

# ANALYSING AFRICA'S **ANGEL** **INVESTMENT** LANDSCAPE



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**We thank the 130+ angel investors who contributed to our research, ABAN, and the several networks that helped spreading the word.**



Analysing Africa's Angel Investment Landscape, November 2021

# AFRICA'S ANGEL INVESTMENT LANDSCAPE

## SURVEY RESPONDENTS

**130+** angels sharing their insights

**27** different headquarter countries

**\$44** million + deployed\*

\*from total aggregates declared by the surveyed investors. The figure is by no means comprehensive as it is based on a sample.

## DEMOGRAPHIC BREAKDOWN

**45%** Founders/entrepreneurs

**31%** Managers/executives

**11%** High net worth individual

**2%** Lawyer

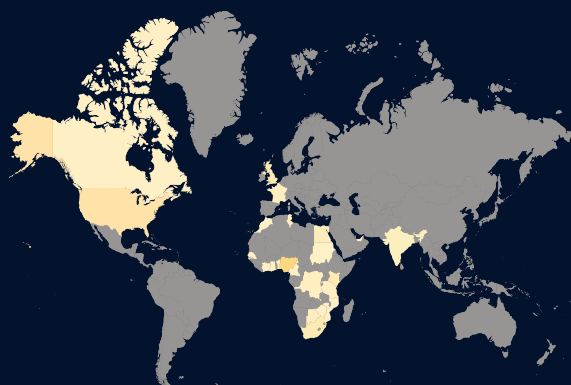
**2%** Investor

**2%** Angel investor

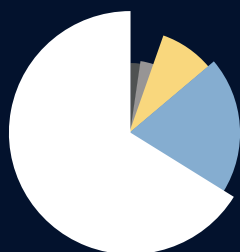
**6%** Other

## WHERE ARE ANGELS PRIMARILY BASED?

The survey respondents listed **27** countries globally as their primary country of residence, the majority of which in Nigeria, United States, and United Kingdom. The angels' investments are directed at countries all across Africa and, in some cases, beyond the continent.



## INVESTMENT TYPE



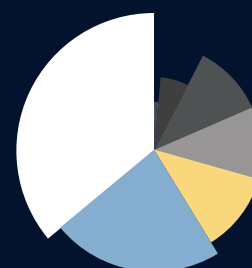
- Mixed
- Equity only
- Safe only
- Convertible only
- Debt only

## STRUCTURES



- Mixed
- Personal money only
- Via a syndicate only
- Via a rolling fund
- Other

## SOURCES OF WEALTH



- Reinvesting wage
- Personal wealth
- Earnings from previous exit
- Managing others' capital
- Earnings from stocks
- Prefer not to disclose
- Other

## INTRODUCTION

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Angel investment is usually associated with the initial stages of the funding funnel, typically aimed at providing start-up capital and the much needed guidance, mentorship and access to networks to founders. Angel investing, especially in Africa, has been a growing phenomenon over the past half-decade, with millions in funding being deployed on and off the record, and the increased media coverage on the continent's startup ecosystem has been acting as a pull-factor for many individuals globally who are now actively deploying capital at an unprecedented pace. This brief explores the state of angel investing in Africa by providing 1) a **visual map** of the networks and rolling funds operating across the continent, and 2) **direct insights** from over 130 angel investors who took part in our survey.

As exit stories contribute to smoothening the perception of risk attached to doing business on the continent, investing is no longer confined to high net-worth individuals (HNIs) and C-Suite executives deploying capital but also managers and lawyers. More recently, a trend has seen successful entrepreneurs themselves reinvesting in earlier-stage companies in a process that is now witnessing second and third generation founders - i.e. those building second and third companies on the back of previous successes - supporting their own ecosystems.

There are differences in how the continent's angels prefer to invest. What is clear is that the increase of angel investing clubs and syndicates is democratising access to quality pipeline, lowering ticket sizes, deal costs and economics thereby allowing more individuals to participate as angel investors. On the other hand, similarities lie in the preferred modes of invest-

ing, such as investment structures and instruments.

Various programmes have been established to build and improve on the capacity of angels. Such has been done through training academies that are conducted through respective angel membership organizations. Angel investors also care about impact, arguably to build their local communities. Such impact focus is drawn from the need to bridge the funding gaps and challenges that underserved entrepreneurs such as Africa-born founders and female founders face in the continent.

*So what's next for angel investing?* As a relatively nascent practice, there is room to build solid regulatory and practical foundations in order to assist existing and future investors and control risk perception. Additionally, the evidence of multiple viable vehicles investors can access to deploy even small sums of capital calls for more advocacy in favour of the recognition and promotion of micro-sources of funding as a active avenue that contributes to economic growth in Africa.

