



endeavor

The Inflection Point:  
Africa's digital economy  
is poised to take off

June 2022

# About Endeavor Nigeria

Endeavor is the leading global community of, by, and for High-Impact Entrepreneurs — those who dream bigger, scale faster, and pay it forward.

Driven by our belief that High-Impact Entrepreneurs transform economies, Endeavor is on a mission to build thriving entrepreneurial ecosystems in emerging and underserved markets around the world.

**Endeavor creates a Multiplier Effect** by inspiring high-growth founders to dream bigger, supporting and investing in them to scale faster, and providing a platform pay it forward — thereby compounding their individual impact.

Endeavor screens, selects, and accelerates high-impact entrepreneurs building transformative companies in nearly 40 markets globally. Headquartered in New York City, Endeavor operates across underserved ecosystems throughout Africa, Asia, Europe, Latin America, the Middle East, and North America.

To sustain Endeavor's long-term operations in a mission-aligned way, Endeavor created **Endeavor Catalyst** — a rules-based, co-investment fund, set up to invest in the same High-Impact Entrepreneurs that Endeavor supports. Today, Endeavor Catalyst is among the world's top early-stage funders of startups-turned \$1B+ companies ("Unicorns") outside of the U.S. and China.

Endeavor Nigeria currently supports 30 Endeavor Entrepreneurs leading 15 companies in Nigeria.

Learn about Endeavor's global operations: [www.endeavor.org](http://www.endeavor.org)

Learn more about Endeavor in Nigeria: [www.endeavornigeria.org](http://www.endeavornigeria.org)

# Contributors

**Tosin Faniro-Dada** - Managing Director/CEO, Endeavor Nigeria

**Topsy Kola - Oyeniyin** - Partner, McKinsey & Company

**Mayowa Kuyoro** - Partner, Head of West Africa Financial Services, McKinsey & Company

**Tola Sunmonu - Balogun** - Associate Partner, McKinsey & Company

**Derin Adebayo** - Access to Capital Lead, Endeavor Global

**Ibifuro Apiafi** - Entrepreneur Selection and Growth, Endeavor Nigeria

**Edema Ojomo** - Independent Consultant

**Leye Agunbiade** - Entrepreneur Selection and Growth, Endeavor Nigeria

**Mide Alonge** - Entrepreneur Selection and Growth, Endeavor Nigeria

**Ejiroh Maroh** - Business Analyst, McKinsey & Company

**Ikepo Abiru** - Business Analyst, McKinsey & Company

# Content

Foreword – Tosin Faniro-Dada, Managing Director/CEO Endeavor Nigeria

## Executive Summary

01 Africa's digital opportunity; Setting the context - **Pg 7**

02 Searching for Gold – The investment story - **Pg 21**

03 Conditions for Sectoral Transformation - **Pg 35**

04 Going Forward - **Pg 106**

Appendix - **Pg 108**

# Foreword

The emergence of a new generation of African innovators and entrepreneurs is heralding a new dawn of opportunities and development on the continent. Our stories are now as much about ingenuity and great technological achievements as anything else, and the most exciting thing about this emerging innovation narrative is that we have barely scratched the surface.

In 2021, our technology entrepreneurs raised more funding than in the previous two years combined. This year's numbers suggest that we would almost certainly break that record again in 2022. The record-breaking funding raised in 2021 was significant, but we don't want it to end there. Due to the quantum of deals in the 1-5mn USD range in 2021, relative to the 5-50mn USD range, it is unlikely there would be sufficient supply in the market to meet demand as companies from the 1-5mn USD range raise larger ticket sizes. With this report, we want to turn more global investors from being Africa-curious to being Africa-active. We want to help those unfamiliar with Africa to understand the scale of the problems our entrepreneurs are solving and create mental models that make it easier to connect the dots between what is happening and what is possible.

## **Supporting high-impact entrepreneurs to scale**

The widespread fragmentation, informality and non-consumption across Africa has made many sectors ripe for disruption, and our entrepreneurs are rising to the challenge. However, as more innovation stories emerge, we need to make sure that as many of these ventures as possible scale.

Some of the infrastructure to support these entrepreneurs exist, but we need to identify existing gaps and work on bridging those gaps. Then, with proper financial and strategic support, we can catalyze Africa's digital economy to drive higher GDP, create more jobs and address many of the other challenges that impact the lives and livelihoods of many on the continent.

# Foreword

We reviewed the events of the last few years, identified trends (especially in the context of other technology ecosystems across the world) and offered a roadmap to connect with opportunities that are emerging in the most exciting sectors at this time.

At Endeavor, we believe that high-growth companies led by high-impact entrepreneurs are essential drivers of job creation and lasting economic transformation. High-impact entrepreneurs are those with the biggest ideas, the highest potential to build businesses that can scale, and the greatest ability to inspire others. Research shows that high-growth scale-ups (i.e. mid-sized companies with 50 or more employees) typically drive the bulk of economic growth, productivity and job creation in an entrepreneurship ecosystem.

The data gathered in this report is clear - Africa is the next growth frontier in technology. The combination of our young and digitally savvy population, increasing digital penetration, and the impact of the COVID-19 pandemic on behaviours, amongst others, have triggered an inflection point in our digitization journey. This report draws on multiple sources, including analysis from McKinsey & Company. We would like to thank all those who generously shared their time and insights.

**Tosin Faniro-Dada**  
Managing Director/CEO  
Endeavor Nigeria



# Executive Summary

Africa's **digital opportunity is large and growing**; the estimated size of the digital economy is \$115bn and is expected to be \$712bn by 2050. **This growth is driven by strong underlying fundamentals, accelerated by COVID-19.**

**Investors are taking notice; between 2020 and 2021**, funding for digital startups grew 2x faster than global rates, and investors are becoming increasingly active in Africa. Furthermore, we are seeing proven exit paths for early investors as illustrated by the increase in mega-rounds, liquidity events and unicorns.

However, there remains '**white space**' for investors to consider. Due to the quantum of deals in the 1-5mn USD range in the last year, (600) relative to the 5-50mn USD range (~150), it is unlikely there will be sufficient supply in the market as companies from the 1-5mn USD range graduate to larger ticket sizes.

Opportunities for digital disruption abound across Africa. A number of sectors are underpinned by informality and fragmentation, limiting the availability and affordability of products and services. Digital disruptors address this problem in numerous sectors, including financial services, health, transportation, and others, by building a '**wedge**' and then a '**bridge**'. A wedge solves a specific problem and builds a sticky customer base. After which, innovators build a series of solutions that cater to the adjacent challenges of the customer, in effect building an ecosystem of solutions.

Going forward, investors who are keen on investing in Africa should consider the wealth of opportunities available and also be prepared to adjust their mental models accordingly to capture these opportunities.

# 01

Africa's digital opportunity:  
Setting the context

# Summary

**1. Africa is the next growth frontier in Digital** – although rapidly growing, the continent **has barely scratched the surface of its potential relative** to other regions.

- Africa's digital economy has a size of \$115B. This number is expected to grow to \$712bn in 2050 (6x the current value).
- However, Africa still lags other regions in key digital indicators (e.g. Africa lags the world average by a delta of 22% in individuals using the internet, 42% in Active mobile-broadband subscriptions).

**2. The digital opportunity is concentrated in four countries** and driven by the interplay of three factors – **growing economies, young digitally savvy population and increasing digital penetration.**

- Nigeria, South Africa, Egypt and Kenya represent ~50% of some of Africa's key digital indicators e.g mobile cellular subscriptions.
- Africa is experiencing one of the fastest growth in GDP and consumer spending. By 2050, Africa could be home to a third of the world's young people and is also urbanizing faster than other regions. Additionally, 1 in 6 of the world's internet users could be in Africa in 2025.

**3. Africa's digital economy is approaching its S-curve, accelerated by COVID and an increasing supply of tech talent**

- COVID led to accelerated digitization by necessity, with Africans engaging in more digital activities as a result of the lockdown. Additionally, Africans are getting more inclined to tech roles.

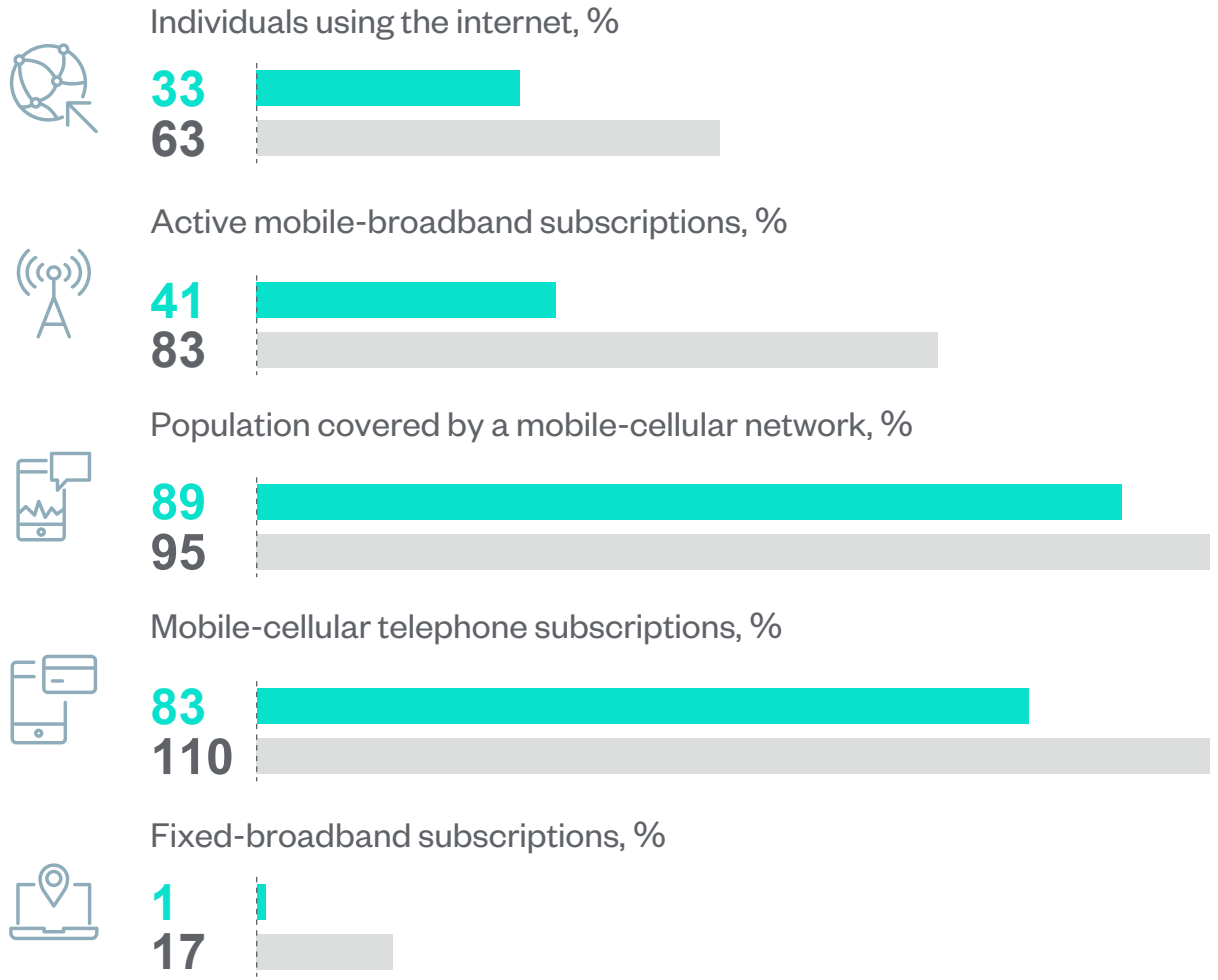
Going forward, Africa's digital economy is set to impact the continent in several ways; **higher GDP, more jobs, positive global recognition.**

# Africa's \$115B digital economy is in its early phase

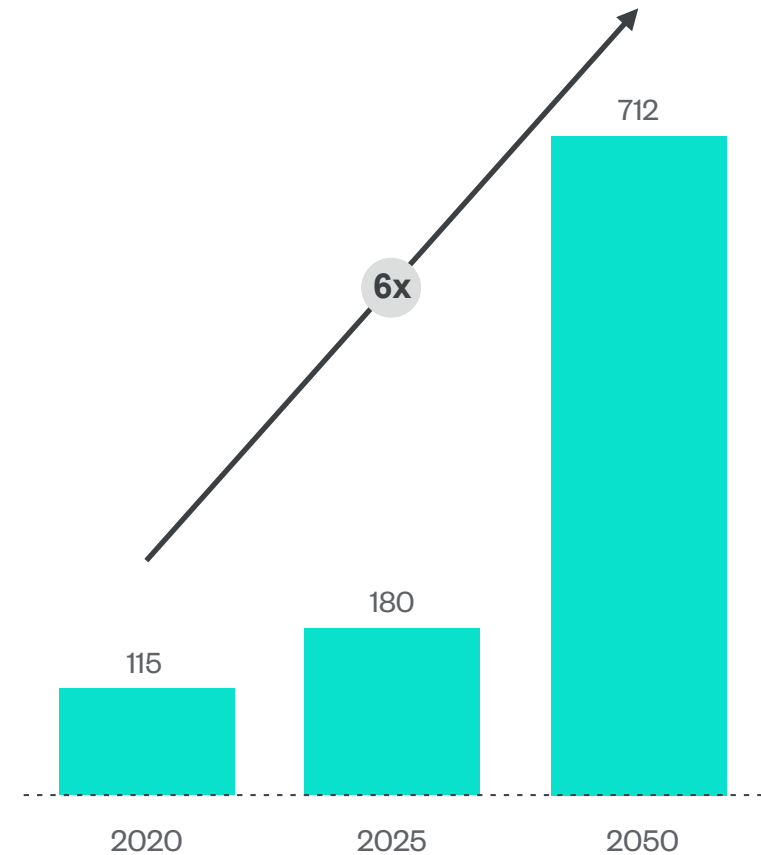
Africa's digital landscape is yet to reach its peak...

...and is expected to grow 6x by 2050

■ Africa  
■ World average



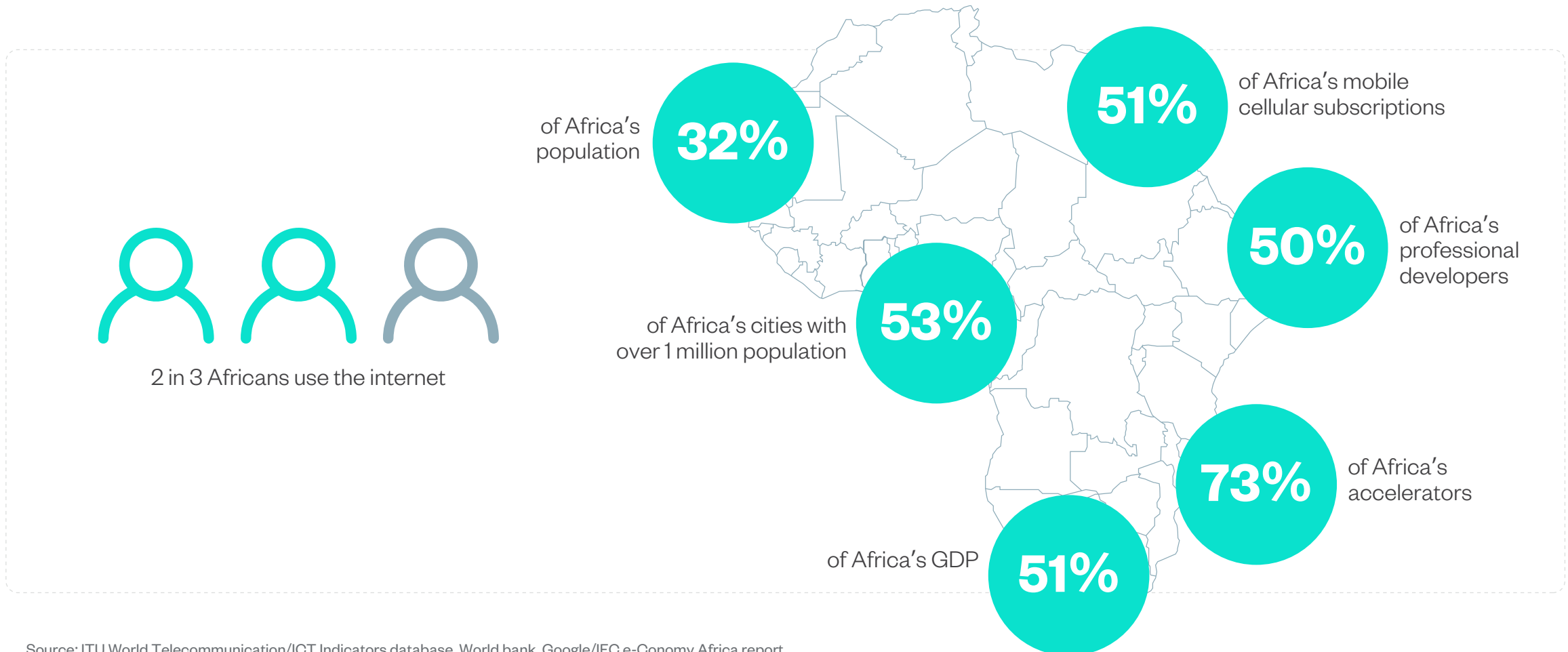
## Africa's digital economy, \$Bn



1. The internet economy is defined as the internet's contribution to GDP  
Source: Google/IFC e-Economy Africa report, World Bank, IMF, ITU World Telecommunication/ICT Indicators database

# The continent's digital opportunity is concentrated in four countries

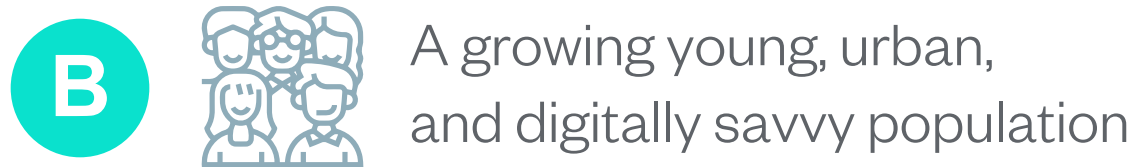
Nigeria, South Africa, Egypt and Kenya collectively represent:



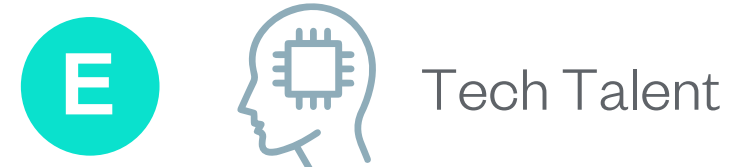
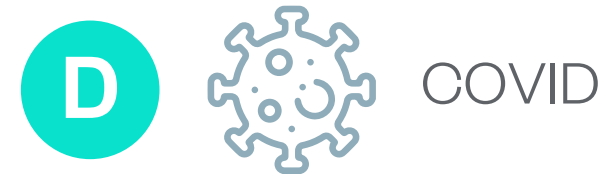
Source: ITU World Telecommunication/ICT Indicators database, World bank, Google/IFC e-Conomy Africa report.

# Growth is expected to be driven by underlying fundamentals accelerated by COVID and an increasing supply of tech talent

## Fundamentals



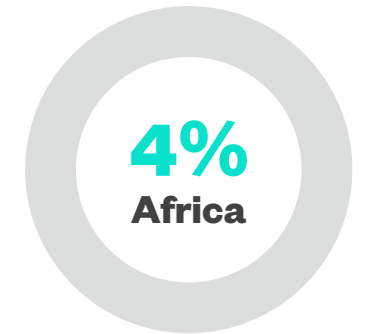
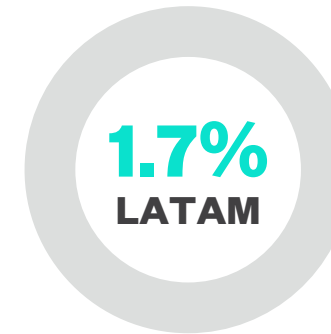
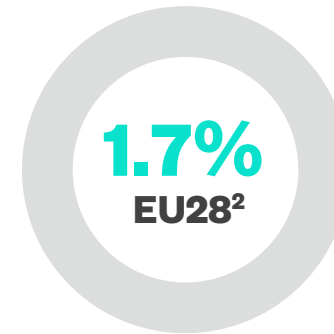
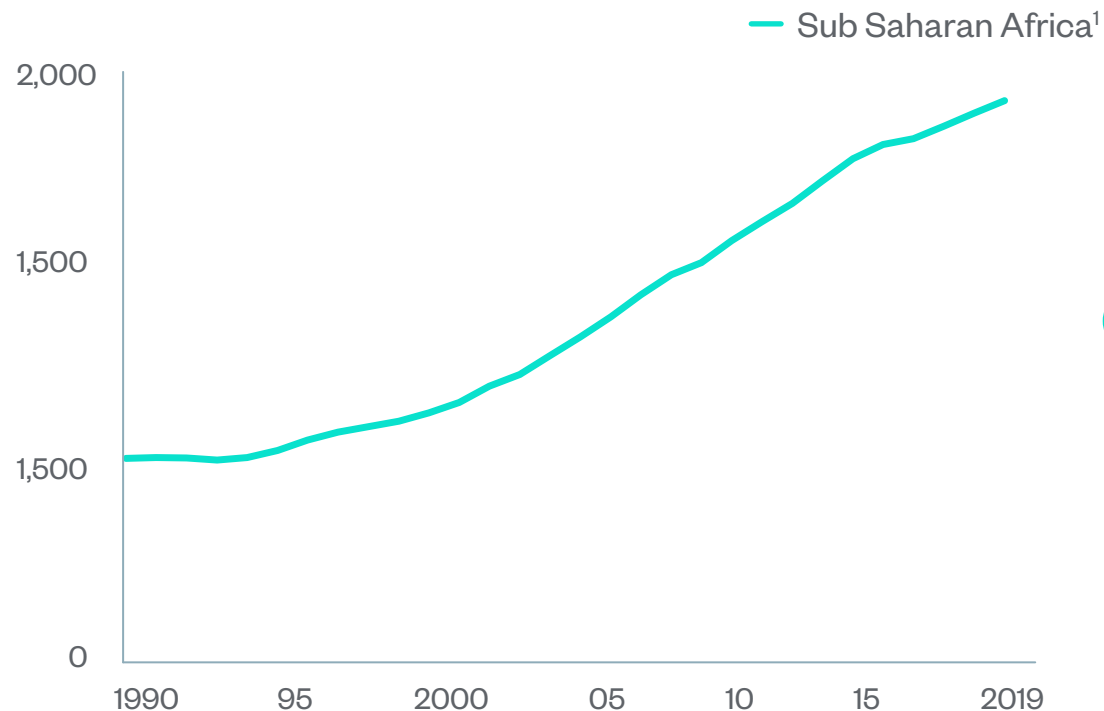
## Accelerators



# A. Africa is one of the fastest growing regions in the world; GDP has tripled since 1990

GDP (constant 2010 US\$), US\$ billions

CAGR, 2010 - 2019



1. Sub-Saharan Africa including South Africa

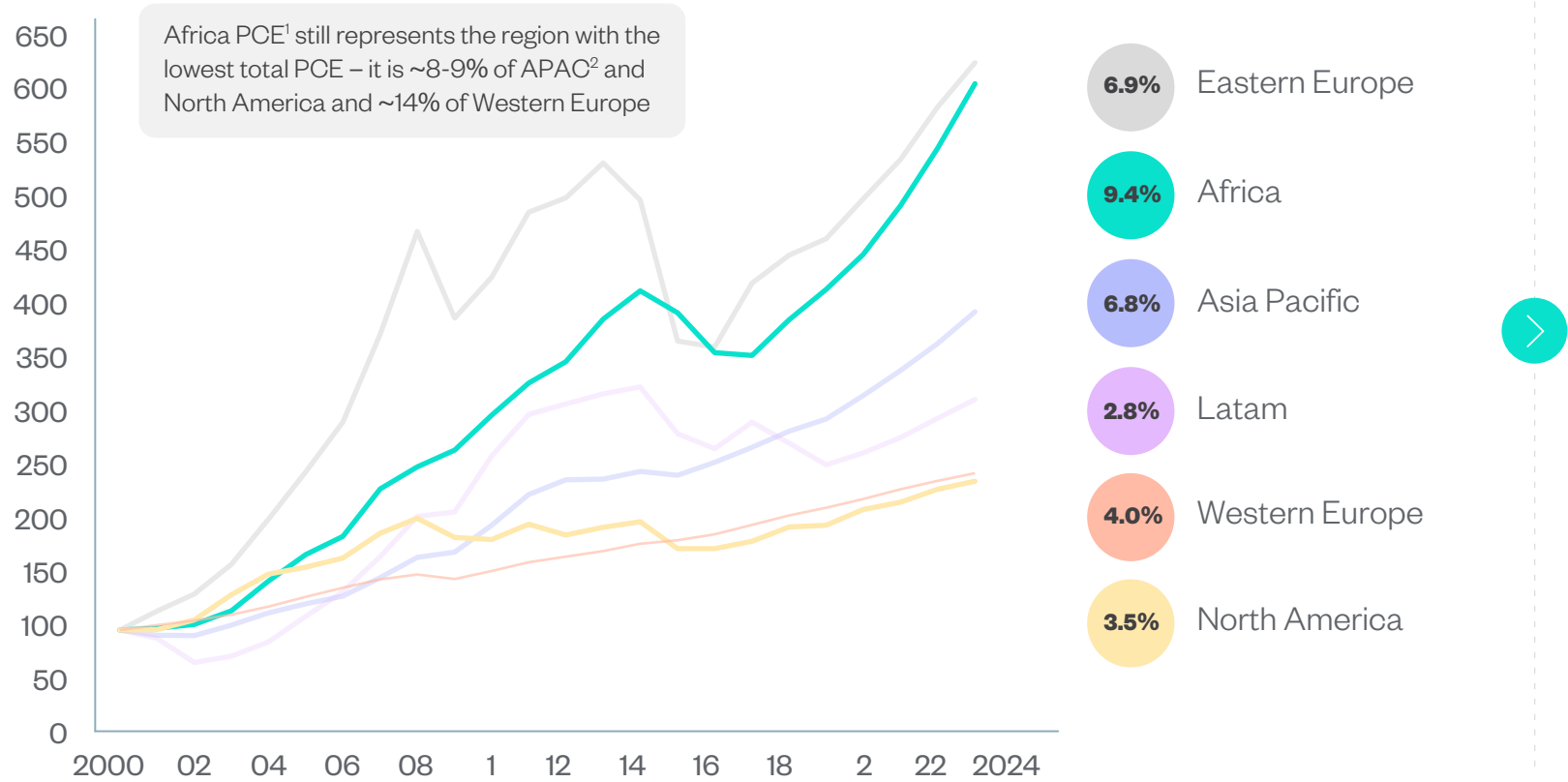
2. The EU-28 is the abbreviation of European Union (EU) which consists a group of 28 countries

Source: World Bank Statistical database, Google/IFC e-Economy Africa report

# A. The continent is also seeing faster growth in consumer spend than most other regions

## PCE<sup>1</sup> growth index, Based on 100 in 2000, pre-COVID

X CAGR 2018-2023

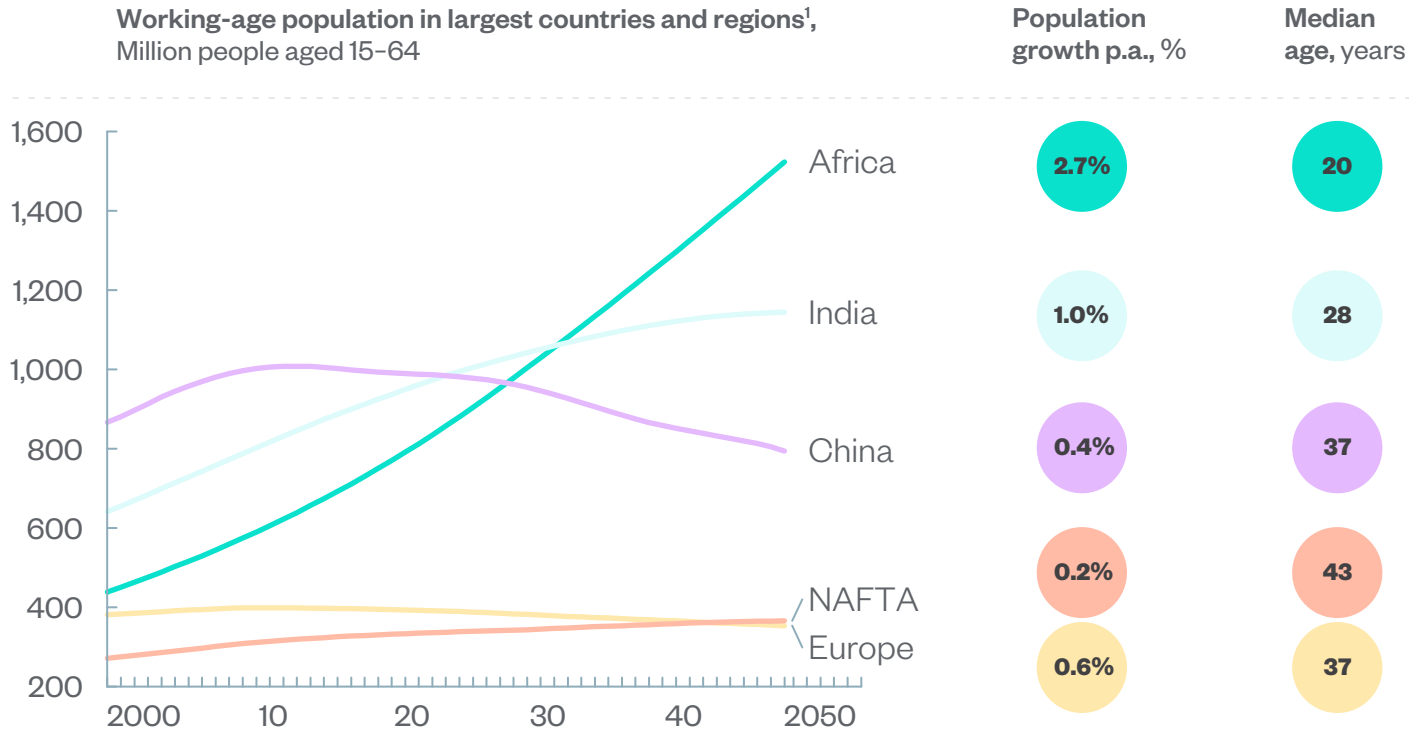


Increasing consumer spend allows for more consumption of goods and services thus resulting in higher **economic activity and by extension GDP growth.**

By 2030. Africa is expected to have a total of \$2.5 trillion in consumer expenditure from over 1.7 billion consumers.

1. Private consumption expenditure  
 2. Asia - Pacific  
 Source: McKinsey Global Banking Pools; Global Insights: World Market Monitor

# B. By 2050, Africa is expected to be home to 1.6B working age adults and a third of the world's young people



Africa's population growth increases the **availability of skilled and unskilled labor** to contribute to the economy.

A growing working age population also results in **the birthing of more startups**; Africa currently has the highest rate of entrepreneurship in the world – **22% Of Africa's working-age population are starting businesses<sup>4</sup>**.

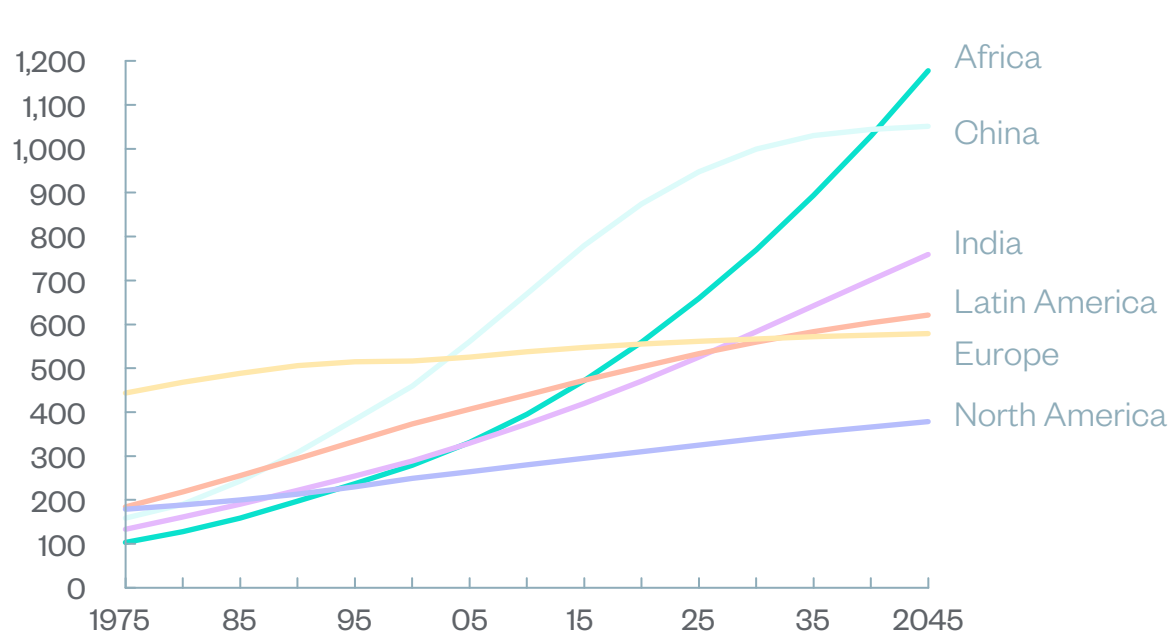
By 2050, 1 in 4 humans and 1 in 3 youths (aged 15 to 35) are predicted to be African<sup>2</sup>.

1. Working-age population = individuals aged 15-64  
 2. One in five humans will be Sub-Saharan African (by 2050)  
 3. This refers to Sub-Saharan Africa. Two in five humans will be African (incl. North Africa) by 2100  
 4. Africa currently has the highest rate of entrepreneurship in the world largely driven by high unemployment rates. 60% of Africa's unemployed are youths. 3 countries in Africa have the highest unemployment rates in the world  
 Source: ILO; McKinsey Global Institute analysis, World bank, Our World in Data, Google/IFC e-Economy Africa report

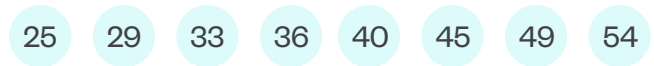
## B. The region is also seeing rapid migration from rural areas to urban cities

Size of the urbanized population<sup>1</sup>, M

Additional people living in urban areas per year, 2015–45, M



Africa urbanized, %



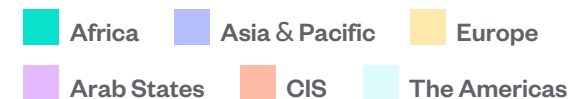
Africa's growing city population directly impacts the internet economy as **individuals in cities have a higher consumer spend than those in rural areas**; Africa's large metropolitan areas have **up to 79% higher** spending on consumer goods and services than the national average. Individuals in cities are also **closer to better connectivity and new technologies**.

