ABAN

african business angel network

ABAN 2023 ANGEL INVESTMENT SURVEY REPORT

BRITER BRIDGES

African Angel Academy

Ministry of Foreign Affairs

Foreword

Fadilah Tchoumba
CEO, African Business Angel Network (ABAN)
Fund Manager, Catalytic Africa

Dear Readers,

In this year's African Business Angel Network (ABAN) Angel Investment Survey Report, we delve into the rapidly evolving realm of angel investing in Africa, a continent burgeoning with potential and innovation. Africa, with its youthful demographic and entrepreneurial spirit, stands at the cusp of a transformative era, creating unique solutions to its diverse economic and societal challenges. Angel investing here is not merely a financial endeavour; it's a pivotal force in shaping lives and communities.

Our comprehensive survey of angel investors in Africa's thriving startup ecosystem aims to do more than just quantify; it seeks to dissect and understand the motivations, expectations, challenges, and early successes of these trailblazers. These investors, offer a rich tapestry of experiences and insights, painting a detailed picture of the investment landscape through in-depth surveys and case studies. Their narratives reveal a complex interplay of risk, reward, impact, and a firm belief in the transformative power of entrepreneurship.

This report is an essential guide for stakeholders navigating the African investment terrain including aspiring and seasoned angels, institutional investors, policymakers, development finance institutions, development agencies, and entrepreneurs. It shines a light on trends, sectors, and geographies drawing investments, celebrating successes and learning from setbacks. A noticeable shift from sector-agnostic to sector-specific investing is highlighted, providing a nuanced understanding of the investment landscape in areas like fintech, agritech, and cleantech.

Legal frameworks for angel investing in Africa, still in their infancy, present both challenges and opportunities for building a solid foundation to support current and future investors and manage risk perception. The report underscores the profound socio-economic impact of angel investing, emphasising its role in fostering innovation, job creation, and sustainable development.

As you explore this report, we invite you to join the vanguard of investors who see Africa not just as a market, but as a frontier of opportunity and innovation. Here's to the audacious investors who are shaping Africa's future, offering more than capital – they are the architects of possibility and agents of transformative change.

Acknowledgements

ABAN is a leading pan-African network organisation for angel investors. Established in 2015, ABAN represents an emerging sector playing a vital role in the African early-stage startup ecosystems' future, providing valuable human and financial capital to African startups through a growing number of angel investor groups, syndicates and networks across the continent. Today, ABAN is a 68-member network representing 34 African countries and a diaspora of over 3,000 angel investors. At its core, ABAN exists to drive angel investing in Africa by educating angel investment groups, promoting the creation of new angel investor networks, and engaging policymakers towards an investment target of $100m for at least 1,000 startups creating over 10,000 jobs annually.

Partners

Briter Bridges is a market intelligence and research firm focused on the innovation and investment ecosystem across emerging economies. Briter has built the largest collection of visual publications on Africa and underserved markets and regularly provides data and insights to corporates, development finance institutions, governments, and investors. Briter's proprietary business data platform, Intelligence, is regularly used by thousands of public and private organisations.

The African Angel Academy is an African-led initiative that trains and supports new or aspiring angel investors. The Academy's mission is to grow the number of active angel investors on the continent, and to catalyse local startup ecosystems. To date, the Academy has trained more than 500 angel investors across 18 African countries.

This research was sponsored by the Dutch Good Growth Fund's (DGGF) Seed Capital and Business Development (SCBD) programme. DGGF is a "fund of funds" investment initiative from the Dutch Ministry of Foreign Affairs, launched in 2014 with the aim to improve financing for the "missing middle" – i.e. entrepreneurs who have outgrown microfinance but do not have access to conventional capital markets. The SCBD programme was established to further the impact of the DGGF by providing seed capital, technical assistance and business development services to local financial service providers and entrepreneur support organisations (ESOs). SCBD knowledge and sharing development component aims to actively share insights into financing SMEs in developing countries and emerging markets and systematise knowledge exchange to accelerate sector-wide learning.

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Introduction

Digital and technology-driven startups across Africa cumulatively raised over $2.7b across 618 deals in September 2023 according to Briter Intelligence data. Despite a global slowdown in venture capital funding since its peak in 2021, including in Africa, investors remain bullish on high-growth African startups. The sustained interest and traction are a testament to the advancing innovation and entrepreneurial ecosystem. Yet, access to capital remains challenging for many startups.

Startup founders have several options to source capital to develop their new ventures. Typically, capital injection into new ventures comes from one of five key sources;

1. Commercial banks and lending institutions,
2. Bootstrapping with personal finances,
3. Funds from family and friends,
4. Venture capital (VC) funds, and
5. Angel investors.

However, securing funding from external sources such as commercial lenders and institutional investors can be difficult, as they have strict lending requirements and demand high traction, which can be difficult to achieve without funding.

This study explores the role of angels, an emerging class of capital allocators in Africa. A simple definition of an angel investor is an individual who provides financial and non-financial support, including equity or debt funding, mentorship and access to business networks, for small businesses, or startups, in exchange for potential future returns. Angel investors are typically professionals, entrepreneurs or high-net-worth individuals who invest their own money in startups in a personal and increasingly formal but less structured process when compared to venture capital investments. This rising class of investors represents a vital entry point for early-stage innovators across the continent to access funding and support, backed by individuals who believe in them and their ideas and are willing to commit funds, where traditional forms of financing are often scarce or unavailable.

This report aims to provide insights into the state of angel investing activity in Africa, and showcase the opportunity to the next budding class of angel investors looking to enter the ecosystem. The ABAN 2023 Angel Investment Survey is the third instalment of ABAN and Briter Bridges' annual angel report, researching and surveying active angels in the African ecosystem. The report is broken down into four key chapters and provides case studies of notable angel networks throughout. The first explores common characteristics of angels, frequent misconceptions, and the state of angel investing in Africa to date. The second looks at the strategies that angels use to invest in their areas of interest, and the third examines the measures needed to boost angel activities in the African startup ecosystem. Finally, the closing chapter explores ways to unlock further capital for angel investing in the African startup ecosystem and presents a view on the road ahead, offering insights on the future of angel investing.

Research Approach: Internal Data And Survey

The study leverages primary and secondary data sources to highlight the increasingly important role that angel investors are playing in the African investment landscape. It uses data collected through a survey from a host of active angel investors in the African investment landscape. Insights about investors' demographics, deal characteristics, investment processes and challenges are obtained from the survey. Additional data collection is done through desk research on public deal announcements, and through case studies of angel networks. Findings from this study are indicative of the overall angel investment landscape in Africa, but are not exhaustive. When tracking the activity of angels, it should be noted that most angel investments are private and not publicly disclosed.

Chapter 1: Debunking African Angel Investing Myths

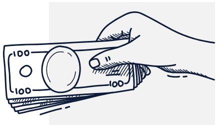
This first chapter of the report debunks common misconceptions about angels in Africa, provides an overview of the current state of angel investing in Africa, and examines the characteristics of angel investors. Case studies of angel networks also provide empirical evidence of angel investing activities.

Misconceptions About Angel Investing

The concept of angel investing dates back to the rise of entrepreneurship and innovation thousands of years ago[1]. Yet despite this, angel investing as a practice is much misunderstood. Common misconceptions about angel investing include:

All angel investors are high-net-worth individuals

While there are high-net-worth individuals who invest their money in startups, many angel investors leverage their accumulated savings to make investments. Findings from the ABAN African Angel Investment Survey (2022)[2] reveal that more than half of surveyed angel investors are entrepreneurs and investment professionals whose source of investment capital is their salaries.

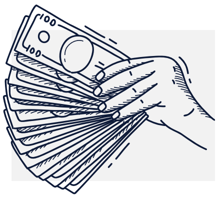


Angel investors just provide funding

Many angel investors play a hands-on role in the startups they choose to invest in. Some angel investors have meetings with the founders of their portfolio companies several times a year, providing mentorship and other non-financial support. It is also common for an angel investor to sit on the board of a portfolio company.

Angel investing is complicated

Angel investing is a multi-step process, but it's not rocket science. It involves finding potential deals, evaluating them, negotiating and signing investment agreements, and managing the portfolio. Angel investors who are part of a network or syndicate do not go about it alone as they receive training and support on how to navigate the investment process.



Every angel investment brings outsized returns

Angel investing is risky. Most angel investors lose money on their investments and only a small percentage of investments bring back returns for the investor. However, one or more very successful investments can offset other losses within an investor's portfolio.

1 *Morrissette, S.G. (2007), A Profile of Angel Investors. The Journal of Private Equity.*
2 *ABAN, Briter Bridges, & AAA (2022). ABAN African Angel Investment Survey.*

The State of Angel Investing In Africa

Based on previous angel studies by ABAN and in recent years those with the support of Briter Bridges and African Angel Academy (AAA), a clear and consistent picture of the composition and activities of African angel investors has emerged. It shows that the angel investment landscape in Africa is evolving with a new crop of diverse angels and investment vehicle types playing an important role in accelerating entrepreneurship on the continent. Last year's ABAN African Angel Investment Survey (2022) suggested that the rise of successful African startups is driving increased activity in the angel investment landscape in Africa. It further revealed that angels are navigating the investment landscape amid numerous challenges. This year's survey shows that in response to the challenges they face, African angel investors are becoming more methodical in their investments as their capacity and risk appetite increases.

Africa's Angel Investing In Numbers

Data from ABAN shows there are 68 angel networks spread across more than 34 African countries and the diaspora. Angel networks or groups are investment vehicles for deploying early-stage investments to startups. Some of the benefits that angel networks offer their members include access to deal-flow information, opportunities to participate in large funding rounds, training and support, and risk-sharing. Nigeria, Egypt, and South Africa, three of Africa's biggest startup ecosystems, are home to the most angel networks on the continent. Estimates from ABAN's network of angels indicate that 2058 angel investors invested more than $22.5m across 408 deals, out of 5,743 applications received, at an average ticket size of $55.2k in the first and second quarter of 2023. African angel networks organise activities to engage with key stakeholders in the ecosystem such as entrepreneurs, innovation hubs, and policymakers. This enables them to maintain a pipeline of high-quality startups to invest in and advocate for policies that promote ecosystem growth.

