

# East Africa Com

20<sup>TH</sup>  
ANNIVERSARY



A DEEP DIVE INTO

# EAST AFRICA'S STARTUP ECOSYSTEM

CHALLENGES & OPPORTUNITIES

IN PARTNERSHIP WITH



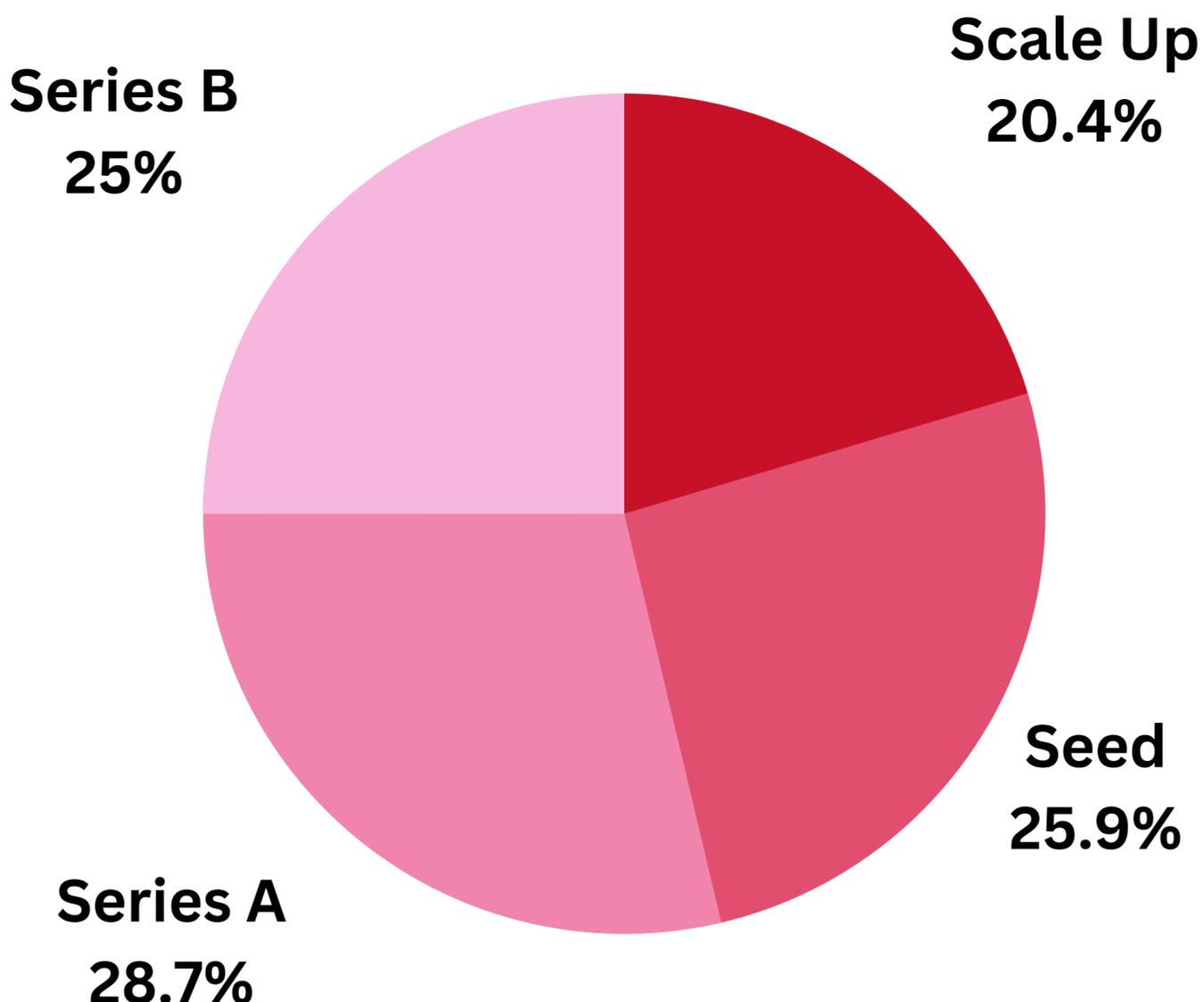
# ABOUT THE REPORT

The findings in this report have been compiled from a survey conducted by East Africa Com, in partnership with Connecting Africa, in the first quarter of 2023.

As the organisers of East Africa Com, the region's leading technology, telecommunications media and broadcasting event, we wanted to shine a spotlight on East Africa's booming start-up scene and better understand the roadblocks and opportunities faced by entrepreneurs in the region.

We surveyed over 350 start-up founders and leaders from across the region to collect answers on a variety of topics. This report is a summary of our findings, providing an accurate snapshot into East Africa's start-up landscape.