Currently, 68 cities in Africa have more than 1M people. This is expected to grow to 85 cities by 2050. By 2025 almost half of all Africans are expected to live in cities.

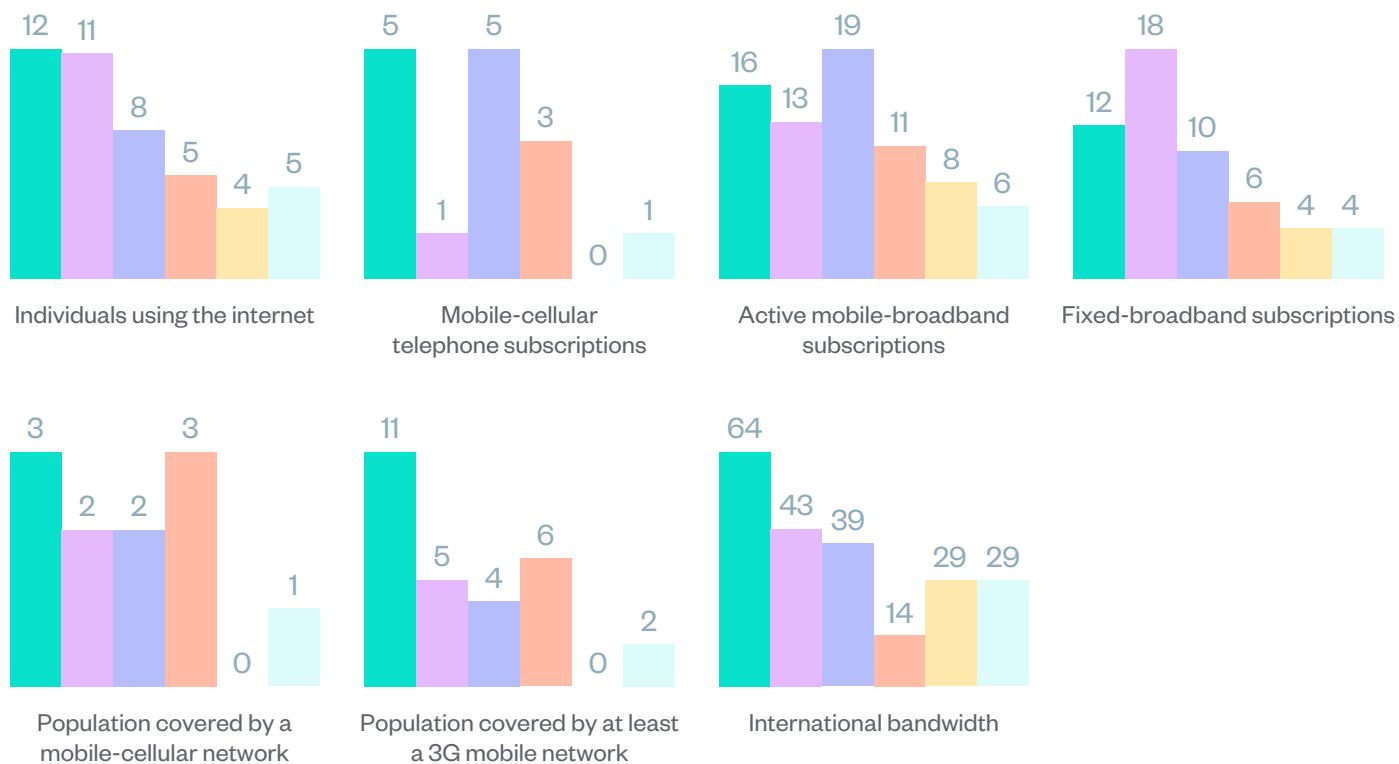
1. Population living in urban areas. UN forecasts last adjusted in 2014

Source: World urbanization prospects, June 2014 revision, United Nations population division; McKinsey Global Institute analysis, McKinsey Global Institute Cityscope 2.0, Google/IFC e-Economy Africa report

# C. Digital penetration in Africa is accelerating faster than other regions



## CAGR 2017 – 2019 of key indicators across global regions



Increasing digitization allows for **more individuals as well as companies** to actively participate in and grow the continent's internet economy. Over **300 million people** in Africa have gained access to the internet between 2010 and 2019.

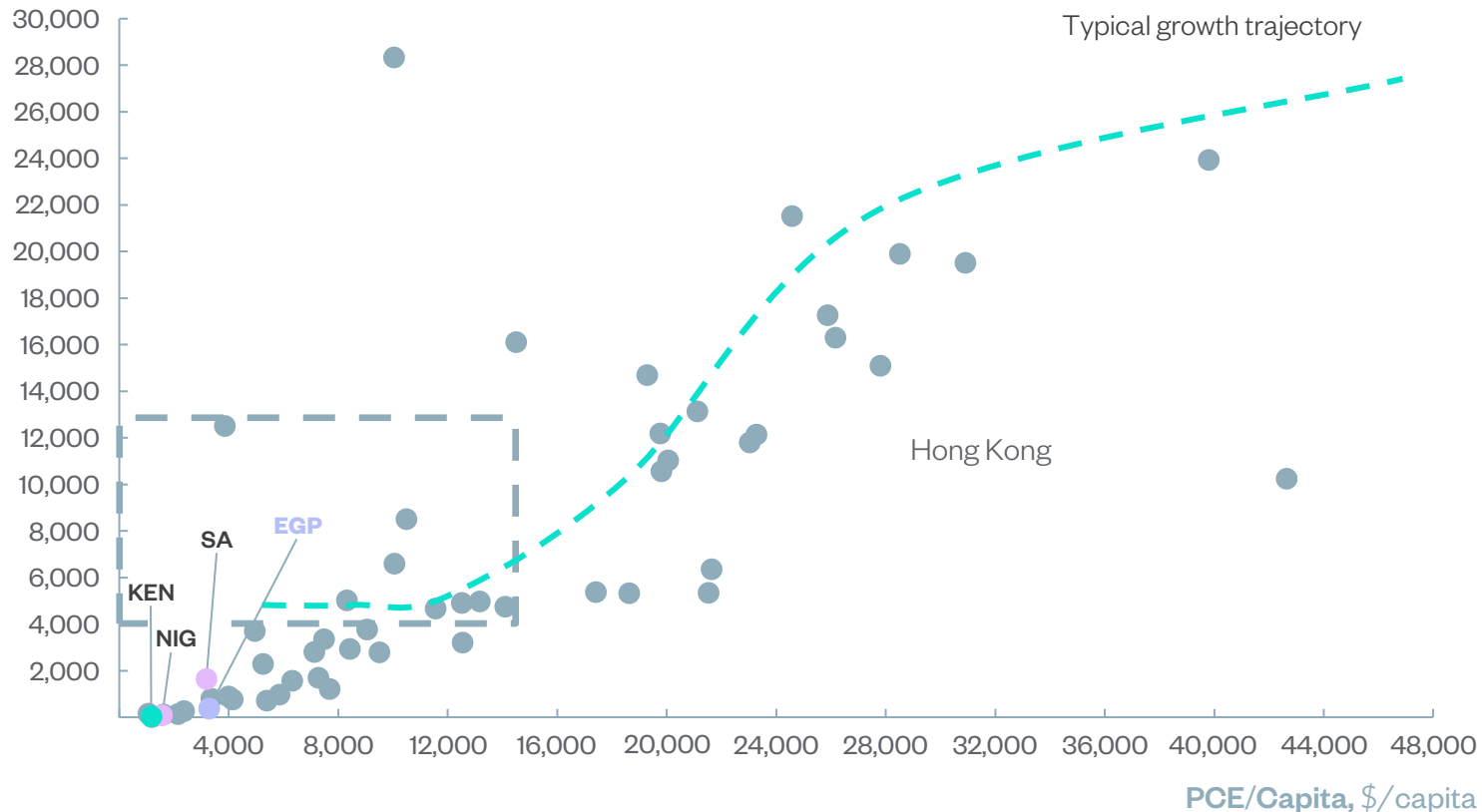
In 2025

- 1 in 6 of the world's internet users is expected to be in Africa in 2025.
- 1 in 3 of all new mobile subscribers globally could be from sub-Saharan Africa.
- The number of smartphone connections in the region is expected have surpassed double the current capacity.

# A lot of African countries are in the beginning stages of their s-curve; demonstrated by digital payments

## Non-ATM card spend against private consumption expenditure, 2020

Non-ATM card spend/ Capita, \$/capita



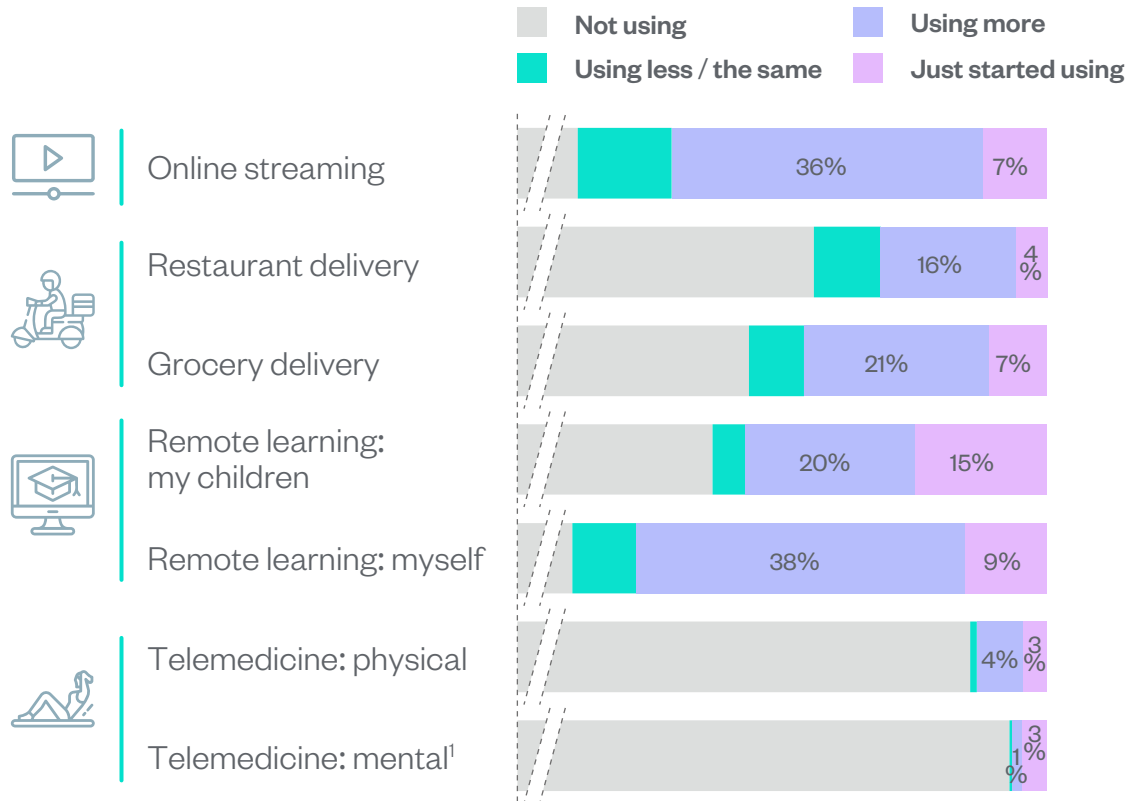
The placement of African countries on the digital payments s-curve exemplifies the growth potential ahead of the continent's digital economy.

This growth is being accelerated by the impact of COVID as well as an increasing supply of tech talent.

# D. COVID accelerated digitization...

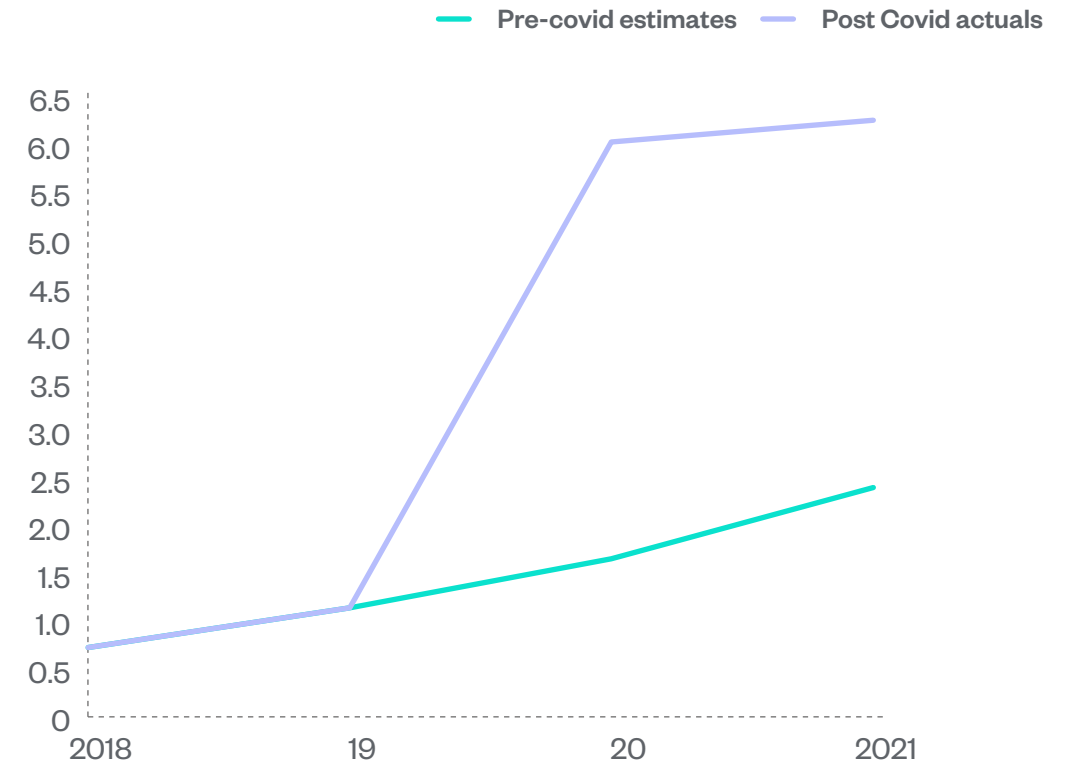
COVID drove higher adoption of digital activities...

Have you used or done any of the following since COVID-19 started?<sup>1</sup>  
% of respondents



...resulting into more transactions done digitally than in pre-COVID levels

Nigeria<sup>2</sup> electronic payment transaction volume estimates, 2018-2021, Bns



1. Small sample (n<30).

2. NIP account-to-account transfers – 2021 Volume based on Jan-Jun 2021 NIP (instant transfer payments) volumes annualised

Source: McKinsey & Company COVID-19 Nigeria Consumer Pulse Survey 6/16–6/18/2020, n = 504, sampled and weighed to match Nigeria's general population 18+ years, McKinsey Global Payments Map

# E. ...and the African tech space is experiencing an increasing supply of talent<sup>1</sup>



## 2 of 5

Of the top 5 fastest growing markets for GitHub Contributions are from Africa; Nigeria and Egypt



Percentage growth in contributions to GitHub repository, 2020



## 40%

Developers from Africa created 40% more open-source repositories on the software engineering marketplace in 2019 than they did in 2018 – recording a higher growth percentage than any other continent globally



## 3M

Jobs will be created by digital platforms in Africa by 2025

1. While the supply of talent is increasing there is still a shortage of talent in the ecosystem  
Source: Github, Oxford economics; expert estimates; BCG analysis, Google/IFC e-Economy Africa report, World Bank, IMF

# Africa's growing digital economy is set to impact the continent in several ways



## Economic well being

GDP per capita **increases by 2.5%** for **every 10% increase** in mobile penetration

- This is in comparison to a 2% GDP per capita growth globally

GDP per capita **increases by 1.9%** for **every 10% increase in digitization** (conversion of information into a digital medium)

- This is in comparison to 1% in OECD (Organization for Economic co-operation and Development ) countries



## New jobs

**44M jobs** could be created if Africa's internet penetration reaches 75%

**3M jobs** in Africa will be created by online marketplaces by 2025

**1.7M jobs** expected in 2025 due to google's \$1bn investment to support digital transformation through new subsea cables between Europe and Africa leading to a multiplication of the continent's network capacity by 20X



## Positive global recognition

The Digital space is **increasingly putting Africa on the map** with global investors, partners and renowned entrepreneurs **paying close attention as well as increasingly interacting with Africa:**

- Facebook plans to make **\$57bn worth of impact in over five years** through investments in connectivity and infrastructure across sub-Saharan Africa
- Microsoft plans to spend **\$100 million over five years** on its first African development center



**Africa is where the future is going to be built** – Mark Zuckerberg

**Africa will define the future** – Jack Dorsey



Source: International Telecommunication Union (ITU), "Economic Contribution of Broadband, Digitization, and ICT Regulation: Econometric Modelling for Africa", Deloitte, "Value of Connectivity: Economic and Social Benefits of Expanding Internet Access" Google/IFC e-Economy Africa report, World Bank, IMF, Industry and market expert interviews, weforum, Analysys Mason

02

Searching for gold:  
the investment story

# Summary

**The digital opportunity in Africa is attracting funding at an accelerated pace; investments grew 18x between 2015 and 2021 and between 2020 and 2021, grew 2x faster than global rates.**

- In general, investments are becoming more global in nature with non US startup funding increasing from 35% of total funding to 50% between 2011 and 2021.
- Africa funding trajectory between 2015 and 2020 is similar to where SEA and Latin America were 5 years ago and is set to accelerate faster than Latin America.

**The investor landscape is evolving in response; from seed to growth stage, investors are becoming increasingly active in Africa.**

- Early-stage investing in particular has witnessed significant traction with the likes of Y Combinator rapidly increasing the size of its cohort.
- In addition, the number of early-stage Africa-focused funds is increasing and global funds are also increasing activity in Africa.

**The increase in mega rounds, liquidity events and unicorns are creating further comfort/excitement among investors about the digital opportunity on the continent.**

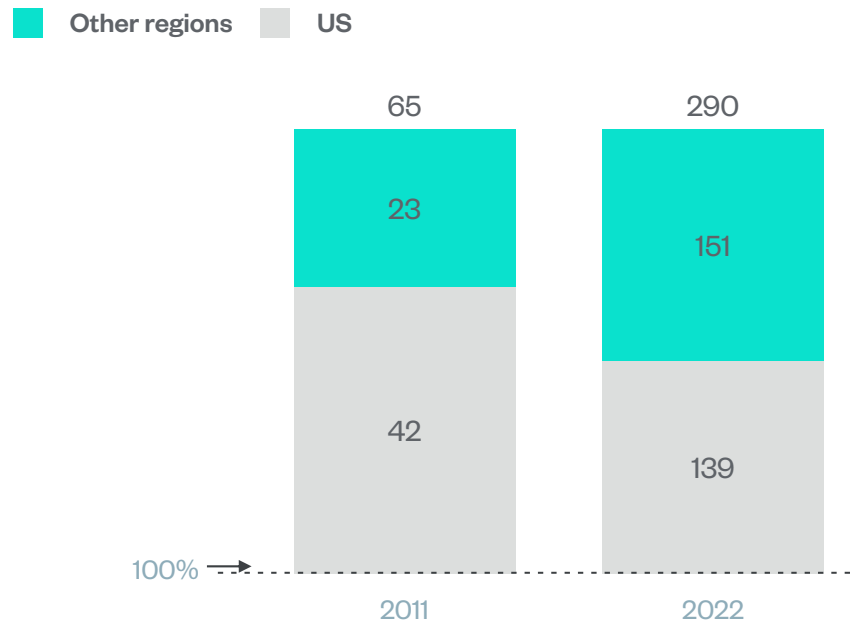
- Since 2011, there have been 7 liquidity events above \$50mn and >20 mega rounds above \$50mn.
- Furthermore, Africa has produced 11 unicorns in the last 6 years and the time taken to become a unicorn is decreasing.

**However, there still remains 'white space' for investors on the 'search for Gold'. Due to the quantum of deals in the 0.2-5mn USD bracket in the last year (600) relative to the 5-50mn USD bracket (~150); there is likely to be a dearth in supply when the companies in the 1-5mn USD bracket require additional capital to scale further.**

# Venture capital funding is growing and becoming increasingly global

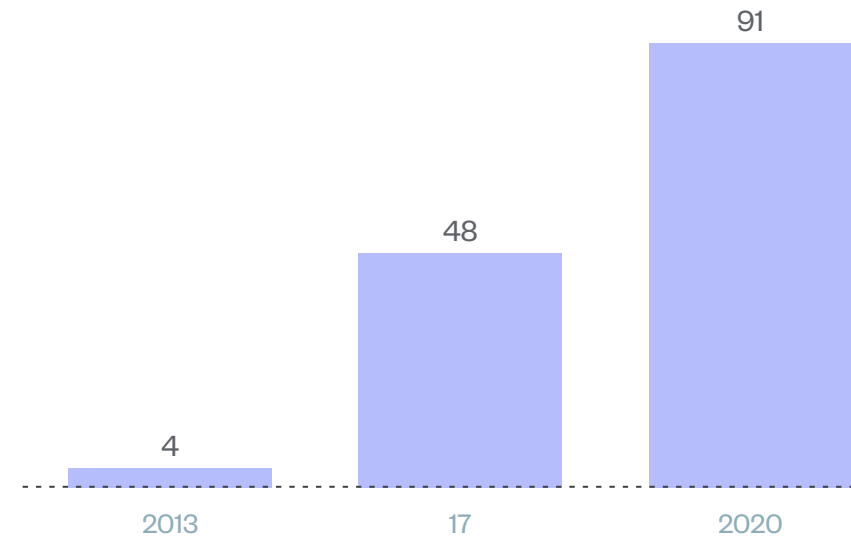
Non-US venture funding grew from 35% to 50% of funding within the last 10 years...

Global startups funding, by region  
\$B, 2011 – 2021 YTD



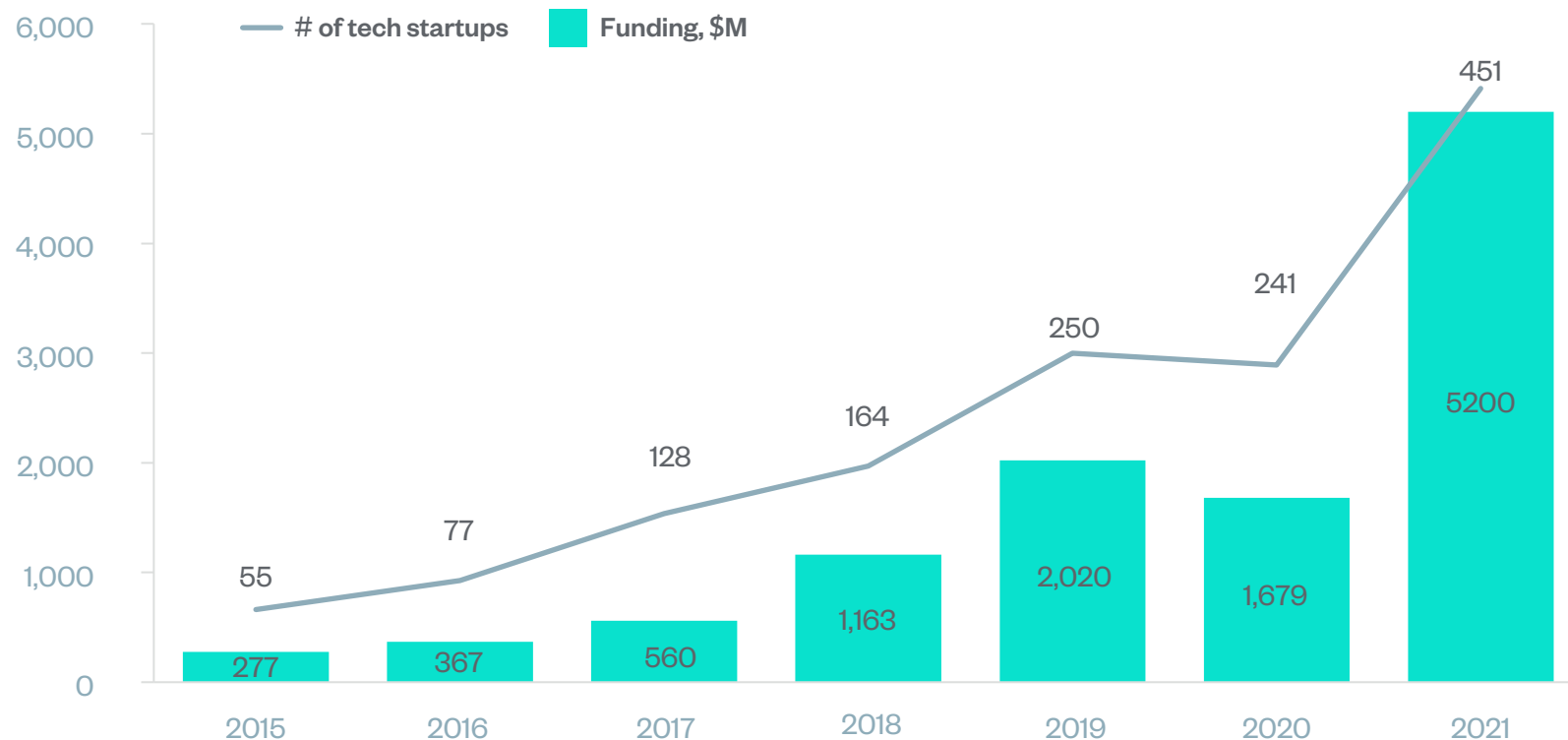
Similarly, Unicorns, no longer rare, are popping up all over the world

Number of ecosystems globally that have produced billion-dollar startups, 2013 – 2020



# African startups funding has grown 18x over the last 6 years; 2x faster than global startup funding in last year

## Number of tech startups securing funding and total funding amount, 2015 – 2020



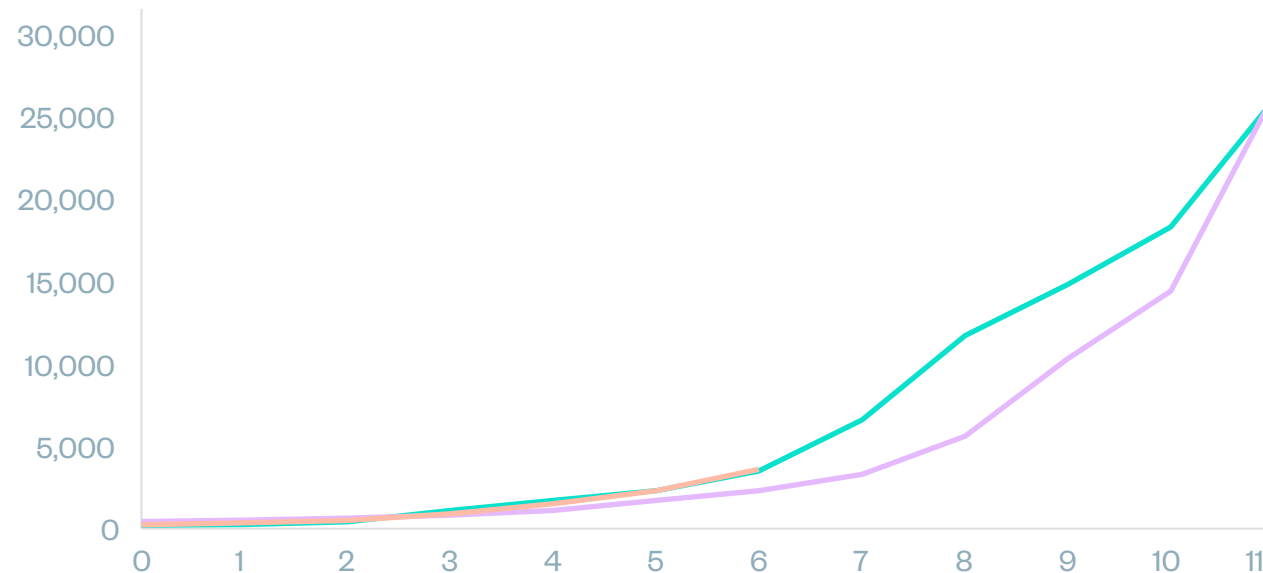
Africa startup funding is growing faster relative to other markets; between 2020 and 2021, Africa grew ~200% while global startup funding grew 100%, Europe grew 150%, North America grew 90% and Latin America grew 300%.

VC funding into the continent dropped in 2020 due to COVID-19. The drop was primarily limited to mega rounds (>\$50M), and we've seen a rebound in 2021.

Source: Partech (2015 – 2019); Maxime Bayen and Max Cuvelier (2020 – 2021YTD)

# African startup funding is where Southeast Asia (SEA) and Latin America (LatAm) were ~5 years ago and is set to follow an accelerated trajectory

Total funding of Africa, LatAm and SEA startups, cumulative \$M



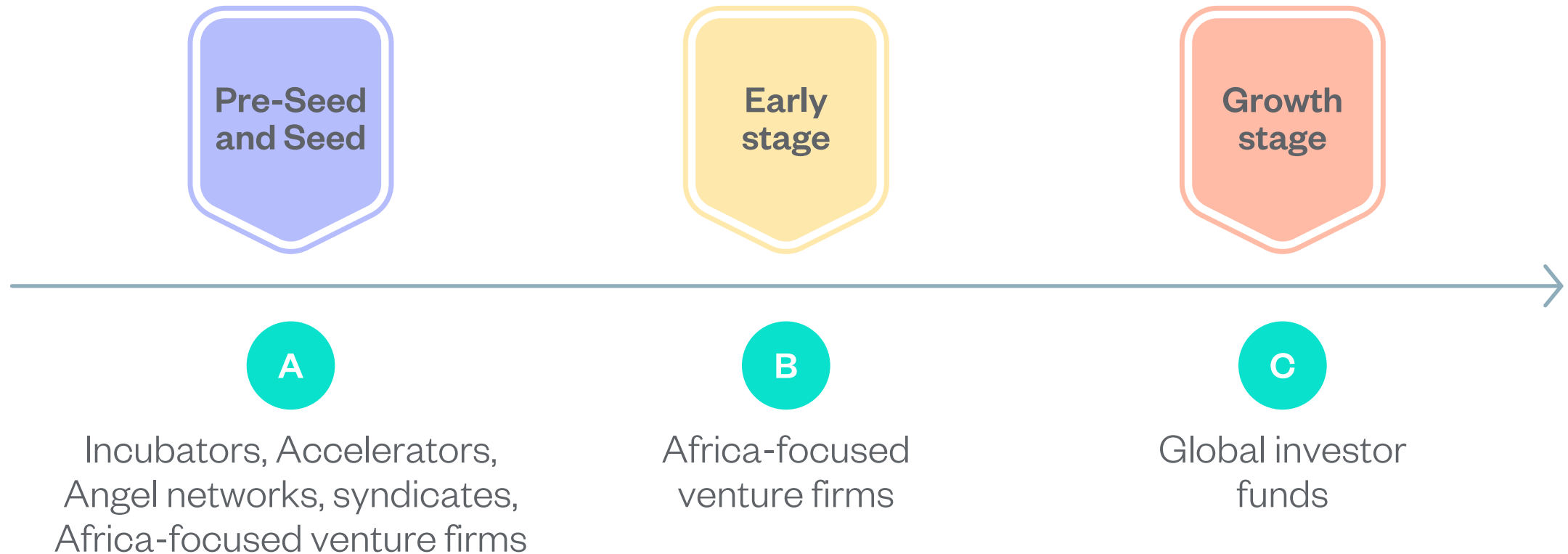
Africa's growth is in line with comparable markets and set to accelerate faster.

In the past 5 years (2015-2020), Africa's funding trajectory is similar to where SEA and LatAm were between 2010 and 2015.

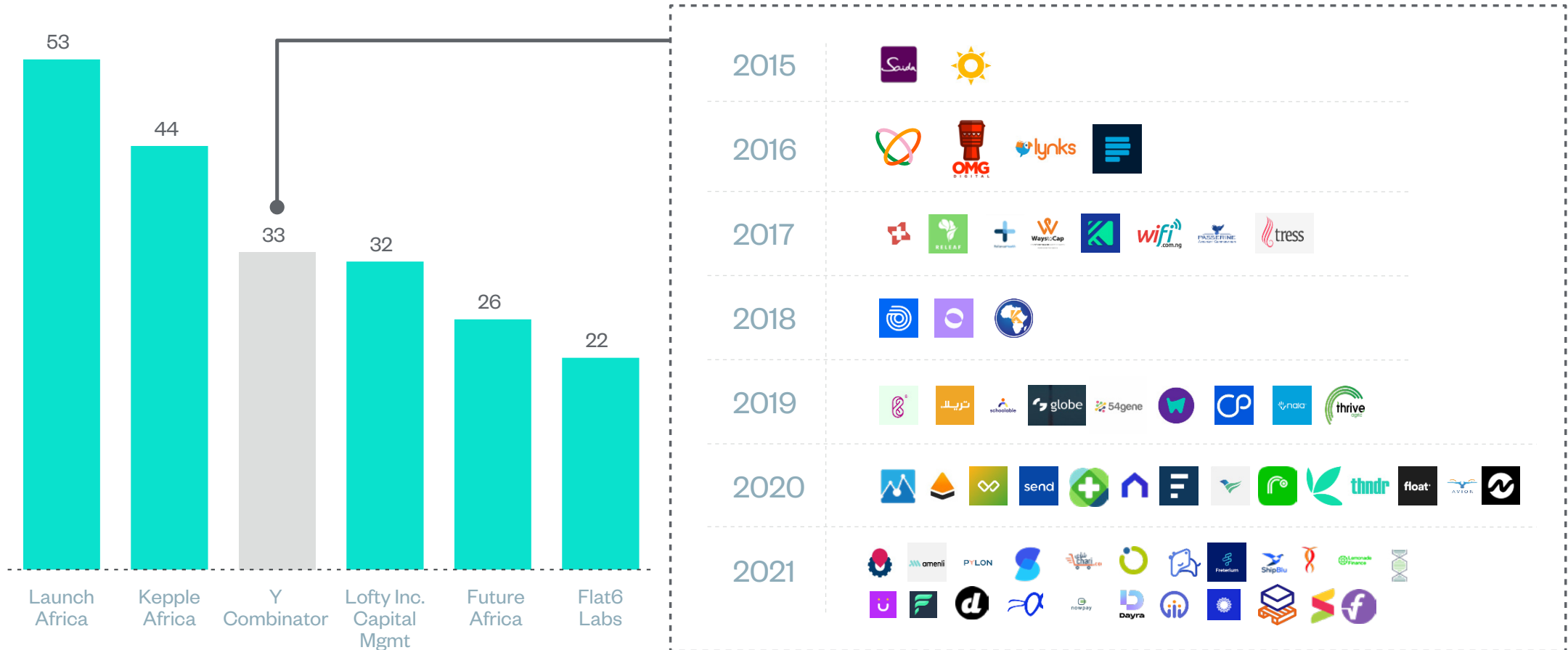
Going forward, Africa's trajectory looks in line with SEA and faster than Latin America.