Figure 1: Angel network activity

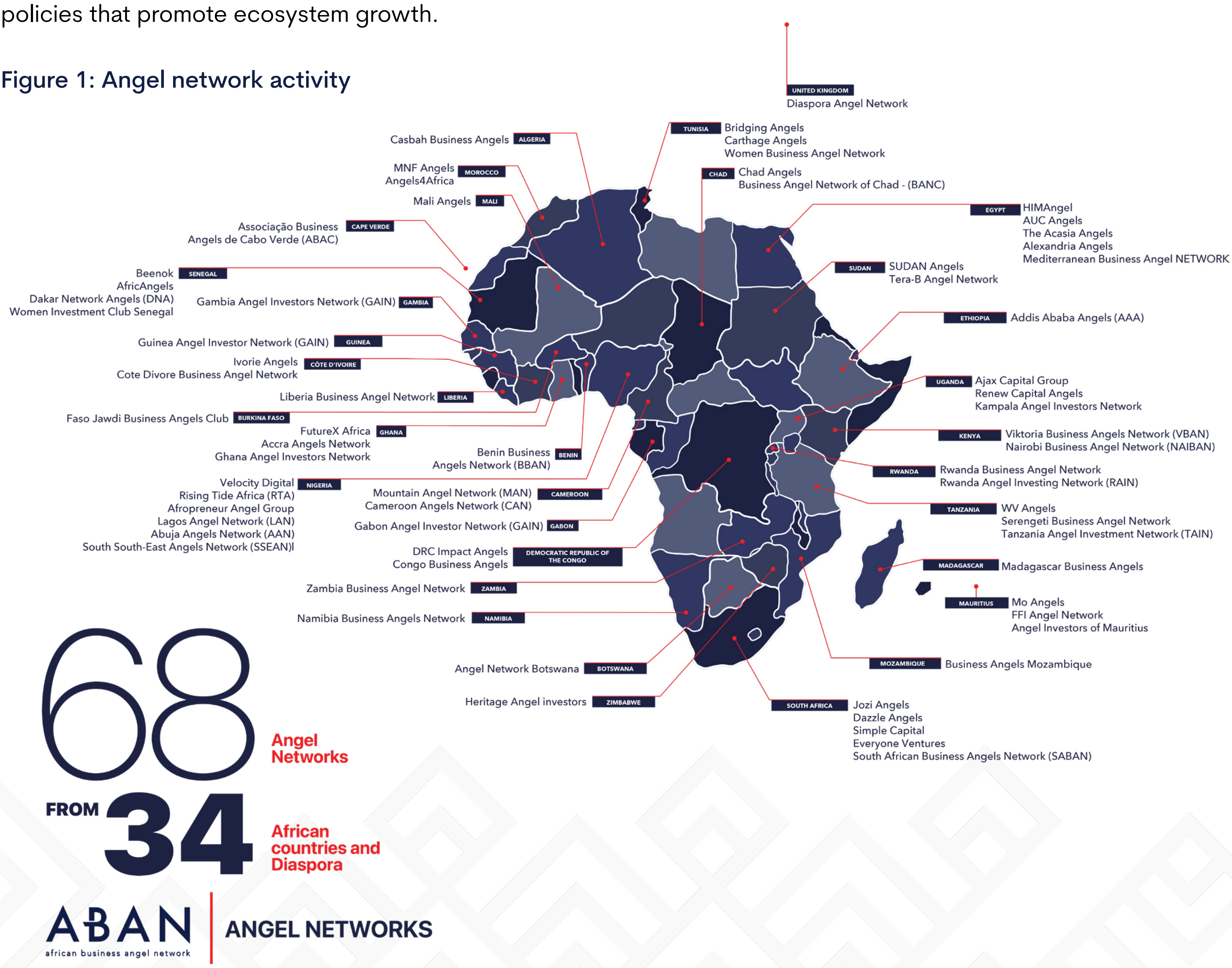


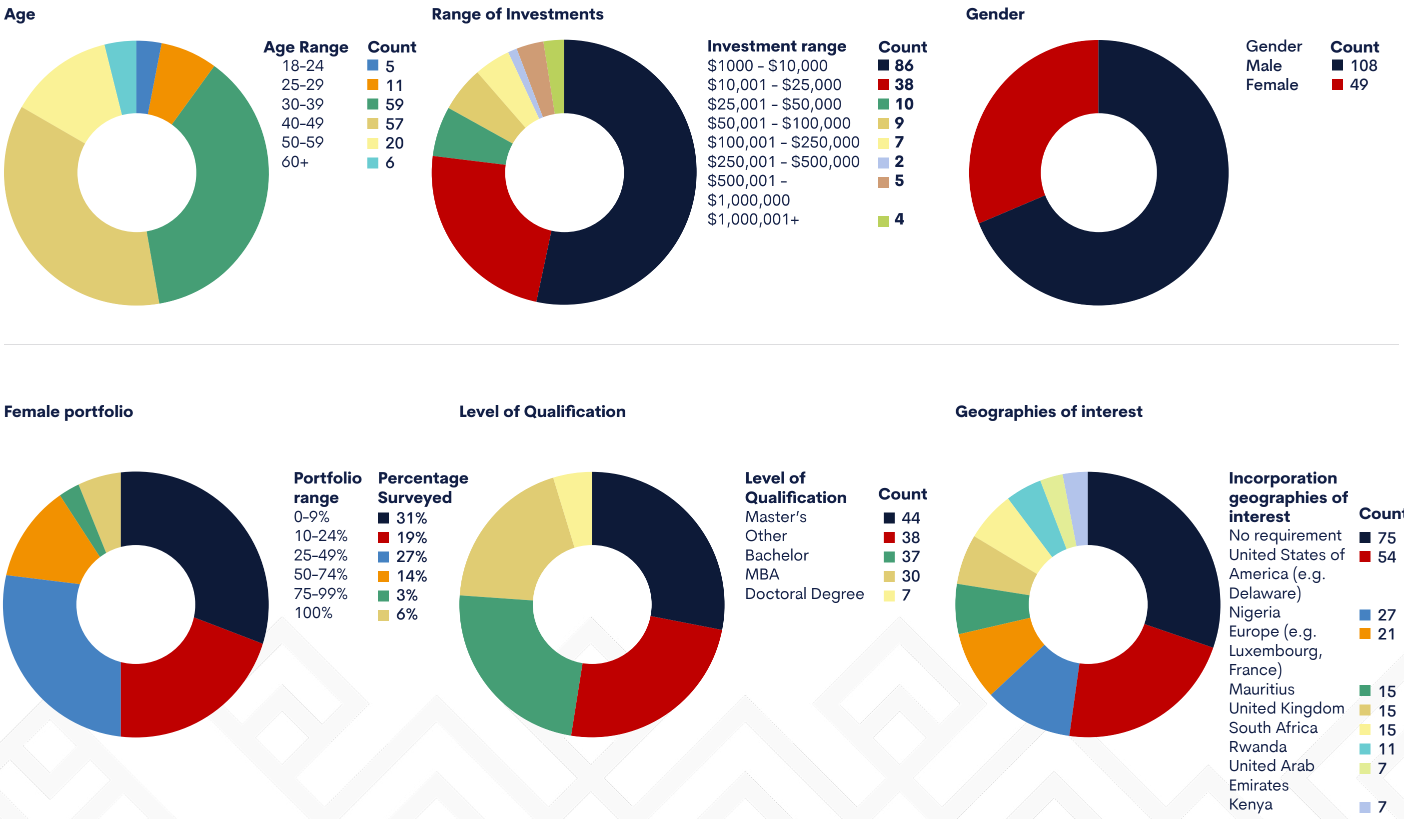
Table 1: Angel investing activity

Indicators	**Q1&Q2 2023**
Number of active angel investors	2058
Number of active female angel investors	576 (28% share)
Number of transactions closed	408
Total amount invested by angels (disclosed)	$22,521.723.00
Average amount invested per startup	$55.200.30
Startup engagement	
Number of member events organised?	260
Number of mentorship sessions with portfolio startups?	270
Number of startup applications received	5743
Number of startups shared with angel network members?	1509
Number of female founders or co-founders?	287(19% share)
Number of transactions closed	408 (27% share)
Impact indicators	
Estimated decent job created by portfolio companies (disclosed)	6,280
Estimated total revenue generated by portfolio companies	$15,700,000
Data source: *ABAN affiliated members quarterly reports (23 networks out of 68 participated) + Catalytic Africa data. Timeline: Q1 and Q2 2023*	

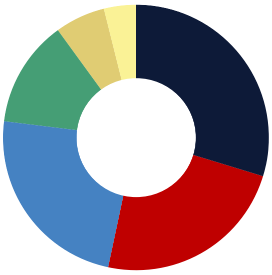
Survey deepdive: Angel characteristics

This section examines the composition of 161 surveyed angels to gain an understanding of their demographic and investment characteristics.

Figure 2: Angel Snapshot

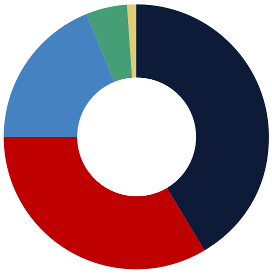


Background



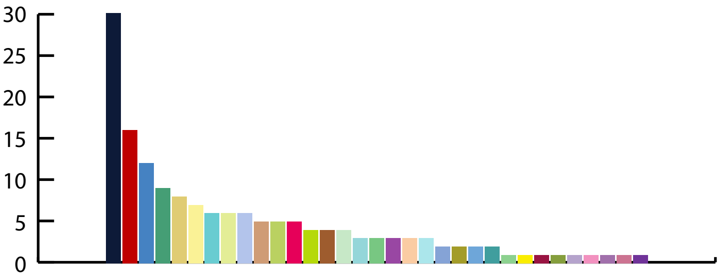
What role best describes your background?	Count
Founder / Entrepreneur	5
Manager or Executive (Corporate)	11
Investor (work at a fund)	59
Other	57
High Net Worth Individual	20
Analyst or Associate	6

Stages of Interest



At what stage of a business do you invest?	Percentage Surveyed
Pre-seed (pre-product market fit)	42%
Angel (concept or idea phase)	34%
Seed (first venture round)	19%
Series A (early growth)	5%
Series B+(growth to later stage)	1%

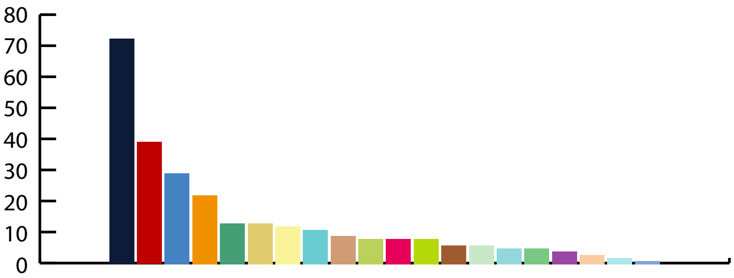
Location



Where are you based?

Nigeria	30
South Africa	16
Kenya	12
Cameroon	9
Ghana	8
United States of America	7
United Kingdom	6
Tanzania	6
Rwanda	6
Uganda	5
Cote d'Ivoire	5
Botswana	5
Zambia	4
Tunisia	4
Democratic Republic of Congo	4
Morocco	3
Germany	3
France	3
Egypt	3
Canada	3
Sudan	2
Senegal	2
Malawi	2
Cabo Verde	2
Zimbabwe	1
United Arab Emirates	1
Singapore	1
Mozambique	1
Mauritius	1
Cape Verd	1
Burkina Faso	1
Benin	1
Algeria	1

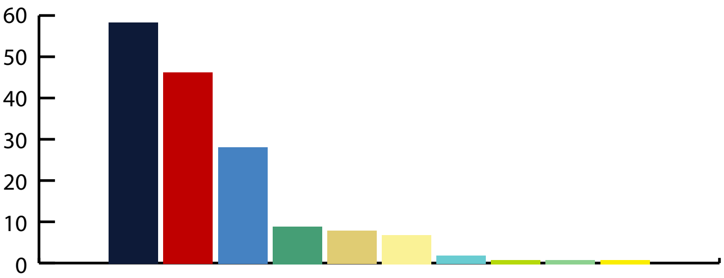
Sector



Sectors of Interest

Sector-Agnostic	72
Fintech	39
Agriculture & Agritech	29
Education & Edtech	22
Healthtech	13
Entertainment	13
Logistics & Supply Chain	12
E-commerce	11
Cleantech	9
Mobility	8
Foodtech	8
Artificial Intelligence	8
Proptech	6
Big Data & Analytics	6
Software	5
Cryptocurrency	5
Insurtech	4
Fashion	3
Telecommunication	2
Security	1

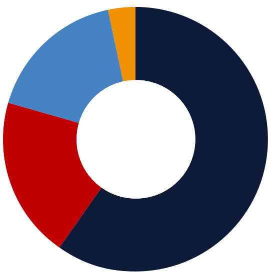
Source of Capital



What is your key source of investment capital?