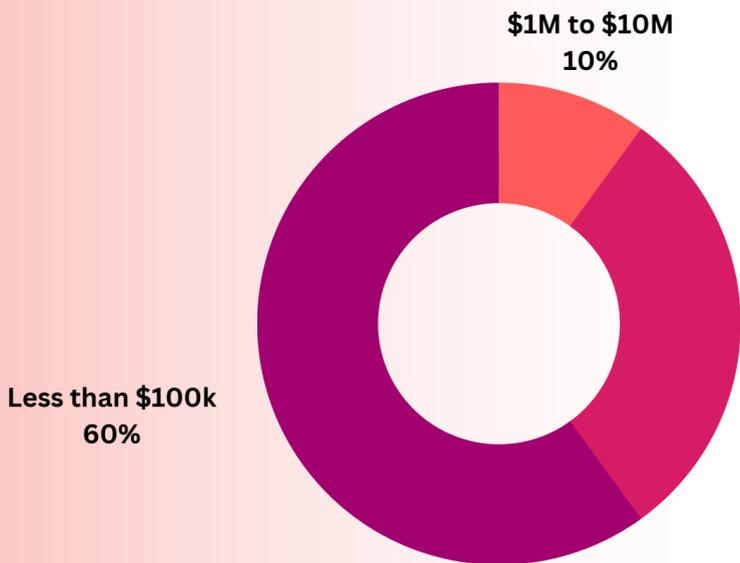
# ABOUT THE RESPONDENTS



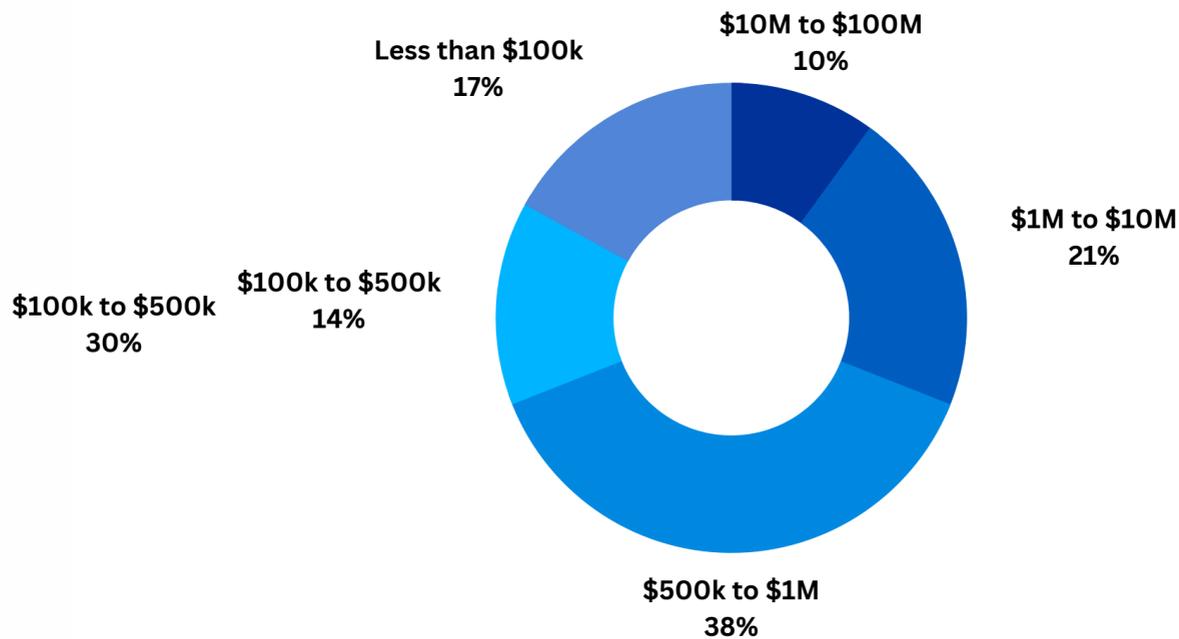
# AMOUNT OF FUNDING RECEIVED

## Amount of funding received in the last 12 months

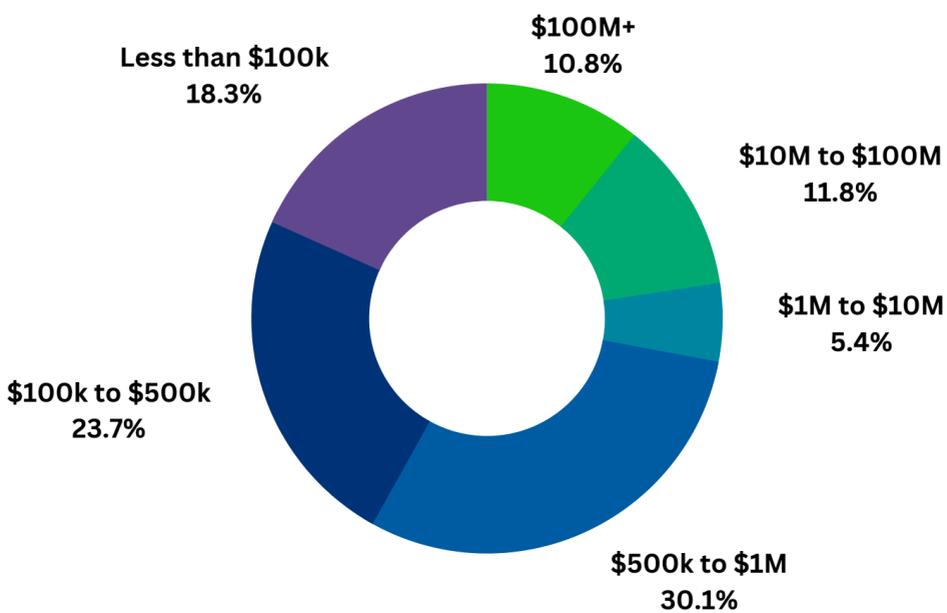
### Seed



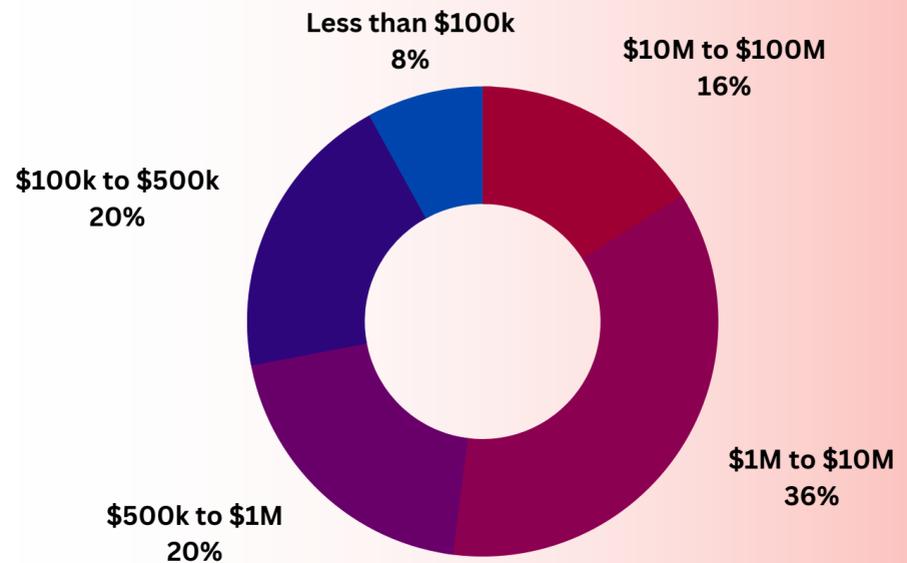
### Series A



### Series B



### Scale-Up



## FINDINGS



Seed businesses are those least likely to raise high volumes of funds with 60% raising less than \$100k over the last 12 months.



Scale-ups remain the most likely to raise higher amounts of funds, as 61% of the funds raised are of \$500k minimum.



However, it is to be noted that 52% of Series B businesses raised more than \$1m over the last 12 months, the largest proportion across all funding stages.

# SOURCES OF FUNDING

## FINDINGS



Seed businesses need 3.7 sources of funding, the highest proportion across all funding stages, whilst series A had the lowest with 1.9 sources of funding.



Seeds need almost twice as many sources of funding as Series A.



54% of seed businesses rely on family and friends to provide funding, the 2nd source being international VCs.



The further along businesses are, the least they rely on family and friends for fundings.



The further along businesses are, the more businesses generate funds via crowd-funding (Scale-ups and series B are on a relatively similar footing).