1. Year 1-5 is 2010-2015 for SEA and LatAm and is 2015-2020 for Africa  
Source: Crunchbase

# There are a variety of investors in different investment brackets



# A. There is a thriving early-stage venture capital ecosystem; for example, Y Combinator has been investing in Africa for 7 years and has consistently increased the size of its African cohorts



Source: Y Combinator

## B. An increasing number of early-stage Africa-focused venture firms are emerging; and raising sizable funds

**Cathay Innovation and AfricInvest to raise \$168M Africa VC fund**

Jake Bright @JakeRBright / 1:00 AM PDT • April 10, 2019 [Comment](#)

**Egyptian VC firm Sawari Ventures finally closes \$71M fund for North African startups**

Tage Kene-Okafor @ulonnaya / 11:00 PM PDT • April 5, 2021 [Comment](#)

**After its first \$54M fund, Algebra Ventures launches \$90M fund for startups in Egypt**

Tage Kene-Okafor @ulonnaya / 3:00 AM PDT • April 6, 2021 [Comment](#)

**Novastar Ventures closes second fund at \$108m to back East and West African startups**

Tage Kene-Okafor | May 13, 2020

**TLcom Capital closes \$71M Africa fund with plans to back 12 startups**

Jake Bright @JakeRBright / 1:00 AM PST • February 5, 2020 [Comm](#)

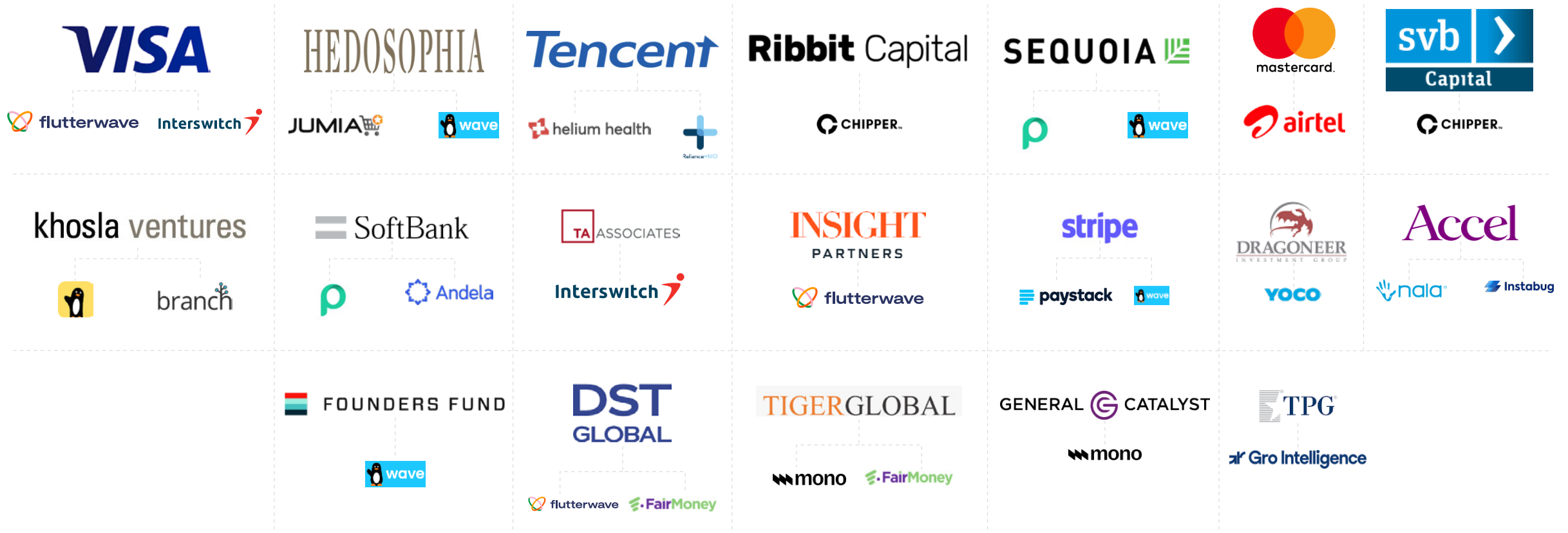
Partech announces the final closing of its Partech Africa fund above hard cap at €125 M

Jan. 31, 2019

### Other notable Africa-focused VC firms



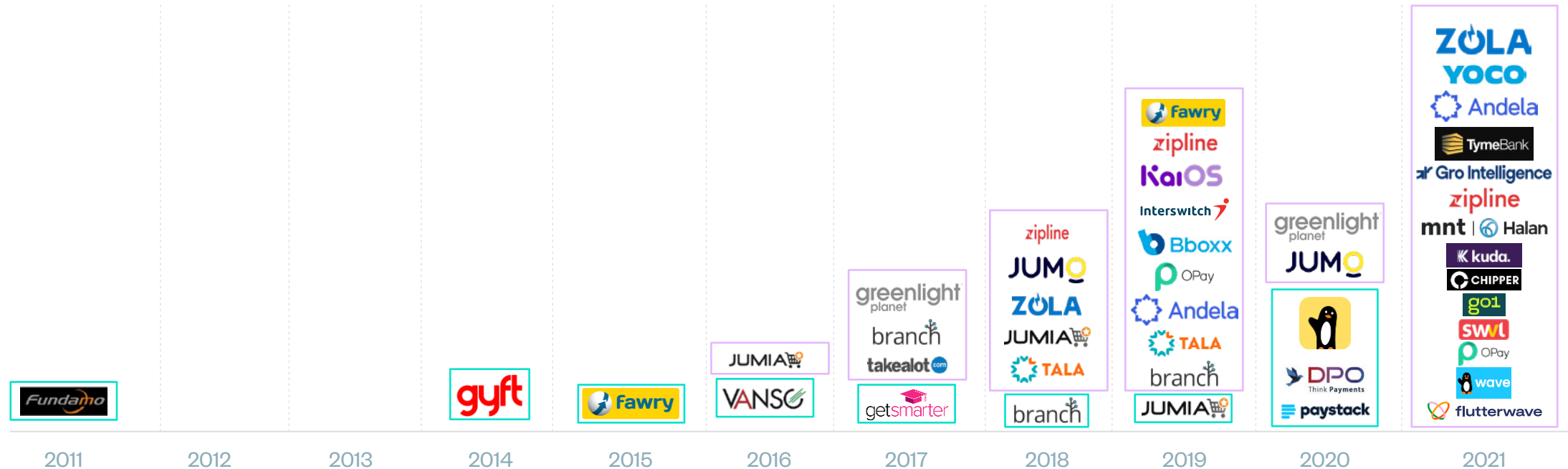
# Global top quartile venture and growth investors are starting to invest in Africa



# Along with increased funding, Africa is also experiencing more mega rounds and increased exits

Notable exits and mega rounds (>\$50M+), 2011 - 2021

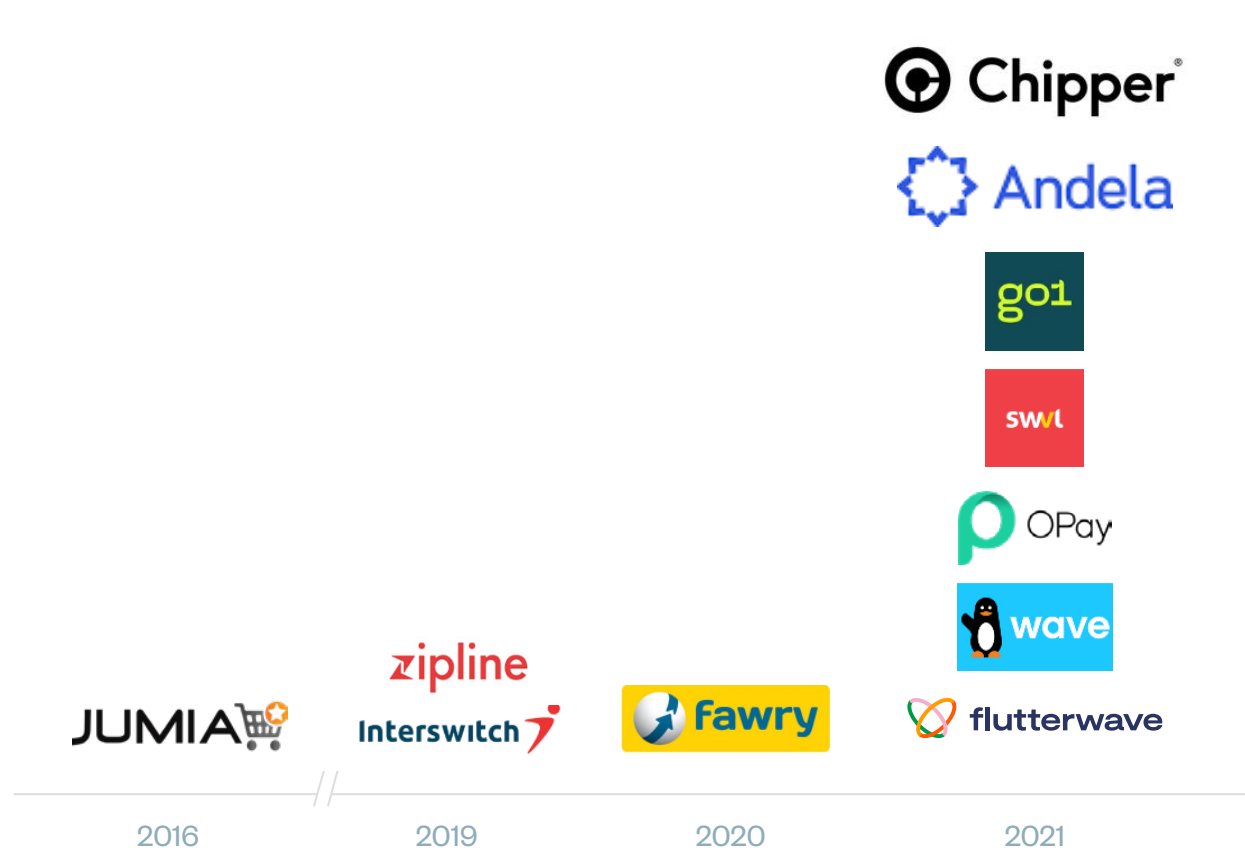
Mega Rounds  
 IPO/Acquisition



Source: Press search, Pitchbook, Digest Africa

# In the last 6 years, Africa has seen the emergence of 11 \$1B+ valuation companies












\$1B+ dollar valuation



8 of the 11 \$1B+ valued startups in Africa originated in 3 of the Big 4: Nigeria (Jumia, Interswitch, Opay, Flutterwave, Andela), Egypt (Fawry, Swvl), and South Africa (Go1).

6 out of the 11 companies are fintechs, with the other 5 spread across education/talent, mobility & logistics, and digital commerce.

# ...and African companies have been taking less time to hit a \$1B valuation

	Founded (year)	\$1B+ valuation (year)	Years to hit unicorn status
 Interswitch	2002	2019	17
 Fawry	2008	2020	12
 JUMIA	2012	2016	4
 Andela	2014	2021	7
 zipline	2014	2019	5
 go1	2015	2021	6
 flutterwave	2016	2021	5
 SWVL	2017	2021	4
 OPay	2018	2021	3
 wave	2018	2021	3
 Chipper	2019	2021	2

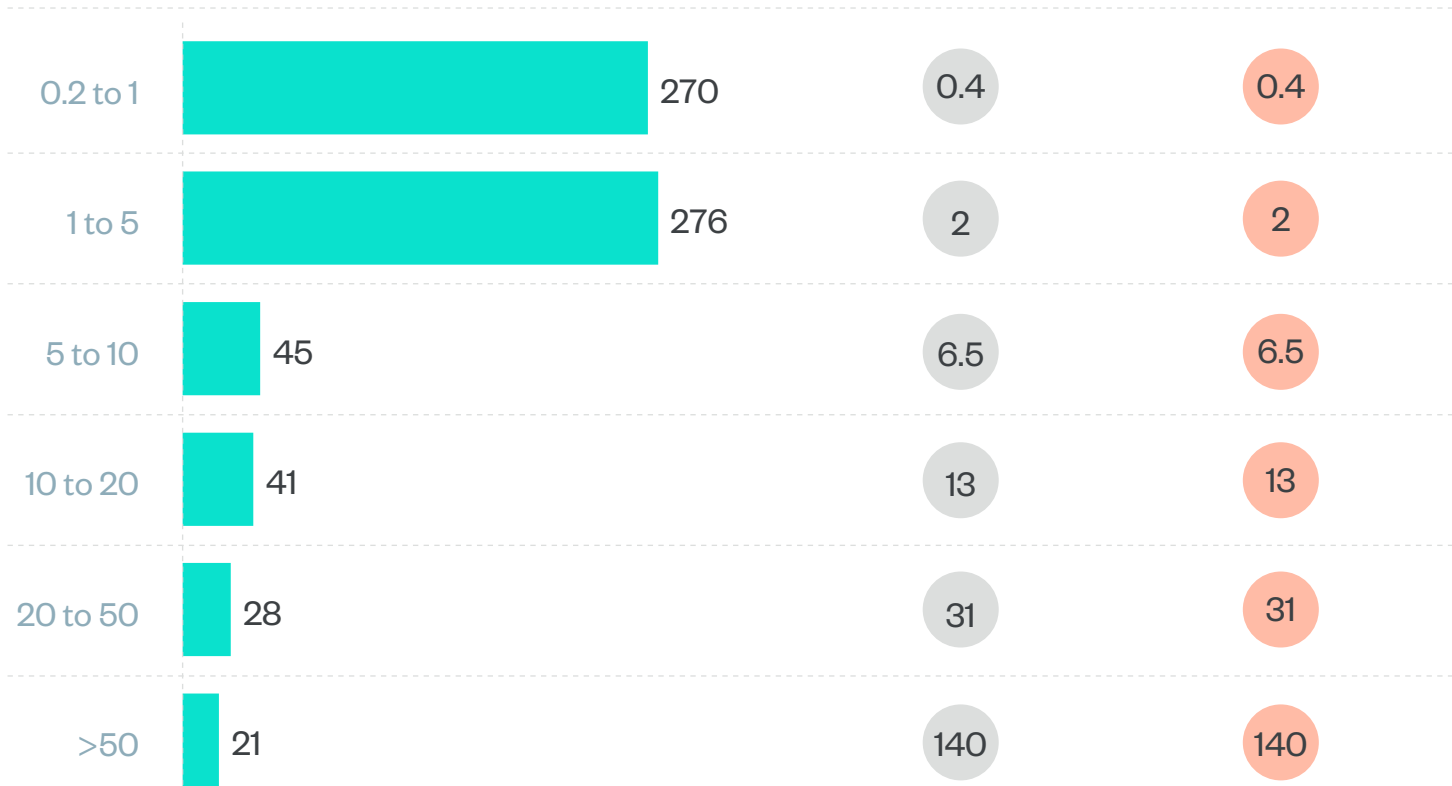
Source: Press search; Crunchbase; Pitchbook

# While there is significant activity in seed and pre-seed, there is opportunity for investors to double down in rounds >\$5m

Number of deals by round brackets (\$M), 2021

Av ticket size \$M

YoY Growth, %



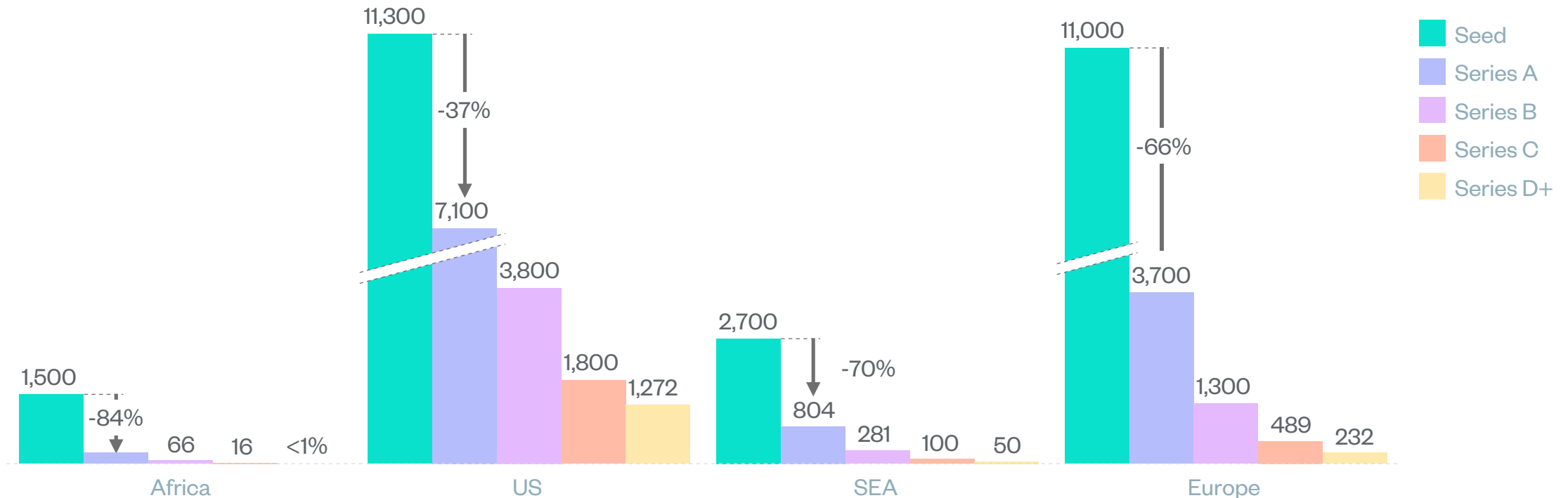
- Most deals in Africa are in the \$0.2-5m range with \$1-5m bracket growing the fastest;
- Over 600 deals in this bracket compared to <150 in higher brackets
- \$1-5m round experienced the fastest growth compared to all brackets (142%)<sup>1</sup>
- Therefore, the demand in the \$5-50m bracket is likely to increase in coming years when these 600 companies 'graduate'
- However, given the significant drop in deal activity from \$5m onwards, it is likely that there will be insufficient supply to meet demand
- This presents an opportunity for investors in larger brackets e.g., >5m USD

1. 950% growth in >50 bracket is an outlier due to growth from a very small base as a result of a lack of large deals in 2020 as a result of covid-19 e.g in 2020 there were only 2 deals done above \$50mn

Source: World Bank, CB Insights, Maxime Bayen & Max Cuvellier

# Indeed, compared to global markets, there is an opportunity to increase number of Series A investments in Africa

Number of investments by funding type, up to Q3 2021



There is an 84% drop in the number of Series A rounds vs seed rounds in Africa compared to 37%, 70%, and 66% in US, SEA, and Europe, respectively.



# Conditions for Sectoral Transformation

# Summary

**Financial services:** Financial services in Africa is worth over \$165 bn and growing. However, many pain points such as limited access to financial services, reliance on informal financial service solutions, and fragmentation in digital payments create opportunities for disruption. Companies like M-Pesa have been able to offer solutions by providing a 'wedge' such as seamless P2P payments and eventually expanding into online and offline acquiring, lending and savings.

**Commerce:** MSMEs are critical to the African economy as they account for 83% of private-sector employment. However, several pain points such as informal operations and fragmentation in the supply chain and digital payments create opportunities for disruption. Companies like YOCO have been able to offer solutions by providing a 'wedge' such as offline acquiring and eventually expanding into online acquiring and business management tools.

**Transport:** In Africa, Transport generates ~\$50 bn in import value and logistics generates \$12 Billion in revenue. However, many pain points such as informal operations, fragmentation in the markets, and limited access to financial services create opportunities for disruption. Companies like KOBO360 have been able to offer solutions by providing a 'wedge' such as a truck hailing marketplace and eventually expanding into vehicle financing, trip financing, insurance, repairs, and maintenance.

**Healthcare:** Total annual health expenditure in Sub-Saharan Africa is ~\$90 bn USD and is primarily funded from private sources. Several pain points such as limited government expenditure, lack of access to healthcare services, and limited access to data create opportunities for disruption. Companies like HeliumHealth have been able to offer solutions by providing a 'wedge' such as core electronic medical records (EMR) and hospital management solutions and eventually expanding into billing, payments, lending, and data analytics services.

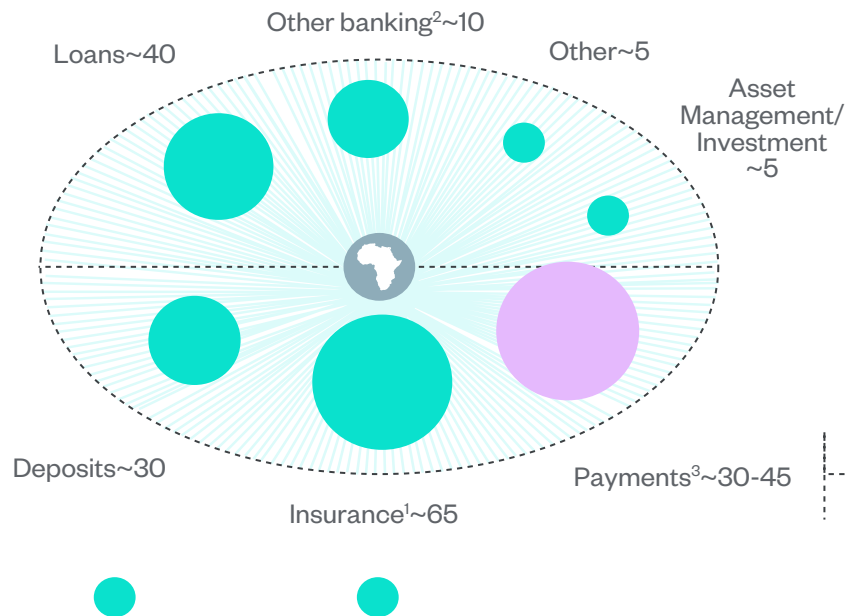
**Education:** There are 34 million out-of-school children in Sub-Saharan Africa. Pain points such as limited resources and poor learning outcomes create opportunities for disruption. Companies like uLesson have been able to offer solutions by providing a 'wedge' such as pre-recorded learning content and eventually expanding into online home tutoring, live classes, and offline learning centers.



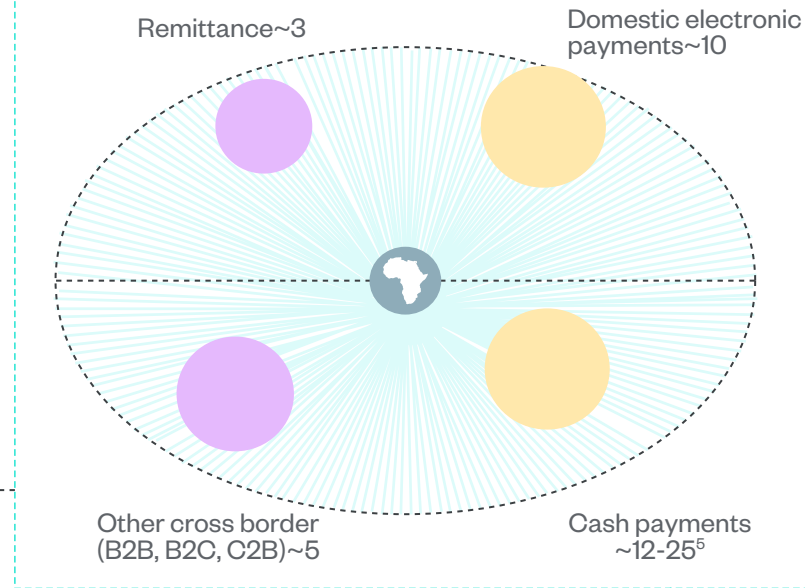
# Financial services

# The financial services industry in Africa is worth US\$165bn; payments, banking and insurance are the primary services

Financial services revenues by sector in Africa, 2019, US\$ bn, Total = US\$ 165bn



Zoom on the formal and informal payment revenues in Africa, 2019 US\$ bn



Informal payments captured within cash and hard to measure OTC Cash in terms of revenue

The Financial services industry in Africa is worth **US\$165bn**; dominated by payments, banking and insurance.

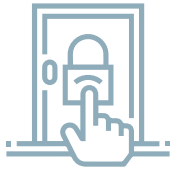
Within Payments: domestic payments contribute **US\$10bn** in revenue, **remittances US\$3bn** and **other cross border trade is US\$5bn**.

Within banking: **loans are** an estimated **US\$40bn** and deposits **US\$30bn**.

1. Insurance revenues driven mainly by large life Gross Written Premium (GWP) in South Africa
  2. Includes securities services, documentary trade finance and Capital Markets & Investment Banking
  3. Includes estimated OTC cash component
  4. Collection and distribution components of financial services (loans, deposits and insurance)
  5. Hypothetical revenue based on the flow of cash transactions in the economy and an assumption of 0.5-1% fee
  6. Non-exhaustive list of use cases. These are a subset of domestic, cross border and financial services and shouldn't be added to the total payments market. The sizing is done for 2026 and would not be breakdown of the first two graphs
- Source: ILO; McKinsey Global Institute analysis, World bank, Our World in Data, Google/IFC e-Economy Africa report

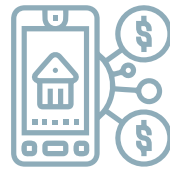
# There are three important conditions that give rise to opportunities in the financial services industry

■ Detailed next



## 1 Limited access to financial services

- **Limited bank infrastructure** (e.g., bank branches) **for the large rural population.**
- Limited access to financial services such as **loans, insurance, savings and investment products.**



## 2 Reliance on informal financial service solutions

- **Dependence on cash and reliance on informal financial services** (e.g., contributory thrift saving schemes 'ajo').

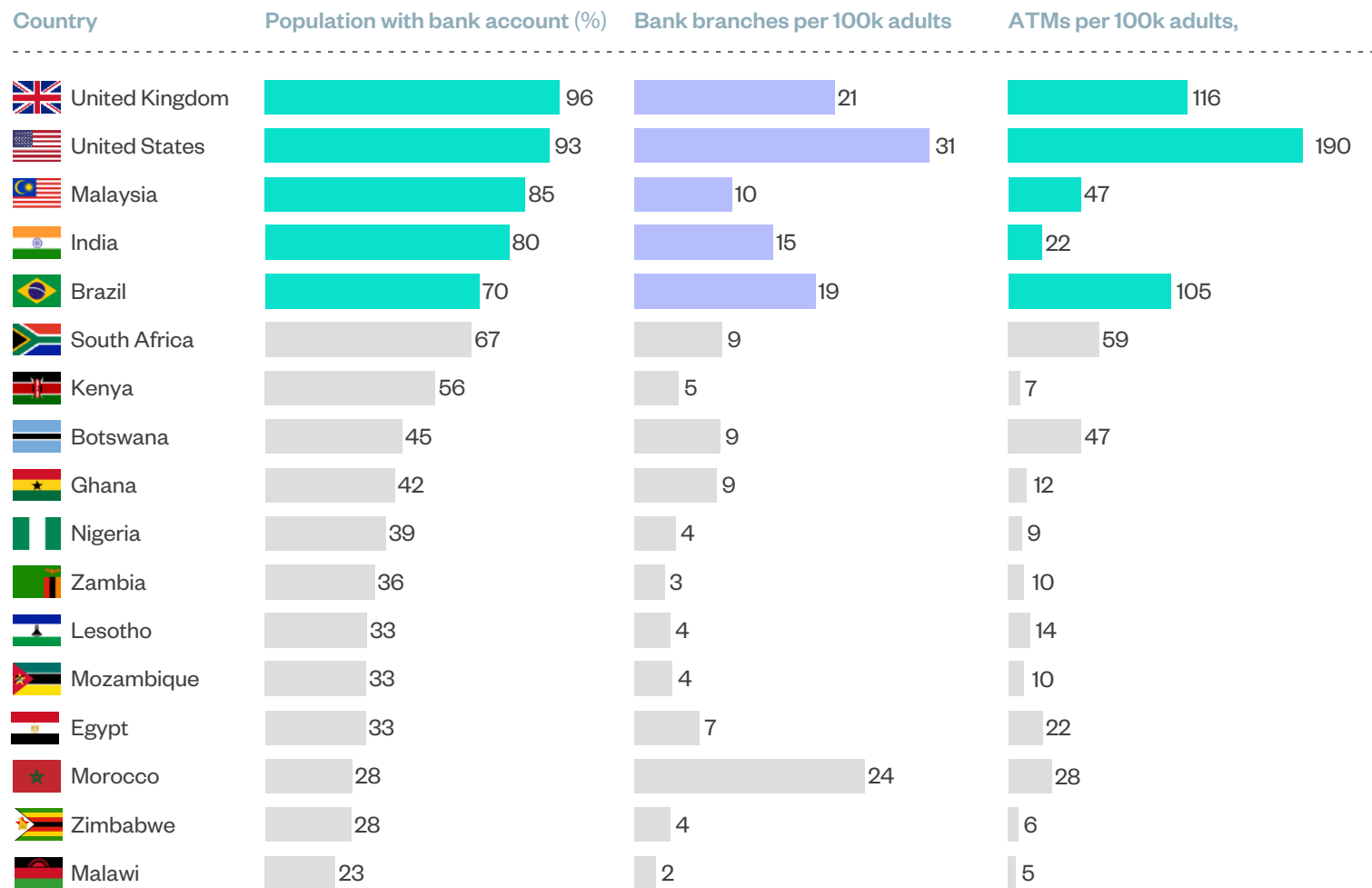


## 3 Fragmentation in digital payments

- **Limited interoperability** between financial service providers within countries and between countries.

# The banking infrastructure is lagging in most African markets relative to peers

■ African countries



## Key insights

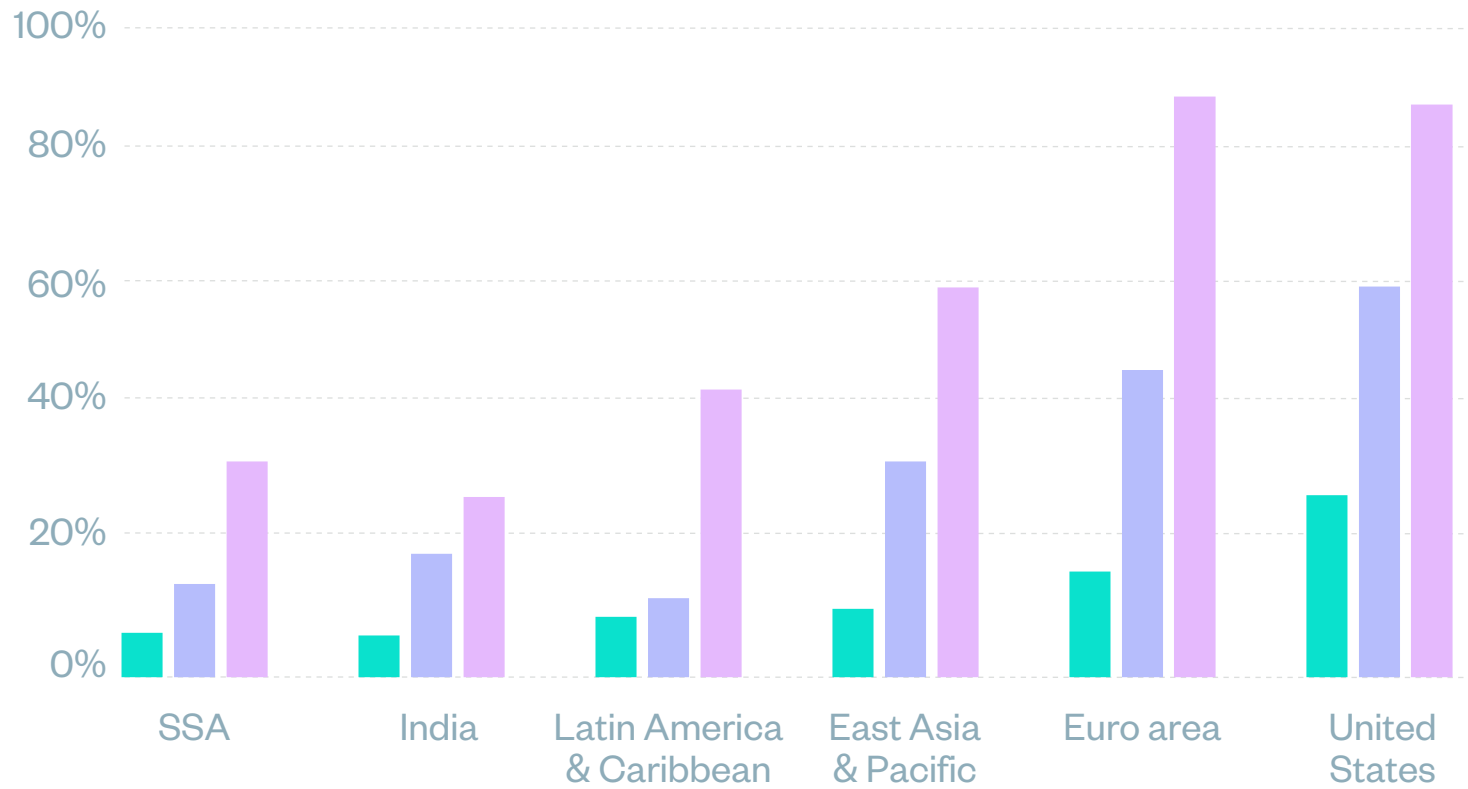
The banking infrastructure is lagging in most African markets compared to best country benchmarks, resulting in a high portion of the unbanked population.

Physical networks (through cash) and digital channels (mobile, prepaid cards) serve as an alternative to penetrate the large financially excluded population.

Population with a bank account data is from 2017; Bank branches per 100k adults and ATMs per 100k adults is from 2020  
Source: World Bank

# In addition, there is limited access to basic financial services such as savings and lending products for the banked and unbanked

- Borrowed from a financial institution (% age 15+)
- Saved at a financial institution (% age 15+)
- Made or received digital payments in the past year (% age 15+)



## Key insights

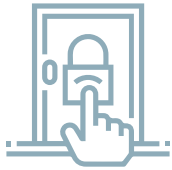
Significant lending gap due to banks' inability to properly serve customers – limited credit rating data, difficulty in underwriting, monitoring and collecting loans.

Savings and digital payments gap in Africa largely linked to limited financial inclusion.

Working-age population = individuals aged 15-64  
Source: The Global Findex Database

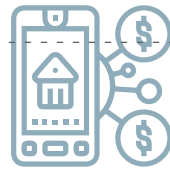
# There are three important conditions that give rise to opportunities in the financial services industry

■ Detailed next



## 1 Limited access to financial services

- **Limited bank infrastructure** (e.g., bank branches) **for the large rural population.**
- Limited access to financial services such as **loans, insurance, savings and investment products.**



## 2 Reliance on informal financial service solutions

- **Dependence on cash and reliance on informal financial services** (e.g., contributory thrift saving schemes 'ajo').