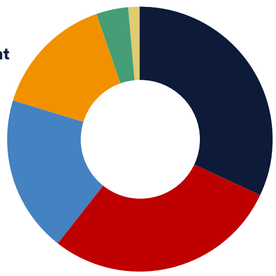
Salary or wage	58
Reinvesting a percentage of my wealth	46
Managing someone else's capital	28
Earnings from previous exit (founders or investors)	9
Prefer not to disclose	8
Income from stocks and dividends	7
Inheritance	2
Profits & Remnants from our consulting	1
Government empowerment	1
Business manager " Communication Strategy "	1

Type of investment



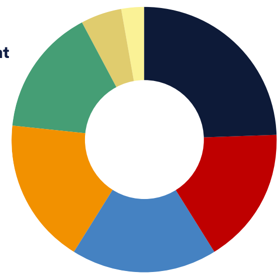
Type of investment	Count
Equity	127
Blended Finance	42
Debt	36
Other	7

Investment Instruments



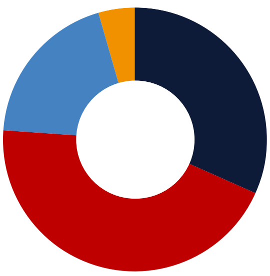
Investment Instrument	Count
Equity/ Shareholders Agreement	102
SAFE	92
Convertible Loan	61
Agreement	48
Grant	12
Other	4

How they find companies



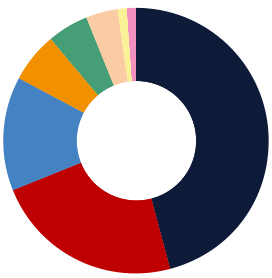
Finding companies	Count
Personal network and referrals	108
Innovation hubs/ accelerator cohorts	87
Syndicate/Angel network	79
Direct outreach from founders	52
Events	40
VC database	8
Media	4

Motivation for Investing



Impact metrics	Count
Social impact e.g. youth and women empowerment	96
Economic impact e.g. job creation, poverty reduction and financial inclusion	135
Environmental impact e.g. emission reduction	59
None	13

How Do they Invest?



Method of investing	Percentage Surveyed
Use a combination of two or more methods	46%
On my own	23%
Via a syndicate / collective / angel network	14%
With other angels	6%
Via a startup funding platform	5%
Other	4%
Via a rolling fund	1%
As an LP	1%

Zooming In: Survey Participant Quick Facts

Demographics

1. **Age:** The majority (over 70%) of angel investors are between the ages of 30 and 50. The age distribution of the respondents suggests angels are typically successful and established in their careers.
2. **Gender:** Survey results show that angel investors are predominantly male, standing at 69% of total respondents. C-level managers and entrepreneurs make up the majority of female angels (61%), while entrepreneurs and investment professionals make up the majority of male angels (56%).
3. **Ethnicity:** Briter's secondary analysis of respondents revealed that the majority of angels writing cheques are black (68%).
4. **Education:** Angels come from different academic backgrounds with business administration (38%) and accounting and finance (21%) being the two most common fields of expertise, according to Briter's secondary analysis. Many angels have a university degree (76%) and have received foreign education (54%).
5. **Occupation:** Founders or entrepreneurs make up the largest group of angels (30%), followed by investment professionals (24%) and C-level managers (24%). Entrepreneurs backing local founders to solve local and global challenges after experiencing success in their ventures is a testament to their commitment to building a thriving startup ecosystem in Africa.
6. **Location:** Most of the surveyed angels are based in Africa's top investment destinations, with Nigeria leading (19%), followed by South Africa (10%), and Kenya (8%).

Deal characteristics

1. **Sources of investment capital:** Angels typically use their own money, most commonly generated from their salaries (36%) and wealth (29%), to invest in ventures. A small minority of angels (17%) invest other people's money.
2. **Investment types:** Equity is the preferred investment type among angels (60%), followed by blended finance (20%), and debt (18%).
3. **Investment instruments:** Angels use a combination of investment instruments to deploy capital. Equity/shareholders agreement emerged as the preferred instrument among angels (32%), followed by SAFE (29%), and convertible notes (19%). Fewer than 20% of angels use loan agreements and grants.
4. **Range of cheques:** Most angels invest small tickets. 53% of angels invest between $1,000 and $10,000 per round.
5. **Female portfolio:** Half of the angels reported having at least a 25% portfolio share of female-founded companies.
6. **Sector preference:** Many angels focus on two or more sectors, with around a quarter taking an agnostic approach when investing in startups. Fintech is the most popular sector among angels reflecting trends in the African startup ecosystem.
7. **Stages of interest:** The majority of angels prefer to back startups that are in the very early stages of development and at the pre-product market fit stage (75%).
8. **Domiciliation of interest:** While a third of surveyed angel investors are open to investing in startups regardless of their domiciliation, US incorporation is still preferred by angels (24%) with a business registration criterion.
9. **Follow-on funding:** Two-thirds of angel investors (66%) offer follow-on investments to their portfolio companies. Over 50% of angel investors have at least 10% of their portfolio companies that have raised new rounds of funding from other investors.
10. **Exits:** Only a minority of African angels (less than 30%) have achieved an exit of 10% or more on their portfolio investments, highlighting the early nature of their investments.

Investment process

1. **Method of investing:** Close to half of angels use two or more methods to deploy capital including on their own, investing with other angels and through angel networks. Fewer than 25% of investors invest independently.
2. **Angel network affiliation:** Half of respondents are part of angel networks that provide support, networking

opportunities, and essential investing resources for founders.

3. **Deal flow channels:** Angels find investment opportunities through a variety of channels, with the majority discovering startups through their personal networks (29%), followed by accelerator cohorts (23%) and syndicates (21%).

4. **Preferred founder qualities:** Technical experience is the most important quality that angels look for in founding teams, followed by strong managerial experience, being a second-time founder, and having good interpersonal skills.

5. **Impact metrics:** Nearly half of surveyed angels (45%) said they prioritise economic impact, such as job creation, in their investments.

Zooming Out: Angel Investors In The Funding Landscape

Deals data extracted from Briter's global angel database of over 380 angel investors that have invested in one or more publicly disclosed deals across startups in Africa since 2015 provides insights that can be compared to the survey findings. It shows that while the demographics of angels between the two groups vary, there are some general trends: Angel investors in African startups are predominantly male, university-educated, and have achieved some level of success in their career.

Table 2: Comparisons between survey and angel database findings

Demographics	Africa angel survey findings	Global angel database
Gender	Angels are predominantly male (69%)	Angels are predominantly male (89%)
Education	Master's degrees are the most common level of qualification	Bachelor's degrees are the most common level of qualification
Occupation	Entrepreneurs make up the largest group of angels	Business executives make up the largest group of angels
Location	Nigeria is the primary location of the majority of angels	The US is the primary location of the majority of angels

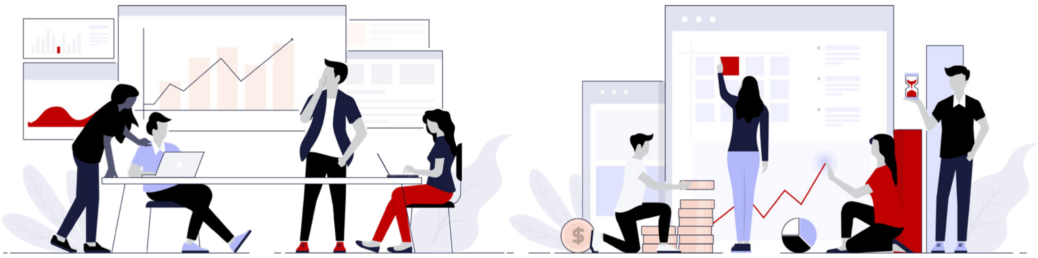
A case study of an angel network actively investing in African startups is provided on the next page.

Angel Network Activities

Case Study 1:
Lagos Angels Network (LAN)

Table 3: LAN overview

Year founded	Informally in 2011, incorporated 2014	**Investment geography**	Nigeria
Founder(s)	Tomi Davies, Dotun Sulaiman, and others	**Investment focus**	Technology-enabled companies impact ventures
Legal form	Limited by guarantee entity	**No of startups funded**	83
No. of active members	365 members in 8 active groups	**Total amount invested**	About $5.2m
Examples of investments: *Andela, Flutterwave, Big Cabal Media, OmniBiz, Reel Fruit, Trueflutter*			



Network model and ecosystem engagement

LAN has developed a robust model that provides members with access to training through regular masterclasses, networking opportunities, and deal support resources such as investment agreement templates and due diligence frameworks. LAN board members are key actors in Africa's tech ecosystem, namely Kola Aina (Ventures Platform) who serves as Chair, and Biola Alabi (Acasia Ventures), Yemi Keri (Rising Tide Africa), Iyinoluwa Aboyeji (Future.Africa) and Olumide Soyombo (Voltron Capital) as members. They play a crucial role in developing the Nigerian tech ecosystem, particularly through their engagement with policymakers to pass the Nigeria Startup Act. LAN leverages partnerships with various groups and platforms such as Innovation Support Network (ISN) member hubs, Ventures Platform, and VC4A to build a strong pipeline of promising entrepreneurs and conduct investment readiness training sessions to provide valuable feedback and support for them. The network introduced a syndicated investment approach to pool additional capital from investors who are non-members.

Lessons learned

LAN recognises the importance of partnerships across all stages of startup funding, as well as the value of grant funding and non-member engagements in unlocking capital for early-stage investments. Also, LAN has introduced measures to ensure its financial sustainability by including terms that allow the network to participate in investment profits at exit.

Recent activities and looking ahead

LAN considers angel investing as a development asset class and has sought funding from development funders to provide risk capital for startups in the past. The network is exploring co-investment opportunities with partners such as Innovation Support Network (ISN) to increase access to capital for African entrepreneurs through Catalytic Africa, a co-investment fund founded by ABAN and AfriLabs that matches investments from qualifying angel investors into African growth-stage companies.

A case study of an angel network offering support to develop the capacity of African angel investors is provided on the next page.

Developing Angel Investor Capacity

Case Study 2: Nairobi Business Angel Network (NAIBAN)

Table 4: NAIBAN overview

Year founded	2021	**Investment geography**	East and West Africa
Founder(s)	Nick Vilelle (and 11 of his fellow graduates of the African Angel Academy)	**Investment focus**	Tech-based or tech-enabled startups in the pre-seed and seed funding stages
Legal form	Not-for-profit entity funded by membership fees	**No of startups funded**	21
No. of active members	127	**Total amount invested**	Undisclosed

Examples of investments: *Mosmos, Scale, BuuPass, Rubys, Legendary Food*

Lessons learned

NAIBAN shares insights from angel investing in Kenya. First, to support founders in the best way and set realistic expectations for their companies, angel investors have a responsibility to understand the economic, social, and political dynamics surrounding entrepreneurs. For example, there is intense competition in Kenya for tech talent. Second, a decentralised digital platform or team management software will not be enough to keep an angel group active and engaged; they need to be actively managed by real people – and even a tiny team costs money to run. Third, don't wait to have everything planned out before investing. Angel groups need to take a page from the brave entrepreneurs around them and "just do it", learning as they go.