This survey represents a first step in the broader effort to offer a deeper understanding of angel investing, by providing context on the sources of capital, the organisational structures used to deploy funding, the investors' preferences on sector and geographies, and their targets. The authors hope this study will contribute to the literature and to a more informed resource allocation.



**Joshua Murima**

Head of Engagement and Investor Relations



## HOW IT WORKS

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The vast majority of angel investors in the sample invests through multiple vehicles, with equity being the most mentioned (**40%**), although exposure to international markets has brought more attention to alternative types of contracts, such as convertible notes and SAFEs. While a debt market is developing fast across Africa, this is not the key realm of interest for angel investors, even though a minor percentage of investors may be arranging ad hoc financing solutions. Angel rounds are mainly understood as taking place at the early stages of a startup's journey, at a phase where small checks can carry a big impact on runway and developing the backbone of the business. In fact, over **50%** of angels disclosed that they do not require their companies to be generating revenue before they invest. Yet, individual checks are seen to be present all across the journey of a company's development, usually with high profile names joining later stage rounds in renowned companies.

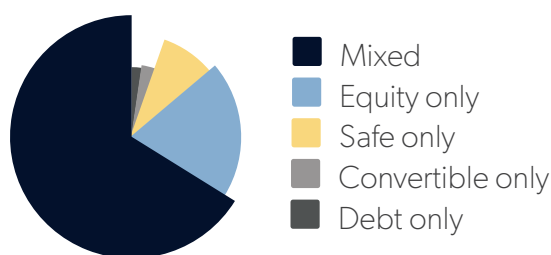
Most angel investors in the sample leverage mixed channels, with about **25%** investing personal capital without any associations, while over **55%** of the respondents invest through syndicates, i.e associations of accredited investors that jointly invest their funds into a project, or rolling funds, a new type of organisational structure that has been gaining ground across the continent. Rolling funds are usually accessible via annual fees which give members access to the fund's dealflow. By working together, investors are able to distribute risk and pool bigger tickets, and the combined range of skills and experience of the individuals creates stronger processes and more comprehensive due diligence efforts, as well as greater negotiation power.

**58** different syndicates and funds were mentioned by the angels in this study, including leading names such as Lagos Angel Network, Cairo Angels, HIMAngel, Angel Network Botswana, Future Africa, Rally Cap, and Rising Tide Africa, but our mapping shows the presence of several more (map in the following page).

The survey also broke down the sources of wealth in order to shed clarity on what drives investment activity. The responses showed a range of sources of wealth ranging from percentages of wages to personal wealth, earnings from owned stocks, and inheritance.

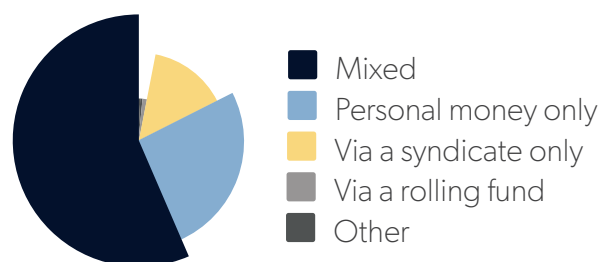
## INVESTMENT TYPE

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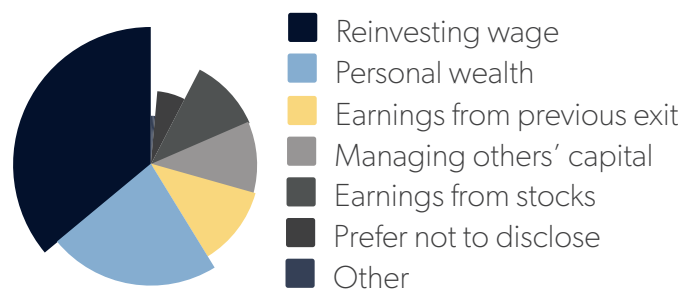
## STRUCTURES