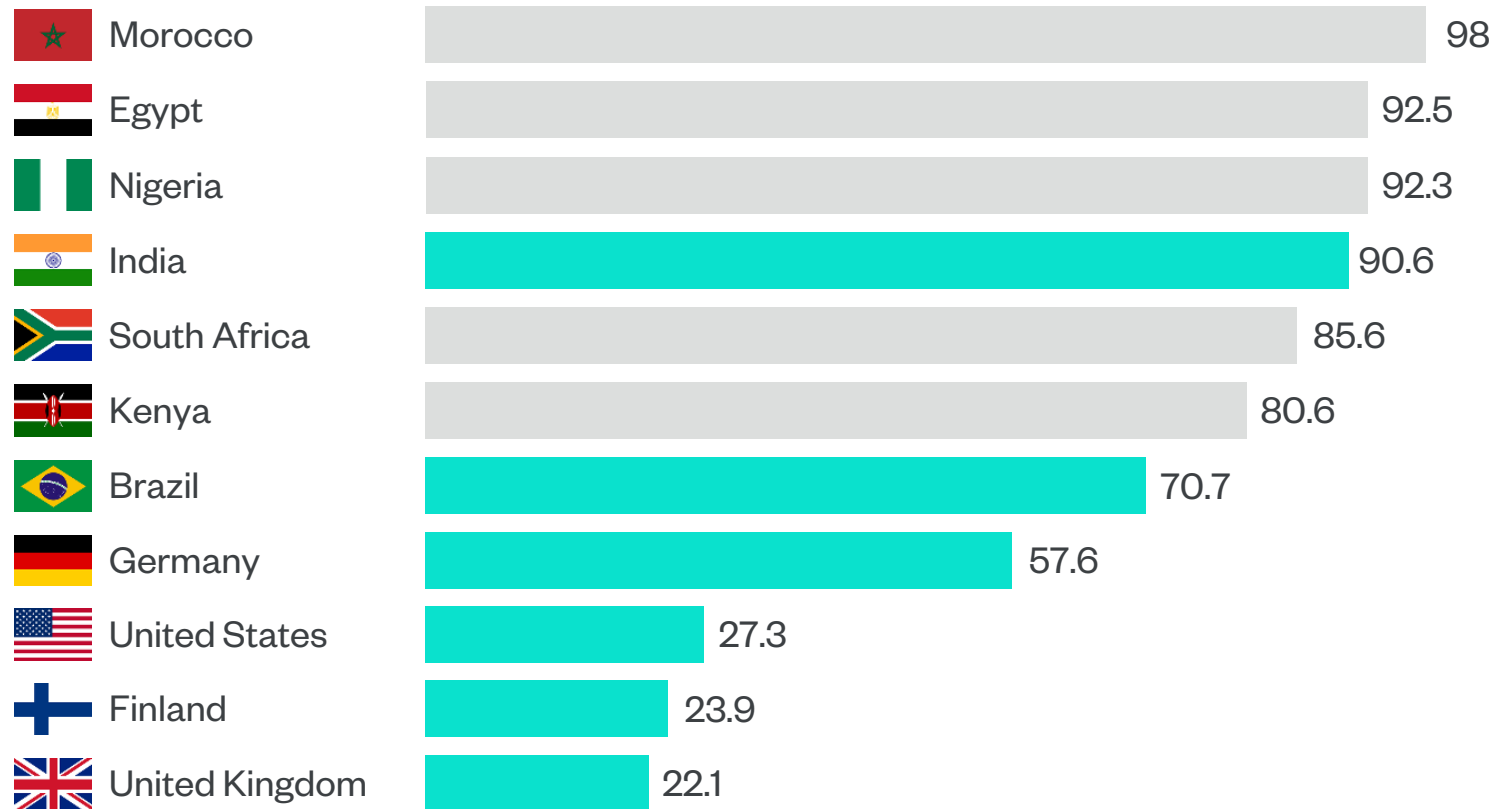
## 3 Fragmentation in digital payments

- **Limited interoperability** between financial service providers within countries and between countries.

# Cash is still king, with over 80% of transactions still being done in cash in major African economies

■ Non-African  
■ African

Cash's share of total number of transactions, 2020, Percent



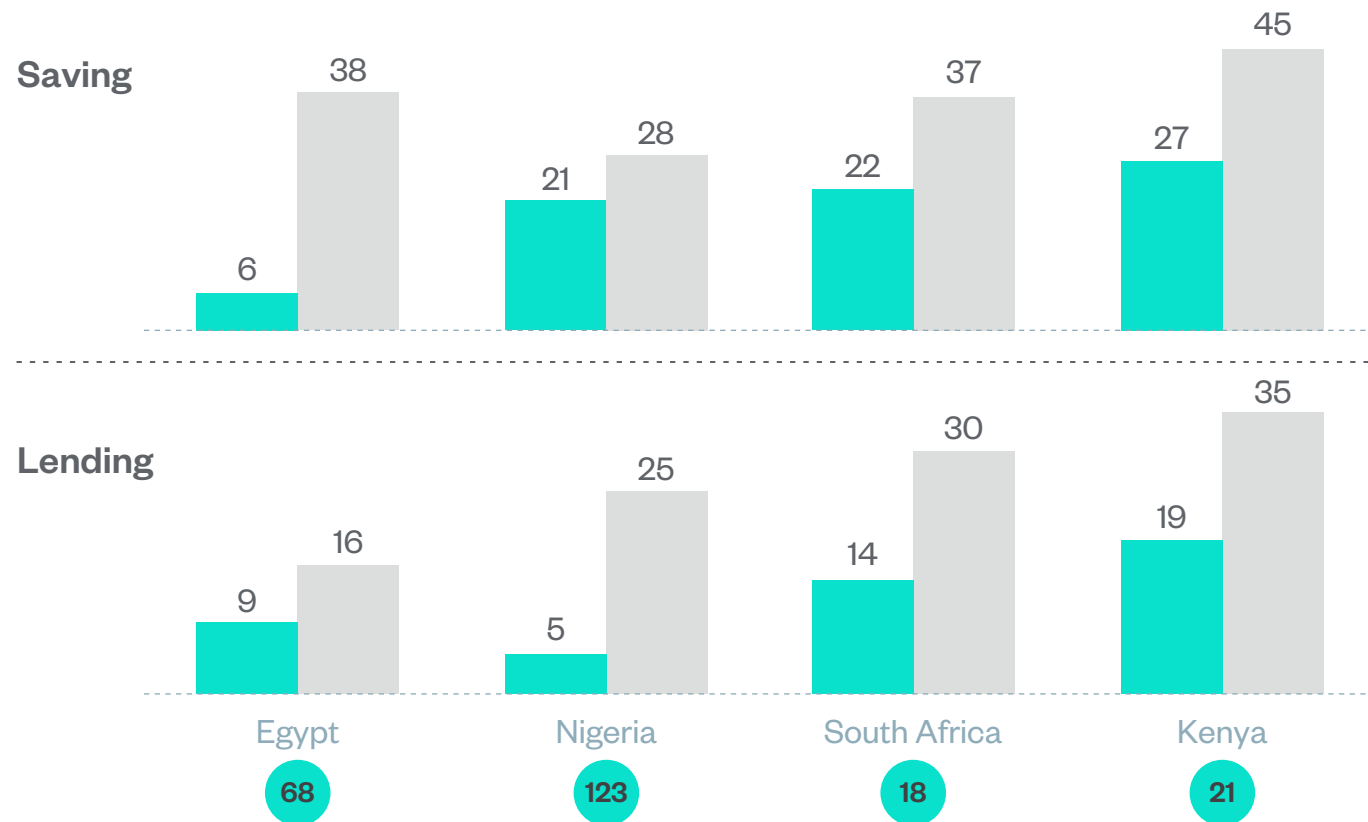
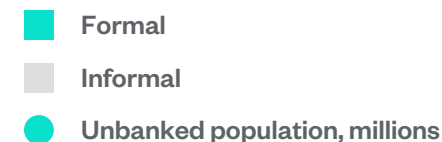
## Key insights

Cash is still dominant in African countries primarily due to **low urbanization rates** (e.g., only ~43% of the Egyptian population reside in urban areas) **and lagging banking infrastructure.**

There is an **opportunity to migrate from cash**, with only ~7% of transactions made via e-payments on average.

# A large portion of the population relies on informal and non-bank financial service providers

## Comparison between formal and informal saving and lending<sup>1</sup>, %



### Key insights

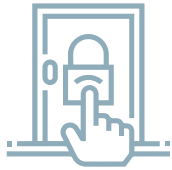
Saving and lending in African countries is largely characterised by informality, which is due to a myriad of factors, most notably:

- A large unbanked population.
- High lending interest rates at banks.

1. Formal is defined as saving or accessing credit from a financial institution; informal lending includes borrowing from family and friends and informal saving includes contributory saving thrift schemes (e.g. ajo)

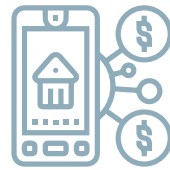
# There are three important conditions that give rise to opportunities in the financial services industry

■ Detailed next



## 1 Limited access to financial services

- **Limited bank infrastructure** (e.g., bank branches) **for the large rural population.**
- Limited access to financial services such as **loans, insurance, savings and investment products.**



## 2 Reliance on informal financial service solutions

- **Dependence on cash and reliance on informal financial services** (e.g., contributory thrift saving schemes 'ajo').

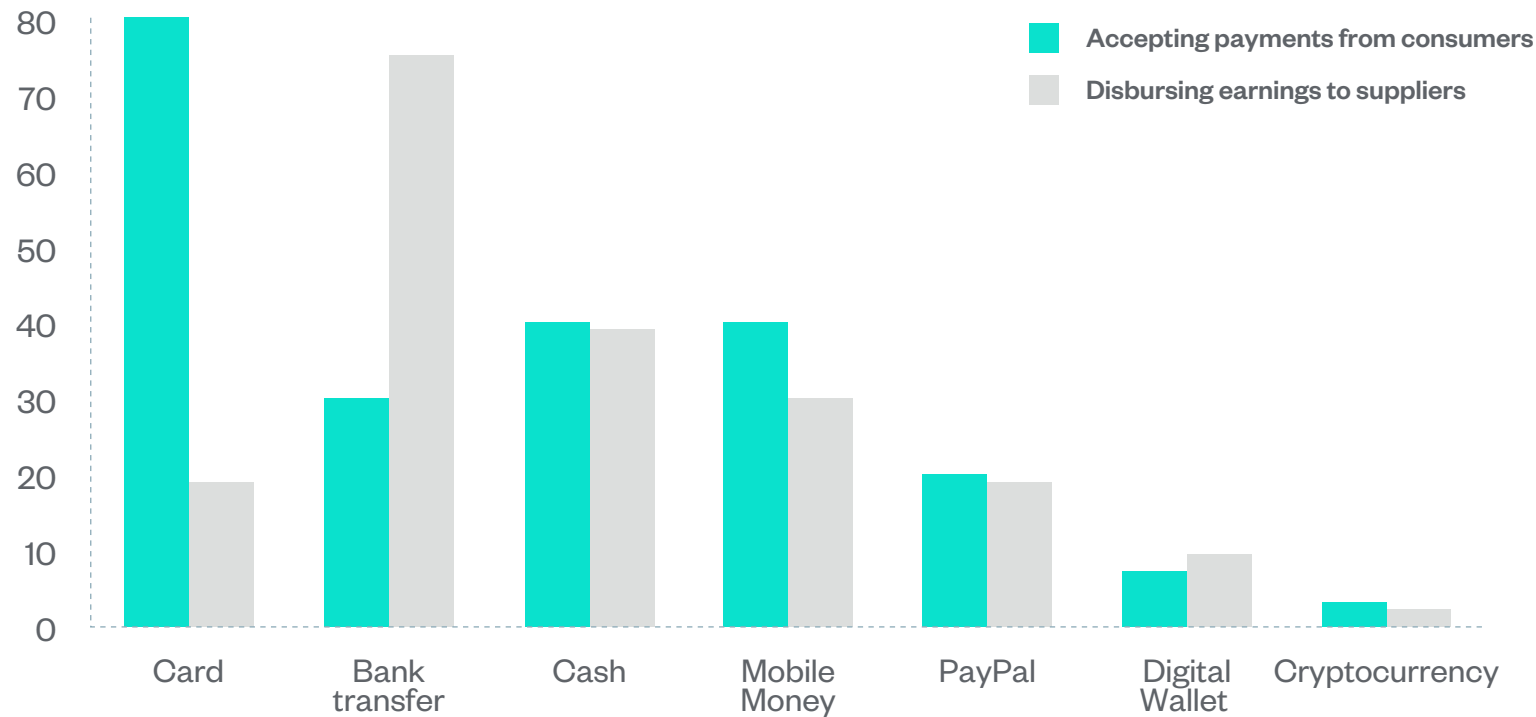


## 3 Fragmentation in digital payments

- **Limited interoperability** between financial service providers within countries and between countries.

# Multiple payment methods have tried to displace cash, leading to a fragmented digital payments landscape

## Payment methods accepted by % of digital platform (SSA)











### Key insights

Multiple digital payment methods give rise to fragmentation. The fragmented digital payments landscape gives rise to challenges for customers and merchants:

- **Customers** are not always sure their preferred mode of payment is accepted.
- **Merchants** have an integration problem as they have to integrate multiple payment methods to avoid losing customers.

# The fragmentation is increased across borders with different dominant digital payment methods in each country, often with limited cross-border interoperability

	 Egypt	 Kenya	 South Africa	 Nigeria
Debit/credit card ownership				
Mobile money account ownership				
Major players Card schemes				
Mobile money (Wallets)				
Banks				

## Key insights




















There are different dominant digital payment methods in African countries.

Additionally, **major digital payment players differ between countries.**

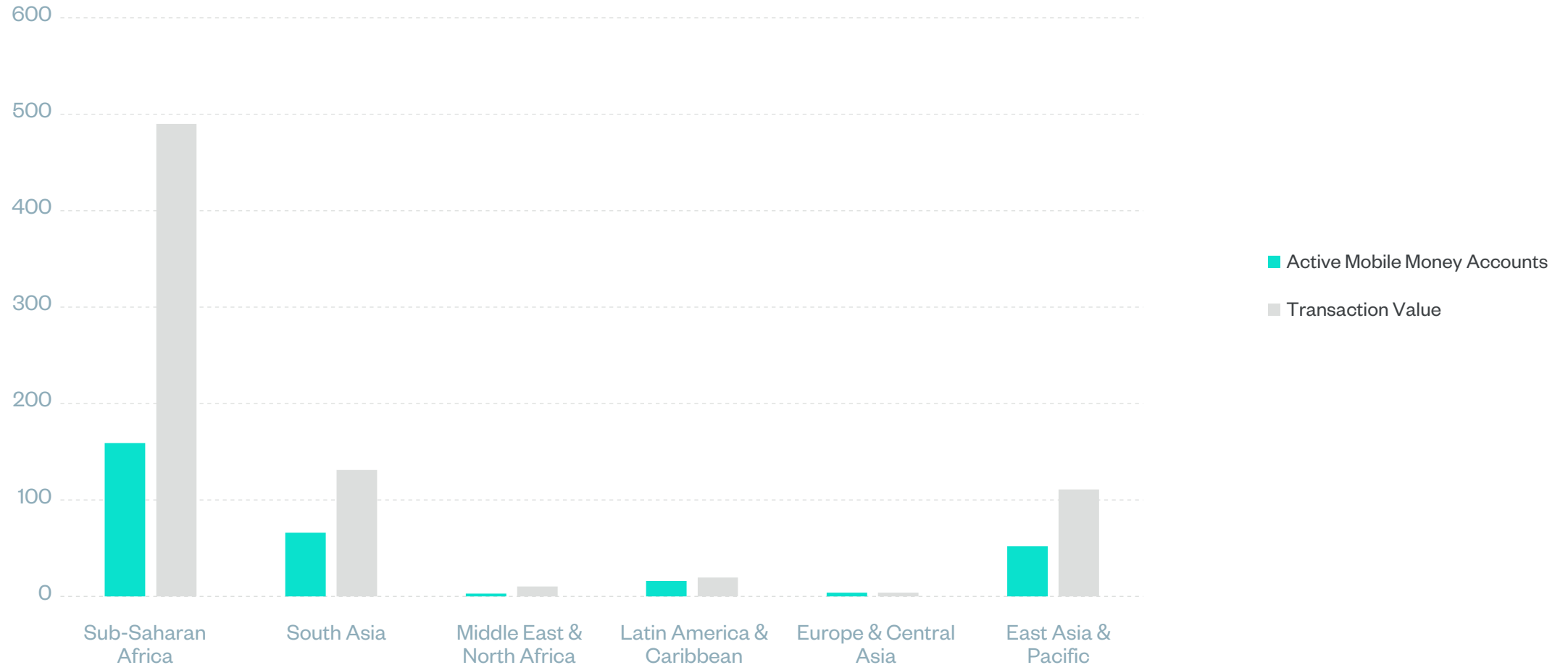
**This gives rise to the challenge of expensive, slow cross border payments as there is limited interoperability between players** (especially mobile money and banks).

# Fintech players with different value propositions are springing up to solve customer pain points

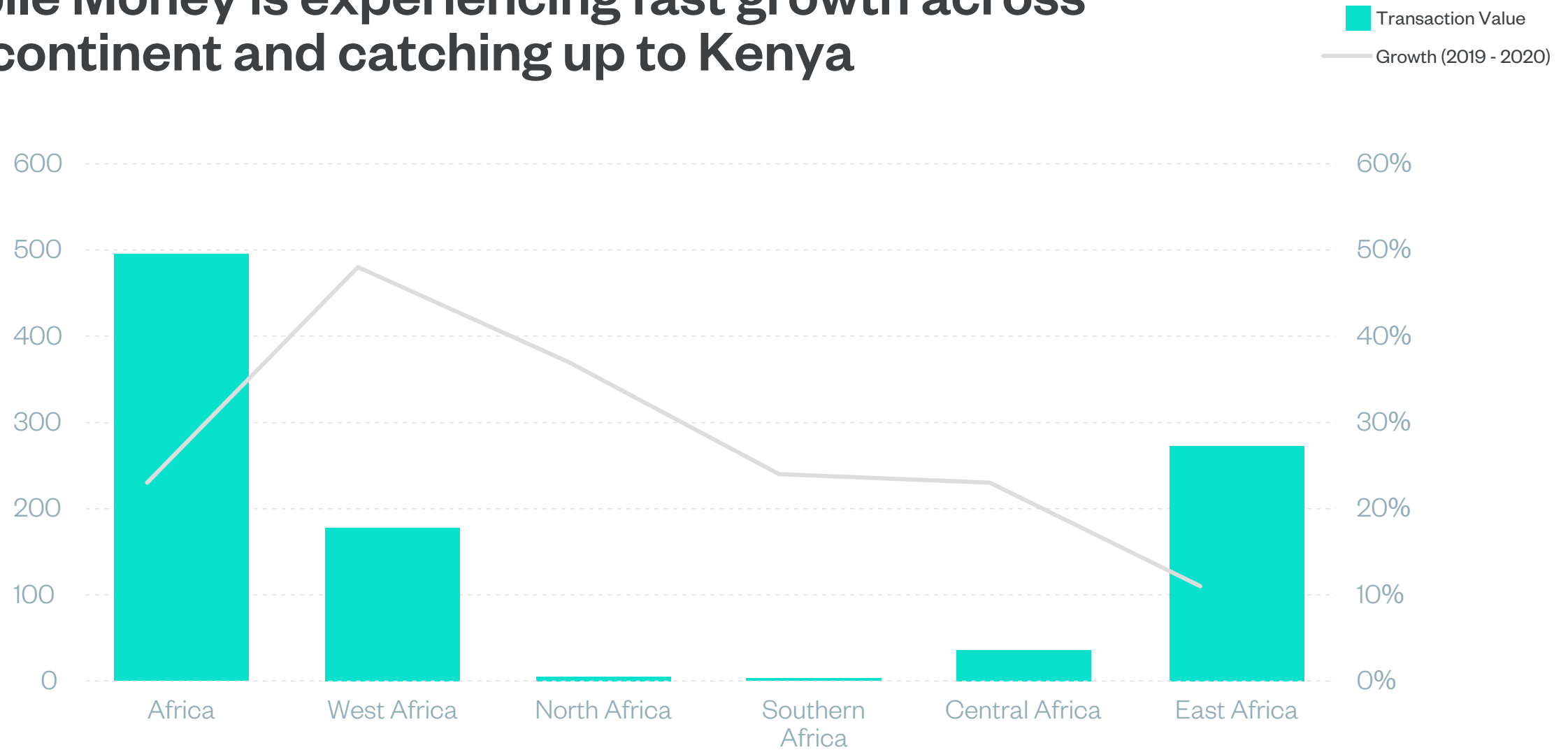
■ Detailed next

Categories	Value proposition	Example players
Mobile money	Cost effective way of reaching the last mile and have a wider footprint than banks	    
Remittance	Low cost and fast cross border payments	          
Digital banks	Access to value added services (e.g. savings and investment products, loans)	  

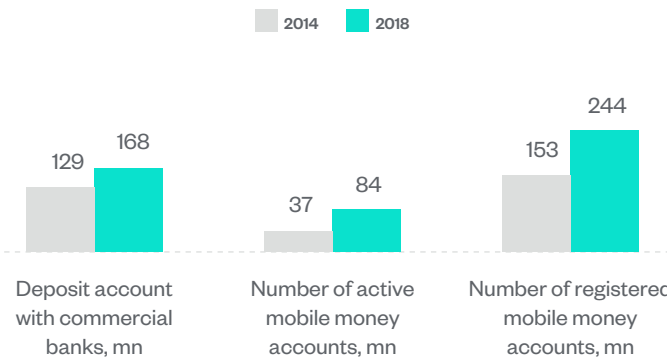
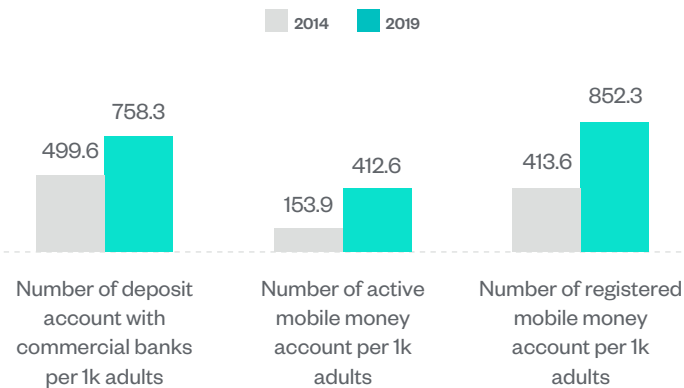
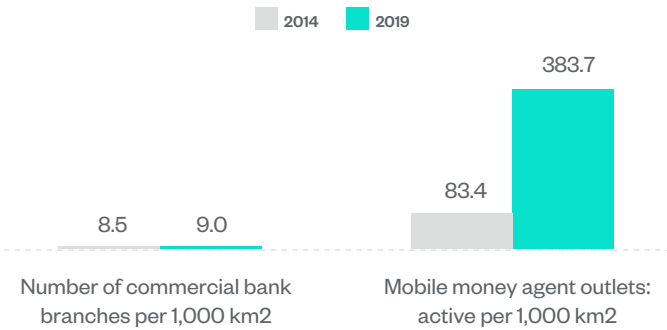
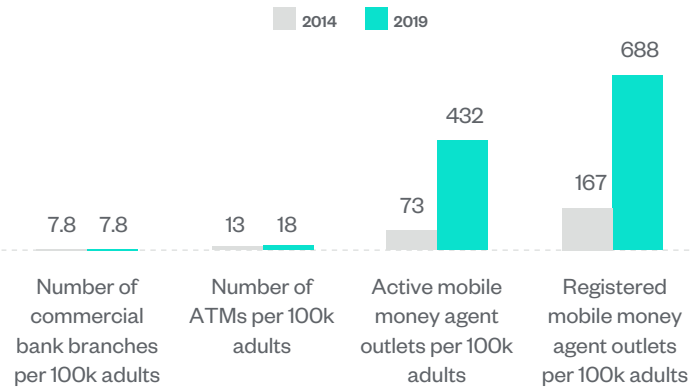
# Africa is the world's leading mobile money market, with roughly half of active accounts and transaction value globally



# Mobile Money is experiencing fast growth across the continent and catching up to Kenya











# In Africa, Mobile Money and agent networks are a cost-effective way of reaching the last mile and have a wider footprint than banks



## Key insights

Mobile Money and agent networks have proved **effective in reaching the last mile and have a wider footprint than banks.**

# The next decade of mobile money will likely be very different from the last decade

	Generation 1				Generation 2			
								
<b>Year Launched</b>	2007	2010	2009	2008	2018	2015	2018	2011
<b>Funding</b>	Telco-driven	Telco-driven	Telco-driven	Telco-driven	Venture Backed	Venture Backed	Venture Backed	Venture Backed
<b>Primary distribution</b>	GSM (Sim toolkit/SMS/ USSD)	GSM (Sim toolkit/SMS/ USSD)	GSM (Sim toolkit/SMS/ USSD)	GSM (Sim toolkit/SMS/ USSD)	Smartphone (Web, Mobile App, QR Card)	Smartphone (Web, Mobile App)	Smartphone (Web, Mobile App)	Smartphone (Web, Mobile App)
<b>Capital raised</b>	N/A	\$500M	N/A	N/A	\$200M	\$5.5m + undisclosed series B	\$570M	\$36.7M
<b>Valuation</b>	\$4.2B*	\$2.6B	\$5.4B*	\$3.6B*	\$1.7B	Undisclosed	\$2B	Undisclosed
<b>Investors</b>	Safaricom, Vodafone	Airtel, TPG, Mastercard	MTN	Orange	Sequoia Heritage, Founders Fund, Ribbit, Stripe, Partech, Sam Altman	Novastar, CDC, Endeavor Catalyst, Global Ventures	Sequoia China, Softbank, Redpoint China, IDG, Meituan	Flourish Ventures, Global Innovation Fund, Alitheia

Estimate based on comparable revenue multiple

# M-PESA – Case Study

## Overview



M-PESA was launched in 2007 as a partnership between Safaricom, DFID, and Vodafone. Safaricom is partially owned by the government and is the largest telco in Kenya with a 65% market share. M-PESA leverages SIM toolkit, USSD, and SMS technology to turn a user's mobile phone number into a digital wallet. Users can deposit cash into or withdraw cash from their wallets through an M-PESA agent.

## Value proposition



- Accessibility and convenience: low technology required (i.e. a basic mobile phone), ease of use, and no required transaction minimums to receive services
- Value-added services: Mshawari (digital bank), Lipa Na Mpesa (Point of Sales), Fuliza (Overdraft), and Pochi La Biashara (business accounts)
- Security: People can verify immediately whether or not the funds were transferred for the correct amount
- High penetration and adoption: there are more M-PESA agents in Kenya than ATMs, and 96% of Kenyan households outside Nairobi have an M-PESA account.

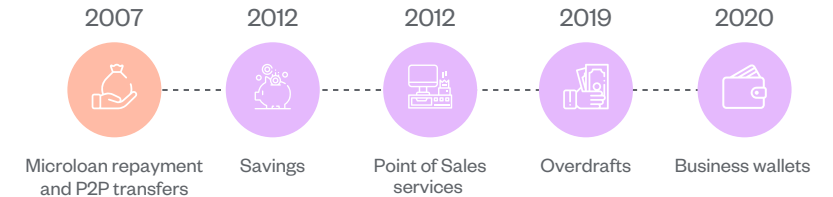
## Competitive advantage



Safaricom's near-monopoly of the telecom sector, its relationship with the government, friendly regulations and partnership with DFIs helped drive the product's adoption.

- Pick a wedge
- Build a bridge

## Ecosystem timeline



**28 million** Customers in Kenya  
**~14 million** Users Outside Kenya



**273 million** Avg. Monthly Transactions  
**24%** YoY Growth ('17-'18)






















**101,000** Active Merchants



**156,000** M-PESA Agents

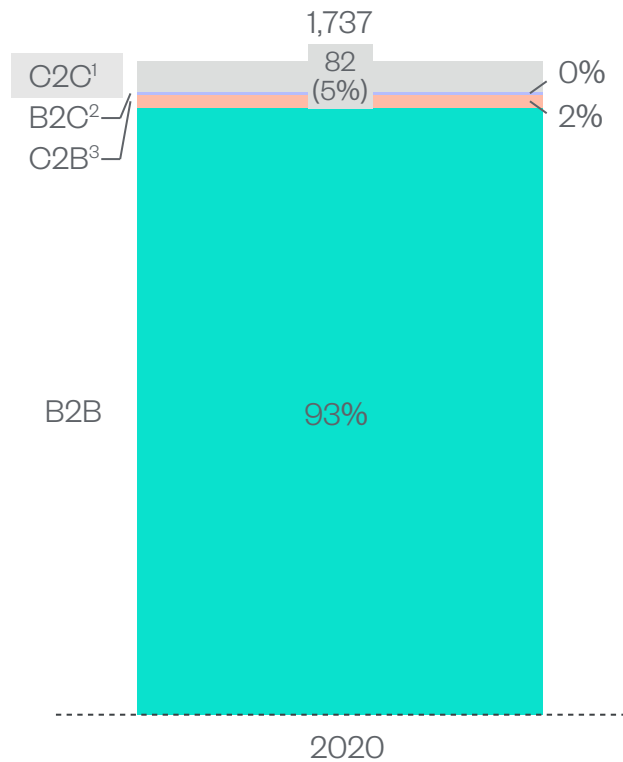
# Fintech players with different value propositions are springing up to solve customer pain points

■ Detailed next

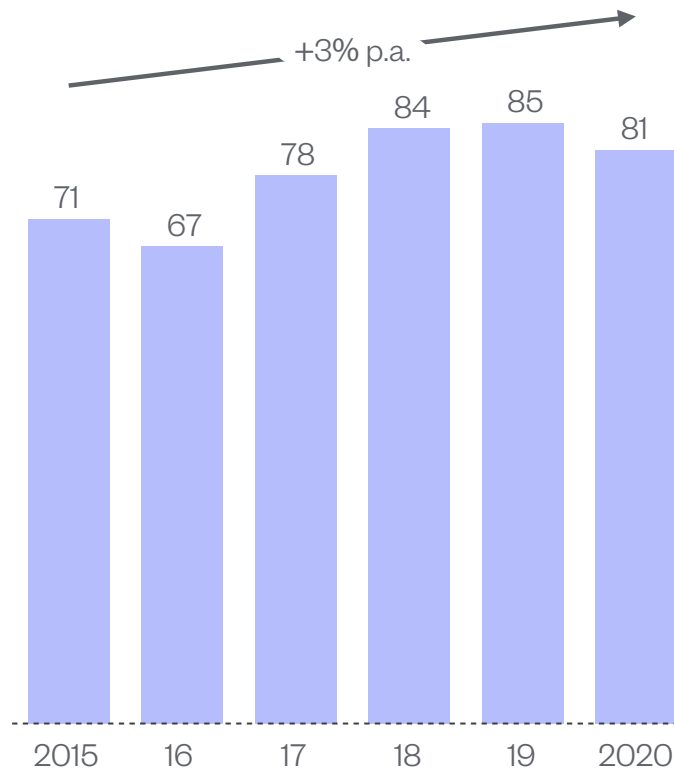
Categories	Value proposition	Example players
Mobile money	Cost effective way of reaching the last mile and have a wider footprint than banks	    
Remittance	Low cost and fast cross border payments	          
Digital banks	Access to value added services (e.g. savings and investment products, loans)	  

# Inbound cross border payments are worth ~US\$2 tn, of which, remittances are 5%

Formal cross border values, Inbound to Africa, %, US\$ bn 



Remittance transaction values, %, US\$ bn



**African inbound payments** are worth **US\$1.7tn**.

The **wholesale segment** dominates the African cross-border payment industry.

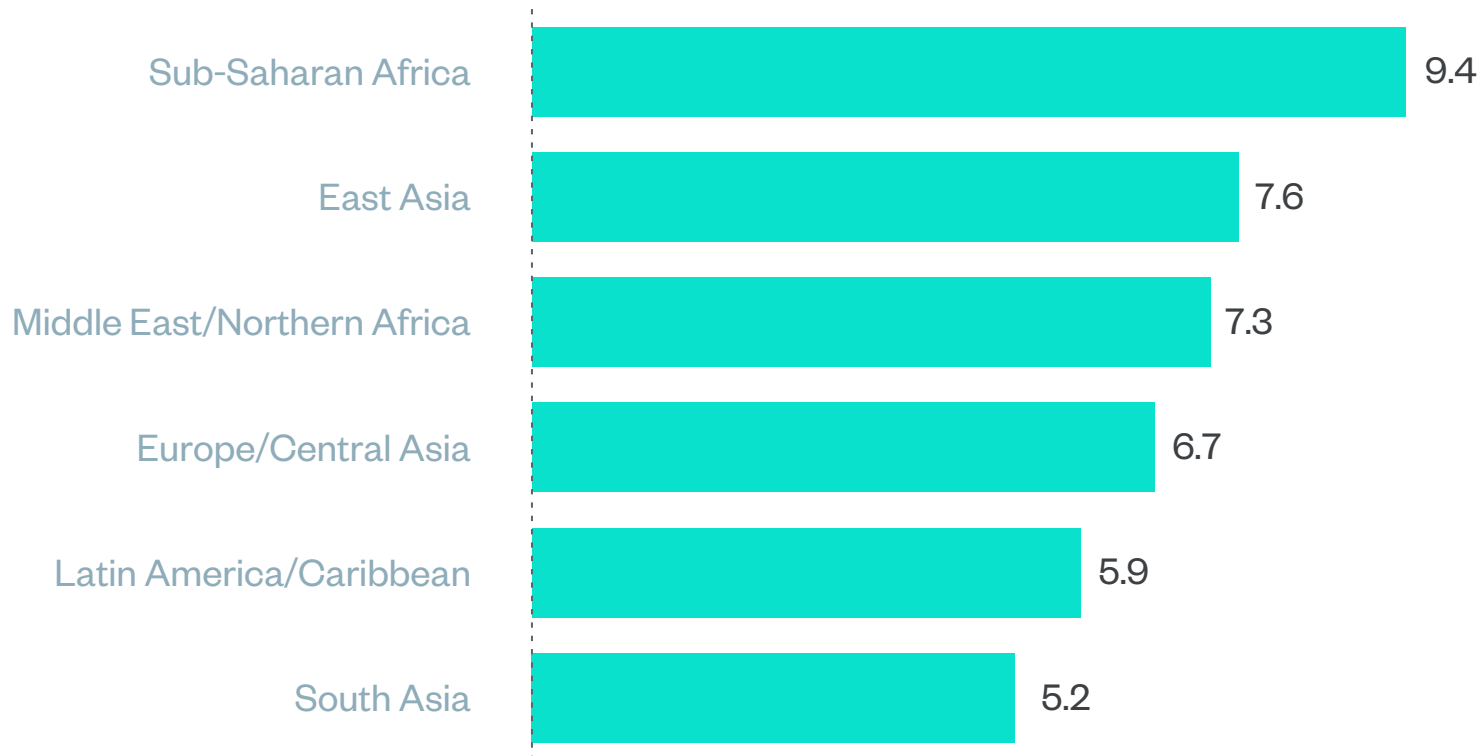
**B2B heavily dominates the market** (~ 93% of the total transactions), but has the **lowest revenue margins**. **Remittances (C2C)** currently **represent 5%**, **US\$81 bn** and have grown **3% p.a. since 2014**.