Recent activities and looking ahead

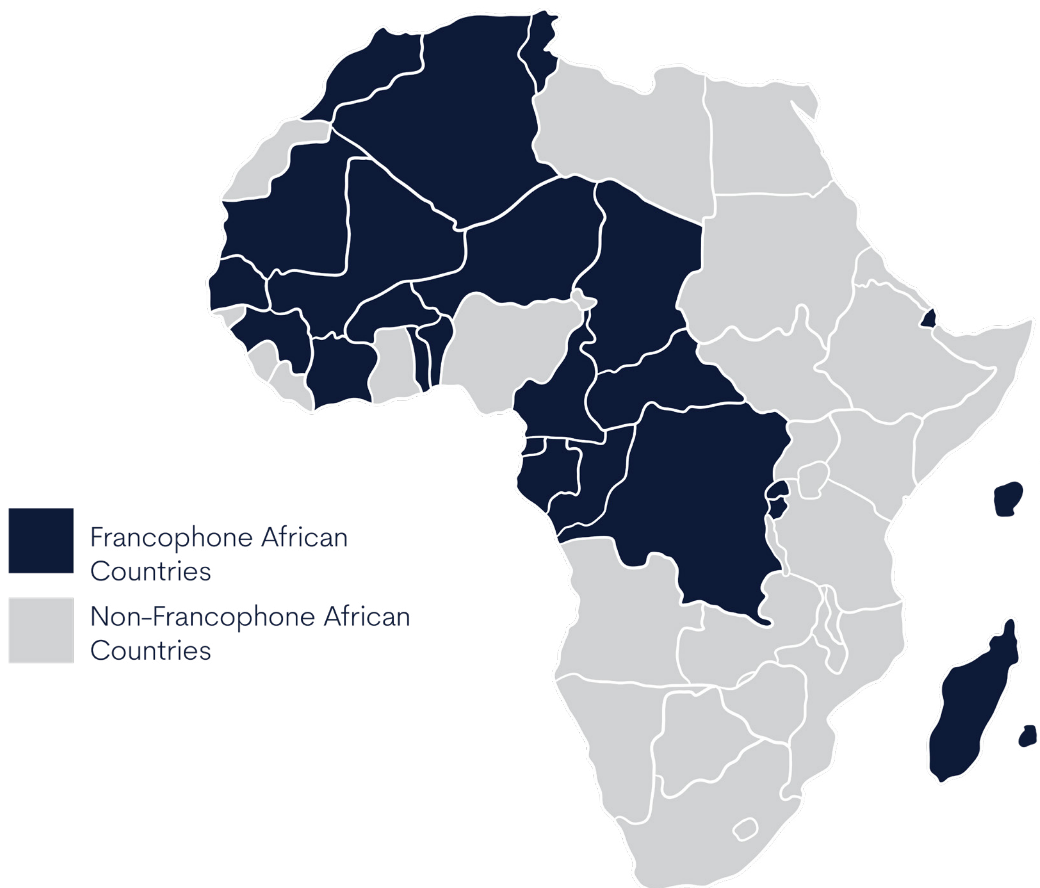
In mid-2023, NAIBAN partnered with the Dutch Good Growth Fund to strengthen monitoring and evaluation capacity, identify cost-efficient deal structures, and develop a network side-car fund model. This will support the still-young group's aim to transition from a volunteer organisation to a manager-led business network.

Chapter 2: Understanding Key Themes of Angel Investing

This chapter examines the strategies angels use to invest in their core areas of interest. It covers geographical targets, stage and sector specialisation, and gender-lens investing.

The Rise of Angel Investing In Francophone Africa

Francophone Africa, which refers to the 27 countries[3] that use French as their official or secondary language, including Côte d'Ivoire, Benin, Burkina Faso, Cameroon, and Senegal, is witnessing the rise of a vibrant startup and angel investing ecosystem. Historically, the region has lacked media attention and traction from being less attractive to non-French speaking investors. The Francophone Africa region has raised over $2.4b between the period of 2015 and 2023, representing only 13% of funding that has flowed into the African startup ecosystem, according to Briter Intelligence data. However, new developments in the ecosystem are expected to make the region more attractive to global investors, including the adoption of regulatory frameworks such as Startup Acts in member countries like Tunisia, Senegal, and the Democratic Republic of Congo (DRC) to support investors; success stories experienced by later stage startups like Wave Mobile; the release of the first copy of legal investment documentation for startups in French and in accordance with OHADA law; and the launch of new angel networks such as DRC Impact Angels.



3 *Briter Bridges (2021). Francophone Africa: State of Technology and Investment.*

Case Study 3: DRC Impact Angels

Table 5: DRC Impact Angels overview

Year founded	2022	**Investment geography**	DRC
Founder(s)	Hannah Subayi Kamuanga, Djo Moupondo and others	**Investment focus**	Sector agnostic
Legal form	Foundation	**No of startups funded**	5
No. of active members	21	**Total amount invested**	$100,000

Examples of investments: *ITOT Africa and Wenzemobile*

Network model and ecosystem engagement

DRC Impact Angels is a foundation dedicated to fostering and supporting the development of SMEs, startups, and entrepreneurs in the Democratic Republic of the Congo. The network leverages members' expertise and experience to transfer knowledge to new and aspiring angels from the DRC and the diaspora. Additionally, DRC Impact Angels holds masterclasses on a variety of investing topics to engage new members and upskill current members. They have partnered with the likes of Dream VC, Verod Kepple, and Haske to exchange learnings and gain more expertise in investing locally. DRC Impact Angels members share learnings through their monthly updates, strengthening the network and its activities. The network meets quarterly to discuss investment opportunities and make decisions. DRC Impact Angels sources new deals from its members and from engagements with enterprise support organisations in the DRC, and all members actively participate in deal evaluation. The network has engaged with over 30 startups and invested in 5, which have since raised follow-on funding from investors. DRC Impact Angels generates revenue from sponsorship and event-hosting activities, and advisory services. The network ensures its sustainability by investing in high-potential companies and maintaining partnerships with key stakeholders, such as Zeitec, a portfolio management company with expertise in driving exits. DRC Impact Angels has also adopted sustainable practices in its operations, such as embracing technology to reduce its carbon footprint, promoting remote work to minimise commuting, and implementing responsible investment strategies that align with its sustainability goals.

Lessons learned

DRC Impact Angels has learned to always set realistic value creation plans, thoroughly assess a company's indebtedness, carefully review the cap table, and evaluate medium-term funding needs before making an investment decision.

Recent activities and looking ahead

DRC Impact Angels' future plans include recapitalising the vehicle through new members or partnerships with banks.

Targeting Early-Stage Innovators

The majority of surveyed angels (75%) are interested in investing in startups at the idea phase or the pre-product market fit stage. This is in line with existing literature that suggests many angels prefer to invest in the formative stage of a startup, usually in their first or second year of operation[4], when startups are figuring out who the right customers are and how to satisfy their needs. At this stage, many companies struggle to raise funding from institutional investors who require certain milestones to be reached before making an investment. Investing at this stage can be difficult because of lack of data to make decisions. As a result, angels typically adopt informal approaches to decide which companies to invest in. "Trust is a big part of investing at this stage," as one surveyed angel notes. One reason is because at the pre-seed level, key considerations rely on the idea, market, and founding team. Given the relatively small ticket size, there is also typically less stringent criteria required for the startups to meet, and the due diligence process is less extensive than what is needed at later stage rounds. However, this is considered relatively easier and less risky than investing at the later stages where "the risk is more associated with performance and there is often a lack of data to allow for a more thorough due diligence of the opportunity to reflect the larger capital commitment", according to another surveyed angel. Angels can provide and gain huge value by helping startups in this category to build solutions that people need.

Emergence of Sector-Specific Angel Investing

Some angel investors prefer to invest in industries or sectors where they have experience and expertise and can provide specialised support to startups, while others diversify their funds across different sectors[5]. Adopting an agnostic style ensures that investments are not limited to a specific sector, enabling angels to offer support in areas such as product development, marketing, and sales to a wide range of startups in emerging sectors. It also helps the angels to diversify their portfolio and manage risks. Nevertheless, angel networks that allow angels to focus on a specific sector are emerging, reflecting the trend of sector-specific angel networks and VC funds in the African startup ecosystem. These networks often have an impact-driven investment thesis and are focused on sectors like agriculture, energy, smart cities, digital trade, and creatives.

Survey Deepdive: Sector Specialisation

Last year's ABAN African Angel Investment Survey (2022) found that 51% of angels expressed interest in three or more sectors with fintech emerging as the most popular sector. Similarly, this year's survey shows that 75% of angels prefer to invest in two or more sectors with fintech emerging as the most popular sector among angels. The sustained interests of angel investors reflect trends in the African startup ecosystem as fintech continues to dominate venture funding. Agtech, edtech, entertainment, and healthtech are other popular sectors among angels. As angel investors become more experienced and risk-tolerant, they are increasingly investing in specific sectors.

4 *Morrissette, S.G. (2007). A Profile of Angel Investors. The Journal of Private Equity.*
5 *Morrissette, S.G. (2007). A Profile of Angel Investors. The Journal of Private Equity.*

Case Study 4: ABAN's Thematic Networks

Table 6: ABAN's thematic networks overview

Angel group name	**Climate Smart Agriculture Investor Network**	**Clean Technologies Investor Network**	**Smart Cities Investor Network**	**Digital Trade Investor Network**
Year founded	2022	2022	2022	2022
Angel group champion(s)	Hannah Subayi Kamuanga  Umulinga Karangwa 	Yemi Keri 	Serge Ntamack 	Lynton Peters 
Number of active angel investors	35	28	32	38
Investment geography	All 54 African countries	All 54 African countries	All 54 African countries	All 54 African countries
Investment focus	Technology-enabled impact ventures	Technology-enabled impact ventures	Technology-enabled impact ventures	Technology-enabled companies ventures
Number of startups funded	5	4	3	6
Investment instrument(s)	Equity (shareholders agreement) convertible notes, and SAFE	Equity (shareholders agreement) convertible notes, and SAFE	Equity (shareholders agreement) convertible notes, and SAFE	Equity (shareholders agreement) convertible notes, and SAFE
Examples of investments	Wenzemobile (DRC)	Gricd Integrated Services Limited Corporation (Egypt)	Bee Sarl (Cameroon), Rivuuz (Zambia), Yugo Limited (Mauritius), Dawa Mkonon (Tanzania), Twende (Côte D'Ivoire)	Duqha Limited (Kenya), Inputi (Uganda)

Network model

As angel investors gain expertise in managing early-stage investment risks, they are increasingly focusing on specific sectors they know well or care deeply about. This has led to the launch of new thematic networks by ABAN, to support angel investors and startups in climate-smart agriculture, clean technologies, smart cities, and digital trade. The thematic networks focus on sectors that address critical challenges facing Africa, while offering the potential for both financial returns and sustainable and impactful development.

Table 7: ABAN's thematic networks value proposition

ABAN's thematic network	The urgent need	Opportunity
Climate smart agriculture	Large-scale investments are needed to transform Africa's agricultural value chains over the next decade, according to the World Bank.	Investing in climate-smart agriculture can actively transform Africa's agricultural value chains, making them more efficient, climate-resilient, and profitable.
Clean technologies	Clean technology startups are the driving force for a sustainable future in Africa. However, there is a significant 7x investment gap that needs closing to empower these startups to meet the continent's clean technology targets.	Clean technology investments can support innovative startups in addressing Africa's sustainability challenges and contributing to its social and economic development.
Digital trade	Intra-African trade has the enormous potential to lift 30 million people out of extreme poverty.	Investing in facilitating and expanding intra-African trade can contribute to creating a wealthier and more prosperous continent.
Smart cities	Africa needs investment to bridge its transportation, healthcare, and energy infrastructure gaps and address the challenges of rapid urbanisation.	Investments in smart city startups can help them scale their innovative solutions, leading to social, economic, and environmental benefits for Africans.

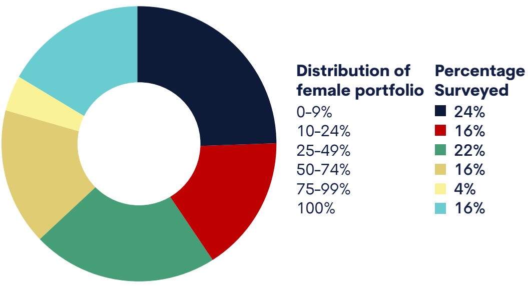
Lessons learned

Key lessons learned from launching ABAN's thematic networks include developing tailored content to build network capacity and expanding the network to include more cross-continental and cross-regional angel investors to co-invest in African deals.