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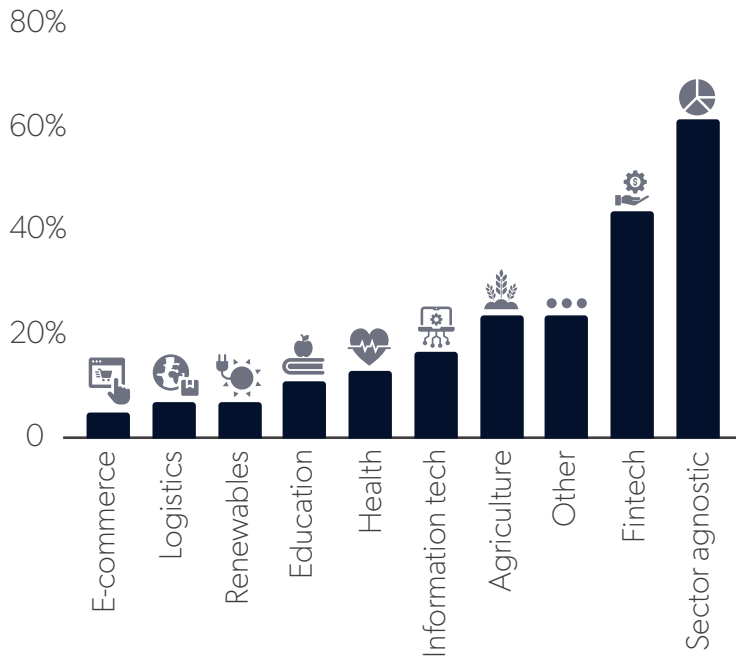


## SOURCES OF WEALTH

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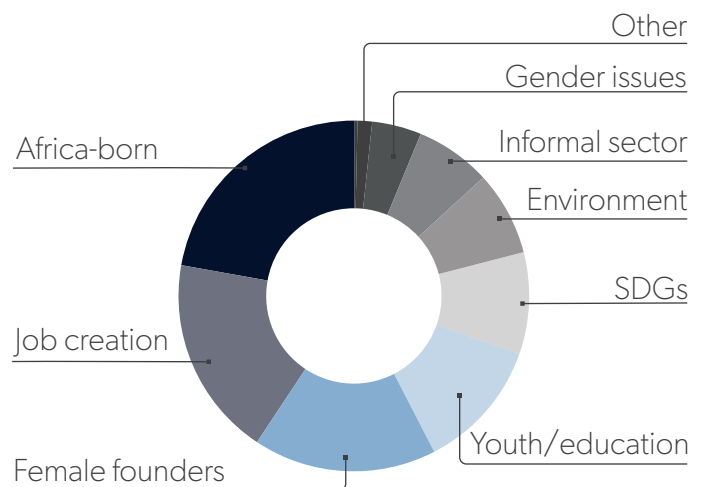
## SECTOR PREFERENCES



When it comes to sectors, the surveyed investors show a high degree of flexibility, with hardly a single-sector focused response. Almost **30%** of the angel investors in the sample claim to be sector-agnostic. However, fintech still remains at the top of the sector preference list, reflecting investment trends across the continent, while other such as agriculture, information technology, health and education, follow closely behind.

## IMPACT METRICS

In line with the growing interest towards socio-economic, and environmental impact of businesses, an increasing number of investors angels are also specifically targeting companies focused on impact objectives. More than a fifth of the angels surveyed expressed an interest in funding Africa-born founders, followed by companies that are fostering job creation or companies with female co-founders.