**C2C is an increasingly competitive market** with FinTech disruption.

1. Remittances  
 2. Includes mass pay-outs and payroll  
 3. Includes cross-border commerce  
 Source: McKinsey Global Payments Practice; World Bank

# Cost of receiving remittances in SSA is high relative to other regions, in addition, customers face multiple challenges

The average cost of sending a \$200 remittance around the world, %



## Key takeaways

**Fees paid** to remittance service providers **to send money to Africa** is the **highest rate globally**.

**B2B heavily dominates the market** (~ 93% of the total transactions). This is due to **limited interoperability between players** and **regulatory requirements that drive administrative costs up and limit competition**.

In addition, to high cost, customers **also face challenges related to last-mile delivery and speed of settlement**.

# Cross-border payment infrastructure companies are aggregating fragmented payment methods and building the rails to connect the continent

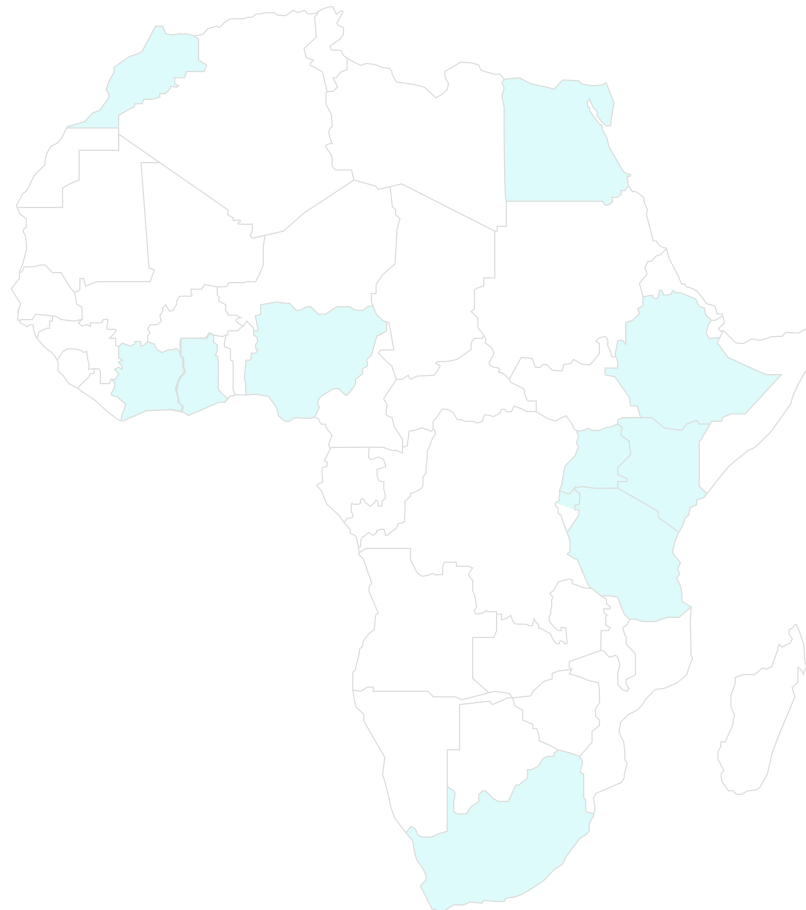


Launched: 2012  
Capital raised: \$480m

Flutterwave allows African consumers and businesses send and receive money from each other and the rest of the world. The company has integrated multiple local payment methods across 10+ African countries, Europe, and North America.

Countries with local integrations:  
Cameroon, Ghana, Ivory Coast, Kenya, Malawi, Mauritius, Nigeria, Rwanda, South Africa, Tanzania, Uganda, Zambia, United States, United Kingdom.

Payment Methods:  
Debit and Credit Cards, Mobile Money, Bank Transfers, POS, Visa QR, USSD.



Launched: 2009  
Capital raised: \$125m




















MFS Africa's network allows interoperability among 180+ mobile wallets operated by telcos, banks and money transfer operators spread across 35+ African countries. This represents 320M connected mobile wallets and 600 payment corridors.

Countries with network members:  
Chad, Congo, DR Congo, Ethiopia, Gabon, Kenya, Madagascar, Malawi, Mali, Mozambique, Niger, Nigeria, Senegal, South Africa, Tanzania, Uganda, Zambia, Zimbabwe, plus many others.

Network Members:  
Paga, MTN Mobile Money, Orange Money, Airtel Money, Ecobank, MoneyGram, plus many others

# Fintech players with different value propositions are springing up to solve customer pain points

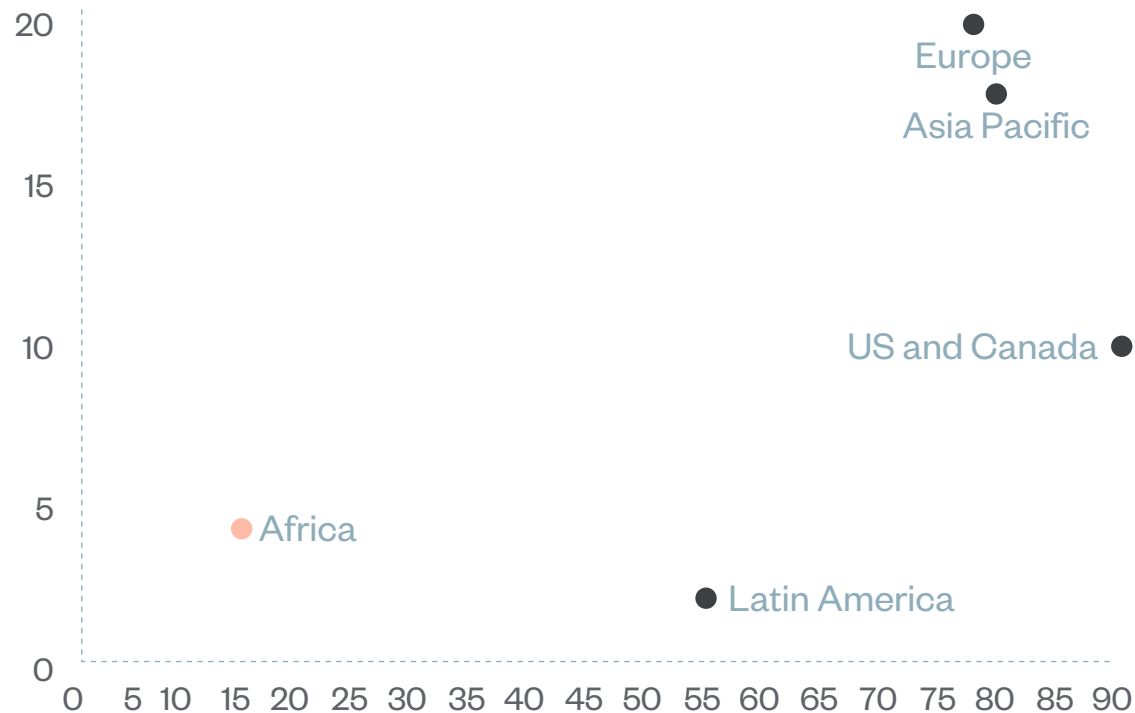
■ Detailed next

Categories	Value proposition	Example players
Mobile Money	Cost effective way of reaching the last mile and have a wider footprint than banks	    
Remittance	Low cost and fast cross border payments	          
Digital banks	Access to value-added services (e.g savings, investment products and loans)	  

# There is very low digitization in the African banking sector, despite consumer demand for digital products and services

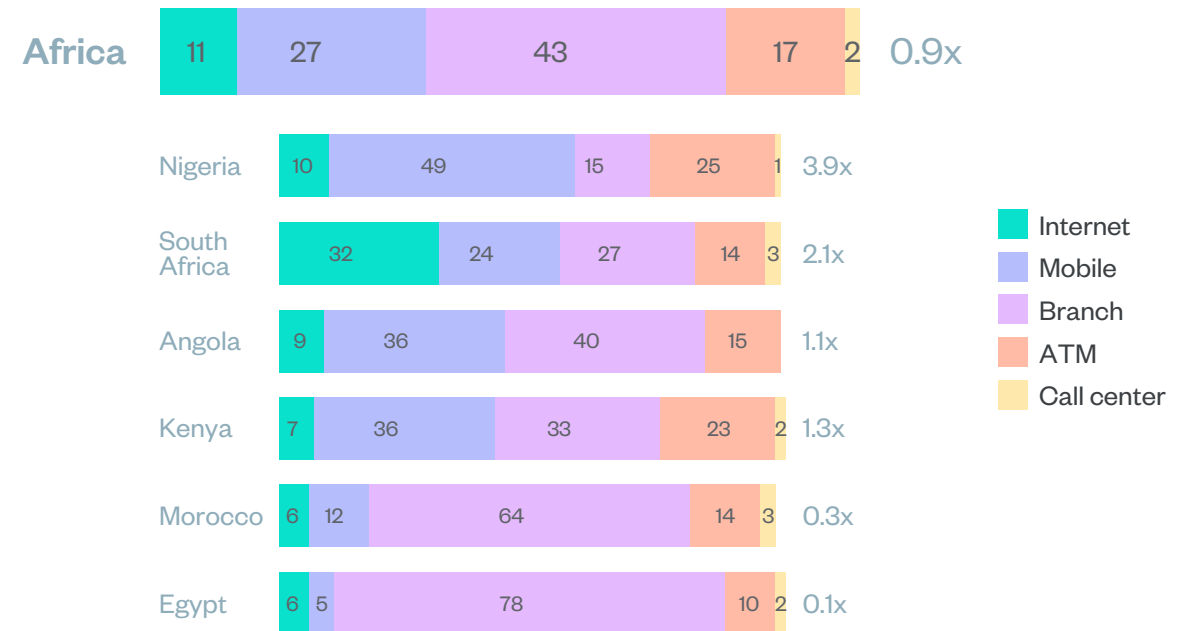
Africa's banks still have room for growth in digital sales and transactions, relative to other regions

Share of total sales that are digital<sup>1</sup>, 2016



Four in ten African banking customers prefer digital channels for transactions, and four major countries' customers prefer digital to branch

Q: Please indicate which channel you prefer for transactions<sup>2</sup> % of total customers



1. Core products include current accounts, deposit accounts, credit cards, unsecured personal loans, non-life insurance, and mortgages

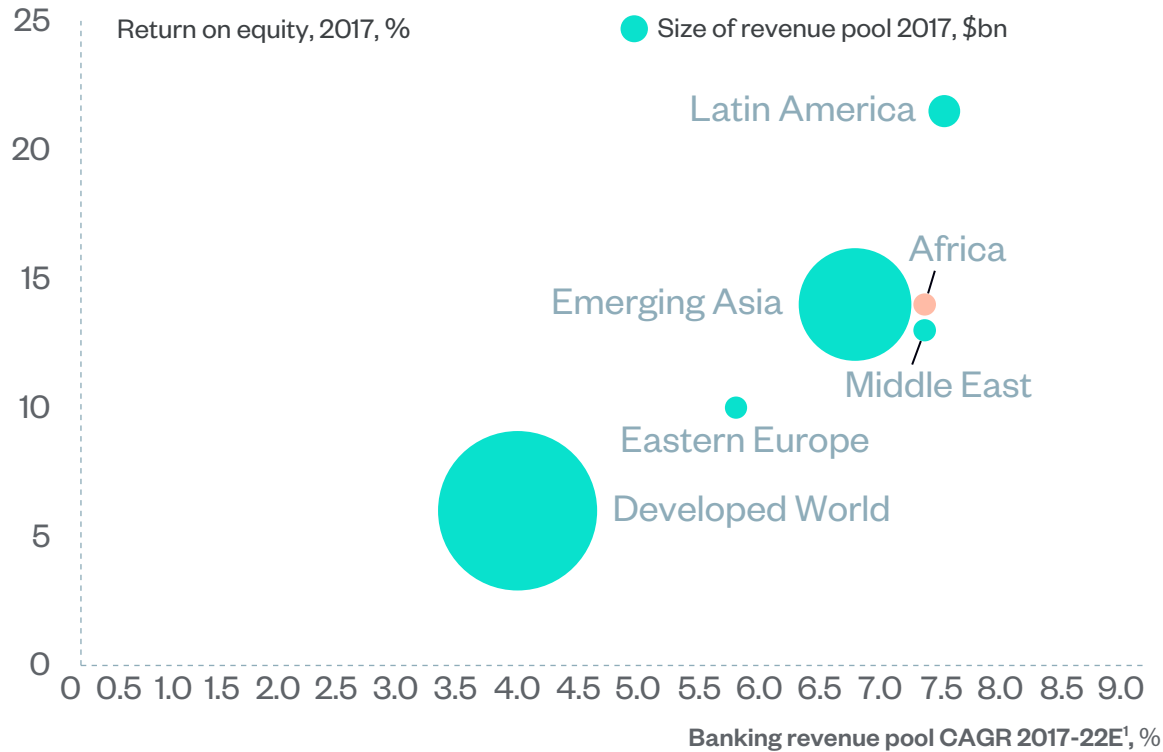
2. Financial transactions include all customer initiated third-party payments and inter-account transfers, including set up of standing orders and direct debits.

Actual subsequent automated transactions are excluded

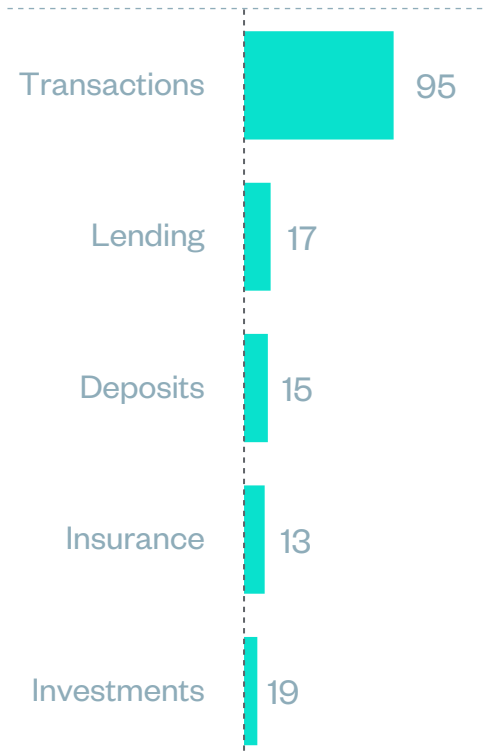
Source: Finata, SNL

# African banks have achieved growth and profitability through transaction banking, leaving a whitespace in other financial service products

Africa's banking market is the second fastest in terms of growth, and the second-most profitable



Clients with product (Africa)  
% of clients



## Key insights

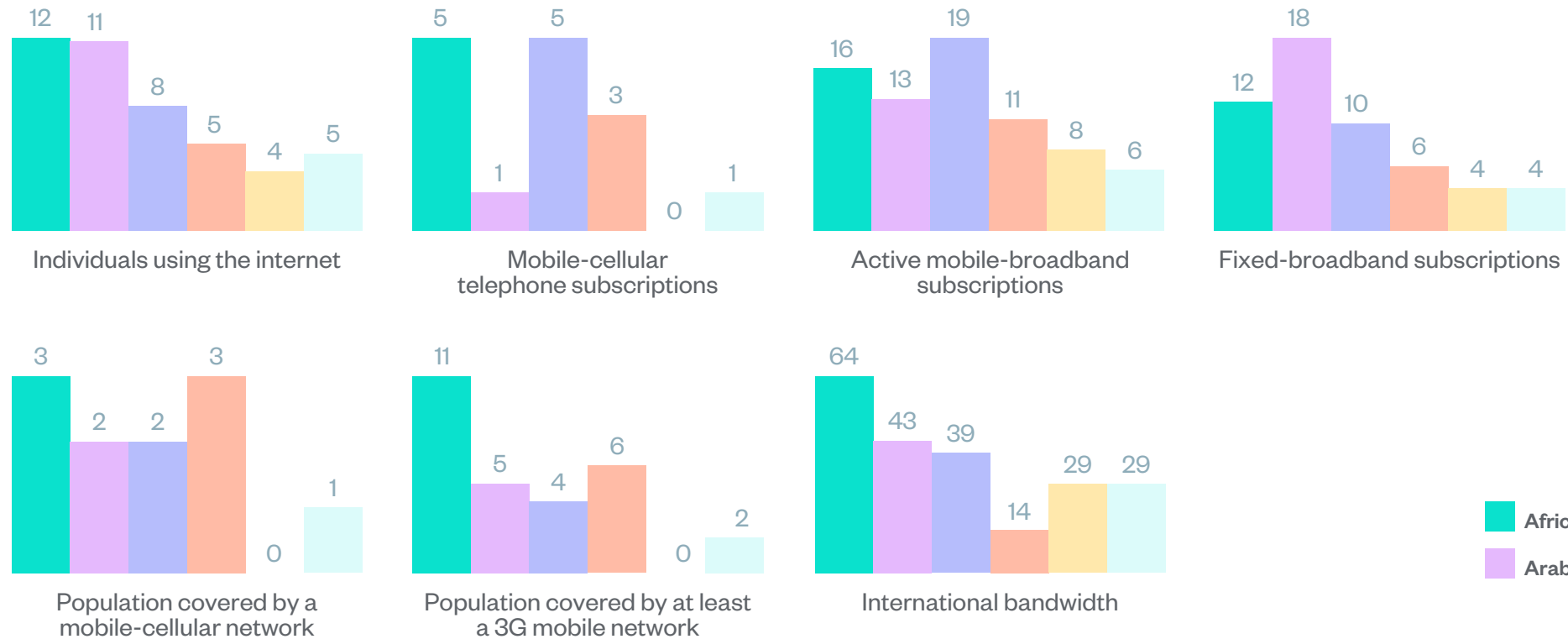
African banks have achieved growth and profitability through transaction banking, leaving a whitespace in other financial service products.

- Africa's banking market is the second fastest in terms of growth and is the second most profitable.
- 95% of clients use transaction products, however, less than 20% have other financial service products (lending, savings, insurance or investments).

1. Client-driven revenues before risk cost, constant 2017 exchange rates  
Source: McKinsey Global Banking Pools

# Digital penetration is growing faster than most regions presenting an opportunity to leapfrog

## CAGR 2017 – 2019 of key indicators across global regions



Africa is the region with the fastest growth rate of individuals using the internet, population covered by a mobile cellular network and international bandwidth.



## Overview



Kuda is a full-service digital-only bank and the first of its kind in Nigeria. Kuda enables users to access banking services on their smartphones without going out to a brick & mortar bank. In addition, Kuda leverages machine learning to personalize customer learning (including credit rating). Kuda's predominant customers are young people (ages 18-25) who have a higher inclination for more convenient banking services.

## Journey



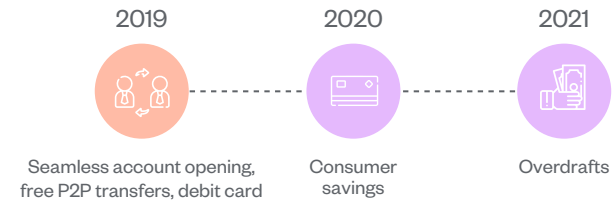
In 2019 Kuda launched a fully digital bank that appealed to customers in two major ways: (i). Customers were able to open new bank accounts seamlessly. (ii). Customers were able to perform many banking services for free. Building a fully digital bank was particularly important as the traditional banking system is faced with an insufficient branch network, long queues, high transaction fees and stressful processes in obtaining banking services. In 2020 Kuda hit 300,000 customers acquiring \$10,000,000 in seed funding (which was Africa's largest seed funding round at that time). In addition, in their quest to meet more underserved banking needs, Kuda began introducing other financial services: consumer savings products and short term loans (overdrafts that don't require paperwork). Kuda is accelerating its mission to build the best bank for all Africans on the planet and is looking to expand into new African markets and develop new products in their existing market.

## Value proposition

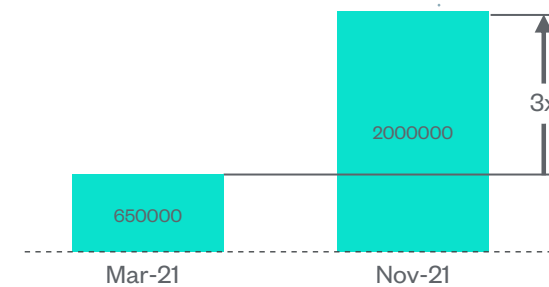


- Accessibility and convenience: easy onboarding, ability to perform a variety of services (e.g. getting a debit card) without going to a physical location
- No charges: on transfers, maintenance, SMS alerts
- Finance tools: tools for tracking spending habits, saving more and making the right money moves.

## Ecosystem timeline



## Number of users



**\$2.2B<sup>1</sup>**  
Transactions per month

**\$500m**  
Valuation

*"We're excited to usher in a new era in consumer banking and serve the many Africans, who we believe are frustrated with traditional banks. Starting with Nigeria, we'll launch a new kind of bank with a continued focus on improving our members' financial lives rather than trying to burden them with hidden fees and excessive charges"*

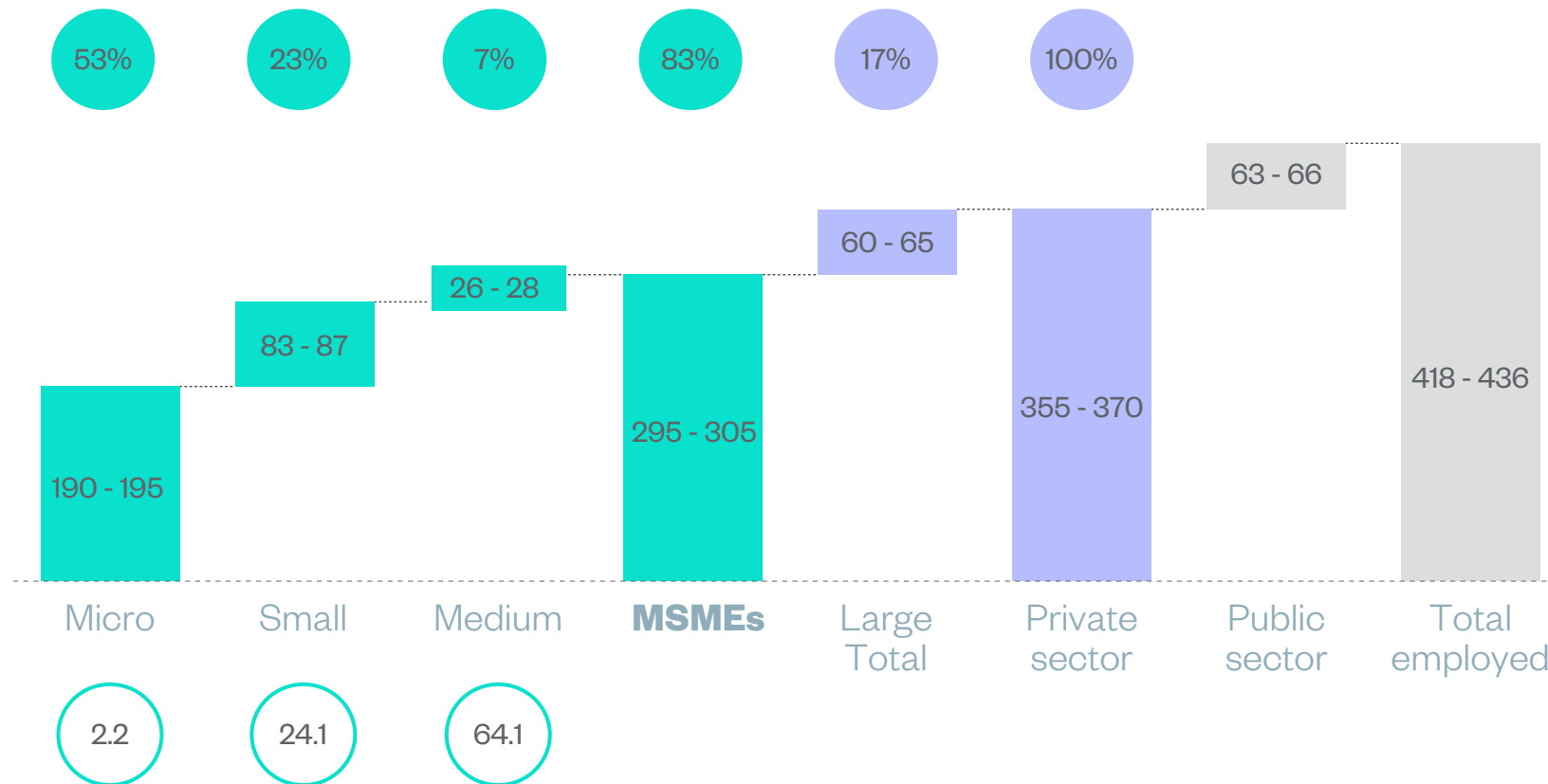
- Babs Ogundeyi - Founder & CEO



Commerce

# MSMEs are critical to the African economy as they account for 83% of private sector employment

Africa employment by size<sup>1</sup> and type of employer Mn



- ⊗ Share of private sector
- ⊗ Avg. number of employees

## Key insights

**>50%**

of all private sector workers in Africa are working for micro companies

**83%**

of all private sector workers work in MSMEs

1. Micro: 1-9 employees; Small: 10-49 employees; Medium: 50-99; Large: 100+ employees

# There are three important conditions that give rise to opportunities in the commerce industry

■ Detailed next



## 1 Informal operations

- A third of commercial activity and over 80% of employment in Africa is in the informal sector.
- These informal businesses are often primarily operated manually (>85% of offline payments are in cash), with weak management practices, and with little regulatory oversight (84% of African MSMEs are unregistered).



## 2 Fragmentation in the supply chain

- The retail & commerce landscape in Africa comprises millions of small businesses operating at various points of the value chain with little coordination or centralization.
- The supply chain that serves SMEs in Africa is highly fragmented, with multiple intermediaries, each adding their margin.



## 3 High cost to serve

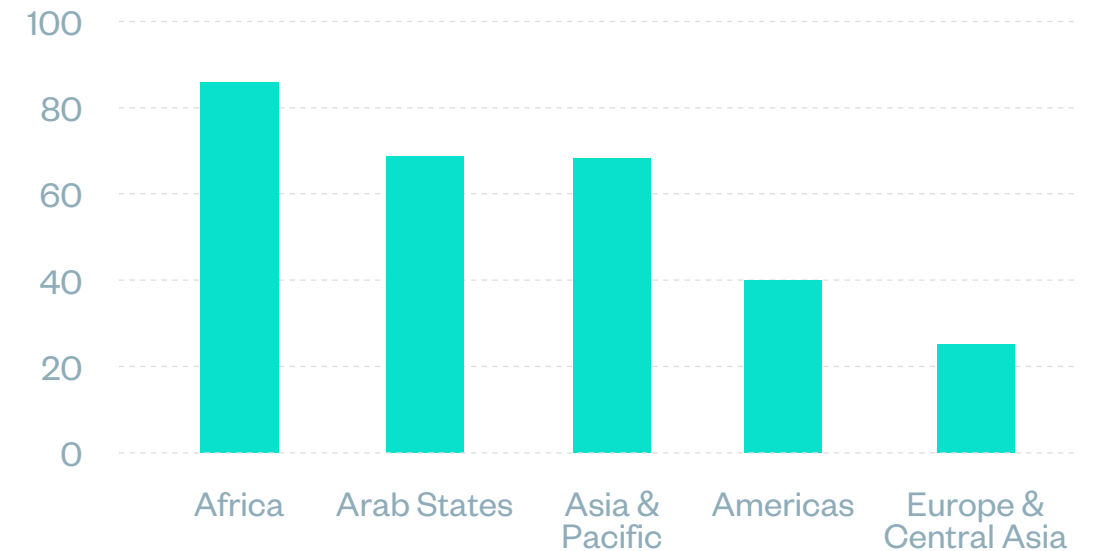
- Combined effect of informality, fragmentation and cash-based operations result in a high cost to serve, data asymmetry, and inability to extend credit.
- African SMEs are half as likely to have a loan from a financial institution, despite having the same amount of demand. They are also twice as likely to cite 'lack of access to credit as a significant barrier to growth.

# A meaningful proportion of commerce in Africa goes through the informal economy

## Shadow Economy's Share of Total Economy



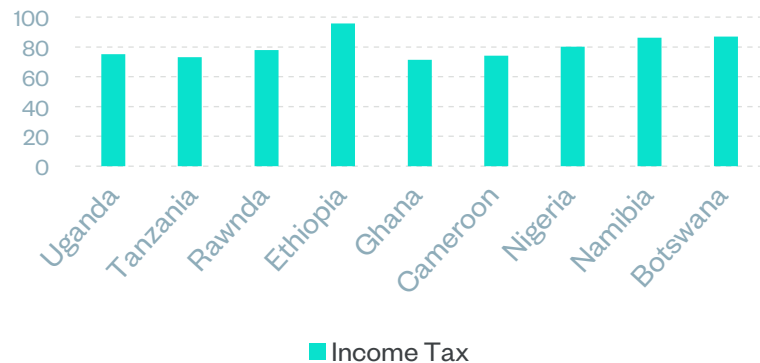
## Informal Employment's Share of Total Employment



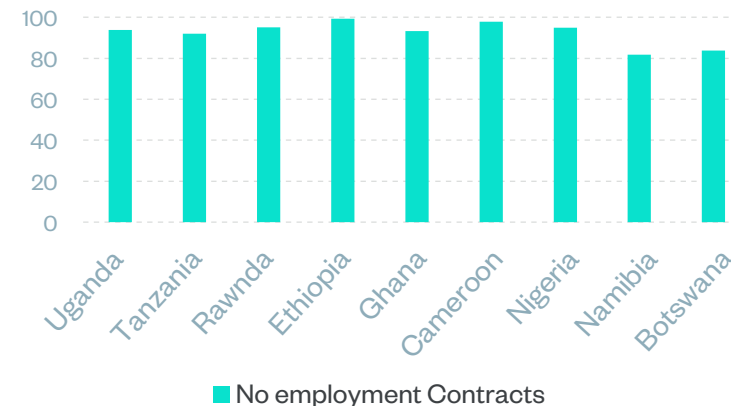
Source: Shedding light on the shadow economy, a global database (IMF). Women & Men in the informal economy: a statistical picture (ILO)

# Informal businesses are predominantly run manually, with weak management practices and a heavy reliance on pen and paper

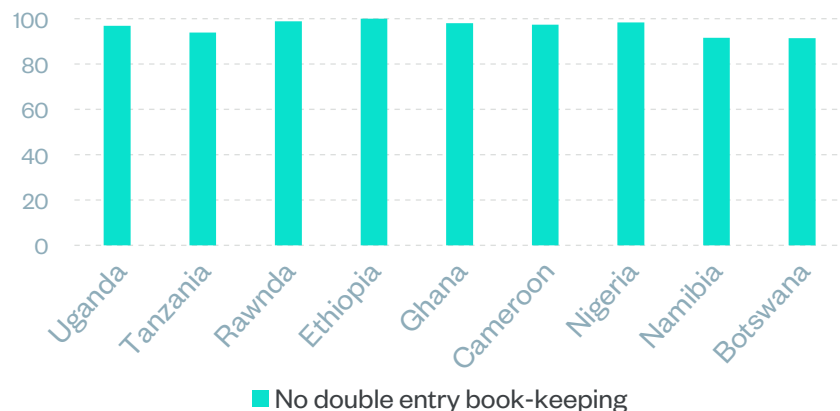
% Does not pay income tax



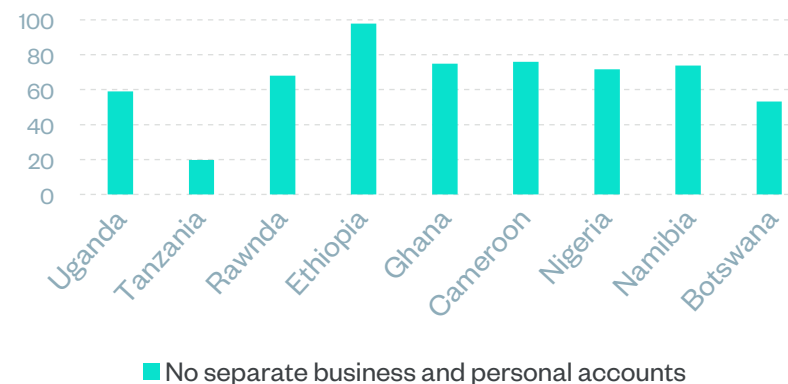
% With no employment Contracts



% With no double entry book-keeping



% With no separate business and personal accounts



# There are three important conditions that give rise to opportunities in the commerce industry

■ Detailed next



## 1 Informal operations

- A third of commercial activity and over 80% of employment in Africa is in the informal sector.
- These informal businesses are often primarily operated manually (>85% of offline payments are in cash), with weak management practices, and with little regulatory oversight (84% of African MSMEs are unregistered).



## 2 Fragmentation in the supply chain

- The retail & commerce landscape in Africa comprises millions of small businesses operating at various points of the value chain with little coordination or centralization.
- The supply chain that serves SMEs in Africa is highly fragmented, with multiple intermediaries, each adding their margin.