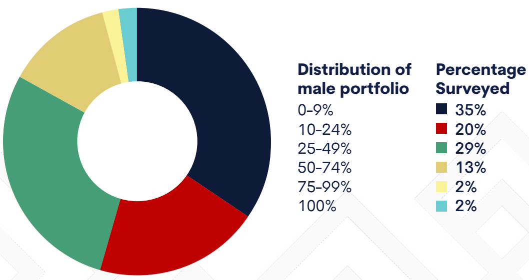
The Important Role Female Angel Investors Play Within The African Startup Ecosystem

Female angels play an important role in promoting diversity in the African innovation and investment ecosystem. Angels are increasingly adopting gender-lens investing to deploy capital to startups. A 2021 study by Briter Bridges and the World Bank revealed that female-founded businesses receive disproportionately less funding than male-founded businesses in Africa[6]. Data from Briter Bridges' Africa Investment Report (2022) produced similar findings with all-female teams capturing 2.8% of the $4.8b invested into the African startup ecosystem. Research shows that female angels are more likely to back women founders[7]. Analysis from last year's ABAN African Angel Investment Survey (2022) also found that 74% of female angels said that having a gender-balanced portfolio is a priority, compared to 39% of male angels. Gender-lens investing seeks to advance gender equality and diversity in the African investment landscape through equitable deployment of capital. Angels are taking active measures to address the gender funding disparity in Africa, such as launching angel networks that prioritise female-founded businesses, businesses with female executives and managers, or products that improve the living conditions of women.

Distribution of female portfolio



Distribution of male portfolio



Survey Deepdive: Gender

Data from the 2023 angel survey showed that more female angels back female founders than male angels.

Figure 3a: Distribution of female portfolio

More than half (59%) of female angels have at least a 25% portfolio share of female-founded companies.

Figure 3b: Distribution of male portfolio

Less than half (46%) of male angels have at least a 25% portfolio share of female-founded companies.

Among the female angels, more than 60% are business executives and entrepreneurs. Many of them invest directly or through angel networks, using their salaries to write cheques between $1 and $10,000. A case study of an angel network investing in African startups with a gender lens is provided in the next page.

6 *With, L., Guiliani, D., Coleman, R., Ebrahim, M., & Weis, T. (2021). In Search of Equity: Exploring Africa's Gender Gap in Startup Finance.*
7 *Eban (2005). Should female angels only invest in female-founded businesses?.*

Case Study 5: Rising Tide Africa (RTA)

Table 8: RTA overview

Year founded	2017	**Investment geography**	Pan-African
Founder(s)	Yemi Keri, Dr. Ndidi Nnoli-Edozien	**Investment focus**	Tech-enabled businesses owned, led, or offering solutions to improve women's livelihoods
Legal form	Limited Liability Company in Nigeria	**No. of startups funded**	34
No. of active members	100+	**Total amount invested**	$2 million

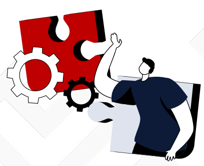
Examples of investments: *Shuttlers, Omnibiz, Bankly, Amayi, Eden, Kwik, Chekkit*

Network model and ecosystem engagement

Most deals come via referral, though there is more active prospecting too. Businesses need to score a minimum of 11 on RTA's 15-point rating scale in order to proceed to the group's "mini due diligence" process. Thereafter, the business may be invited to pitch at RTA's monthly investment meeting which is open to all RTA members. There is usually a minimum of three pitches at the monthly investment team meeting and each pitch is 15 minutes long. If there's interest in a particular business, a deal "chat room" is created to manage members' interactions as they engage in follow-on questions and discussions with the founder(s). An interested member is selected to lead the process, and she conducts the formal due diligence process and continues the relationship with the entrepreneur, including facilitating access to mentorship from skilled RTA members. Initially, RTA created SPVs for each deal, but in 2020 the process was simplified and each RTA member now signs a single master syndicate agreement that gives power of attorney to RTA (the entity). Investing members then sign a subscription agreement for each individual investment. To date, RTA has invested close to $2 million in 34 investments across several countries, and has recorded one exit. Most members are sourced through referral. Those interested in joining the network start by expressing their interest via email. The membership team then follows up with a call to introduce RTA and angel investing, and learn more about the individual. Additionally, RTA hosts a quarterly network event to welcome new members. As for startups, RTA runs a virtual business accelerator which offers entrepreneurs a five-week, self-paced business learning experience – and doubles as a means to identify investment opportunities. The quality of their assignments gives some insight into their business management acumen and the accelerator creates a starting point to build the relationship with the entrepreneurs.

Lessons learned

RTA provides key lessons for running a gender-targeted investment network. First, RTA carefully evaluates the value offered by early-stage startups and takes a more hands-on approach to supporting ambitious, but inexperienced, entrepreneurs. Second, RTA invested in growing the confidence of women entrepreneurs, through events and education platforms, so that they can learn how to handle rejections. Third, RTA emphasises the importance of strong back-office support as the group expands.



Recent activities and looking ahead

RTA's co-founder, Yemi Keri, has been actively contributing to the development of angel investing in Africa in her capacity as a board member at LAN, and a champion of ABAN, EBAN and AEDIB/NET's thematic angel network. Keri is increasingly supporting startups in the cleantech sector and believes that "we must act responsibly in ensuring a great future for the next generation."

Chapter 3: Creating A Conducive Environment For Angel Investors

Angel investing has opened many doors for early-stage innovators across the continent. This chapter examines the measures and activities needed to boost angel activities in the African startup ecosystem.

Ease of Investing

Doing business in many African countries remains challenging despite efforts by governments to create attractive investment destinations[8]. Creating a conducive environment for investors helps new angels enter the space, providing more avenues for early-stage businesses to access capital. Regulatory frameworks that protect angel investors and tax incentives that encourage angel investing are a good starting point. However, there is more that can be done. Tim Gelissen, an Advisory Lead at Innovation for Policy Foundation believes that while tax incentives and tax breaks help to make it more attractive to become an angel, investors are looking for other factors to rationalise investments, including certainty and predictability in the financial market, reduced risks of investments in unstable economies, and ease of compliance. Many investors are seeking a more active role from governments in shaping policies that provide supportive measures for investors and businesses within the tech ecosystem.

Examples of Favourable Policies For Angel Investors

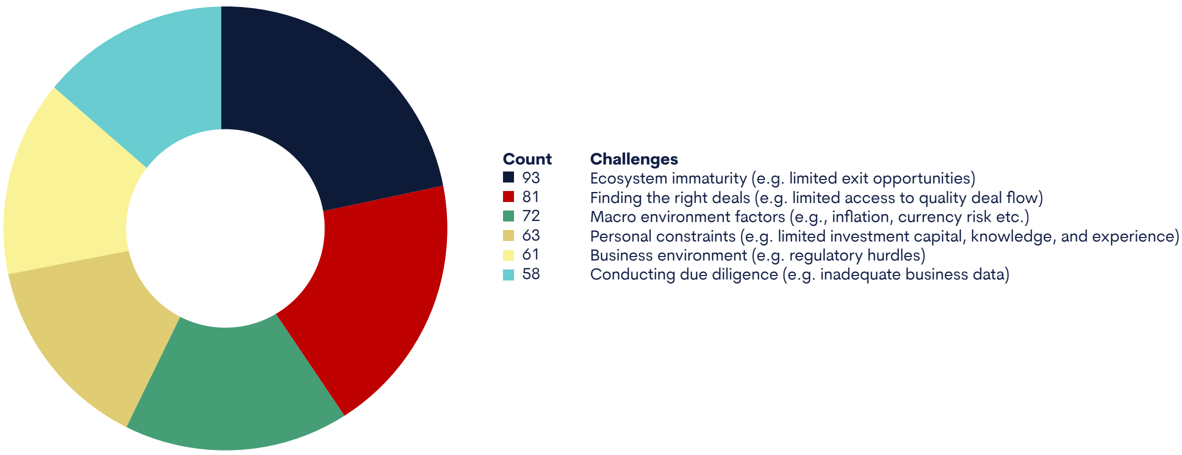
To date, four African countries have adopted Startup Acts to foster entrepreneurship and boost the creation and growth of innovative businesses, with several others starting the process of developing or adopting a Startup Act[9]. Tunisia was the first African country to adopt a Startup Act in 2018, followed by Senegal (2020), Nigeria and the Democratic Republic of Congo (DRC) (both 2022). Startup Acts as policy instruments are relatively new in Africa and, as a result, it's difficult to track their implementation. However, they hold promises for addressing common challenges that angel investors face. One example of a favourable measure for angel investing is a provision in the Nigeria Startup Act that exempts angel investors from capital gains tax when they exit an investment[10].

Survey Deepdive: Challenges Faced And Incentives Needed

Data from this year's survey revealed that ecosystem immaturity is a major barrier faced by angels when investing in Africa. Nascent markets are characterised by mostly early-stage companies, limited support organisations and structures, and low availability of capital to scale. In some countries, there is also a lack of necessary regulatory frameworks to protect angels and limited exit opportunities.

8 *World Bank (2020). Doing Business 2020 Fact Sheet: Sub-Saharan Africa.*
9 *Innovation for Policy Innovation (2022). Entrepreneurship Policy Benchmark Report.*
10 *KPMG. (2022). Nigerian Startup Act.*

Figure 4: Challenges faced by angels



The limited existence of mature startup ecosystems in Africa, which also limits exit opportunities for angels, is the top challenge cited by respondents. This is followed by finding quality deal flow in second place and macro environment factors in third place. Some angels reported being more cautious and risk averse when investing due to past negative experiences, while others have had to reduce their investment sizes or have shifted their focus to low-risk industries and geographies.

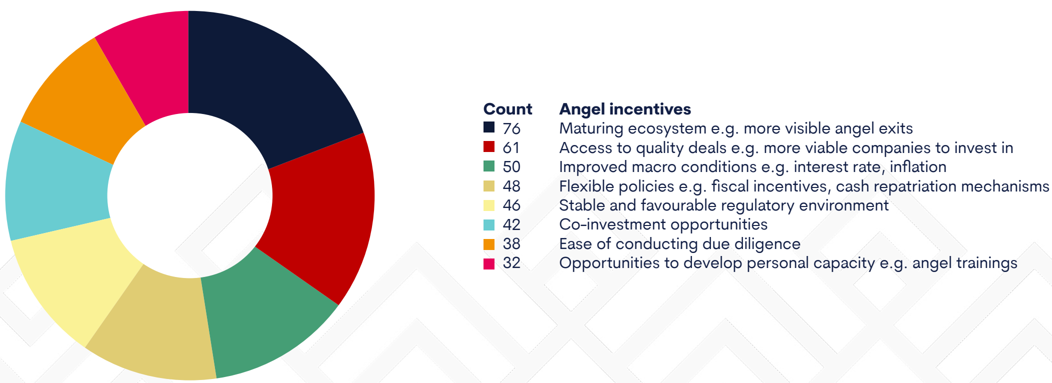
Other challenges faced by angels include accessing quality deal flow, especially for investors with a gender-targeted thesis; currency risks and other macroeconomic factors; lack of data to conduct diligence; inadequate regulatory frameworks to protect angels, resulting in the loss of capital for some investors; long and tedious investment process; and regulatory risks and uncertainties from inconsistent policies.