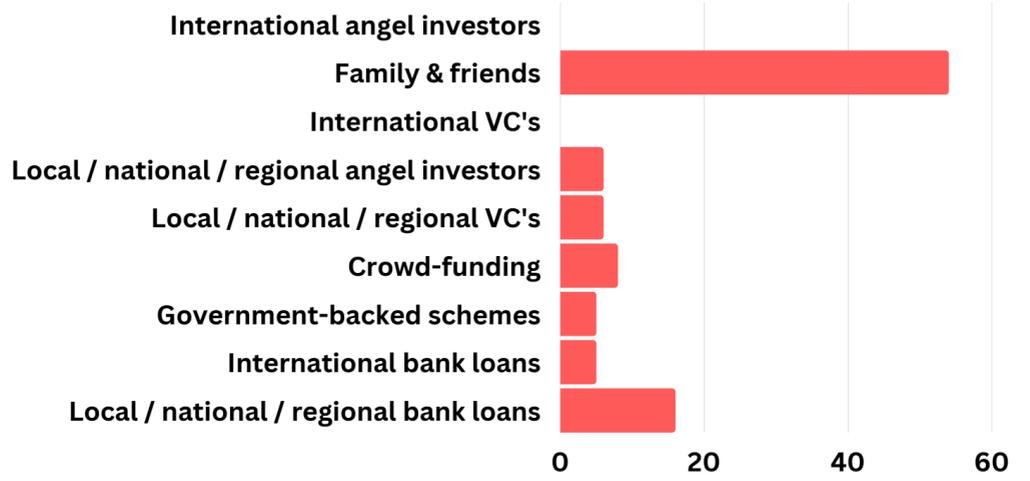


The further along businesses are, the more they can rely on more traditional sources of funding such as government-backed loans and bank loans.

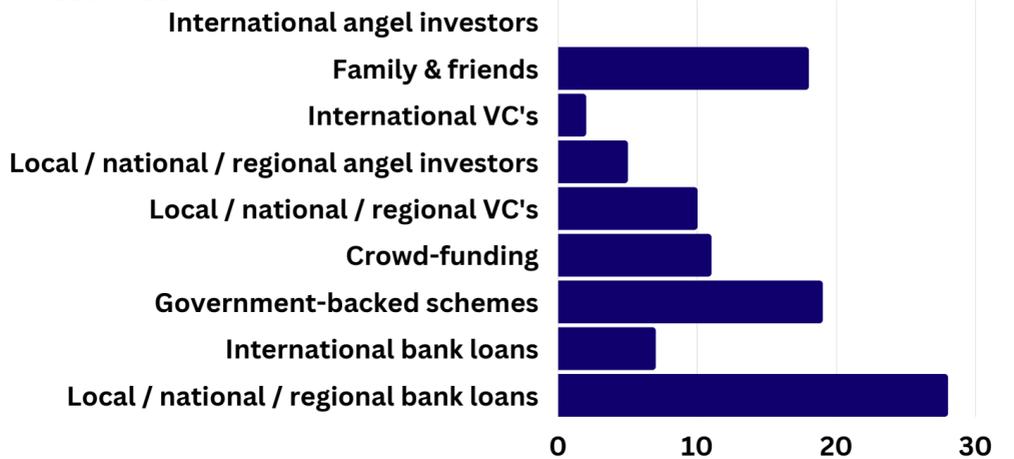


The further along businesses are, the more businesses generate funds via VCs (Scale-ups and series B are on a relatively similar footing).