## OPPORTUNITY RADAR

RECENTLY-FOUNDED COMPANIES WITH NOTABLE FOUNDERS AS ANGELS

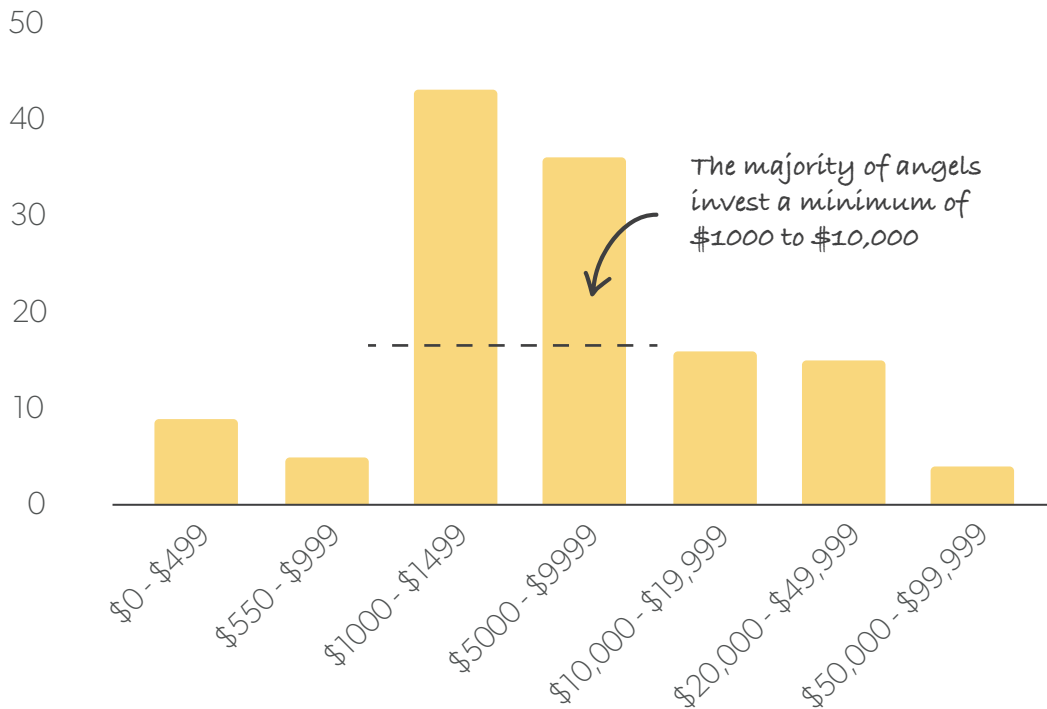


## MINIMUM AND MAXIMUM TICKET SIZE RANGE

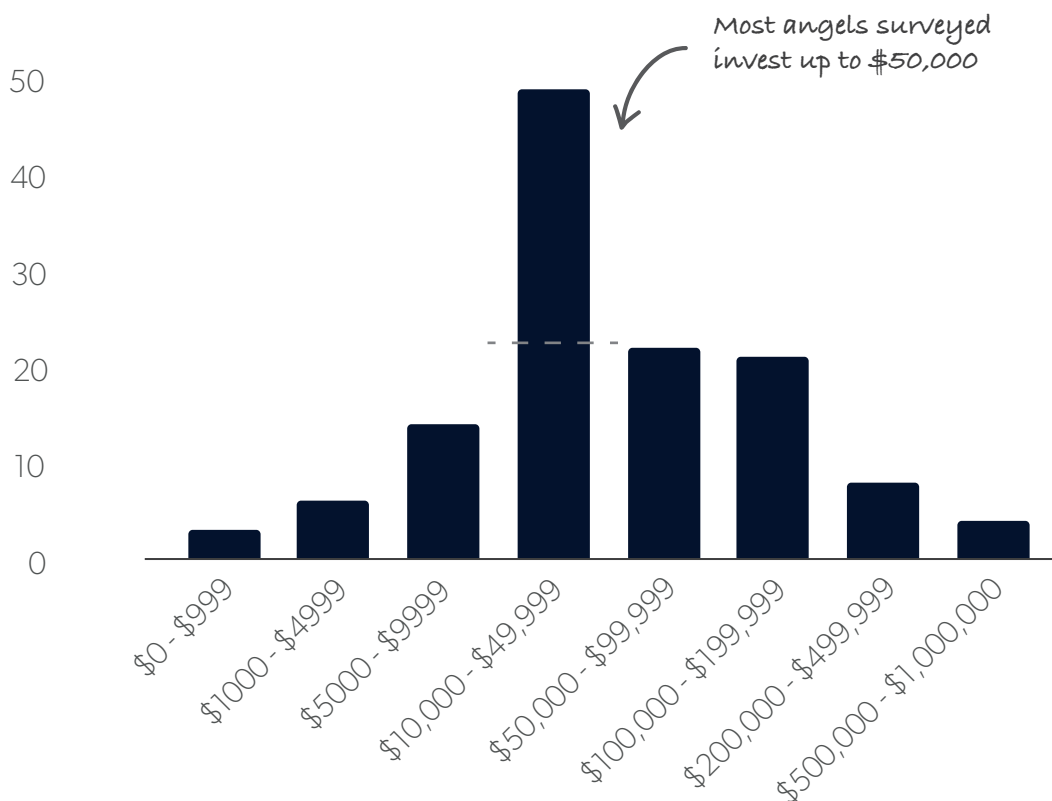
The bulk of respondents tend to invest a ticket size range between \$1500 and \$50,000, though our survey data show significant activity beyond this figure and the presence of investors writing checks all the way up to \$100 - 200,000. The increasing number of

successful founders, such as Paystack, Flutterwave, and Chipper Cash's co-founders is paving the way to more cross-pollination and more resources being deployed across local startup ecosystems.

■ Minimum value, by number of responses



■ Maximum value, by number of responses





# Analysing Africa's Angel Investment Landscape

November 2021

Briter Bridges - <https://www.briterintelligence.com>

ABAN - <https://abanangels.org>