There are several ways to overcome the challenges faced with the right know-how. One angel explained that "assessing and managing risks can enable investors to reduce their exposure to volatile situations such as opting for safer investments, limiting injection sizes, hedging, and diversifying their portfolio." Angels concerned about inflation and currency devaluation are shifting their focus to startups that have operations in multiple markets "to allow for currency diversification" and that provide returns only in foreign currency.

The incentives that angels need to increase their investments in African ventures are directly linked to the challenges they face when investing.

Figure 5: Incentives needed to invest more

Surveyed angels emphasise the attraction of maturing ecosystems, access to quality deals and high-potential innovators, and strong macroeconomic conditions as some of the key requirements to be able to increase their frequency and size of capital injection into African startups.



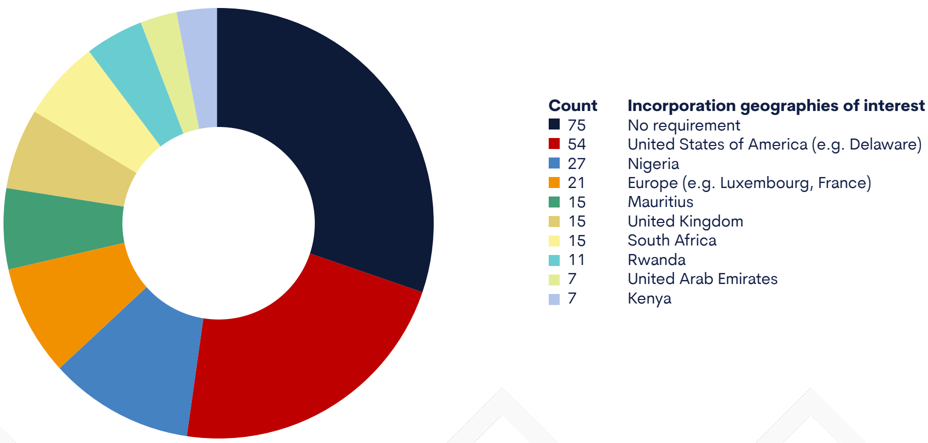
The Role of Domiciliation

Many of Africa's innovative startups choose to domicile or incorporate across financial centres and locations that have beneficial structures for investment. Examples include Delaware in the United States (US), Mauritius, Dubai, or Singapore. One of the main reasons for doing this is to attract capital from institutional investors that need to ensure repatriation and the ability to extract the returns on their investments. African startups that choose to incorporate and set up headquarters in their home country risk limiting their pool of potential investors to local investors if the conditions aren't favourable for investors. In Africa, Mauritius is a leading example and has been successful in attracting startups to incorporate there by offering a business-friendly environment, favourable laws, and incentives that boost investor confidence. Rwanda is also positioning itself as a preferred financial centre for attracting international investments through the creation of the Kigali International Finance Centre (KIFC)[11]. KIFC offers attractive investment incentives for different investor types to set up headquarter entities in Kigali, including free movement of capital, capital gains tax exemptions, favourable laws and regulations, and reliable dispute resolution mechanisms.

Findings from this year's survey however, show that US incorporation is the most popular choice among angels who require startups to be incorporated in a specific country. Ease of business, tax benefits, privacy, intellectual property protection, and predictable outcomes in legal disputes are some of the reasons why angels require startups to domicile in financial centres.

Figure 6: Choice of domiciliation

While a third of surveyed angel investors are open to investing in startups regardless of their headquarters, US incorporation is still preferred by angels with a domiciliation criterion for investing in startups.



11 *KIFC (2023). Kigali International Financial Centre.*

Chapter 4: Unlocking Capital And Unleashing 10x Early-Stage Investments In Africa

This chapter explores the pathways to exit and opportunities for budding angels interested in entering the space, highlighting the ways to unlock further capital for angel investing in the African startup ecosystem. Finally, the chapter presents the road ahead, showcasing the impact and role angel investing can have on innovation ecosystems and economic development, and provides insights into the future of angel investing.

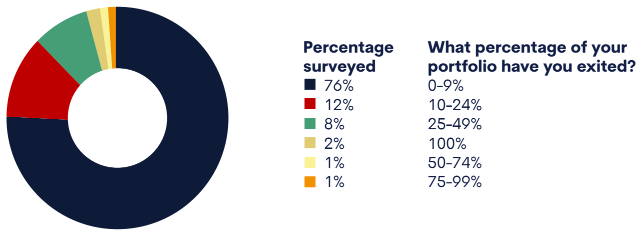
Exit Strategies For Angel Investors In Africa

Exits refer to the ways in which investors cash out their investment in a startup. In Africa, mergers and acquisitions (M&A) is the most common exit pathway for startup investors, with South Africa being the most active country for M&A deals. It is assumed that South African startups, which tend to be more capital efficient, are widely seen as attractive targets for private equity firms and corporate acquirers[12]. Also, the presence and support of local corporates like Naspers have helped to boost investment and M&A activity in the South African startup ecosystem. Global accelerators such as YCombinator and 500 Startups provide exit opportunities for angel and pre-seed investors in large markets such as Nigeria, Kenya, and Egypt, when their portfolio companies raise follow-on funding. Exit activity is a key indicator of the health of the venture capital ecosystem, and it can make venture capital a more attractive asset class for investors.

Survey Deepdive: Exit Strategies

Exits in the African angel investing landscape have been limited, as findings from this year's survey show.

Figure 7: Portfolio exits



Only a minority of African angels (less than 30%) have achieved an exit of 10% or more on their portfolio investments, highlighting the nascent nature of the ecosystem. That said, angel investing can sometimes be a longer play, whereby investing and getting equity at the early stages of a company's inception can yield significant returns as the company grows.

Some angels report to have developed strategies to realise a return on their investment in startups. One of them is building a pipeline of startups for later-stage investors. The value proposition is to offer VCs high-quality deal flow that have been de-risked, saving them time and resources so they can focus on scaling the businesses. Angels can then sell their ownership in the business through a secondary market sale, providing them liquidity to invest in other ventures. Angels are also engineering exits by fostering collaboration between different players in the tech ecosystem, such as startups, VCs, and corporate acquirers.

12 *Briter Bridges. (2023). What can exits tell us about African startups' performance?.*

Preparing To Exit

Angels believe that the frequency of exits in the African startup ecosystem can increase if founders prioritise building profitable, capital-efficient, and regulatory-compliant businesses. Additionally, founders can increase the exit potential of their businesses by building their company structure to be conducive to exits. This includes structuring their tax affairs to reduce multiple taxations and structuring their cap table, which details the ownership structure of shareholders in a company, to be compatible with VC-backed businesses. Setting up good corporate governance measures can help startup founders to build sustainable companies that will be attractive to investors and acquirers.

Bridging Africa's early-stage funding gap will require angels to develop their knowledge and capacity to improve their investment process and exit opportunities. Founders will also need to structure their businesses to make it easier to attract investors.

Case Study 6: Zeitec

Zeitec Investment Office (Zeitec) is an early stage investments assets management firm that focuses on identifying the best performing companies in Africa with the best investment potential and returns. The firm partners with local investors to identify appropriate international investors to partner with for achieving their growth potential. With a powerful network and valuable insights, their work is not only about numbers but also about making Africa a stronger player in the global investment scene.

Table 9: Zeitec overview

Founded	May 2023	**Investment geography**	Pan-Africa
Founding team	E. Yong, T. Davies, B. Leblois, B. Afolami	**Investment focus**	Tech-enabled
Legal form	LLC	**No of asset under management**	55
No. of mandates	5	**No of exits**	1 (on going)

Examples of investments: *OmniBiz, Powerstove, Trueflutter, Amitruck, BCM, Boreal Light, FlexiSAF*

Network model

The firm's network-driven approach has helped it connect with over a thousand investors in Africa, the United States, and Europe. Zeitec has mentored and worked with over one hundred founders that have successfully raised capital and continue to grow their ventures. The firm has an extensive partnership network of over three hundred organisations across the African continent specialised in entrepreneur support and committed to building a better Africa.

ZEITEC VALUE PROPOSITION & SERVICE

Bringing best-in-class data tracking, asset nurturing and investment management to maximize probability and values of exits.

Our Services

Ongoing Data Management & Relationships with Founders

Best-in-class data collection and analysis, coupled with regular founder touchpoints.

Quarterly Investor Reporting

Portfolio and asset level performance evaluations,
along with Zeitec analysis and exit strategy recommendations

Asset Nurturing

Best in Class Team equipped to support startups and foster their growth. Tiering of assets by exit potential to maximize returns.

Your Outcome

Exit Opportunities through investment Management & Exit Preparation

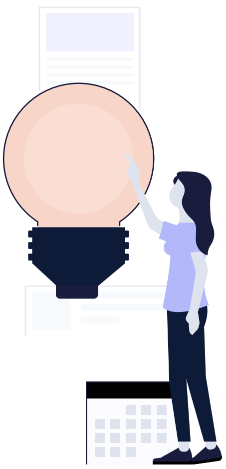
Through Zeitec's ongoing governance tracking.investors are kept up to date on their true cash value of their investment and investment conditions and terms

Optimized portfolio performance through Zeitec's targeted asset support and performance analysis

Zeitec's best in class analysis allows for maximized efforts towards assets with outsized exit potential.

Zeitec Investment Office's services include curated investment opportunities and portfolio management services. The firm provides access to data-driven curated deals and sub-advisory services to professional investors (individual and institutional) looking to diversify their portfolio with venture capital investments in Africa. Zeitec also provides investment readiness advice to founders and invaluable guidance on how to be ready for success. The firm stays the course with its founders and supports their startups' journey of evolution.This is achieved by shaping the next generation of global leaders in Africa and connecting global investors with African startups and seasoned African investors. Zeitec offers end-to-end asset management that maximises asset performance and visibility, optimises portfolio growth with target support to top assets, and proactively protects investors' positions and plans their exit.

The venture capitalist intends to identify investment opportunities in African tech start-ups and bring together local and foreign impact finance players for leverage

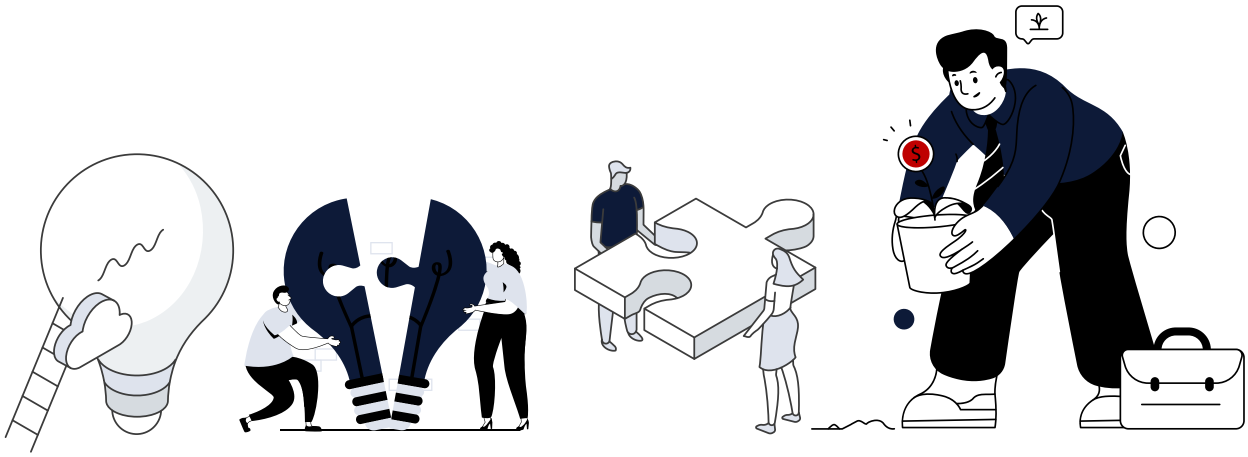


Lessons learned

One of Zeitec's strengths is understanding the hurdles that can affect investment success. They've learned that obstacles like dilution and liquidity related rights can hinder exit potential. Zeitec actively works with investors to understand how exit potential can be hampered and helps investors manage these challenges more effectively, guiding them through more proactive management of investments ensuring better returns on their investments.