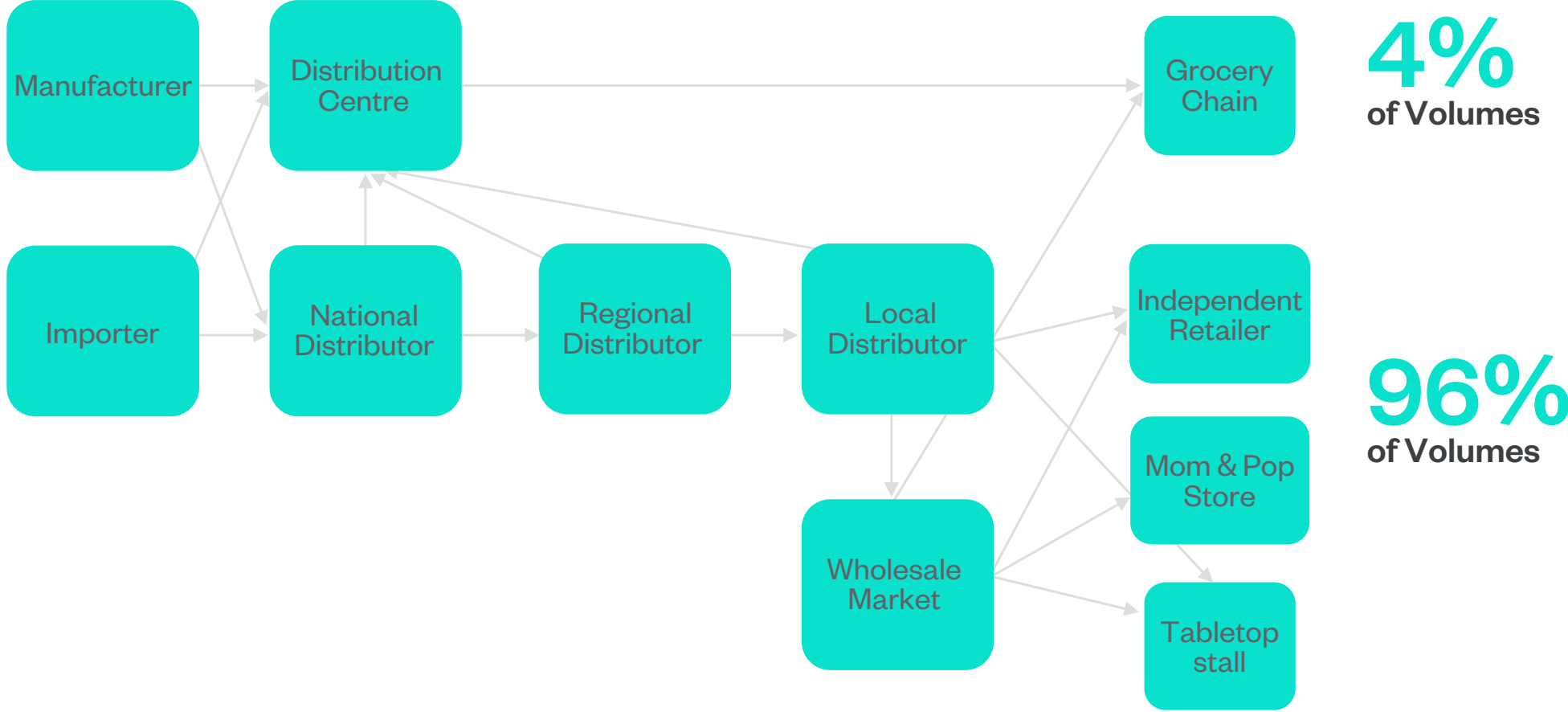


## 3 High cost to serve

- Combined effect of informality, fragmentation and cash-based operations result in a high cost to serve, data asymmetry, and inability to extend credit.
- African SMEs are half as likely to have a loan from a financial institution, despite having the same amount of demand. They are also twice as likely to cite 'lack of access to credit as a significant barrier to growth.

# The retail value-chain across Africa is highly fragmented

A bar of soap, leaving a manufacturer's warehouse, will pass through up to 4 middlemen before landing on the shelf at a retail outlet



Source: Euromonitor International, 2019

NOTE: Modern grocery refers to supermarkets, traditional groceries refer to independent retailers in the form of kiosks and small stalls; non grocery to shops like pharmacies and beauty shops

# There are three important conditions that give rise to opportunities in the commerce industry

■ Detailed next



## 1 Informal operations

- A third of commercial activity and over 80% of employment in Africa is in the informal sector.
- These informal businesses are often primarily operated manually (>85% of offline payments are in cash), with weak management practices, and with little regulatory oversight (84% of African MSMEs are unregistered).



## 2 Fragmentation in the supply chain

- The retail & commerce landscape in Africa comprises millions of small businesses operating at various points of the value chain with little coordination or centralization.
- The supply chain that serves SMEs in Africa is highly fragmented, with multiple intermediaries, each adding their margin.



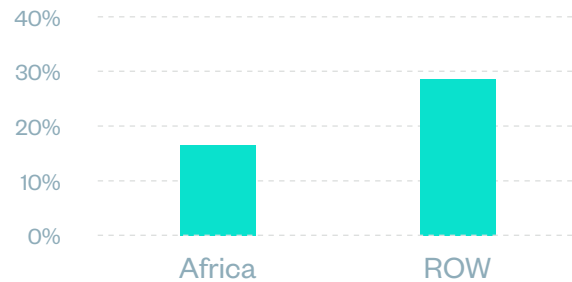
## 3 High cost to serve

- Combined effect of informality, fragmentation and cash-based operations result in a high cost to serve, data asymmetry, and inability to extend credit.
- African SMEs are half as likely to have a loan from a financial institution, despite having the same amount of demand. They are also twice as likely to cite 'lack of access to credit as a significant barrier to growth.

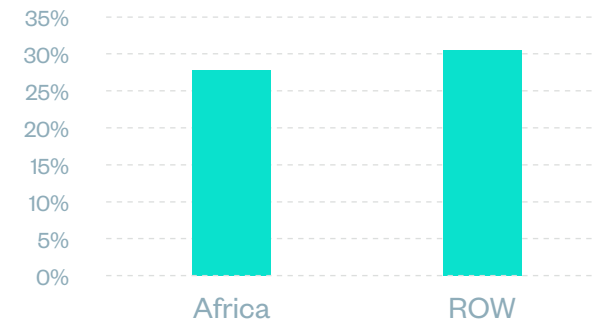
# Informal businesses face significant barriers to financial inclusion

SMEs in Africa are half as likely to have a loan, and they are twice as likely to cite access to finance as a major barrier to growth. In addition, they are significantly more likely to have their loan application rejected or to refrain from applying due to complex application processes and high collateral requirements.

### Do you have a loan?

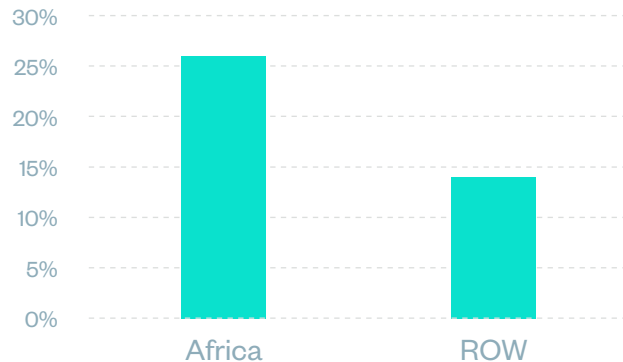


### Did you apply for a loan?

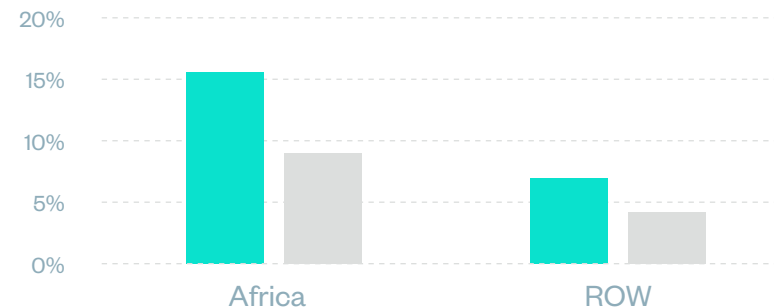


■ Complex Application  
■ High Collateral Requirements

### Is access to capital a major obstacle to growth?



### Why have you not applied for a loan?



# This informality and fragmentation presents challenges for last-mile distribution in Africa



## **Inefficient logistics/supply chain**

The distribution network for retail products operates primarily manually with limited use of technology. Distributors often use simplistic approaches with very little route optimization when supplying retailers in their region. According to one estimate, route optimization can reduce the cost of delivering supplies by up to 66%.



## **Lack of reliable data**

Manufacturer's visibility into their product penetration stops with the major distributors. Distributors operate manually giving manufacturers limited insight into their product coverage and stock levels across retail outlets. One study found that 9 of the top 10 best-selling products across Nigeria were present in less than 30% of stores.

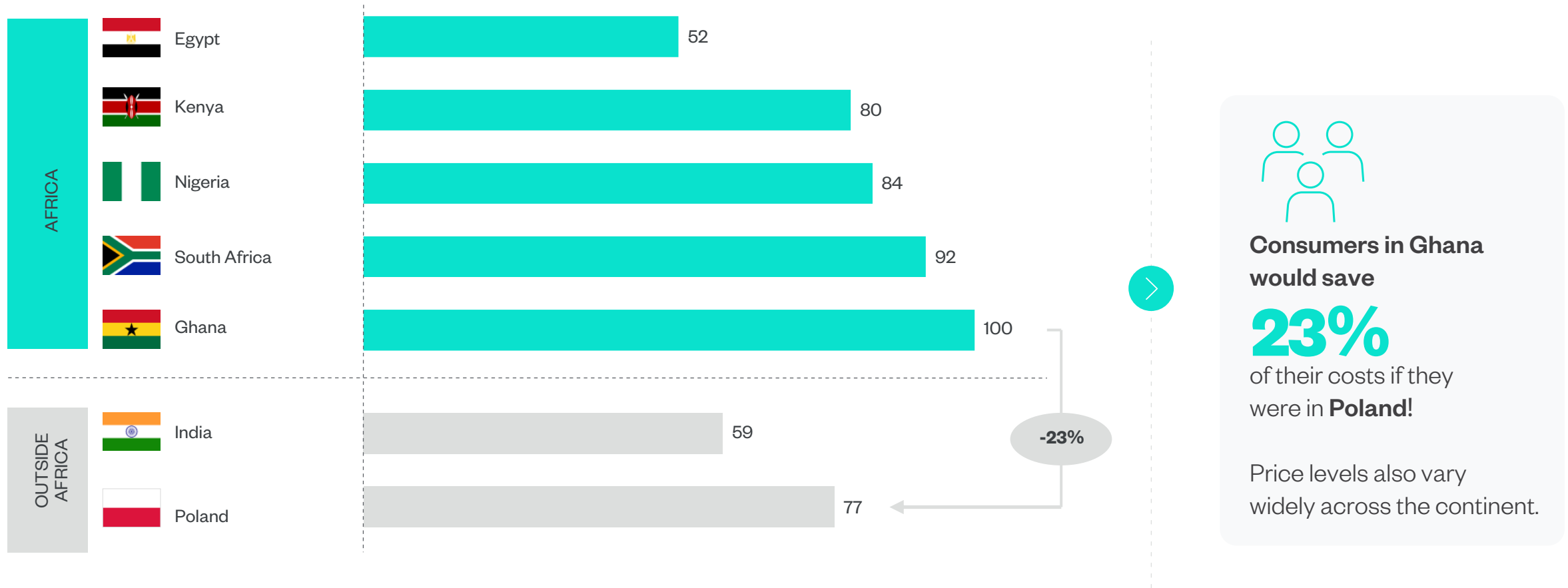


## **Lack of access to credit**

The lack of data and visibility in the value chain excludes all but the large grocery chains and retailers from having access to supplier credit. Only 31% of MSMEs in Nigeria have ever received a loan from a financial institution.

# ...resulting in higher prices for African consumers

## 2017 Price Level Index for Food and Non-Alcoholic Beverages, World = 100



Source: World Bank ICP Database, The Economist

NOTE: Price Level Index expresses the price level of a given country relative to another (or relative to a group of countries), by dividing the Purchasing power parities (PPPs) by the current nominal exchange rate

# Using different initial wedges, digital platforms are attempting to digitise the entire commerce value chain and provide financial services to informal retailers across the continent

				
	Mobile POS	Supply Chain	Book-keeping	Bank Account
	Business loans, digital wallet, savings products, savings, supply chain	Inventory financing, digital wallet, POS, data & analytics, advertising	Digital wallet, inventory financing, savings products, supply chain, POS	Cash flow management and forecasting, expense management and control, payroll, tax payment
Year Launched	2015	2018	2020	2020
Capital Raised	\$105M	\$123M	\$3M	\$1.7M
Investors	Dragoneer, 4DX, Partech	IFC, MSA Capital, Partech	Entrée Capital, Target Global, Alter Ventures, Rally Capital	Ventures Platform, Hustle Fund

The wedges listed have not all been launched by the various companies but are illustrative of where these companies can expand to based on Endeavor's conversations with players in the sector and an analysis of other markets.

# YOCO – Case Study

- Pick a wedge
- Build a bridge

## Overview



Yoco builds tools and services to help small businesses accept card payments in-store and online, access loans, and manage their day-to-day activities. The startup generates revenue through margins on hardware and software sales and fees of around 2.95 percent per transaction on its Point-Of-Sales (POS) devices.

## Journey



Yoco launched in 2013 and positioned itself among merchants in South Africa as the go-to platform to access offline payments. Yoco filled an essential gap as 80% of Yoco's merchants had never accepted card payments before joining the platform (due to issues related to accessibility and costs of traditional POS systems). In 2020, Yoco launched a suite of online payment solutions to help businesses scale through the pandemic. These online solutions had a customer base of 80,000 small businesses.

In 2021 Yoco served 150,000 of South Africa's 6 million small businesses with over 500 merchants per day. Yoco is looking forward to scaling offline and online offerings, expanding to new markets and reaching at least a million SMEs across Africa and the Middle East within the next four years. To make this happen, Yoco is increasing its team by 200 people remotely and has hired talent across companies such as Monzo, Paypal, Uber and Pagueseguro.

## Value proposition

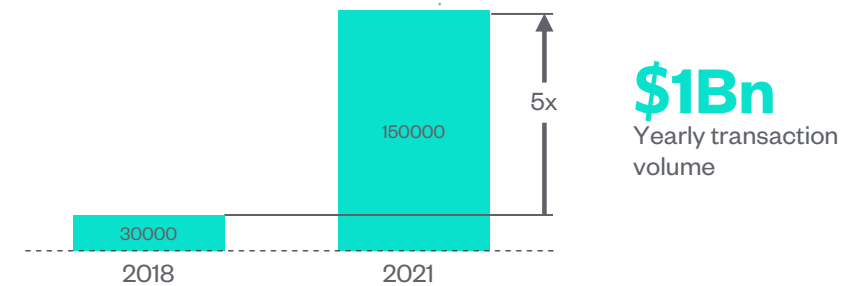


- POS payments: pocket-sized card machine "Yoco Go" and its smarter 4G/wifi device "Yoco Khumo"
- Online payments: get paid online without a website via "Yoco Link", take card payments on a website via "Yoco Gateway."
- Other SME support: Yoco Portal's free software to help manage sales, stock and staff, Yoco Capital's fast, flexible cash advance for small businesses using Yoco

## Ecosystem timeline



## Number of merchants































*Working so closely with small businesses during a global pandemic, and in particular through a challenging socio-economic environment in South Africa, we have a firsthand account of how agile these small businesses need to be in a rapidly changing world. Removing barriers and levelling the playing field by creating access to financial tools is a big part of answering these challenges. Yoco is at the forefront of solving what is critical for small businesses and enabling them to thrive.*

- Katlego Maphai - Co-founder & CEO



# Transport

# In Africa, Transport generates ~\$50 Billion in import value and logistics generates \$12 Billion in Revenue

Category	Sub Categories	Imports 2018 (US \$b)	Description	Stakeholders (selected examples) <sup>1</sup>	
<b>Transport</b> 	Passenger transport	11	The movement of persons via air, sea, road and rail means of transport		
	Freight transport	37	Sea	Includes liquid bulk, dry bulk, containers and break bulk	<b>Shipping companies</b>  
			Rail	Conventional full train, single wagonload and intermodal rail methods	<b>Truck fleet providers</b>  
			Road	Full truck load shipments, less than Truck-load shipment and specialized trucks e.g., cold chain	<b>Railway operators</b>   
			Air cargo	Transportation of goods via air carrier	<b>Air freight companies e.g., airlines</b>    
		<b>Market Value 2018 (US \$b)</b>		<b>Customs agencies and clearing agents</b>   	
<b>Logistics</b> 	Third Party Logistics (3PL)	5	Designing and planning supply chains, designing facilities, warehousing, transporting goods, processing orders and managing inventory	<b>Integrated logistics companies</b>      	
	Freight forwarding	3	Coordinating the movement of commodities across international borders	<b>Freight forwarding companies</b>   	
	Courier, Express and Parcel (CEP)	4	Transport of consignments with low weight and volume (e.g., letters, small packages)	<b>Courier Companies</b>   	

1. Across all categories, customs agencies and clearing agencies are relevant

Source: UNCTAD Review of Maritime Transport 2019, Africa Development Bank, African Development Forum, PwC, International Growth Centre, TradeMap

# Ride hailing platforms and digital logistics marketplaces have the opportunity to aggregate a highly fragmented sector, formalise existing operators, and provide much needed access to financial services



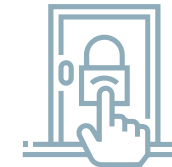
## 1 Informal operations

- Informality in transportation is illustrated by limited access to public transport and the existence of numerous sub-scale private providers.



## 2 Fragmentation in the market

- The decentralized, informal, and fragmented nature of transportation and logistics in Africa means it is usually inefficient, with a limited ability to standardize routes, stops, and fares, contributing to higher costs for consumers and businesses.



## 3 Limited access to financial services

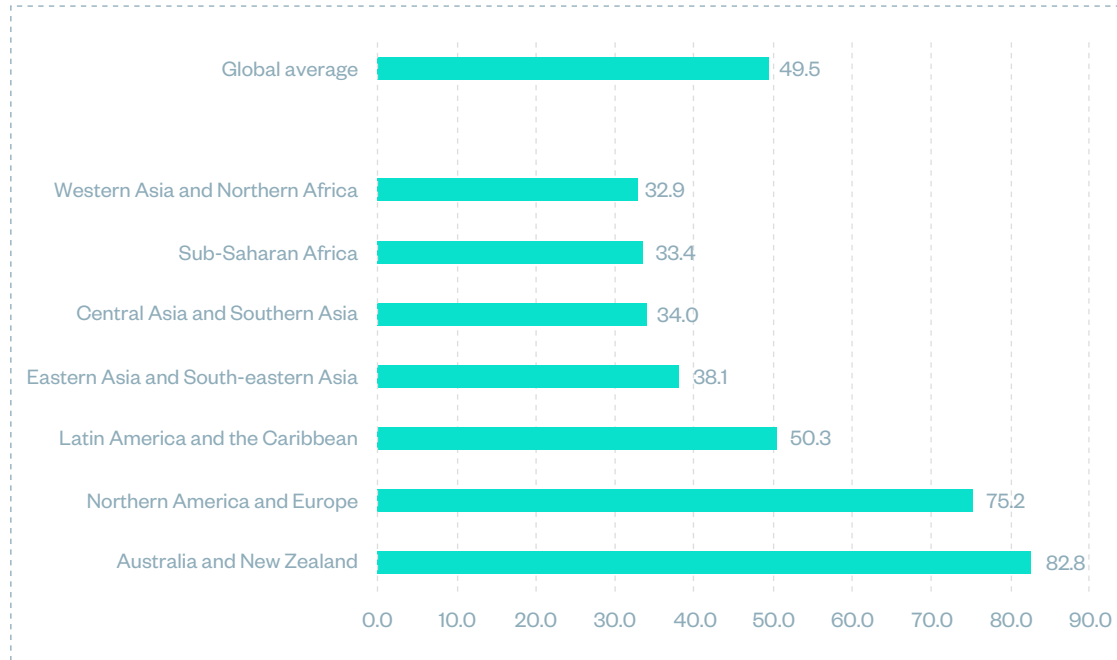
- The combined effect of informality, fragmentation and cash-based operations result in a high cost to serve, data asymmetry, and inability to extend credit therefore limiting growth.

# In Africa, mass transit is limited, and consumers rely on informal, private operators

Africans have limited access to public transportation options

Private owner-operated minibuses, shared taxis, and moto-taxis are the dominant mode of 'public transport' across Africa

Share of urban population with convenient access to public transport



	Rail	BRT or LRT	Buses	Minibuses	Shared Taxis	Moto-taxis
Cairo	Blue		Orange	Yellow	Yellow	
Tunis	Blue	Blue	Orange	Yellow	Yellow	
Sfax			Orange	Yellow	Yellow	
Rabat-Sale	Blue	Blue	Orange	Yellow	Yellow	
Casablanca	Blue	Blue	Orange	Yellow	Yellow	
Dakar	Blue	Light Blue	Orange	Yellow	Yellow	Light Blue
Ouagadougou			Orange	Yellow	Yellow	Light Blue
Abidjan	Light Blue	Light Blue	Orange	Yellow	Yellow	Light Blue
Bouake			Orange	Yellow	Yellow	Yellow
Accra	Light Blue	Light Blue	Orange	Yellow	Yellow	Light Blue
Kumasi			Orange	Yellow	Yellow	Light Blue
Lagos	Light Blue	Blue	Orange	Yellow	Yellow	Light Blue
Kinshasa	Blue	Light Blue	Orange	Yellow	Yellow	Light Blue
Addis Ababa			Orange	Yellow	Yellow	Light Blue
Nairobi	Blue	Light Blue	Orange	Yellow	Yellow	Light Blue
Dar es Salaam			Orange	Yellow	Yellow	Light Blue
Maputo	Light Blue	Light Blue	Orange	Yellow	Yellow	Light Blue
Kampala			Orange	Yellow	Yellow	Light Blue
Gauteng	Blue	Blue	Orange	Yellow	Light Blue	Light Blue
Cape Town	Blue	Blue	Orange	Yellow	Light Blue	Light Blue

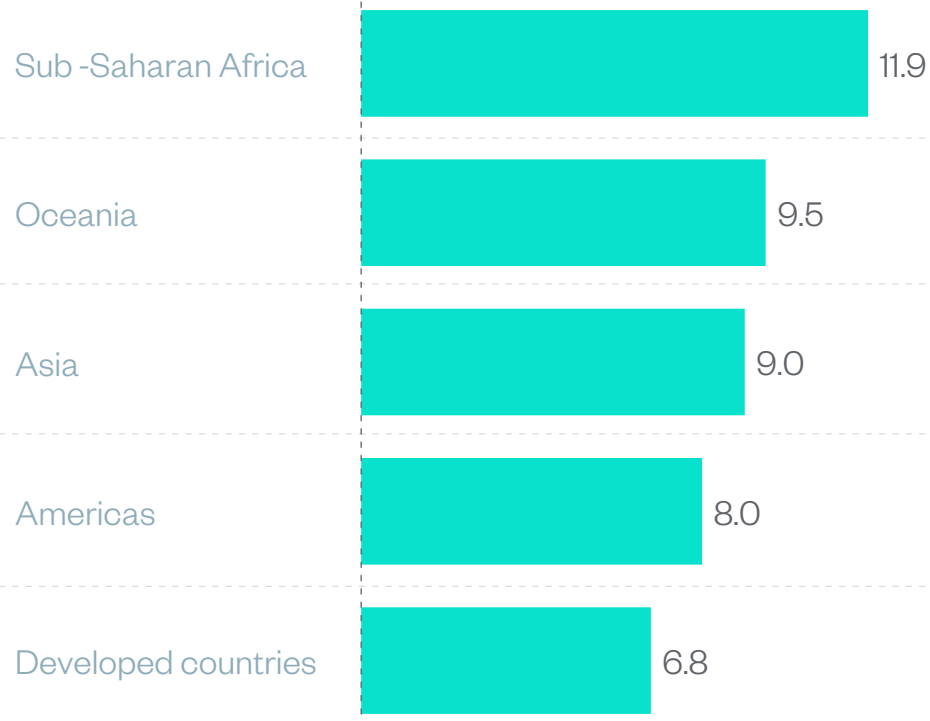
BRT - Bus Rapid Transit  
LRT - Light Rail Transit

Source: UN-Habitat Urban Indicators Database, 2021

# African businesses also face higher transport costs, only 5 African countries are present in the 50th percentile of the Logistics Performance Index

International transit costs are highest in Sub-Saharan Africa...

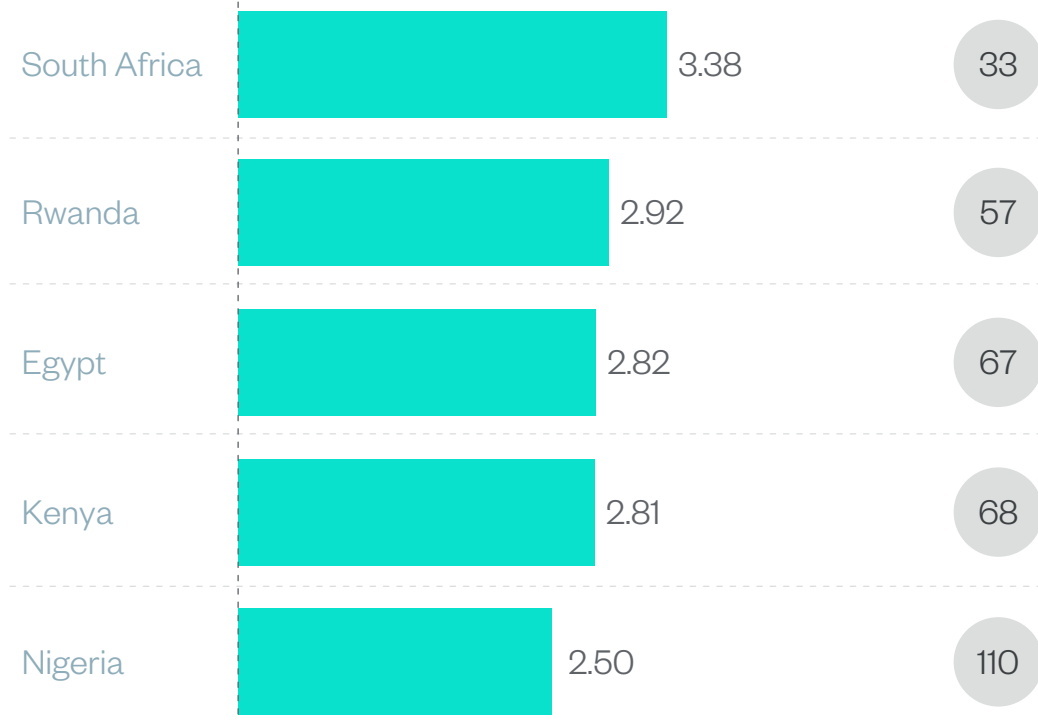
Transport costs (as a share of raw materials), %



...with challenges in transit infrastructure

LPI<sup>1</sup> score, %

Rank



1. Logistics Performance Index (Maximum score = 5)  
Source: World Bank

# This informality and fragmentation presents challenges for the transportation & logistics sector in Africa...



## Lack of standards or regulation

Informal transportation and mobility operators are usually subject to little or no standards or regulations around training, vehicle quality, or insurance. This leads to a poor experience for consumers and contributes to Sub-Saharan Africa having a higher rate of road accidents than other regions.



## High costs






The decentralized, informal, and fragmented nature of transportation and logistics in Africa means it is usually inefficient, with a limited ability to standardize routes, stops, and fares, contributing to higher costs for consumers and businesses.



## Lack of access to credit

Informal, subscale, private actors are typically excluded from the financial sector, limiting their ability to access credit to purchase and maintain high-quality vehicles.

# Digitising the informal retail sector in Nigeria is an opportunity that is being attacked from multiple points

			
	Package Delivery	Ride-hailing & delivery	Truck-hailing marketplace
	Ride-hailing, vehicle financing, wallet, insurance, licensing & registration, repair & maintenance	Wallets, bill payment services, e-commerce, Buy Now, Pay Later (BNPL), and micro & consumer loans	Vehicle Financing, Trip Financing, Insurance, Repair & Maintenance
Year Launched	2015	2017	2017
Capital Raised	\$40M	\$146M	\$38M
Investors	Lightrock, Global Ventures, Novastar, Proparco, Yamaha	Apis, DPI, Algebra Ventures, Wamda Capital	Goldman Sachs, TLcom, IFC, YC



# KOBO

## – Case Study

- Pick a wedge
- Build a bridge

### Overview



Kobo360 is a tech-enabled digital logistics platform that aggregates end-to-end haulage operations to help cargo owners, truck owners, drivers, and cargo recipients move their goods effectively. Cargo owners can request any truck of their choice and have their goods picked up and delivered to the required location through Kobo360's Uber-like mobile and web applications.

### Journey



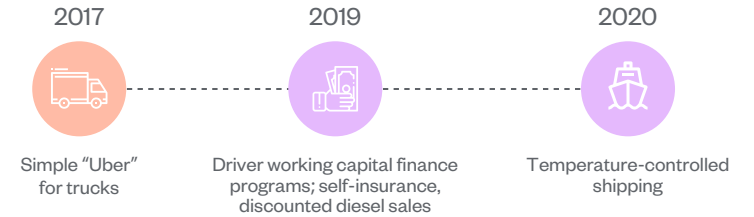
Obi Ozor (a former driver operations manager at Uber) and Ife Oyedele, co-founders of Kobo360, first teamed up to build a last-mile deliveries service. However, they eventually pivoted (as a result of low volumes) in 2017 to an asset-free model around long-haul trucking; connecting truck owners and drivers with cargo companies. In a market where moving goods by 1,000 Km can take up to one week, Kobo works to cut that down to three days. In 2018, Kobo 360 had aggregated 5480 drivers and served 324 businesses. After establishing a solid base, Kobo continued to grow its product offerings and prioritized building excellent services for the startups drivers; offering the company's app in languages familiar to drivers, such as Hausa and Pidgin, as well as launching its driver working capital finance program, KoPay, KoboSafe insurance product and KoboCare: (a suite of driver services from HMO packages to family tuition assistance). Kobo has since then signed up a fleet of over 50,000 trucks serving more than 80 large enterprises as well as small and medium enterprises.

### Value proposition

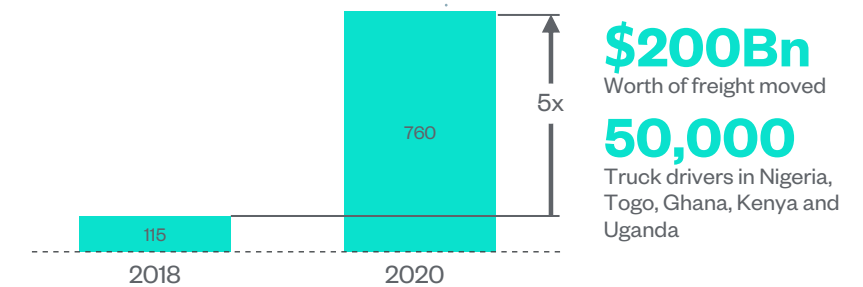


- Convenience and transparency: handles payment (including bidding tools) and scheduling while allowing clients to track their goods in real-time using Kobo's digital dashboard.
- Commitment to drivers: through Payfaster, KoboSafe and KoboCare; a suite of driver services including discounted diesel sales, vehicle financing, HMO packages and family tuition assistance.
- Great user experience: The app is available in languages familiar to users, such as Hausa, Swahili, French and Pidgin.

### Ecosystem timeline



### Freight moved (' Million kg)



From location-based technologies to temperature-controlled storage, we're investing in tech that gives businesses the necessary transparency and peace of mind over their cargo. These are issues that don't go away if you're a multinational. The AfCFTA makes the continent a much more attractive proposition to foreign companies who will need a partner who can deliver their goods on time and in the right condition

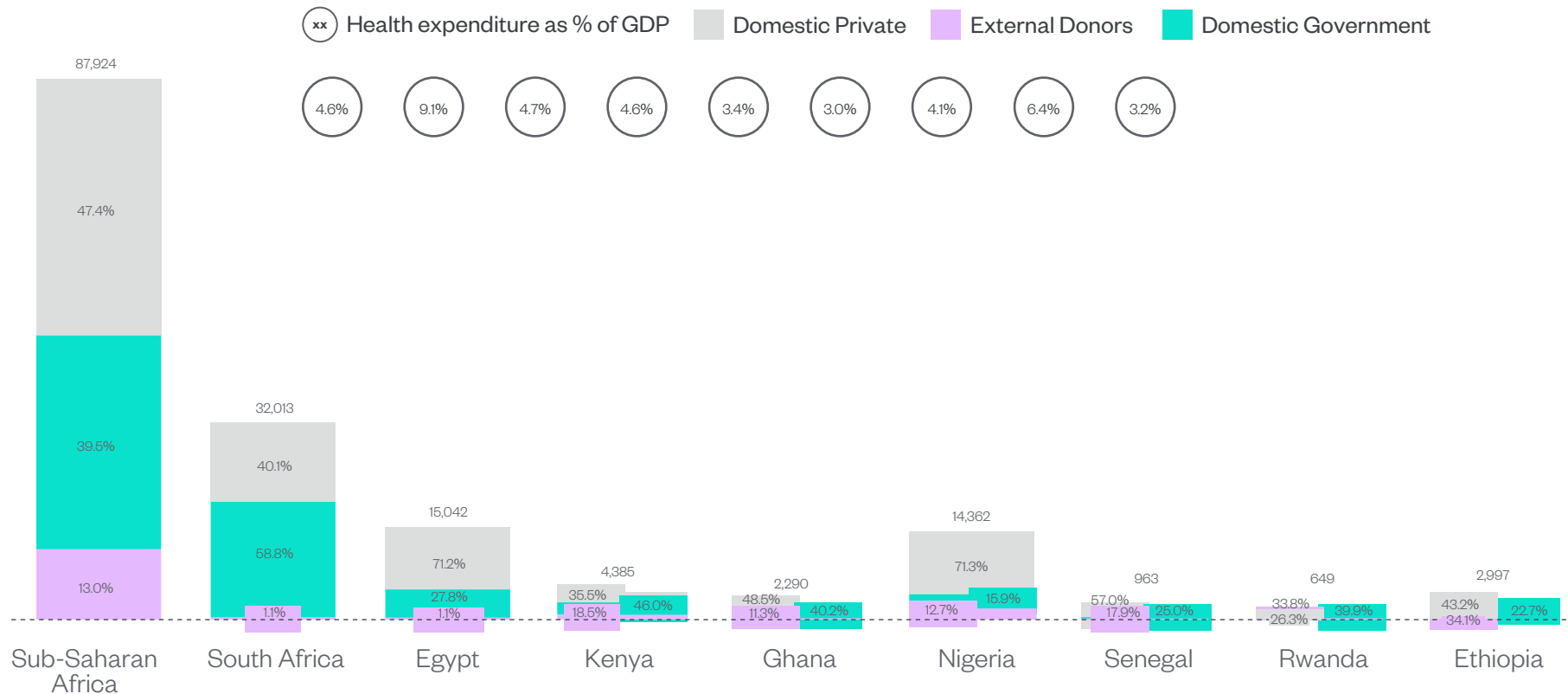
- Obi Ozor - Founder & CEO



# Health Care

# Total annual health expenditure in SSA is ~\$90bn USD and is primarily funded from private sources. However, there is variation across countries

Annual health expenditure and health expenditure as % of GDP (\$M USD, 2019)



Annual expenditure on healthcare is used as a proxy for the **value of the health sector** in each country given that there is limited cross-border trade of health products/services.

**Role of the private sector in healthcare varies across countries;** on average, the private sector is ~50% of the health sector, however, there are outliers like Nigeria with ~70% of health expenditures from private sources.

