

Feed our startup gazelles and unicorns with funding

 Byleigh Andrews

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Last week's AfricArena media event highlighted the continent's 'funding starvation syndrome', the African startup pyramid, and why we need to boost both the African startup gazelles and unicorns alike.



Christophe Viarnaud, founder of AfricArena and CEO of French-South African tech company, Methys.

Imagine over 450 delegates, 100 entrepreneurs, 80 startups, 22 exhibitors, 42 speakers, 67 investors, more than 40 live startup pitch battles, \$2m in deals directly associated with the event and much more in commitments. Those are the figures for AfricArena 2017.

Now take those figures and double them – that's a conservative guesstimate of what's to come from AfricArena 2018 says Christophe Viarnaud, founder of AfricArena and CEO of French-South African tech company Methys on reviewing the successes of last year's event.



'Now is the time to invest in Africa'

Tomi Davies 20 Feb 2018



That's a huge boon to business on the continent, as Viarnaud stated at last year's conference:

“ There are limited angel investors in Africa and we need to change the fact that less than 2% of the global seed investment is coming to Africa. ”

So while the first edition of AfricArena represented “an opportunity to explore tomorrow's trends while unleashing some of the continent's best startups and innovators,” their vision is to create the leading open African innovation platform, to unite international investors, corporates and local tech startups and communities.

This will serve as a catalyst to realise the full potential of Africa's entrepreneurs.

Linking African innovation and entrepreneurship

That's quite a mouthful, but oh-so-relevant to the African tech startup scene.

Known as the 'international African tech conference', last week saw an announcement hosted at the InvestSA One-Stop Shop in Cape Town, hosted by Wesgro in partnership with Silicon Cape, that the second edition of AfricArena 2018 will exponentially amplify its African growth strategy with the first-ever AfricArena world tour, which kicks off this month.



AfricArena World Tour to select startups in top African tech cities

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Tim Harris, CEO of Wesgro, mentioned that last year's conference was an incredible idea that brought entrepreneurs from across the continent to Cape Town. Its main objectives are:

- Strengthen the international traction of Africa's tech startups
- Showcase and promote globally the African tech ecosystem and its opportunities
- Attract corporates and investors to the Africa tech innovation sector
- Deliver a durable Pan-African impact conference with positive social consequences

And this year, it goes even further with the tour, set to build physical connections and connecting practically across the continent.

The conference ensures we're more connected as a continent as well as in the tech community, by harnessing the innovation coming from African entrepreneurs and taking it to the world.

Highlighting the importance of AfricArena, Harris said, "Being able to link the innovation and entrepreneurship happening in Cape Town with the innovation and entrepreneurship across the continent is an incredibly important way to build the connections we need to grow the African market and tech innovation in Africa."

Funding starvation syndrome

Conference founder Viarnaud added that the AfricArena vision for the first event was to bring investors and corporates interested in innovation in Africa together with startups from across the continent together.

They found the major issues affecting African entrepreneurs is the funding starvation syndrome, with a very low amount of the global tech seed funding going to Africa.

Therefore, a lot of work needs to be done to bring money from investors globally to Africa, and from corporates to invest in innovation in Africa. That's why AfricArena's vision is to create the leading African platform to unite international investors and corporates with local startups and community.

It's an open-model involving all the major startup incubation ecosystem leaders on the continent, like Meltwater's Mest and Startup Bootcamp, both based in Cape Town, which is the digital capital of Africa.



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Viarnaud says the \$2m from the investor pitching format last year is just a drop in the ocean – this year they want to go much bigger, with a focus on investors. There were 100 last year and they want much more this year.

He added it's interesting to note that from 2016 to 2017, the amount of VC funding in African startups jumped 53% year-on-year, representing \$568m. It's great to see this progression, from 2015 to 2017 it is double-digit growth.

In terms of countries leading the pack, SA is on top at \$168m, about 30% of the total, followed by Kenya and Nigeria.



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Tom Jackson 30 Mar 2017



Viarnaud said these three countries represent 75% of the overall amount, with the other 51 countries on the continent representing just 25%.

Africa's gazelles and lack of unicorns

So the numbers are increasing, but it's mostly dominant where you'd expect it: In Silicon Savannah, Silicon Cape and Lagos Nigeria. So there's lots of work to be done elsewhere on the continent, especially in Francophone Africa, which represents just 14% of the current deals but is growing faster than the rest.

In addition, that's specifically focused in sectors of fintech, insuretech and agritech, making up nearly half of the deals. We also have just one 'real' unicorn on the continent – a company valued at over \$1bn – that's Jumia in Nigeria.



Jumia launches multi-purpose Android app

23 Mar 2018



Understandably, lots of effort is put into doing big deals, with Takealot's series D coming in at \$67m, but we need more of these. AfricArena helps put the spotlight on those bigger startups looking to qualify for unicorn status. Viarnaud says:

“ We need unicorns in South Africa, we need unicorns in the rest of Africa. We have gazelles, which are agile, fast-growing startups, but if we want to remain independent in Africa, we need startups that can reach a continental critical mass and master their own destiny. ”

One way to flip the script on this is to look at the broader ecosystem and realise that only 35% of that \$568m dollars coming to Africa is going to startups headquartered in Africa.

That means the other 65% of the funding is going to startups where Africa is their primary market, but they're headquartered outside Africa.

So we need to work to **keep headquarters on the continent**, as well as the funding. Viarnaud mentioned GetSmarter as an example of why only one-third of that startup investment is going to companies headquartered in Africa – often a great African startup gets snatched by an overseas company, as happened with GetSmarter in May 2017, as a \$123m dollar acquisition by two NY-based companies.



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And while that 53% growth may sound promising, remember that it represents less than 2% of the funding going to early-stage tech worldwide. Something clearly has to change, here.

Harris mentioned the potential of the continent.

“ By the end of our careers, the population of the continent will be 2.4 billion consumers, with 4 billion by the next century. We're the largest market on earth – larger than China, and at the moment, largely undeveloped, making the African tech sphere the single biggest growth engine for any idea, business or market. ”

So this is the next big opportunity, and investment needs to come in now to capitalise on that. But it's not just about the big fish.

The African startup pyramid

Viarnaud explained there's a 'pyramid of startups' on the continent, as it's a very wide base with only a handful of companies at the pinnacle – the multimillion-dollar evaluation bracket. One of the issues that come up when they talk to investors is that they want to make that million-dollar investment, but most African startups are gazelles, not unicorns, so not suitable.

This is why we need to identify and promote the up-and-coming early stage or growth develop phase startups in Africa, which is a completely different approach to how it's done in Europe and the US. As a result, AfricArena has been designed to explain to the investor that when they come to these events, they need to look at smaller ticket sizes.

Watch this space for further coverage, and follow AfricArena on Twitter [@AfricArena2018](#) and the [#AfricArena hashtag](#) for the latest updates.

ABOUT LEIGH ANDREWS

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