Recent activities and looking ahead

Zeitec recently supported an early-stage investor in negotiating the investor's shares to another investor on the cap table of a top performing startup at a higher multiple, so the purchase would put the other investor in a strong cap table position of ownership. This move enhanced the position of the investor, showcasing Zeitec's commitment to strengthening the investment landscape. As they look ahead, Zeitec intends to become a driving force in African early stage investment, unlocking opportunities and driving growth.



Driving Local Capital For Early-Stage Innovation Across Africa

Non-African investors play an active role in supporting the growth of the African investment landscape. Many investors have even launched funds focused on investing in Africa such as Quona Capital in the US, TLcom Capital in the UK, and BECO Capital in the UAE. Non-African investors are more active in late-stage funding rounds, typically leading or co-leading investments, findings from the Briter Bridges' Africa Investment Report (2022) show. There is also a growing preference among African investors for de-risked growth-stage startups. This is creating a funding gap for early-stage startups that need access to human and financial capital to grow and scale their business.

Consequently, there is a crucial need to mobilise angel investors to bridge the widening early-stage funding gap. The startup ecosystem in South Africa can provide key lessons on how to do this. Initiatives like the SA SME Fund, an investment vehicle backed by the South African Government and donors, allocates capital to VC funds to make capital available for early-stage startups, and has helped to de-risk early-stage investments in startups.

Similarly, a number of VC firms, like Knife Capital and Founders Factory Africa, have launched venture building and accelerator programmes to support early-stage innovations. South African VCs are incentivised to support early-stage innovations because it builds a pipeline of potential investment opportunities for them and also because they benefit from tax-saving tools, such as Section J12 of the Income Tax Act. Startups seeking to unlock local capital for their early-stage innovation can consider raising funding in local currencies. This can help to reduce the impact of macroeconomic factors, such as inflation and currency devaluation, on investors.

Survey Deepdive: Unlocking Local Capital

Another important reason to unlock local capital for early-stage startups is that being heavily reliant on foreign capital can make African startups vulnerable in times of economic crisis. A number of VCs have slowed down investments in response to the global economic downturn. However, the majority of angels in this year's survey noted that they are still actively investing in startups.

Figure 8: Impact of global slowdown on angel investing

Despite the global slowdown, more than half of surveyed angels are still in the business of deploying capital to innovations in Africa, reflecting their resilience.

Angels are motivated to deploy capital in early-stage startups because of the potential for economic, social, and environmental impact.

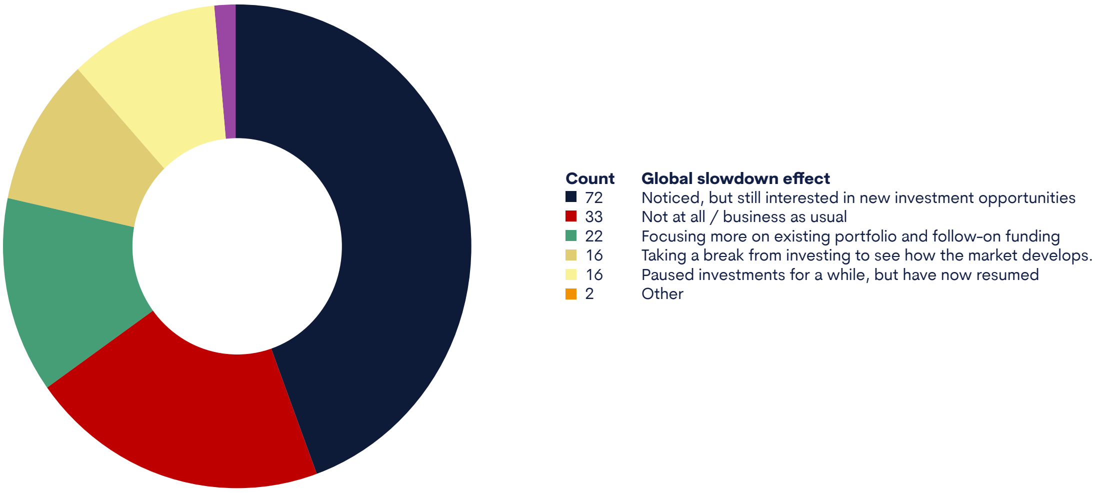
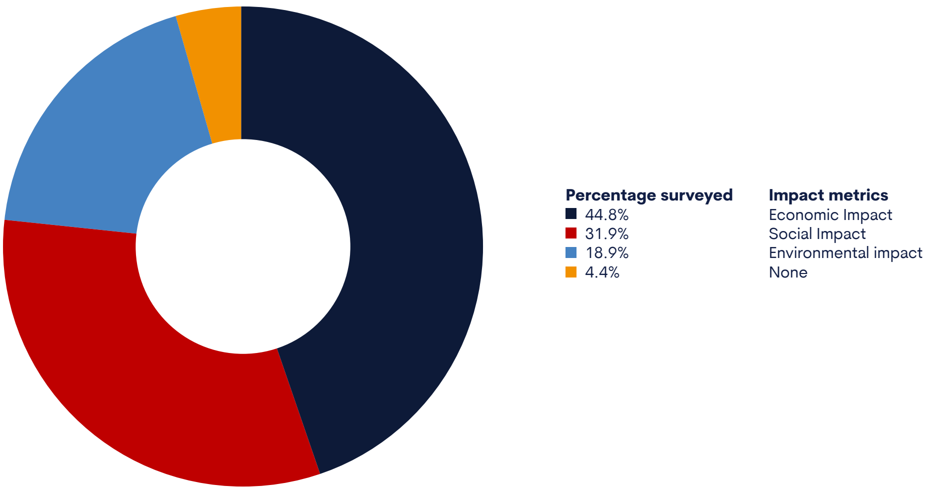


Figure 9: Impact metrics

Nearly half (45%) of surveyed angels said they prioritise economic impact, such as job creation, in their investments.

All in all, unlocking early-stage capital from local investors can play a vital role for both startup ecosystem growth and economic development, through fostering homegrown innovation, job creation, and economic resilience. Local investment not only provides startups with access to financial resources, but also builds a self-sustaining entrepreneurial ecosystem that drives long-term economic growth, reduces dependency on external funding, and empowers local communities. Boosting the local investment landscape can also help retain and attract top entrepreneurial talent, enabling African startups to tackle local challenges and seize opportunities with tailored solutions.



Case Study 7: Catalytic Africa

Table 10: Catalytic Africa overview

Year founded	2021 (pilot), 2022 (rollout)	**Investment geography**	Pan-Africa
Founder(s)	ABAN in partnership with AfriLabs	**Investment focus**	Sector-agnostic, technology-driven, early stage (MVP), matching angels' funds
No of startups funded	21	**Total Capital Raised**	€1.6m
Startups engaged	741+	**Angel Networks**	82+

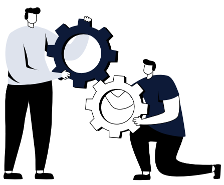
Catalytic Africa model

Catalytic Africa's platform provides end-to-end software for programme management, fund management, community engagement, and reporting. The matching fund enables angel investors affiliated to a local angel network member of ABAN to increase the size of investments made to African startups registered with a hub member of AfriLabs. The maximum financing from the matching fund is €60k per transaction. Financial instruments include simple agreement for future equity (SAFE) and convertible notes.

Lessons learnt

Early-stage capital can indeed be unlocked locally provided there is a transparent framework, supporting investment instruments and seamless a process for business angel investors.

Angel investors prefer to invest together as they believe that it contributes to de-risking their investments and creates a pool of additional support available to startups to leverage. Additionally, a deliberate approach should be taken to help direct funding to female-led startups. Economic sectors are crystallising. Before, it was almost evenly spread, now we are seeing fintech as the red-hot leader, followed by agritech, cleantech, healthtech, and edutech. Since the initial design of Catalytic Africa, the average ticket size for early-stage investment has increased (from €10-20k to €50-100k) due to market changes. Legal frameworks for angel investing are not homogeneous in Africa. 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 an active avenue that contributes to economic growth in Africa.



Recent activities and looking ahead

There are 614 hubs, 741 startups, 83 angel networks, and 238 angel investors registered on the Catalytic Africa platform. The Catalytic Africa fund has concluded 21 co-investment transactions in 15 countries: Cameroon, Benin, Botswana, Egypt, Nigeria, Tunisia, Kenya, South Africa, the Democratic Republic of Congo (DRC), Mauritius, Zambia, Senegal, Cote D'Ivoire and Uganda. Local angels have invested €1,169,973 in startups affiliated with AfriLabs' hubs, unlocking a total co-investment of €1,200,000, leading to a cumulative amount of over €2.3m invested.

