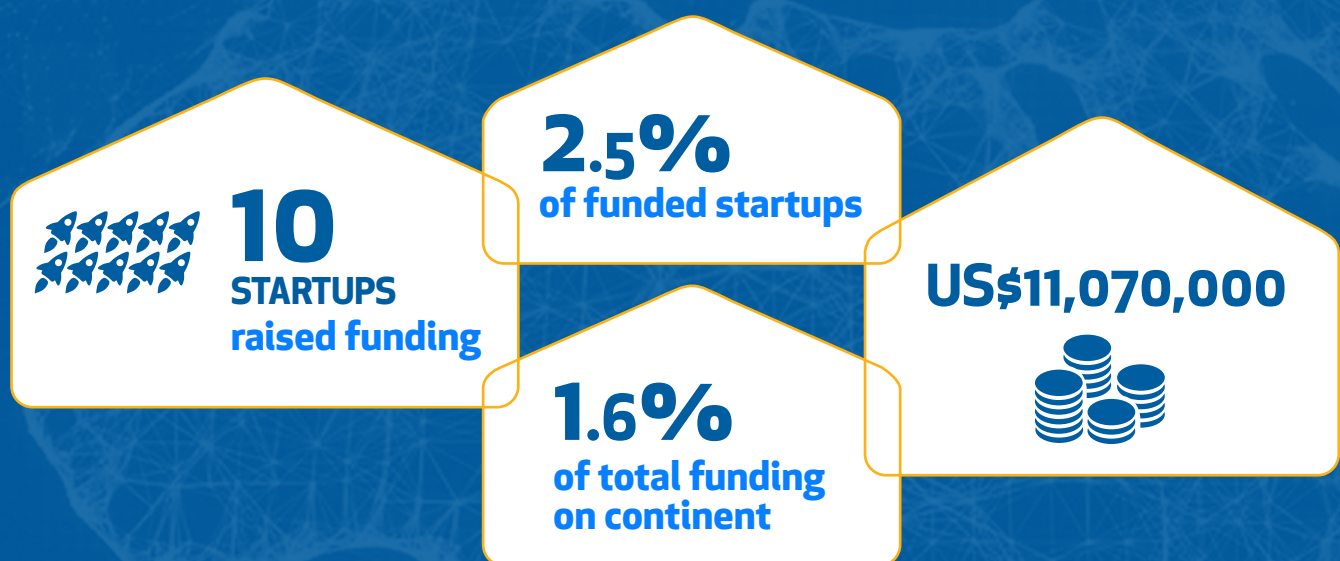
PROP-TECH



PROP-TECH

While there has been intermittent interest in the prop-tech market in Africa, the space has yet to really start gaining a foothold in the funding arena. This began to change in 2020, as both the number of startups to raise and the total amount secured saw an uptick.

Ten (10) startups raised funding in 2020 - accounting for 2.5 per cent of backed startups -, up 66.7 per cent on 2019. Together they raised US\$11,070,000 (1.6 per cent of the total), which was up 191.5 per cent on the previous year, when prop-tech bagged US\$3,797,000. These figures saw the sector place fourth in terms of fastest growth.



Prior to 2020, the best year for prop-tech investment had been 2018, when seven startups secured US\$4,877,000 - still a long way behind the achievements of 2020. As such, this year has proven somewhat of a breakaway year for the market.

South Africa tends to be the main market for prop-tech activity, home to 40 per cent of funded startups and 25.5 per cent of funding in 2020. The year before, South Africa accounted for half the startups and more than 90 per cent of funding raised.

However, this year's standout round went to Moroccan company Mubawab (US\$7 million), which made up 63.2 per cent of prop-tech investment. There were only two rounds over the million-dollar mark.

As noted, the prop-tech market in Africa is really in its nascent stages, and while there is the odd exciting funding round, or particularly potential-laden launch, the sector is really dependent on gutsy investors believing in a specific company. There is yet to be much wholesale interest in the sector in general, but activity is gradually gathering momentum.



MARKETING



MARKETING

The marketing sector had seen a total lack of interest in the early years of Disrupt Africa data, being one of few spaces to report an annual decline in funding activity each year through to 2018. 2019 saw things pick up, and some interest has been sustained into 2020.

Six startups raised investment in 2020, which is up 20 per cent on the previous year. However, funds were down, at US\$2,661,000; an 80.1 per cent drop on the US\$13,360,000 raised in 2019.



These figures don't really reflect the true nature of the landscape, given that each year the space is influenced by a single company. In 2019, Egypt's Adzily was responsible for 91.3 per cent of 2019's total, raising US\$12 million. The 2020 total was also carried by one startup, with South Africa's Mobiz accounting for 75.2 per cent of the year's total, thanks to its US\$2 million raise. The Mobiz round was the only raise over US\$1 million.

Three of the startups to raise were based in Nigeria, two were from Egypt, and one South African.

Even despite the overall drop, the fact that the total is in the millions of dollars is a positive development, and shows progress in the marketing sector. Serious fluctuations are inevitable in such an early-stage space, and what matters is that each year the marketing sector is beginning to turn up funding successes.



OTHER

OTHER

Beyond these categories, 49 startups in “Other” spaces also raised funding in 2020. Ranging from auto-tech to conservation, from food delivery to hardware, there are startups raising investment across every niche imaginable.

Together, these startups brought in a further US\$60,883,000 to Africa’s total jackpot.

There are some up-and-coming spaces emerging, which may soon warrant their own separate analysis sections in future editions of this report. Auto-tech, for example, is receiving increased attention, with four startups securing investment. Travel and waste management were other sectors that saw some action, with three deals each.