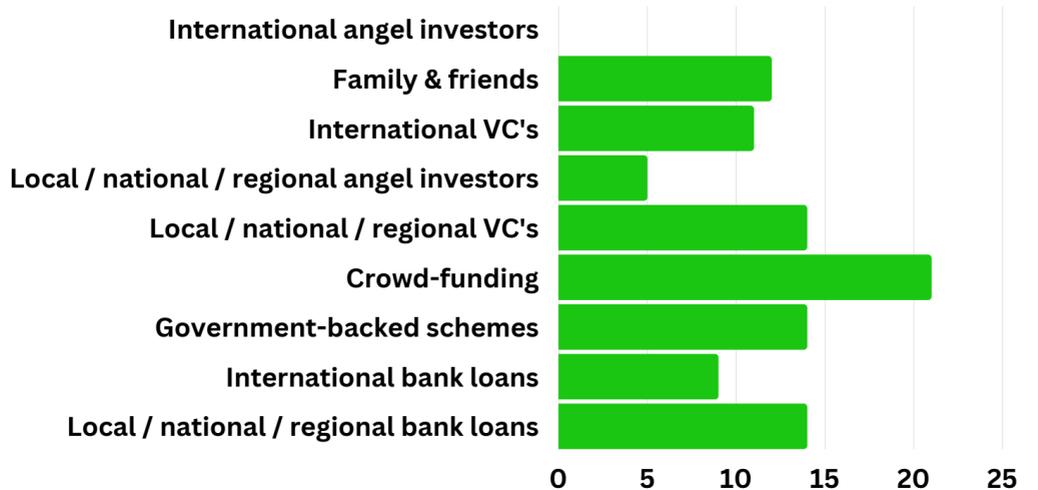
### Seed



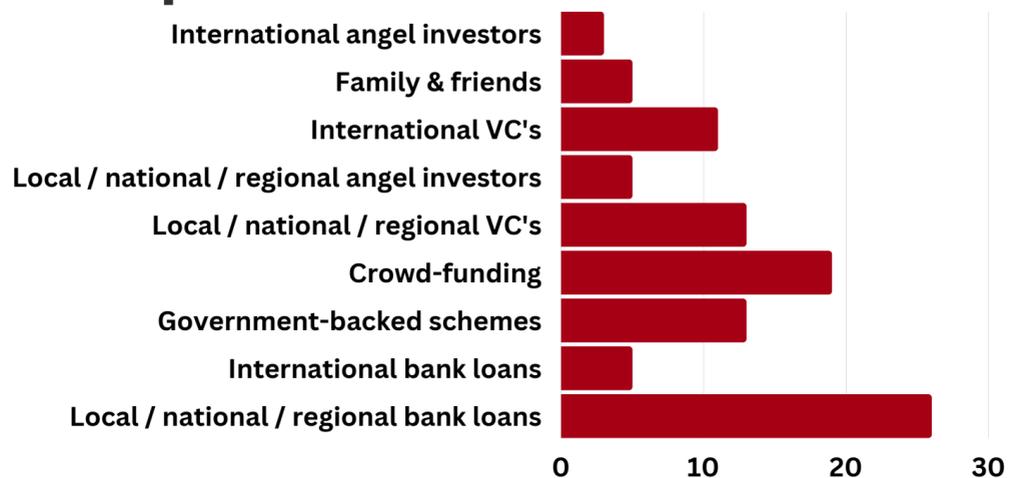
### Series A



### Series B



### Scale-Up



## AVERAGE NUMBER OF FUNDING SOURCES BY FUNDING STAGE:

Seed

3.7

Series A

1.9

Series B

2.3

Scale-Up

2.1

# FUNDING & INVESTMENTS (1/3)

## QUESTION:

Compared with previous years / funding periods, the amount of investment received....

## FINDINGS



Overall, an impression of stability: 25% of respondents indicate that funds received year on year remained stable, whilst the number of respondents answering that funds increased slightly or decreased slightly are relatively similar (respectively 25 and 19%).



37% of seeds businesses answered 'n/a' to this question, which can be explained by the fact that seed businesses are likely to have been launched over the last months and as such would not have a point of reference.

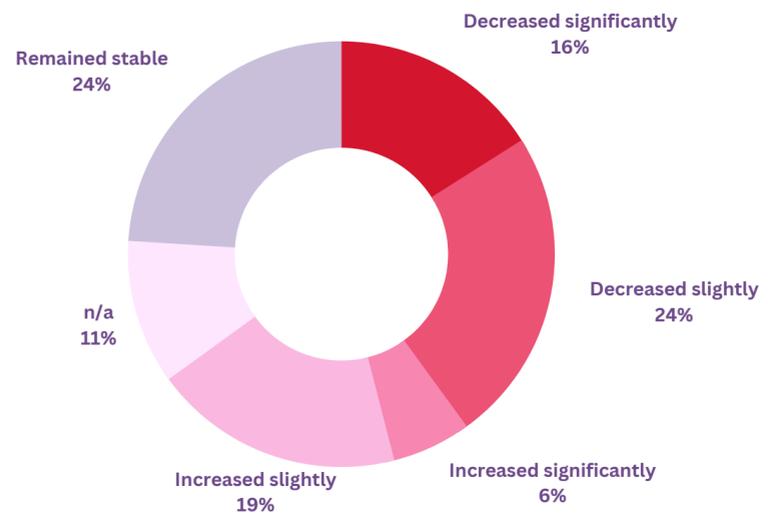


Overall, scale-ups are the ones who seem to have benefited the most as revenue increased slightly by 32%.

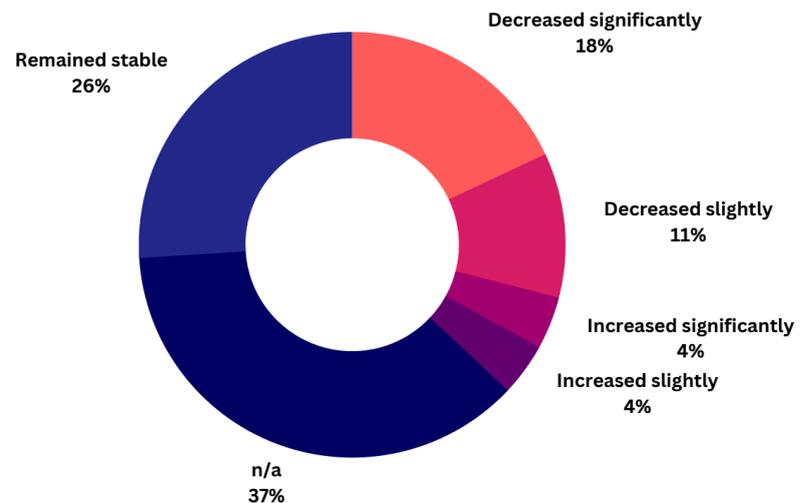


Overall, 58% of series A businesses indicate a decrease of revenue, 26% of which say it decreased significantly.