Out of pocket expenditures are typically the bulk of **private sources of funding in healthcare.**

# There are three important conditions that give rise to opportunities in the healthcare industry

■ Detailed next



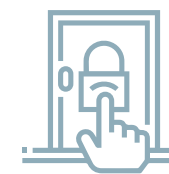
## 1 Limited government expenditure

- Government expenditure on healthcare in Africa lags WHO guidelines. As a result, citizens rely on private clinics and out of pocket expenditures for their healthcare.
- Higher private spending implies more significant inequalities as access is driven by the ability to pay.



## 2 Lack of access to healthcare services

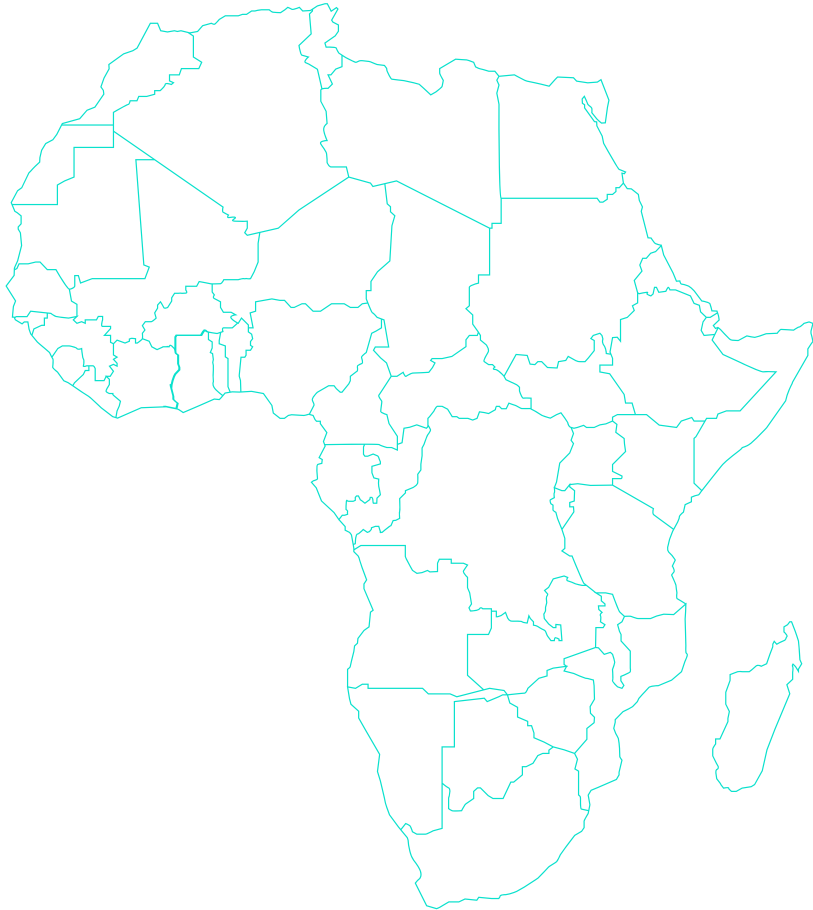
- While the private sector and charities try to bridge the gap left by inadequate government expenditure, Africa still lags other regions in terms of access to healthcare services such as hospital beds and physicians per 1000 people.
- Technology offers an opportunity to optimize and better leverage scarce healthcare resources.



## 3 Limited access to data

- The various players in the healthcare space, including governments, private hospitals, and charities, do not have a unified system for tracking data both at the patient level and at the population level.
- This lack of data leads to providers having a limited view of patients' medical history. On a broader level, this stifles the development of prevention strategies, advance treatment methods tailored to the region and restricts service efficiency.

# In Africa, government expenditure on healthcare lags WHO guidelines



**1.9%**

Average Government Health Spend as % of GDP in Africa

**vs**

**4-5%**

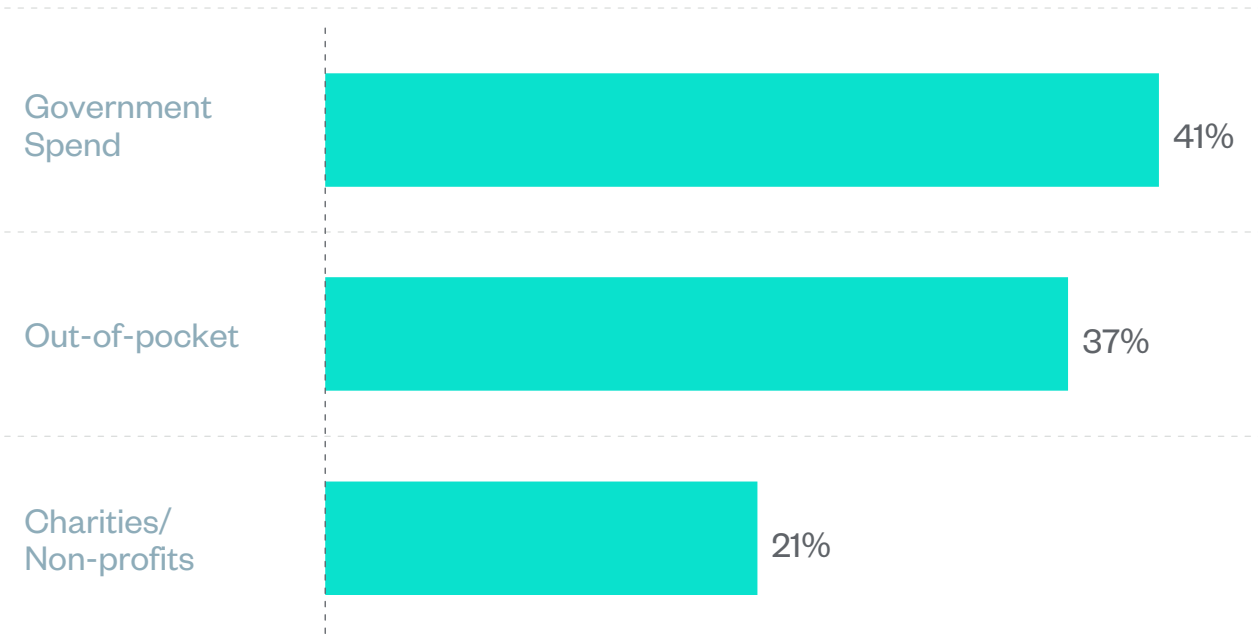
WHO guidelines—needed for universal health coverage

**5.6%**

Average Government Health Spend as % of GDP in high income countries

# Government covers ~40% of healthcare spend, the rest is covered out of pocket and through charities/non-profits

Breakdown of healthcare spend in Africa, %



SEA

Americas

Europe



Higher private spend implies greater inequalities as access is driven by ability to pay

Source: WHO Global Health Expenditure Database (GHED)

NOTE: Average 2018 figures. Variation exists across countries | Percentages may not add up to 100% due to an other category that includes unspecified financing;

The Americas includes North and South America

# There are three important conditions that give rise to opportunities in the healthcare industry

■ Detailed next



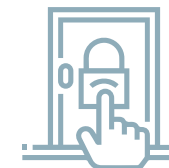
## 1 Limited government expenditure

- Government expenditure on healthcare in Africa lags WHO guidelines. As a result, citizens rely on private clinics and out of pocket expenditures for their healthcare.
- Higher private spending implies more significant inequalities as access is driven by the ability to pay.



## 2 Lack of access to healthcare services

- While the private sector and charities try to bridge the gap left by inadequate government expenditure, Africa still lags other regions in terms of access to healthcare services such as hospital beds and physicians per 1000 people.
- Technology offers an opportunity to optimize and better leverage scarce healthcare resources.



## 3 Limited access to data

- The various players in the healthcare space, including governments, private hospitals, and charities, do not have a unified system for tracking data both at the patient level and at the population level.
- This lack of data leads to providers having a limited view of patients' medical history. On a broader level, this stifles the development of prevention strategies, advance treatment methods tailored to the region and restricts service efficiency.

# Healthcare service delivery indicators lags all regions



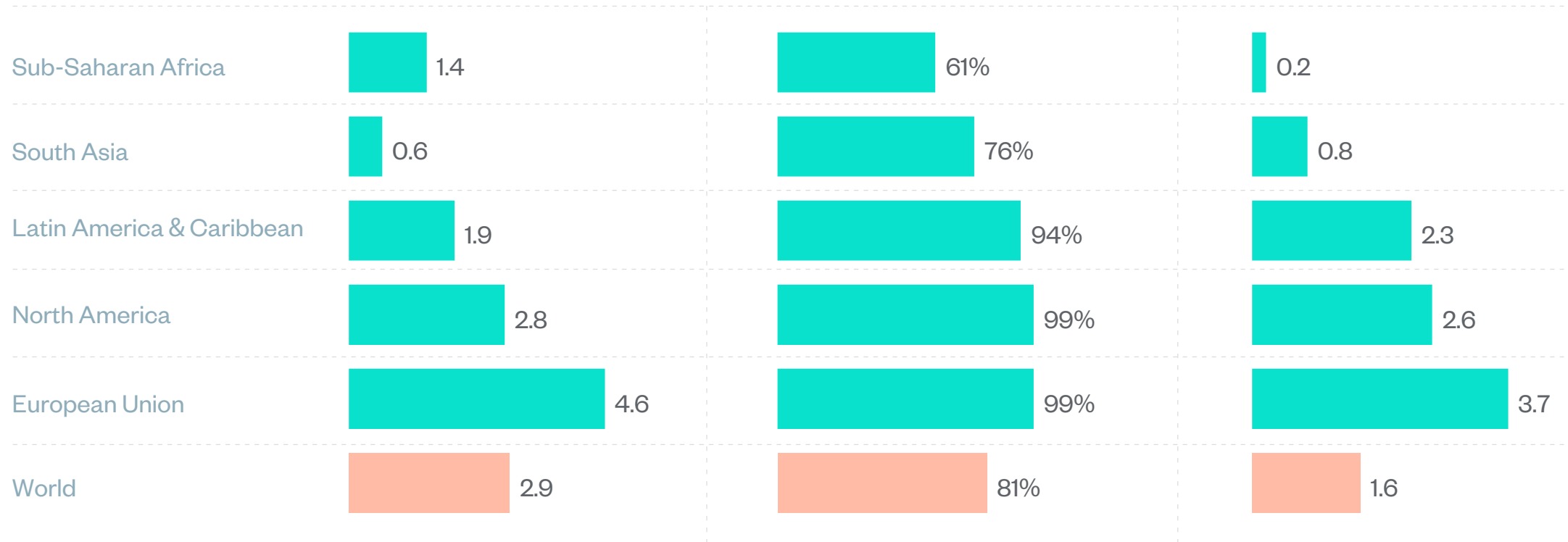
**Hospital beds**  
(per 1,000 people)



**Attended births**  
Percent



**Physicians**  
(per 1,000 people)



Source: UNICEF, World Bank Database, Centre for Disease Dynamics, Economics and Policy

# Additionally, insurance coverage is low

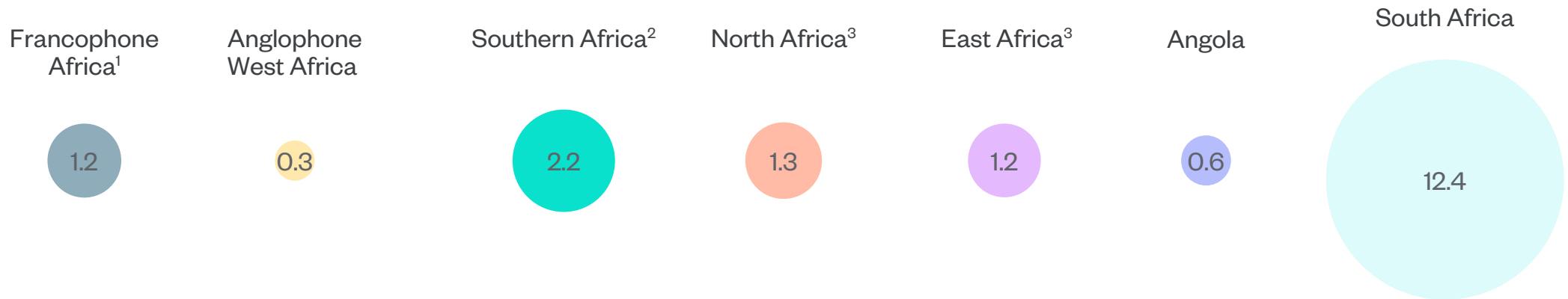
## Insurance penetration (Premiums over GDP), %



The world insurance penetration is over **2 times higher** than Africa's average.

Within Africa, there is great variation in insurance penetration, with South Africa having the highest penetration.

## Insurance penetration (total GWP divided by nominal GDP) in Africa by region in 2017



GWP - Gross written premium

Note: Figures may not sum to 100%, because of rounding. The boundaries and names shown on this map do not imply official endorsement or acceptance

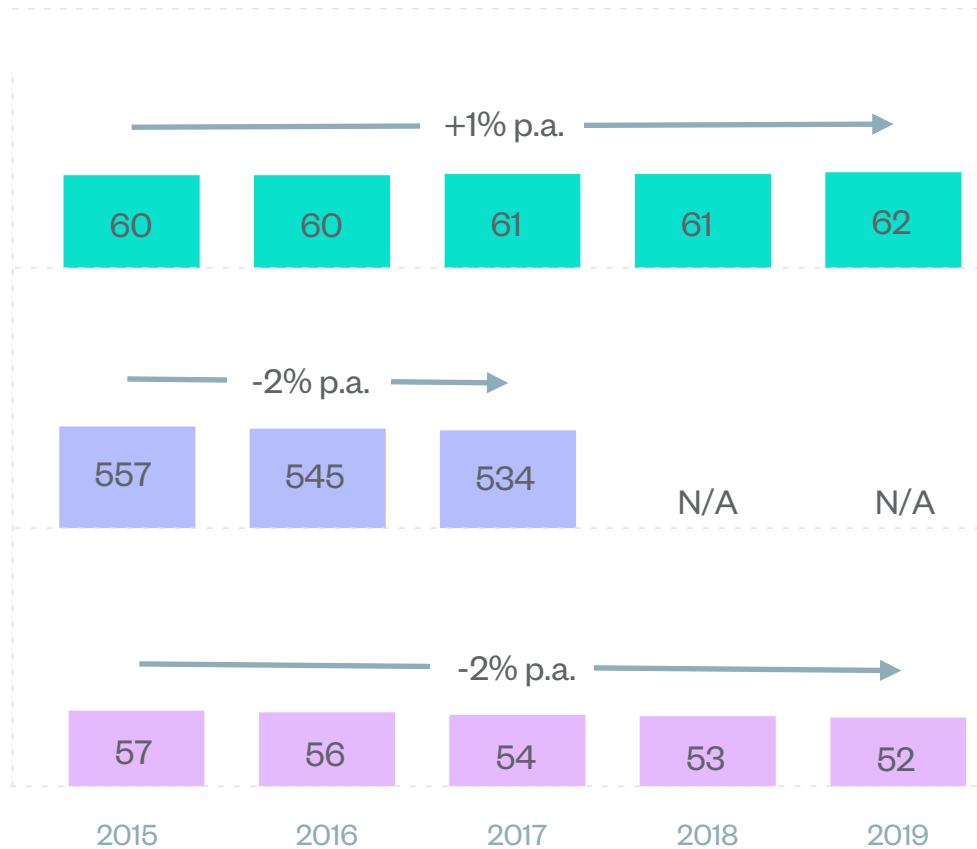
1. Francophone Africa data projected from 2014 | 2. Ethiopia, Libya and Malawi data projected from 2016, Southern Africa includes Lusophone Africa | 3. Angola data projected from 2017

Source: African Insurance Pulse; Insurance regulation reports, Swiss Ru

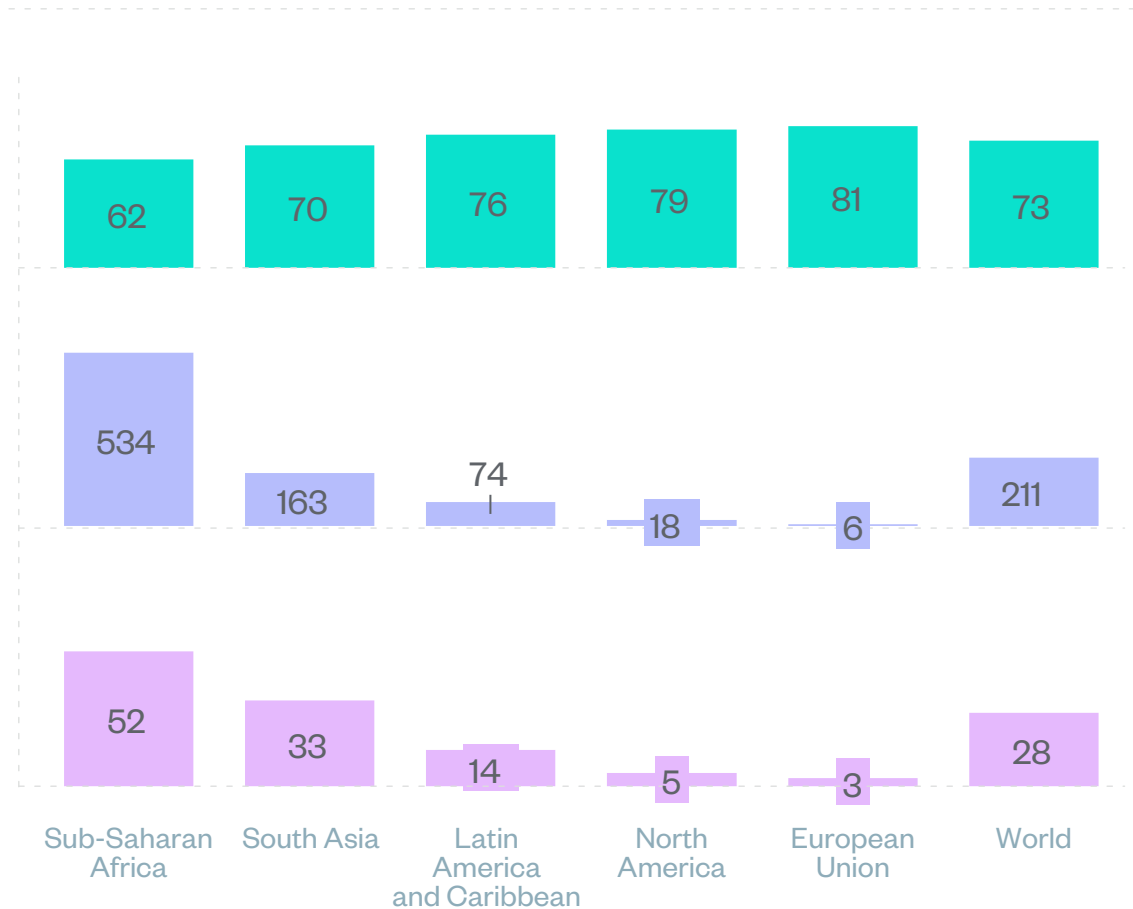
# Unsurprisingly, outcomes are worse than other regions

■ Life expectancy    
 ■ Maternal mortality (per 100,000 live births)    
 ■ Infant mortality (per 1,000 live births)






Health outcomes in Africa have been improving slightly...



...however, Africa still lags other regions



# Digital healthcare platforms are aggregating doctors and hospitals, improving service delivery, and enabling co-ordination

			
	Doctor booking platform	EHR	Gene Sequencing
	Telemedicine, online pharmacy, practice management software	Payments, personal health records, telemedicine, medical facility loans, public healthcare management	Drug discovery, Molecular Diagnostics, Clinical trial programs
Year Launched	2011	2016	2019
Capital Raised	\$62M	\$12M	\$46M
Investors	Gulf Capital, IFC, STV, BECO Capital	Draper Associates, Global Ventures, AAIC, YC	Cathay Innovation, Better Ventures, KdT, Adjuvant, YC, Endeavor Catalyst

The wedges listed have not all been launched by the various companies but are illustrative of where these companies can expand to based on Endeavor's conversations with players in the sector and an analysis of other markets

# helium health – Case Study

● Pick a wedge  
● Build a bridge

## Overview



Helium Health provides vital digitized healthcare services such as electronic medical records, hospital management and insurance, billing, and analytics software for the continent's top medical providers and services. In addition, they provide simplification tools from clinical decisioning support and telemedicine, to administration and financial management.

## Journey



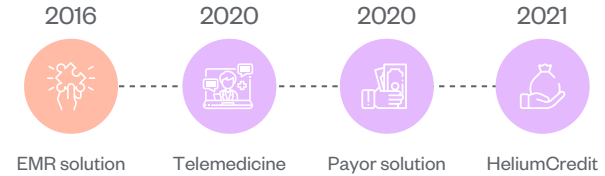
Launched in 2016, Helium health focused on core electronic medical records (EMR) and hospital management solutions which gained wide adoption. After achieving a thriving base, Helium has since evolved to offer other services under its platform, including HeliumPay, a billing and payments solution; a collateral-free loan product, HeliumCredit; patient-provider and revenue cycle management service HeliumDoc; and data analytics services. In 2021, Helium acquired Meddy (a Qatar-headquartered and UAE-based doctor booking platform) to complement its B2B offerings with consumer-facing products such as telemedicine and appointment bookings. Helium health is currently present in about 6 African countries. It has signed more than 500 healthcare facilities with over 7,000 medical professionals from these facilities providing health care to more than 300,000 patients monthly.

## Value proposition



- Comprehensive EMR-solution for providers: includes teleclinic, electronic prescriptions, billing, resource management and appointment management
- Quick, flexible loans for hospitals: loan applications are received online and disbursed within 24 hours
- Insurance administration for payers: help payers manage enrollment, identification, claims submission, claims processing and reporting

## Ecosystem timeline



## Key Figures (as of Mar '21)



**500+**  
Healthcare Facilities



**7,000+**  
Physicians



**300,000+**  
Monthly patient visits



*It's really about tackling three core problems that we see in the healthcare sector in Africa: inefficiency, fragmentation and a lack of data  
"You don't have a lot of people who can provide a suite like ours in the GCC. If they do, they're doing it at a price point that's so high that they've already priced out the market in that sense"*

- Adegoke Olubisi - Co-founder & CEO

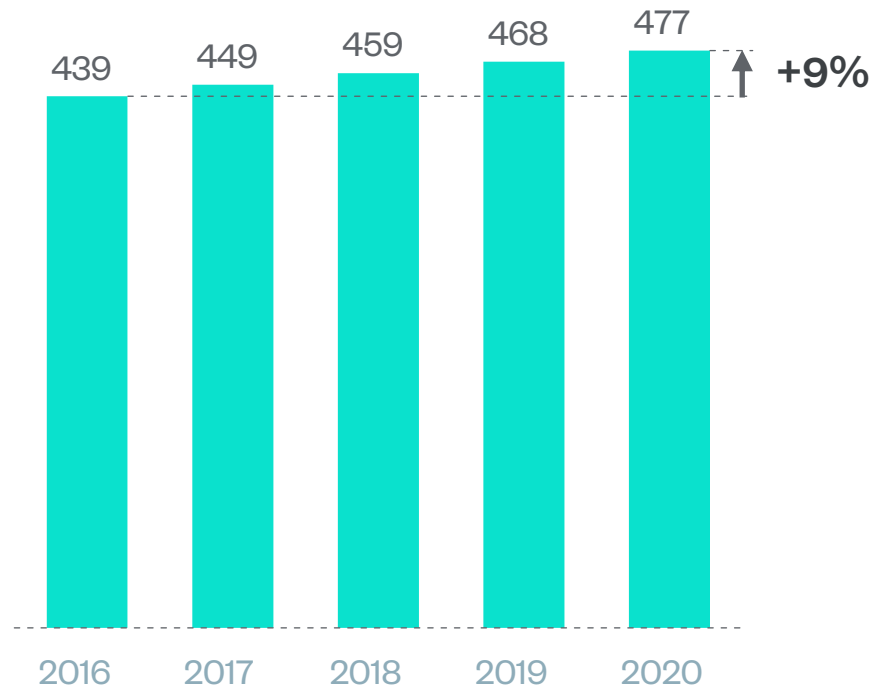


Education

# There is a need and opportunity to harness private sector solutions to deliver education for Africa's young and growing population

Africa's young population is growing

Population ages 0 – 14yrs  
Million



## 34M

Out-of-School Children in 2020 in Sub-Saharan Africa

## 1 in 5

Children of school age are **already in private school on** the continent (21%)



With the growing population, existing enrollment needs, and government spending the requisite share of GDP on education, there is a **need and opportunity for more private sector participation** in education to improve the impact of education spending.

Private solutions and investments may also address needs for **mid and low-income families.**

# In the education sector, Africa has the opportunity to leverage technology to optimise its limited resources and improve on poor outcomes

■ Detailed next



## 1 Limited resources

- Schools in Africa have a limited number of teachers, and lags compared with other regions.
- School enrollment rates also lags other regions with 34M out of school children on the continent.



## 2 Poor outcomes

- Unsurprisingly, outcomes leave much to be desired. Africa lags other regions in math and reading proficiency.
- Similar to healthcare, technology offers the opportunity to reach previously underserved populations and improve on outcomes, particularly for lower and middle-income groups.

# Though government spend on education are in line with United Nations guidelines...

## Government Education Spend as % of GDP Percentage



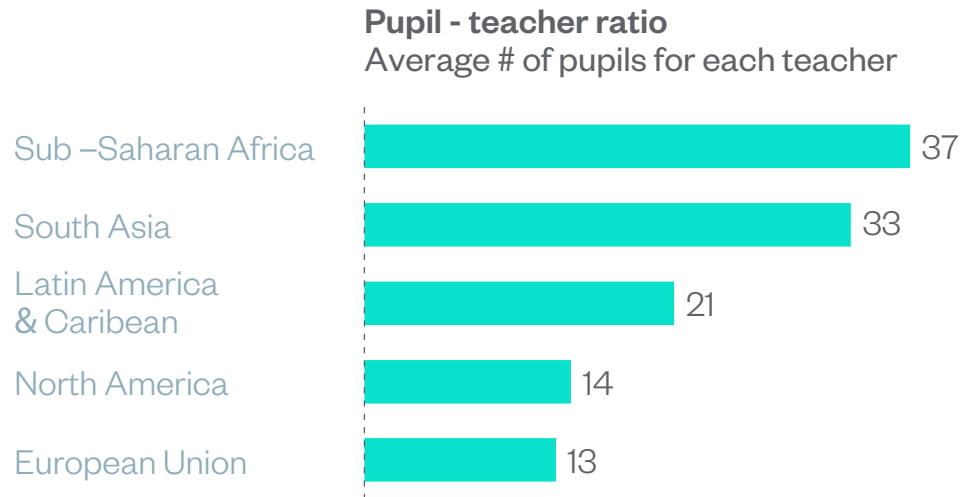
VS

**4+%**

United Nations recommended share of GDP to spend on education

# ...schools in the region generally have limited number of teachers and teacher quality is generally lower than other regions

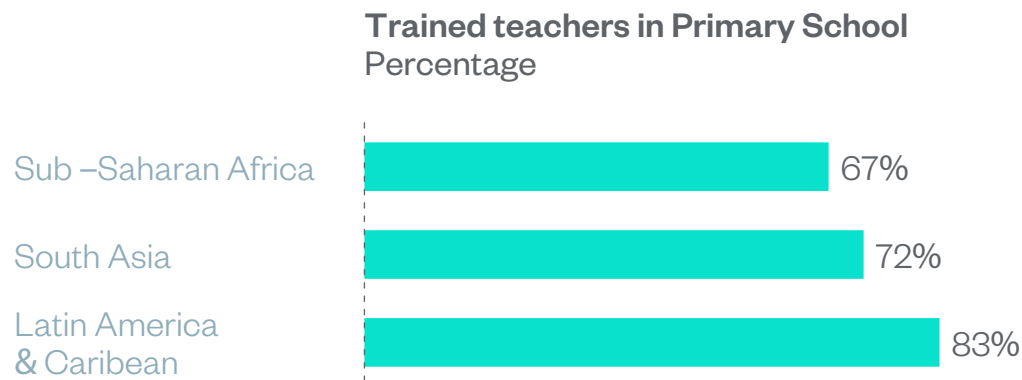
The region has high teacher to pupil ratio...



# Only 22%

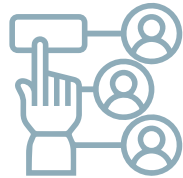
Of Sub-Saharan African primary schools have electricity access

...and quality is generally low with few trained teachers



# In the education sector, Africa has the opportunity to leverage technology to optimise its limited resources and improve on poor outcomes

■ Detailed next



## 1 Limited resources

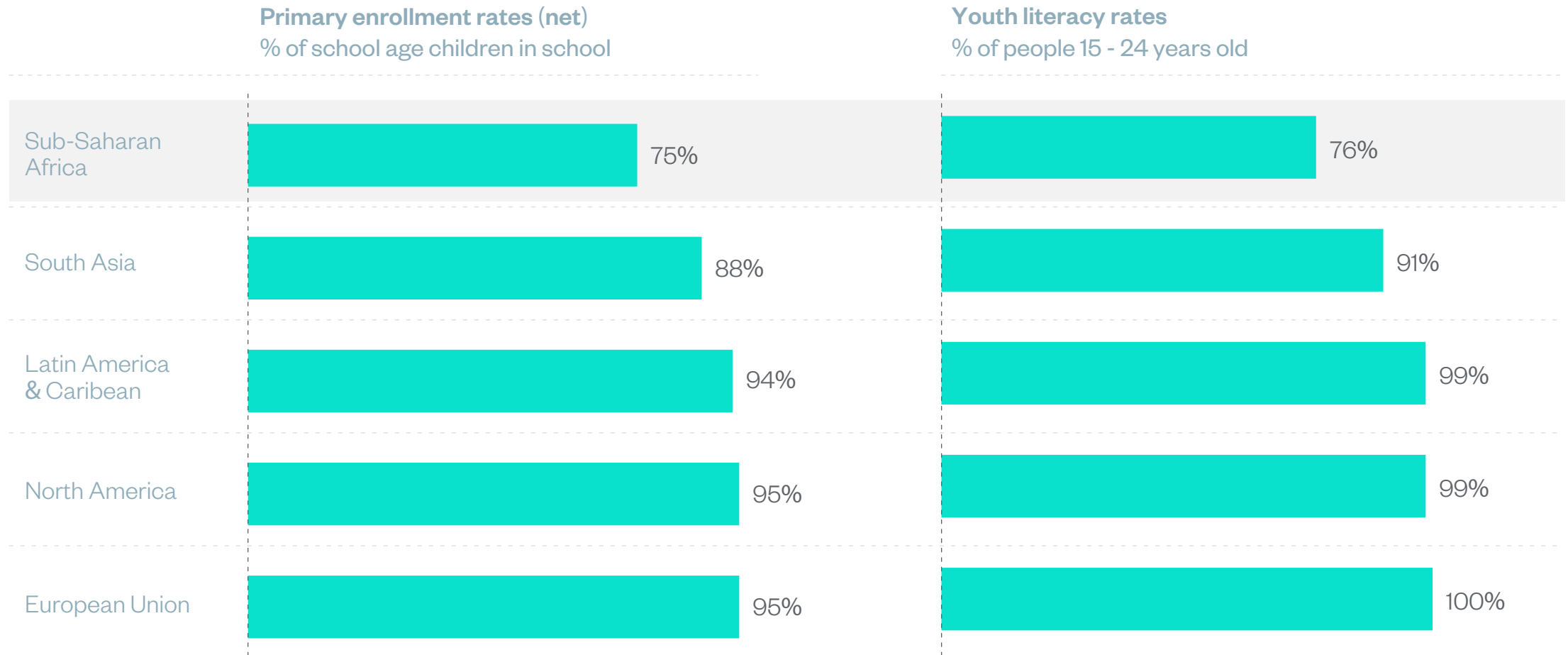
- Schools in Africa have a limited number of teachers, and lags compared with other regions.
- School enrollment rates also lags other regions with 34M out of school children on the continent.



## 2 Poor outcomes

- Unsurprisingly, outcomes leave much to be desired. Africa lags other regions in math and reading proficiency.
- Similar to healthcare, technology offers the opportunity to reach previously underserved populations and improve on outcomes, particularly for lower and middle-income groups.