Funding output

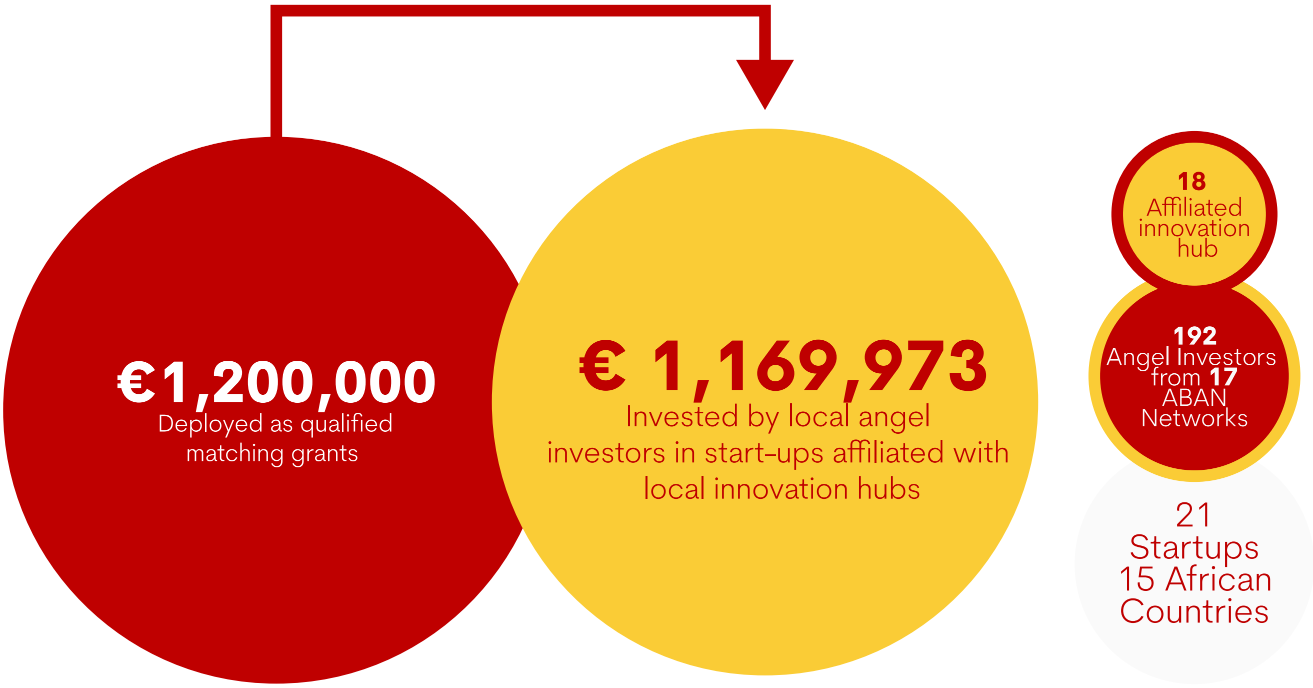
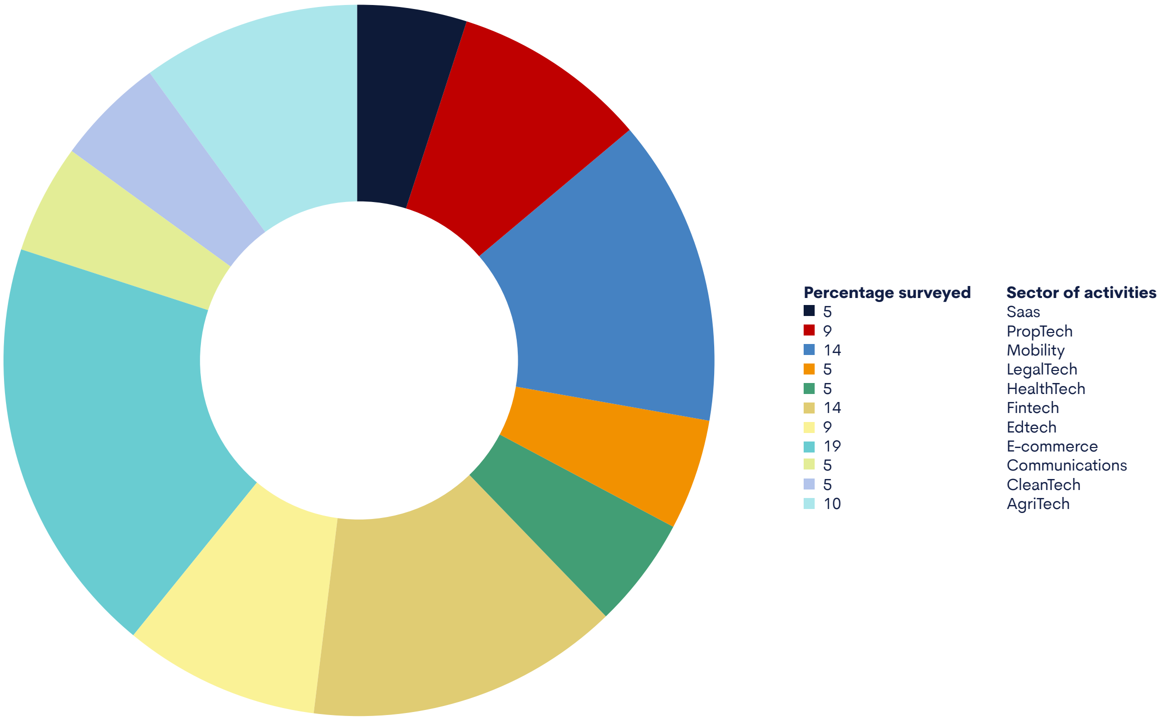


Figure 10: Catalytic Africa portfolio companies

No	Company	Sector	Investment Year		Initial Valuation		Latest Valuation		Multiple
				Operations	Value($)	Year	Value($)	Year	
1	Rivuuz	Proptech	2023	Zambia		2022		2023	1.0
2	Wenzemobile	Agritech	2022	Congo		2022		2023	1.0
3	Legal Fundi	Legaltech	2022	South Africa		2022		2023	1.0
4	Duhqa Limited	E-commerce	2022	Kenya		2022		2023	1.2
5	Yugo Limited	Mobility	2022	Mauritius		2021		2022	1.2
6	Bee Sarl	Mobility	2021	Cameroon		2021		2022	1.4
7	Kasookoo	Communications	2021	Nigeria		2021		2023	2.0
8	Gosmartvalue	Proptech	2022	Botswana		2022		2023	2.0
9	Freeoui	E-commerce	2022	Tunisia		2022		2023	1.0
10	Niokobok	E-commerce	2023	Senegal		2022		2023	1.0
11	Sumet Technologies	E-commerce	2023	Tanzania		2023		2023	1.0
12	Dawa Mkononi	Health Tech	2023	Tanzania		2023		2023	2.1
13	Mosmos	Fintech	2023	Kenya		2023		2023	1.0
14	ITOT Africa	Edtech	2023	Congo		2023		2023	1.0
15	Koree	Fintech	2023	Cameroon		2023		2023	1.0
16	Koloso	EdTech	2023	Zambia		2023		2023	1.0
17	Figorr	Saas Business	2023	Nigeria		2023		2023	1.0
18	Twende	Mobility	2023	Cote D'Ivoire		2023		2023	1.0
19	Tile Green	CleanTech	2023	Egypt		2023		2023	1
20	Inputi Limited	Agritech	2023	Uganda		2023		2023	1
21	Fedapay	Fintech	2023	Benin		2023		2023	2.5
				Total	$ 52,201,110		$ 65,145,332		1.2



Portfolio Demographics	
Gender split	40% Female, 60% Male
Total Capital Deployed	$ 2,369,973.00
% of companied with follow up round raised	70%
Type of Investment	100% Equity
Portfolio Impact	
Estimated decend jobs created	899
Estimated total revenue generated (6months)	$ 3,531,856

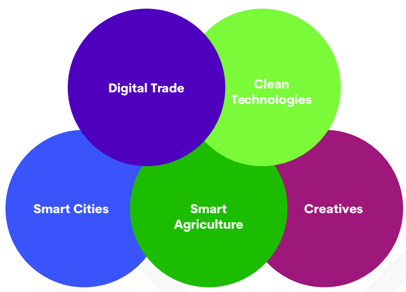
Catalytic Africa outlook

The Catalytic Africa team is actively raising additional funds from various partners to add to a pool that will be made available to startups in the form of matching funds as grants, equity, or debt, and is taking steps to establish specific funding pools targeting women-owned companies, key sectors contributing to transform African economies, and country-level ecosystems.

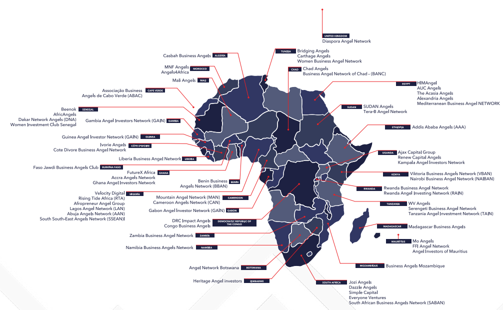
Gender-Sensitive funding pool to close women financing gap

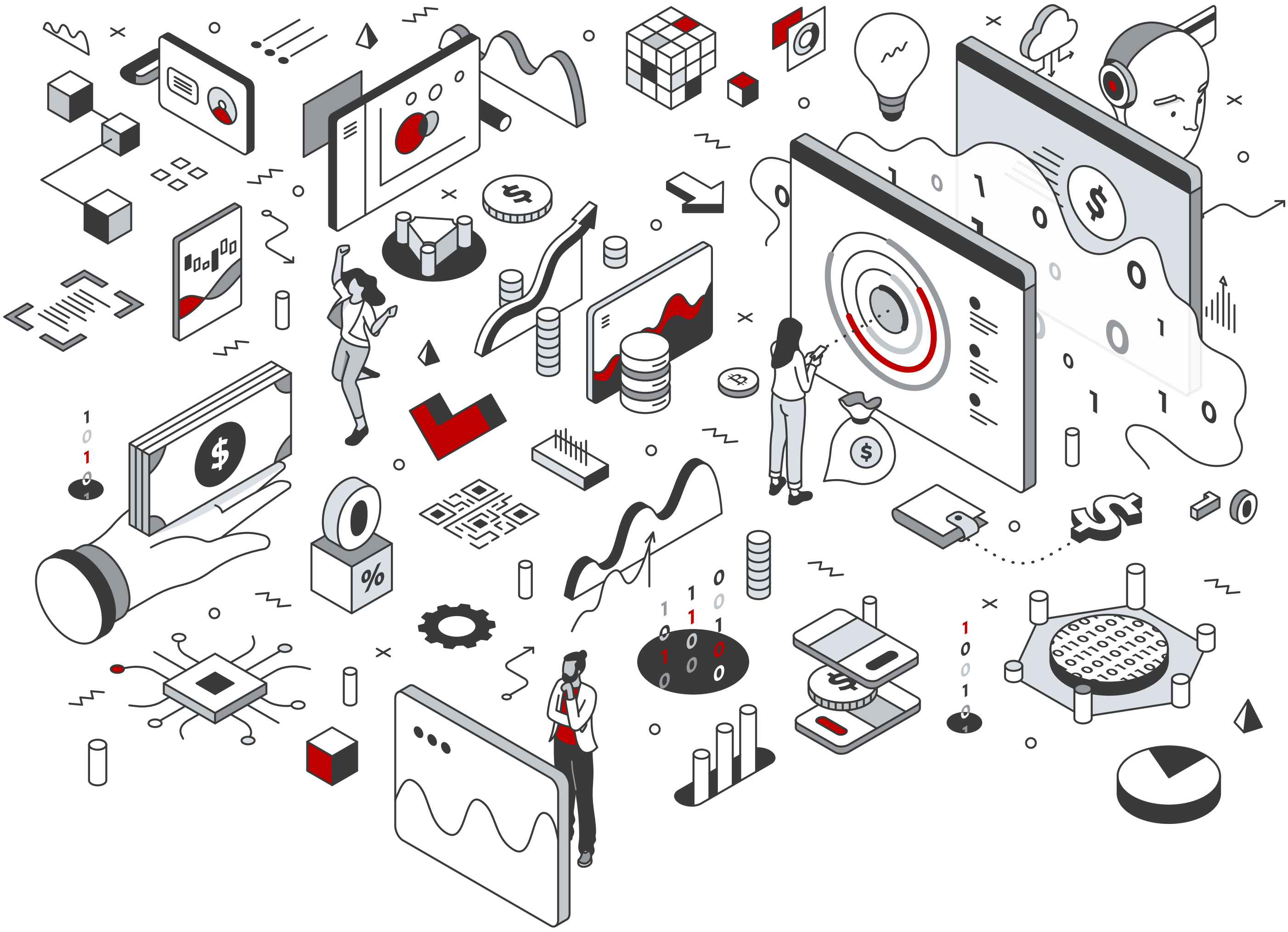
RevUp Women
Empowering women-led early-stage enterprises in Africa
AfriLabs Supported By VISA Foundation

Sector specific funding to stimulate sector development



Country specific funding pool to stimulate local development





Unleashing 10x Early-Stage Investments In Africa

A consistent picture of angel investors in Africa has emerged from three years of study by ABAN, with support from Briter Bridges and AAA. It shows that angels are mostly professionals offering financial and non-financial support to drive job creation and catalyse innovation in Africa. Angels invest for more than just money; they leverage angel investing as an economic development tool and as a way to give back to the ecosystem by supporting the next generation of entrepreneurs. This is reflected in their investment interests, the opportunities they target, and the resources they provide to startups.

The number of angels investing in Africa is on the rise, with new angel networks emerging that focus on specific demographics, regions, and sectors. This is at a time where the entrepreneurial ecosystem is fast-growing, Startup Acts are increasingly implemented, and the creation of financial centres and incentives, supportive laws and regulations are helping to boost investor confidence in Africa. Africa's growing tech ecosystem demands increased participation from strategic angel investors who can provide mentorship for startups to unlock VC funding and drive exits. Effective implementation of policies that support angels and deliberate focus by founders on building sustainable businesses will help to unlock 10x investments to bridge the early-stage funding gap in Africa.

ABAN

african business angel network

ABAN 2023 ANGEL INVESTMENT SURVEY REPORT

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https://abanangels.org/

Briter Bridges
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