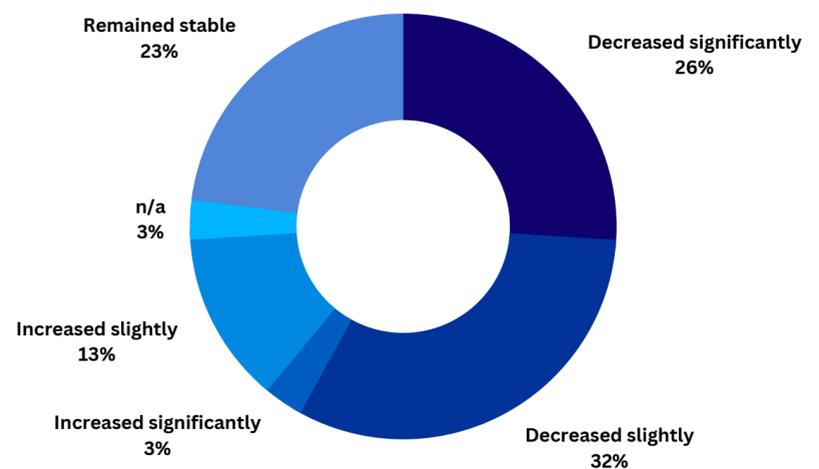
### Total



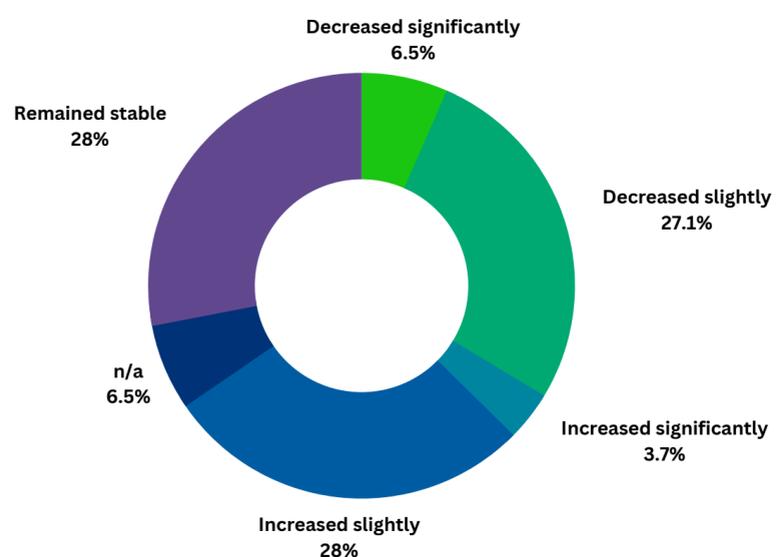
### Seed



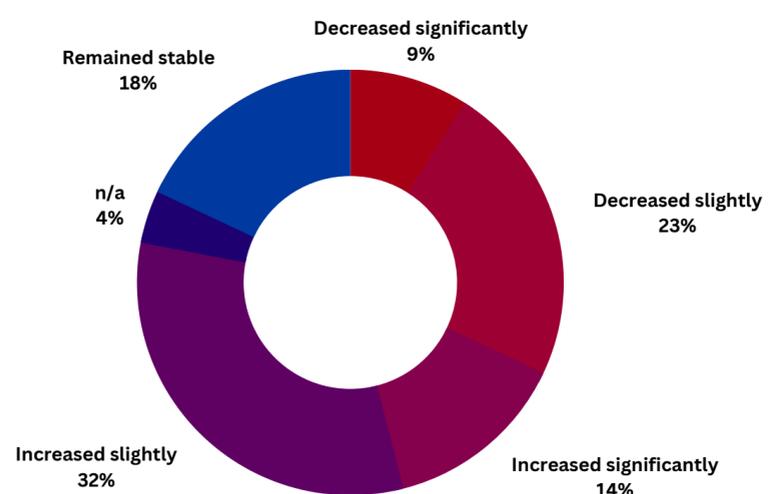