# School enrollment and literacy numbers lag that of other regions

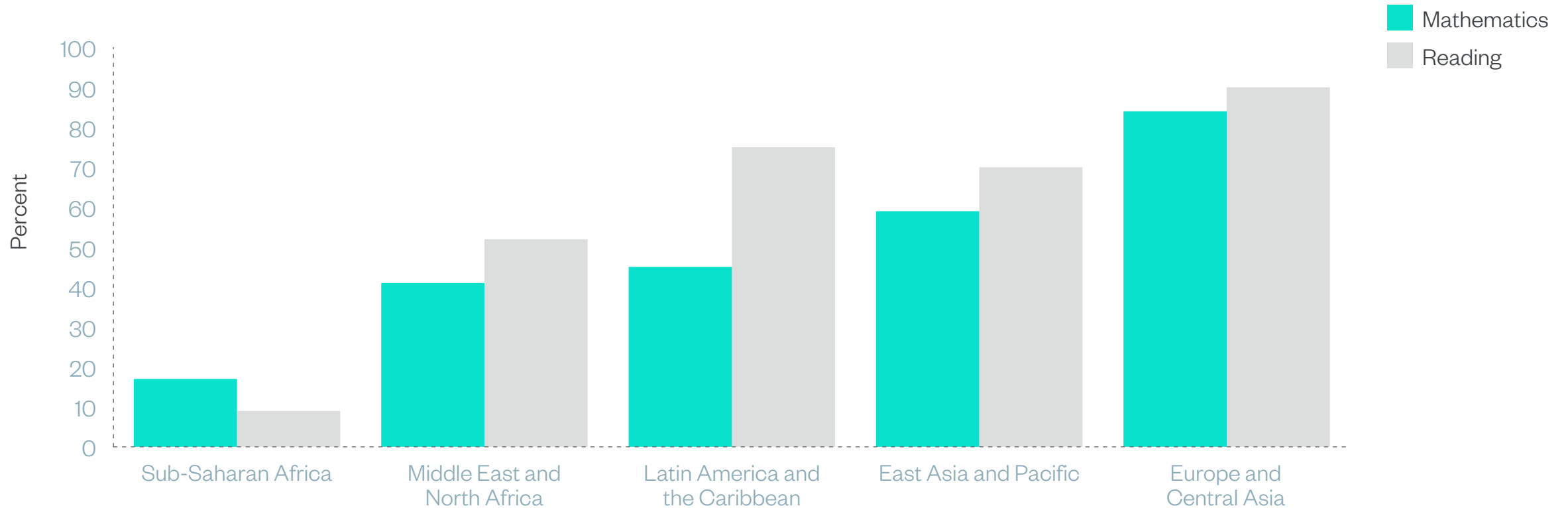


Source: UNESCO Institute of Statistics, World Bank Database (2017/2018 for primary enrollment rates and 2009 for SSA; 2020 data for Youth literacy rates in SSA, South Asia, LatAm & Caribbean) ; Global Economy, UNESCO (2018 Data for North American and European Union)

# Mathematics and Reading scores in Africa are substantially lower than other regions












































Median percentage of students in school who score above a minimum proficiency level on a learning assessment, by region

% of people 15-24 years old



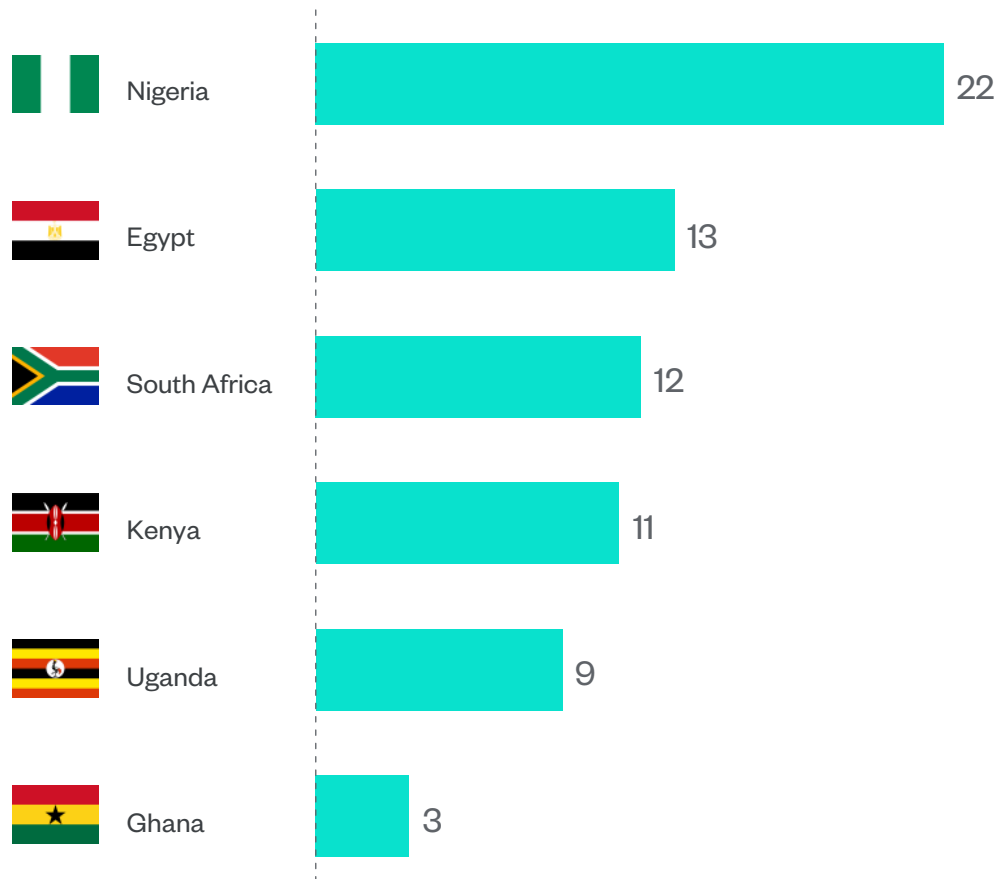
Source: UNESCO WDR

# There are a variety of products in the EdTech space with majority being in tutoring and e-learning platforms

Category	Selected Global Startup(s)	Selected Africa Startup(s)
Tutoring Platforms	   	  
E-Learning Platforms and MOOCs	    	    
School Management and Finance	   	    
Directory and Search Engines	  	 
Educational Entertainment	   	 
IT Training, Teacher Training and Work Experience		  
Supporters		

# With large and growing school children in Africa population, Education firms like uLesson have seen large traction

Number of school children in select African countries, mn



## Product



On-demand videos



Live online classes



Personalize learning support

## uLesson by the numbers

11.9m+

Questions & answers

11.4m+

Lessons watched

1m+

App downloads

18k+

Interactive quizzes and tests with solutions

Source: Statistics, Children Count check, UNESCO, Uganda Ministry of Education, LG Government

# uLesson – Case Study

- Pick a wedge
- Build a bridge

## Overview



uLesson is a Nigerian EdTech platform that leverages teachers, media, and technology to create high-quality, affordable and accessible education for students. uLesson leverages its network of tutors to bridge educational gaps for secondary school students in Nigeria and broader Africa. The uLesson app offers students in primary and secondary school a holistic learning experience in Mathematics, English Language, Business, Sciences, and Technology, while also preparing them for school-based, national, and regional examinations.

## Journey



The start-up first launched in 2019 by providing a product pack of SD cards and dongles with pre-recorded videos for K-12 students. The start-up saw growth in user metrics due to the pandemic (up to 600% and 700% growth in paying users and monthly average users, respectively). Next, uLesson began to build a comprehensive EdTech platform as it ventured into the online home tutoring business by helping to connect students with tutors from universities and launching live classes.

uLesson managed to create stickiness and ensure growth even as students returned to school (the start-up had become a part of the everyday schooling activities for its users and have half of their subscribers using them in schools). In August 2021, uLesson introduced offline centres to challenge traditional classroom learning and build customized experiences for students.

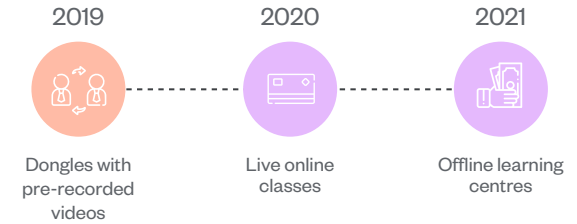
uLesson hopes to create feedback loops between teacher and learner and parent and school that embraces virtuous cycles and feed themselves to the betterment of the educational system.

## Value proposition



- Rich content:
  - A vast library of curriculum-relevant lessons for Primary and Secondary School learners.
  - Daily Live interactive classes with expert tutors across various subjects and 18,000+ interactive quizzes and tests with solutions to help students perfect their understanding.
- Learning analysis dashboard to track progress and monitor performance.

## Ecosystem timeline



## Key Figures (as of 2021)



Over **500+** downloads



Paying users grew **600%**



**12.9M** lessons



Monthly average users increased **700%**



*We have this massive gap... We're adding more babies in this country nominally than all of Western Europe... Even if the [Nigerian] government was super efficient, it couldn't catch up with the educational needs of the young people that are coming up*

- Sim Shagaya - Founder & CEO



# 04

Going forward

# Going forward, investors interested in investing in Africa, should consider 5 things

## 1. Follow the money

In emerging markets, capital funnels typically have gaps. On the continent, the gap in the funnel is in the provision of capital for Series A/B (\$10m to \$50m) rounds. This gap exists because local funds provide the majority of the pre-seed to seed-stage funding, and global funds have typically focused on growth-stage financing, thus leaving a gap in the middle. Closing this gap may require investors to consider adjusting ticket sizing and risk preferences.

## 2. Build local market intelligence

Africa is not homogenous; therefore, market entry strategies should be developed with room for country-specific nuances. Local incubators and accelerators have focused on investing and providing support to early-stage ventures; they are great partners to work with to gain market intelligence, therefore mitigating the risks associated with investing in Series A/B companies.

## 3. Understand the market dynamics; Be willing to return to first principles

Evaluating investment prospects on the continent may require mental models to be refined. Informality and the gap in penetration of technology means that business models on the continent are likely to consist of complementary online and offline services. For emerging market native offerings, reasoning from first principles may be required to accurately size opportunities and evaluate the problem/solution fit.

## 4. Look beyond the 'usual' opportunities

For example, while C2C opportunities tend to get a lot of attention, B2B opportunities exist on the continent. In Kenya, Nigeria and South Africa, Micro and SME businesses contribute 40%, 49% and 52%, respectively, to the national GDP; therefore, it is common to find founders in these markets building products or bundles of services to serve this segment.

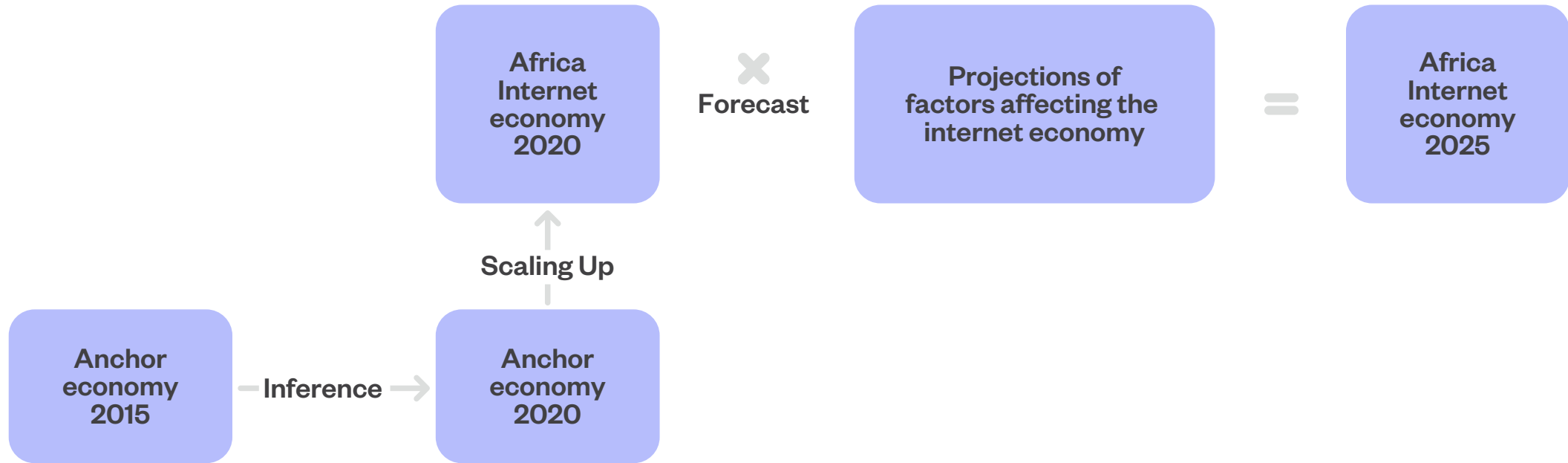
## 5. Map out exit pathways

The ecosystem is nascent; therefore, experienced investors play an important role in mapping out exit pathways. With a number of IPOs, Acquisitions and SPACs in the ecosystem, it has been proven that exits are possible. Investors and founders may have to collaborate on developing exit playbooks taking into consideration future investors or acquirers, building out the relevant governance and crafting the narrative around the opportunity.



# Appendix

# How the Internet economy is calculated



**1** Selected an anchor economy and estimated the internet economy with available data using the historical growth rate in the iGDP to project for 2020

**2** Estimated the size of the internet economy in other countries by scaling the iGDP of the internet economy based on key factors;

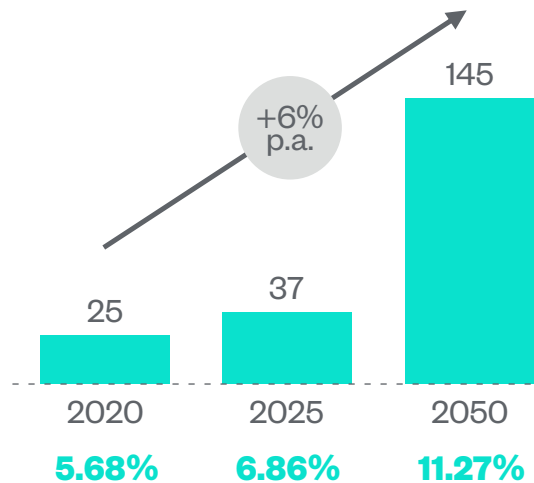
- Labor share of the agriculture sector
- Penetration rate of the Internet and social media
- Population of developers

# Country deep dives: Nigeria is Africa's largest internet economy

NOT EXHAUSTIVE

IGDP, \$bn

XX% Contribution of internet economy to GDP



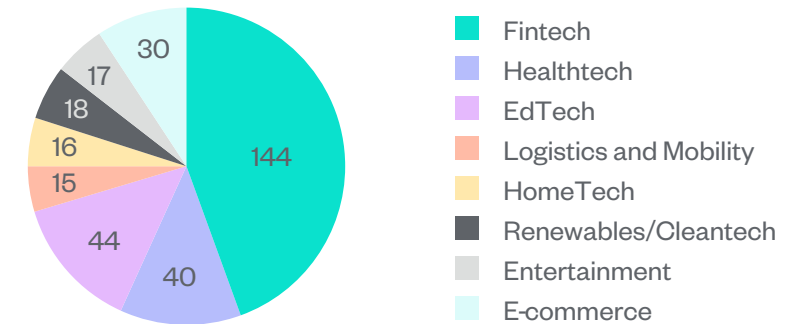
**5th**  
Inclusive Internet Index Ranking in Africa

**324**  
Total number of tech companies in selected sectors

**21**  
Number of sizable liquidity events

**83,609**  
Total number of developers

Tech companies across key sectors, #



Example companies

Company	Sector
flutterwave	Fintech/Payments
JUMIA	E-commerce
KOBO	Logistics
OPay	Fintech/Payments

Nigeria's large population contributes to the country's status as no 1 in GDP, IGDP, as well as mobile market. Nigeria represents a major market in Africa today and has the highest number of tech companies under the classified sectors.

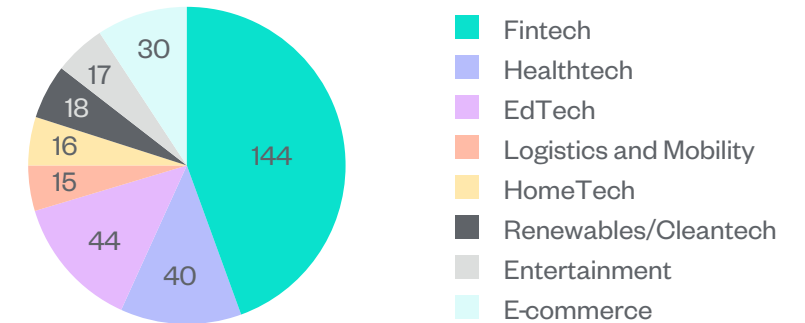
Source: Google/IFC e-Economy Africa report, Inclusive Internet Index 2021; The Economist, Briter Bridges, Statista

# Country deep dives: Nigeria

NOT EXHAUSTIVE

Network readiness index			Rank (/134)	Rank (/ African peers) <sup>1</sup>
<b>Access to tech</b>	Mobile tariffs	51.96	86	3
	Handset prices	20.01	117	4
	Fixed broadband subscriptions	8.16	102	3
	4G mobile network coverage	22.34	120	4
<b>Future Technologies</b>	International Internet bandwidth	46.89	130	4
	Adoption of emerging technologies	43.17	74	4
	Investment in emerging technologies	22.87	113	4
	ICT PCT patent applications	0.24	77	4
<b>Individuals</b>	Internet users	40.56	98	3
	Active mobile-broadband subscriptions	10.86	115	4
	ICT skills	28.86	117	3
	Internet shopping	5.21	94	3
<b>Businesses</b>	Firms with website	14.86	113	4
	Ease of doing business	47.13	109	4
	Business use of digital tools	68.38	50	4
<b>Government and regulation</b>	Publication and use of open data	20.97	69	3
	ICT regulatory environment	17.46	109	4
	Legal framework adaptability to emerging technologies	77.99	87	3
		22.70	99	4

## Tech companies across key sectors, #



## Example companies

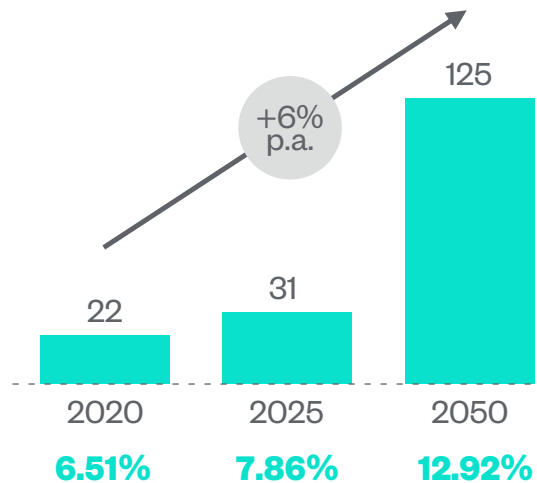
Company	Sector
flutterwave	Fintech/Payments
JUMIA	E-commerce
KOBO	Logistics
OPay	Fintech/Payments

1. Nigeria, South Africa, Kenya, Egypt  
Source: Network readiness Index 2020

# Country deep dives: South Africa is Africa's most inclusive internet country

IGDP, \$bn

XX% Contribution of internet economy to GDP



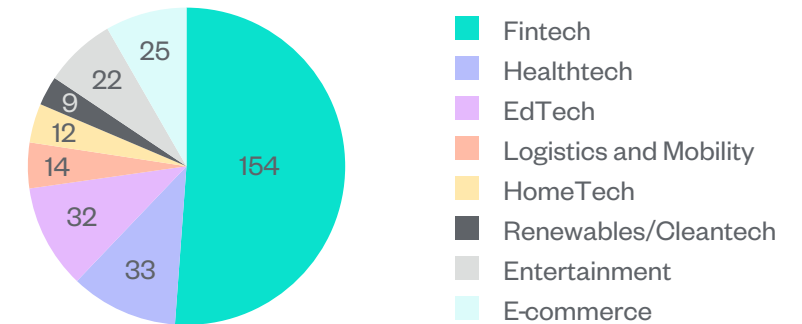
**1st**  
Inclusive Internet Index Ranking in Africa

**301**  
Total number of tech companies in selected sectors



**67**  
Number of sizable liquidity events

**118,541**  
Total number of developers

Tech companies across key sectors, #



Example companies

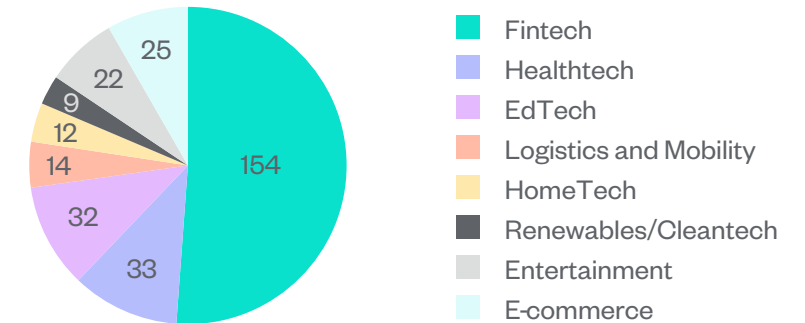
Company	Sector
 MFS Africa	Fintech
 ga	Edtech

South Africa leads the pack in inclusiveness with a no 1 regional status internet usage, mobile penetration and broadband usage amongst others. South Africa is the continent's second largest internet economy just closely behind Nigeria. South Africa also has a more advanced tech ecosystem than many of its African peers; 2 out of the top 5 African start up ecosystems are in South Africa and the country also has the highest number of professional developers.

# Country deep dives: South Africa

Network readiness index			Rank (/134)	Rank (/ African peers) <sup>1</sup>
<b>Access to tech</b>	Mobile tariffs	64.43	63	2
	Handset prices	55.16	47	1
	Fixed broadband subscriptions	41.30	80	1
	4G mobile network coverage	90.32	65	1
<b>Future Technologies</b>	International Internet bandwidth	57.78	113	3
	Adoption of emerging technologies	64.29	33	1
	Investment in emerging technologies	51.83	40	2
	ICT PCT patent applications	11.30	44	1
<b>Individuals</b>	Internet users	55.17	87	1
	Active mobile-broadband subscriptions	29.27	66	1
	ICT skills	24.43	121	4
	Internet shopping	10.05	74	2
<b>Businesses</b>	Firms with website	30.77	94	3
	Ease of doing business	65.07	79	2
	Business use of digital tools	70.45	49	3
<b>Government and regulation</b>	Publication and use of open data	34.43	46	2
		31.77	83	3
	ICT regulatory environment	69.88	99	4
	Legal framework adaptability to emerging technologies	51.13	41	1

## Tech companies across key sectors, #



## Example companies

### Company

 MFS Africa	Fintech
 go	Edtech

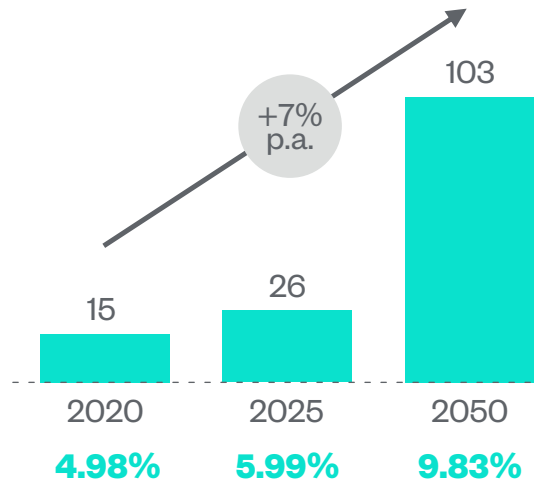
1. Nigeria, South Africa, Kenya, Egypt  
Source: Network readiness Index 2020

# Country deep dives: Egypt has one of the most diverse landscapes based on classification and ownership of digital businesses



IGDP, \$bn

XX% Contribution of internet economy to GDP



**4th**  
Inclusive Internet Index Ranking in Africa



**148**  
Total number of tech companies in selected sectors



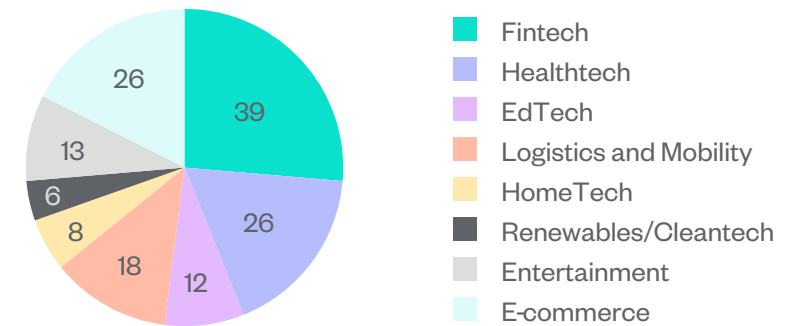
**16**  
Number of sizable liquidity events



**86,599**  
Total number of developers



Tech companies across key sectors, #



Example companies

Company	Sector
maxab	E-commerce
Halan	Logistics
fawry	Fintech

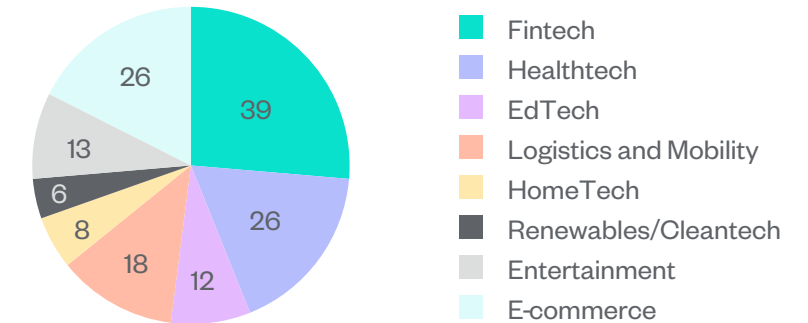
Egypt has one of the most balanced distribution of tech companies (unlike its peers which are more skewed towards fintechs). Egypt is well connected digitally to the rest of the world with one of the highest number of distinct submarine cables in the continent (17). The Egyptian digital market is concentrated with many foreign participation as only about one third of digital businesses are locally owned.

Source: Google/IFC e-Economy Africa report, Inclusive Internet Index 2021; The Economist, Briter Bridges, Statista, GSMA




# Country deep dives: Egypt

Network readiness index			Rank (/134)	Rank (/ African peers) <sup>1</sup>
<b>Access to tech</b>	Mobile tariffs	77.03	32	1
	Handset prices	34.14	93	2
	Fixed broadband subscriptions	14.60	98	2
	4G mobile network coverage	89.00	70	2
<b>Future Technologies</b>	International Internet bandwidth	63.40	88	2
	Adoption of emerging technologies	54.92	48	2
	Investment in emerging technologies	37.05	74	3
	ICT PCT patent applications	1.01	71	2
<b>Individuals</b>	Internet users	45.64	94	2
	Active mobile-broadband subscriptions	20.30	97	2
	ICT skills	65.44	42	1
<b>Businesses</b>	Internet shopping	3.09	112	4
	Firms with website	48.99	65	1
	Ease of doing business	52.75	97	3
<b>Government and regulation</b>	Business use of digital tools	70.60	48	2
	Publication and use of open data	13.89	83	4
	ICT regulatory environment	47.93	43	1
	Legal framework adaptability to emerging technologies	80.89	78	2

## Tech companies across key sectors, #



## Example companies

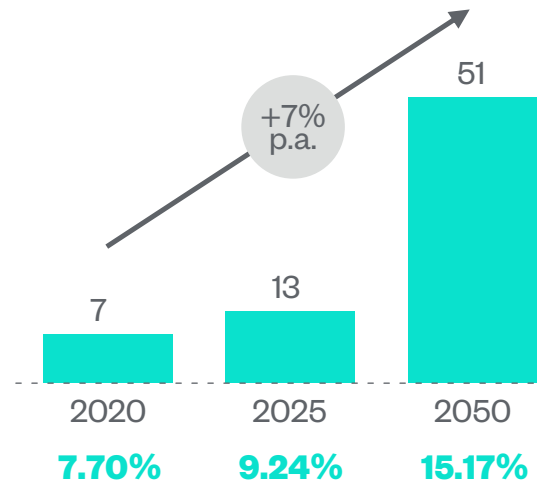
Company	Sector
 Maxab	E-commerce
 Halan	Logistics
 Fawry	Fintech

1. Nigeria, South Africa, Kenya, Egypt  
Source: Network readiness Index 2020

# Country deep dives: Kenya's internet economy contribution to GDP is the highest in Africa

IGDP, \$bn

XX% Contribution of internet economy to GDP



**3rd**  
Inclusive Internet Index Ranking in Africa



**235**  
Total number of tech companies in selected sectors



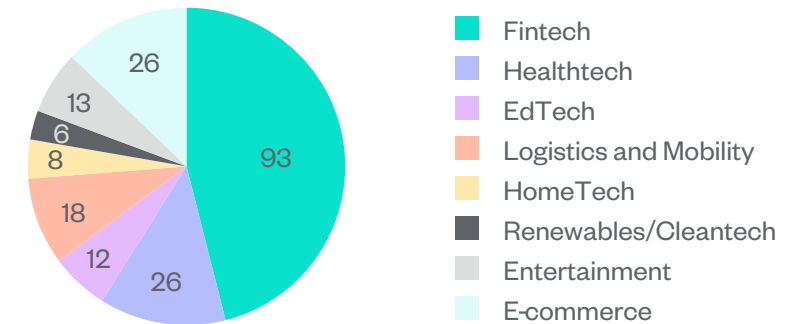
**93**  
Number of sizable liquidity events



**58,175**  
Total number of developers



Tech companies across key sectors, #



Example companies

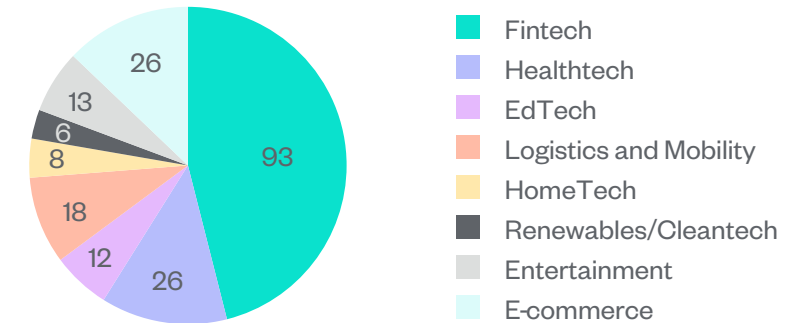
Company	Sector
<b>Twiga</b>	Agritech
<b>LORI</b>	Logistics
<b>Cellulant</b>	Fintech

In Africa, Kenya's internet economy contributes ~8% to its GDP which is the largest in Africa. Kenya leads digital payments, has the largest international bandwidth per user and is no 2 in internet usage. Kenya's prevalent mobile banking services has led to a high banking penetration which is higher than many of its peers in Sub-Saharan Africa.




# Country deep dives: Kenya

Network readiness index			Rank (/134)	Rank (/ African peers) <sup>1</sup>
<b>Access to tech</b>	Mobile tariffs	49.30	95	4
	Handset prices	33.14	94	3
	Fixed broadband subscriptions	0	122	4
	4G mobile network coverage	35.00	111	3
<b>Future Technologies</b>	International Internet bandwidth	80.73	7	1
	Adoption of emerging technologies	50.77	55	3
	Investment in emerging technologies	60.12	32	1
	ICT PCT patent applications	1.00	72	3
<b>Individuals</b>	Internet users	15.64	122	4
	Active mobile-broadband subscriptions	15.43	107	3
	ICT skills	62.03	46	2
	Internet shopping	11.83	70	1
<b>Businesses</b>	Firms with website	43.88	74	2
	Ease of doing business	76.03	55	1
	Business use of digital tools	72.88	38	1
<b>Government and regulation</b>	Publication and use of open data	40.42	35	1
		40.90	56	2
	ICT regulatory environment	88.61	44	1
	Legal framework adaptability to emerging technologies	37.75	74	3

## Tech companies across key sectors, #




## Example companies

Company	Sector
 Twiga	Agritech
 LORI	Logistics
 Cellulant	Fintech

1. Nigeria, South Africa, Kenya, Egypt  
Source: Network readiness Index 2020

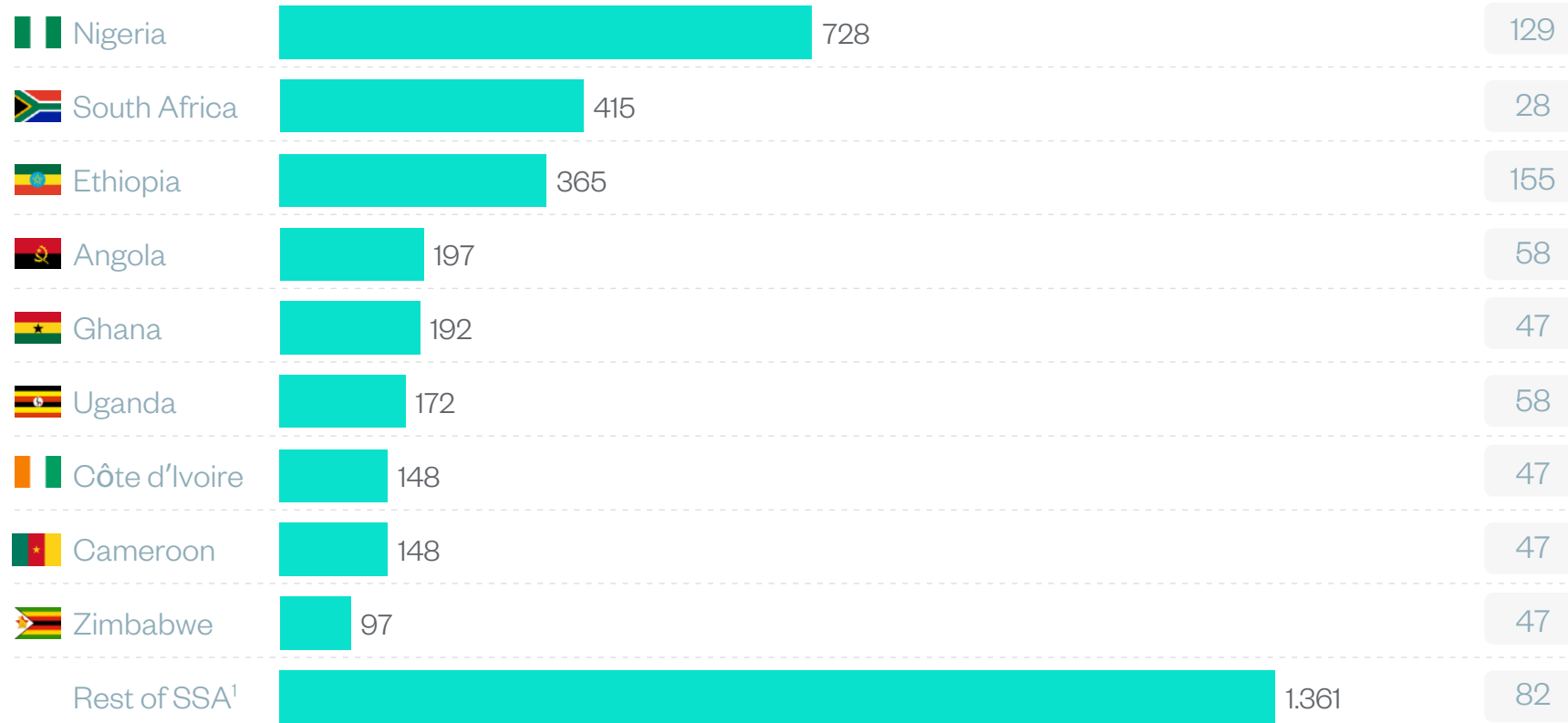
# Using the wedge and the bridge strategy, innovative fintechs are delivering a broad suite of financial services to consumers

					
	Seamless bank account opening & Free P2P transfers	High-interest savings products	Instant unsecured loans	Free cross-border P2P transfers	Low-cost P2P transfers and bill payments
	Overdrafts, loans, savings, bill payments, budgeting & personal finance	Investments, Digital wallet, bill payments, free P2P transfers	Digital wallet, high interest savings, P2P transfers, bill payments, BNPL	Cryptocurrency trading, bill payments, stock trading	Smartphone-based mobile money platform with pre-paid QR card option: clean, intuitive Ui, high reliability, and much lower prices (free deposits, withdrawals, bill payments, and a 1% transfer fee)
Year Launched	2017	2016	2012	2019	2011
Capital Raised	\$92M	\$1.1M	\$10M	\$300M	\$200M
Valuation	\$500M	Undisclosed	Undisclosed	\$2B	\$1.7B
Investors	Target Global, Valar Ventures	Ventures Platform, LeadPath, Village Capital	Net1	Ribbit, SVB, Bezos Explorations, FTX, Tribe Capital, 500startups	Partech, Y combinator, Founders Fund, Sequoia Heritage, Stripe

# In payments alone, there is a \$3.6B opportunity if the rest of Sub-Saharan Africa's digital payments rate catches up to Kenya

Revenue pools for today's level of digitalization vs. revenue pools if each country had the same digitalization as Kenya, \$ million

Potential increase in revenue pool, %



1. Bill Gates Foundation Gallup report (2014)

# endeavor



EndeavorNigeria

[www.endeavornigeria.org](http://www.endeavornigeria.org)