

## 'Now is the time to invest in Africa'

Africa has developed from a continent once viewed as a lost cause to a land of vibrant opportunity, particularly when it comes to business angel investments.

By Tomi Davies <sup>20 Feb 2018</sup>



Tomi Davies, president of the African Business Angels Network

While many countries today are facing the dilemma of an ageing population, the majority of the 1.2 billion Africans living on the continent are young, ambitious and entrepreneurial.

Entrepreneurs are a critical driver of innovation and development and there's a growing consensus that the future of African development will depend on the success of entrepreneurs that are able to build scalable companies.

Fortunately, the spirit is alive in Africa, with an increasing number of startups in ICTs, agribusiness, e-commerce, fintech, ed-tech, e-health and renewables. These are youthful entrepreneurs who have been reshaping the face and future of a continent where over 50 per cent of the population is under 20 years old.

Globally, the shift in the technology sector, moving from relatively stationary devices like desktop and laptop computers to fully mobile devices like smartphones, tablets and wearables, continues unabated, and new emerging technologies such as drones, green energy and cryptocurrencies are all expected to grow exponentially in the coming years. Africa's technology adoption rate is rising and steadily catching up with the rest of the world, with its use of mobile digital technologies increasing and the skills and technical knowledge base of the population advancing.

More than half a billion people in Africa are now subscribed to mobile services and over 150 million smartphones are in use across the continent. With about half of the African population having mobile phones, internet usage spiked to over 300 million users as of June 2017. The global IT industry has been estimated to be worth US\$3.8 trillion, and the African landscape is ripe for development, filled with startups in need of financial support and guidance. These are entrepreneurs building companies that are providing jobs to Africans and tax revenue to their national governments.

In an effort to connect these entrepreneurs to much needed capital there has been a growth in angel investment groups and networks starting up in several African cities and countries on the continent, including Lagos Angels Network in Nigeria, Cameroon Angels Network, Viktoria Business Angels in Kenya, South African Business Angels Network, Cairo Angels in Egypt, Kampala Angel Investment Network in Uganda, Angel Investors of Mauritius and over fifty more.

These individuals and groups provide small amounts of seed capital which when aggregated are quite meaningful. However, the most valuable investment contributions they make to the startups are the access they give to their business networks and the mentoring they provide to the entrepreneurs.

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As a result of these angel groups, local and international venture capital firms, funding for African startups – of which over 70% are generating revenues – jumped by 51% to US\$195 million in 2017, [according to report from Disrupt Africa](#). Countries leading the way in angel investments are South Africa, Nigeria, Kenya, Ghana, Egypt and Tanzania.

As an angel investor myself, may I offer the following tips when it comes to angel investment in Africa:

- Educate yourself professionally. From the basics of angel investing such as evaluating entrepreneurs and assessing pitches, carrying out due diligence, valuations, setting your expectations for an investment round, term sheets and deal negotiations all the way through to managing your startup portfolio and exiting, there's a lot to learn. The good news is, there's a lot of learning material available out there as are people willing to teach (including yours truly).
- Non-traditional investments like technology are still new areas of exploration on the continent so it's important to be sure you are fully informed of the opportunities for the sector in the African city where your investment is located.
- Don't spend too much time analysing a deal as it will lead to indecision and you may miss out on fantastic prospects. Your focus should be on how comfortable you are with the startup's leadership team and their ability to deliver the results you expect. Studies continually show that the three keys to startup success are team, team, team!
- There's not much help from government for early stage ventures in Africa and most startups do not rely on them for support, so don't let that deter you. Rather, government support is usually made available once the company has some measurable level of success. A key aspect of angel investing in Africa is about accepting responsibility for this gap in support and providing it to your startups when and where required.
- When investing consider the long term and start with the end in mind. Invest with the long-term horizon in view knowing exits are still rare with revenue share being a more common investment return mechanism. Africa has gazelles that yield 20 per cent month-on-month growth year after year, not unicorns. However, do not underestimate the amount of follow up and future capital your startup will need. Always be thinking about the next round.
- Whatever you do, don't go it alone! Look for other local co-investors, especially those who belong to groups, syndicates or networks, as investment collaborators so they can provide you with guidance on where to find good venture opportunities and help you monitor and evaluate post-funding. Join a group

syndicate or network yourself – hunting in packs is always much better as you alone can't hear, see or know it all.

Building Africa is a team effort and angel investors are moving to the heart of the continent's future alongside others in development. Being an angel investor is about giving back to society, leveraging your experience and expertise, making money and, of course, having fun in the process.

With the continued growth of the African early-stage ecosystem unlikely to slow down anytime soon, the opportunity for angel investors and the startups they support to help Africa meet her full potential as an economic powerhouse is limitless.

If you have Africa in your heart, and the means to do so, regardless of where you're from or where you live now is the time to invest in Africa.

## ABOUT THE AUTHOR

Tomi Davies, president of the African Business Angels Network (ABAN), writing for Disrupt Africa.

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