### Series A



### Series B



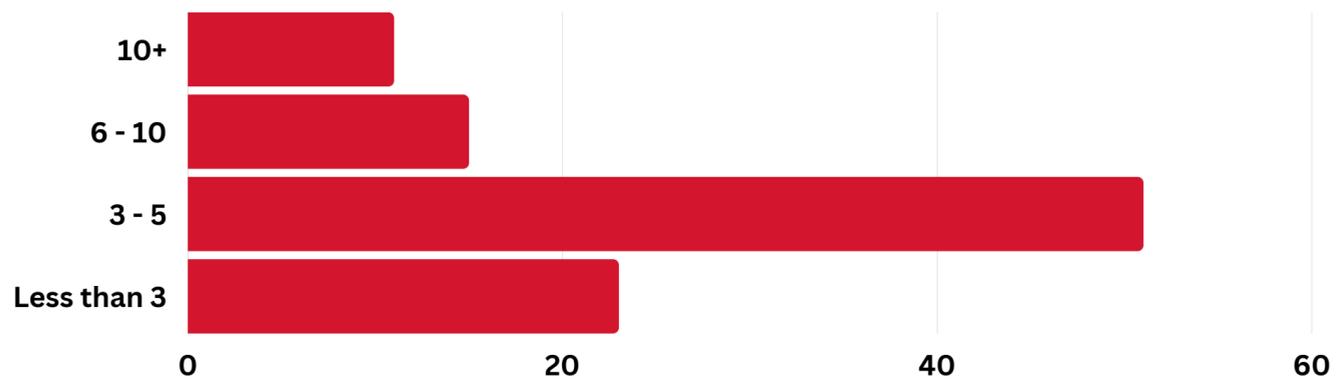
### Scale-Up



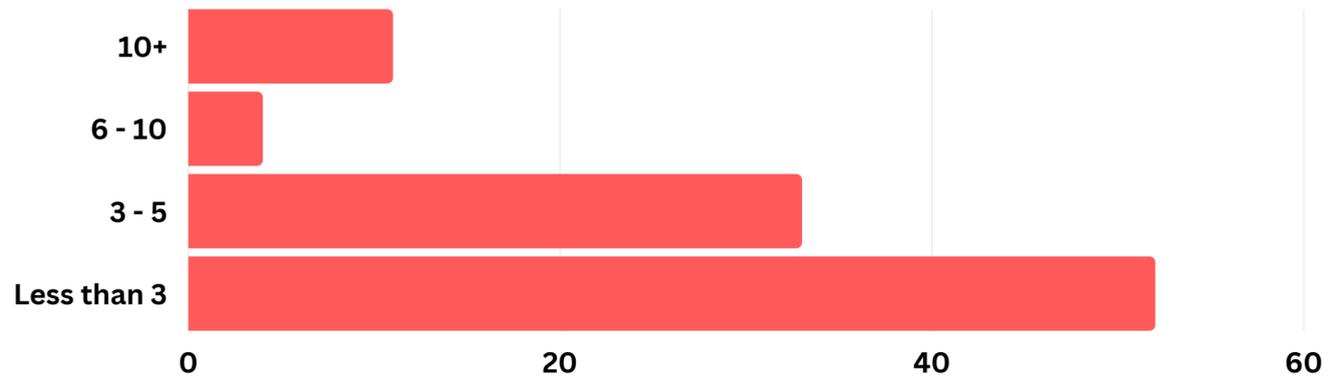
# FUNDING & INVESTMENTS (2/3)