Six startups in the “Other” category raised over the million-dollar mark. These notable rounds were Kenyan conservation company Komaza (US\$28 million); Egyptian food delivery service elmenus (US\$8 million); Egypt’s bug reporting solution Instabug (US\$5 million); Nigerian auto-tech platform Autochek (US\$3.4 million); Egyptian virtual assistant solution Elves (US\$2 million); and Ethiopia’s training and job placement startup Gebeya (US\$2 million).

Top startup funding rounds in “Other” category in 2020



\$28 million



\$3.4 million



\$8 million



\$2 million



\$5 million



\$2 million

There are no real trends to be noted in this array of investments, beyond the emerging sectors pinpointed above. While there are no real geographic trends, it is worth noting that 17 rounds (34.7 per cent of the “Other” list) took place in Egypt, speaking to the diversity of verticals receiving backing in the country (see more in the Egypt section of this report).

A wireframe map of the African continent is centered on a solid blue background. The map is composed of a network of thin, light-blue lines that form a mesh over the landmass. The word "AQUISITIONS" is written in a bold, yellow, sans-serif font across the middle of the map.

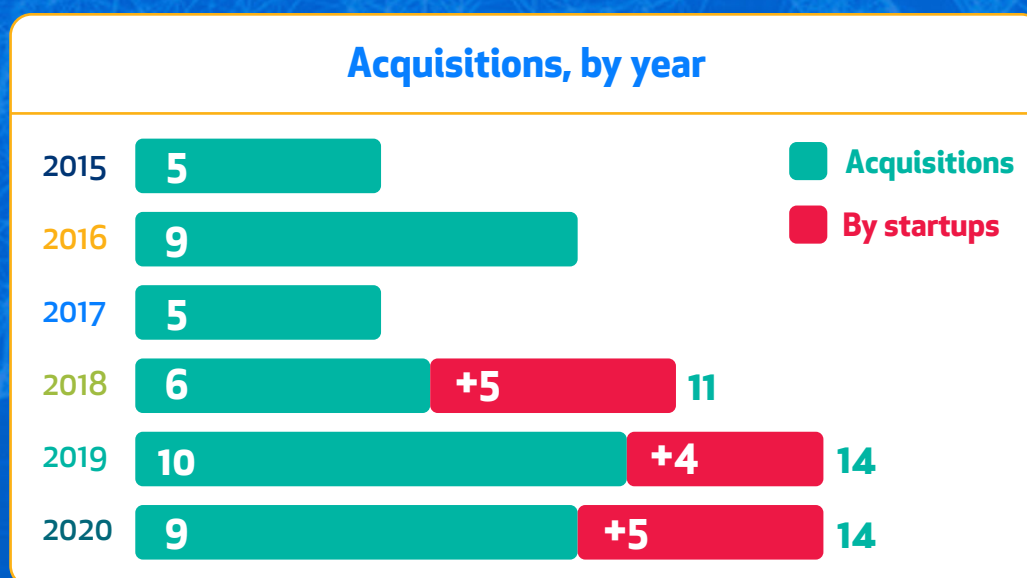
AQUISITIONS

It was a mixed year on the acquisitions front. 2020 matched the acquisition activity of 2019, thus proving a joint record year - which is both disappointing and not. On the one hand, we always hope for growth in the number of acquisitions reported on the continent; on the other, maintaining even this level of activity during the height of the COVID-19 pandemic is an impressive achievement.

And of course, 2020 brought us perhaps the landmark moment of the African tech startup ecosystem to date: Nigerian fintech Paystack was acquired by Stripe, in a deal it was reported could be worth over US\$200 million.

Fourteen (14) startups were acquired in 2020. Nine of these saw large companies or corporates add African startups to their operations; while five were cases of startups acquiring other companies to consolidate or complement their existing offering and place in the market.

In 2019, there were also 14 acquisitions - 10 by corporates, and four by startups; and in 2018 there were 11 (six by corporates, five by startups).



South Africa was host to the most acquisitions, with three of the nine corporate acquisitions taking place in the country (33.4 per cent); and one startup acquisition. In total, then, South Africa accounted for 35.7 per cent of acquisition activity. It continues to be the location most likely to produce news of acquisitions, being the only country in Africa to have recorded multiple acquisitions annually over the last six years since Disrupt Africa data began.

Nigeria held a special place in the acquisition stakes, given the above mentioned Paystack deal. This was the only corporate acquisition of a startup in the country in 2020, though three of the five acquisitions made by startups took place in Nigeria. In total, then, 28.6 per cent of all Africa's startup acquisitions took place in the West African country.

Kenya saw two corporate acquisitions occur; while Egypt, Uganda and Zimbabwe had one each. The remaining purchase by a startup involved a Nigerian company buying an Ethiopian one (Paga, Apposit).

This year there was most activity in the fintech and e-commerce spaces - with three deals in each category, accounting for 21.4 per cent of acquisitions each.

In addition to the Paystack acquisition, Ugandan fintech Beyonic was snapped up by MFS Africa, and Ethiopian fintech Apposit was acquired by Nigerian startup Paga.

The e-commerce sector saw South Africa's Wezart acquired by African Fashion International, Kenya's Cloud9xp snapped up by HotelOnline, and Nigeria's Bolarims bought up by fellow startup AfricaSokoni.

Beyond these sectors, deals were scattered, ranging from ed-tech to logistics, agri-tech to travel.

There was incredible news in 2020 with the Paystack deal giving everyone in the ecosystem proof that African startups can provide big exits. However, acquisition activity in general was tempered, showing no growth on the previous year.

With funding in general, it has been suggested that little impact was felt in 2020 of COVID-19, given that many investment processes will have been well underway pre-dating the pandemic. The opposite may have been the case when it comes to acquisitions, as potential buyers wait until the longer-term effects of the pandemic are clear.



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