## How many different potential investors did you meet before gaining access to new funds?

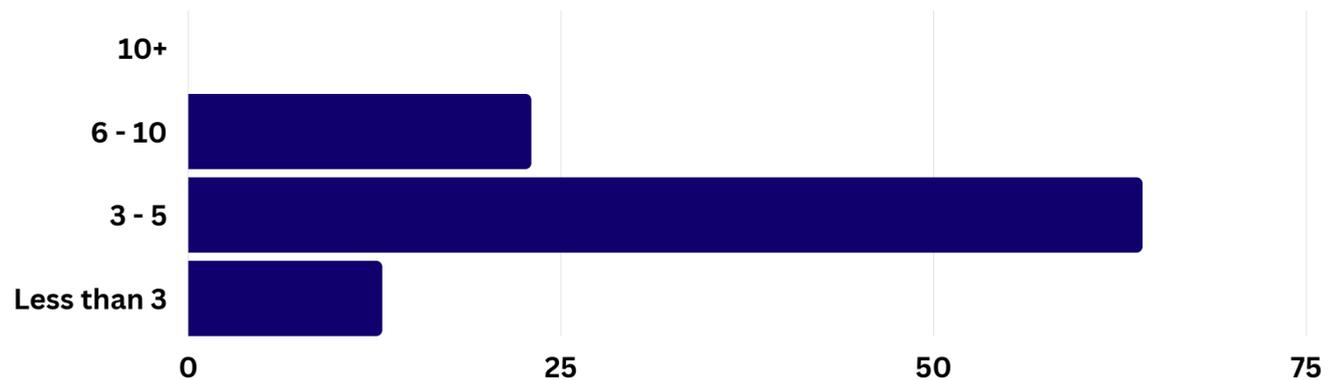
### Total



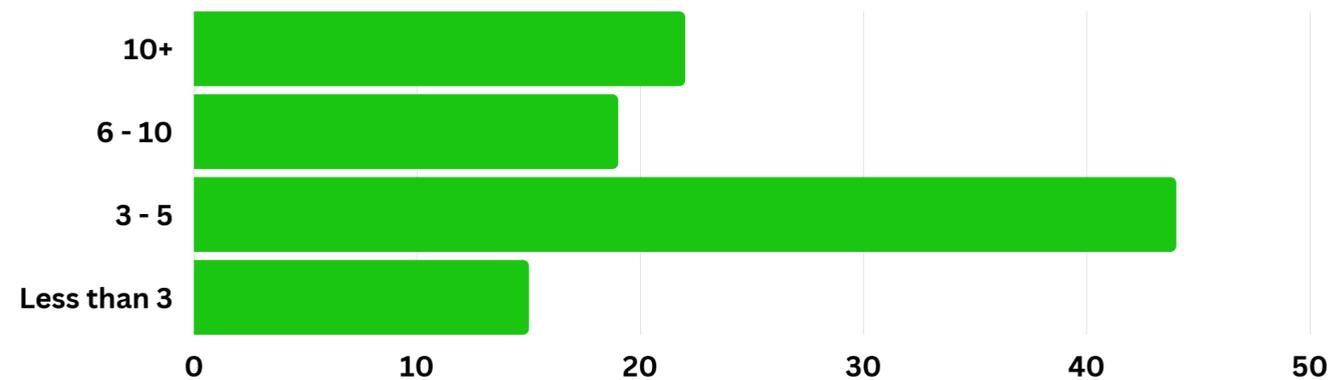
### Seed



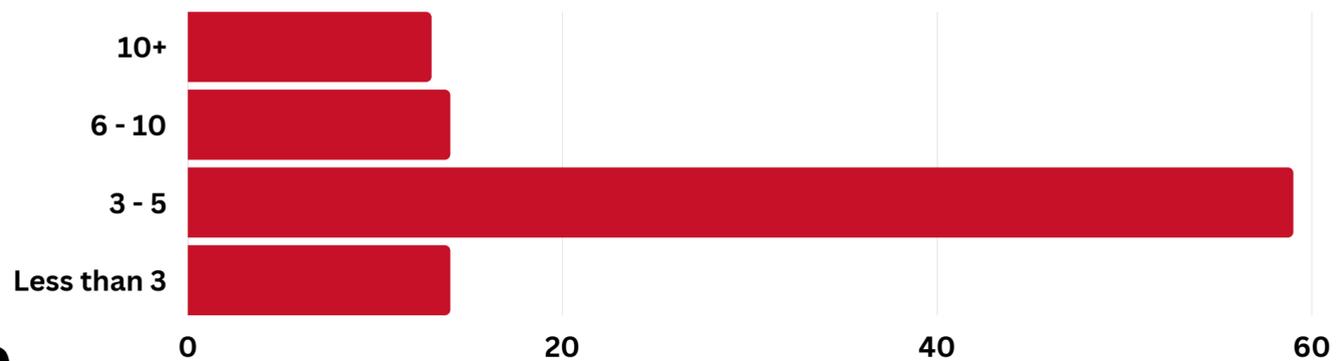
### Series A



### Series B



### Scale Ups



## FINDINGS



74% of respondents needed to meet up to 5 investors before securing funds.



52% of seeds respondents needed to approach less than 3 investors before securing funds. This could be because they rely in greater proportions on family and friends as sources of funding.



22% of Series B businesses needed to meet more than 10 potential investors before securing funds.

# FUNDING & INVESTMENTS (3/3)

## How will startups use their recently secured funding?

### FINDINGS



Overall, the three top priorities across all start-ups and scale ups have been / are:

**investment in equipment (25%), reaching new geo markets (21%) and product development (16%).**



Across business types, those three priorities consistently rank high.



Scale-ups however seem to put a greater emphasis on business expansion as 35% used / will be used funds to explore new geos.

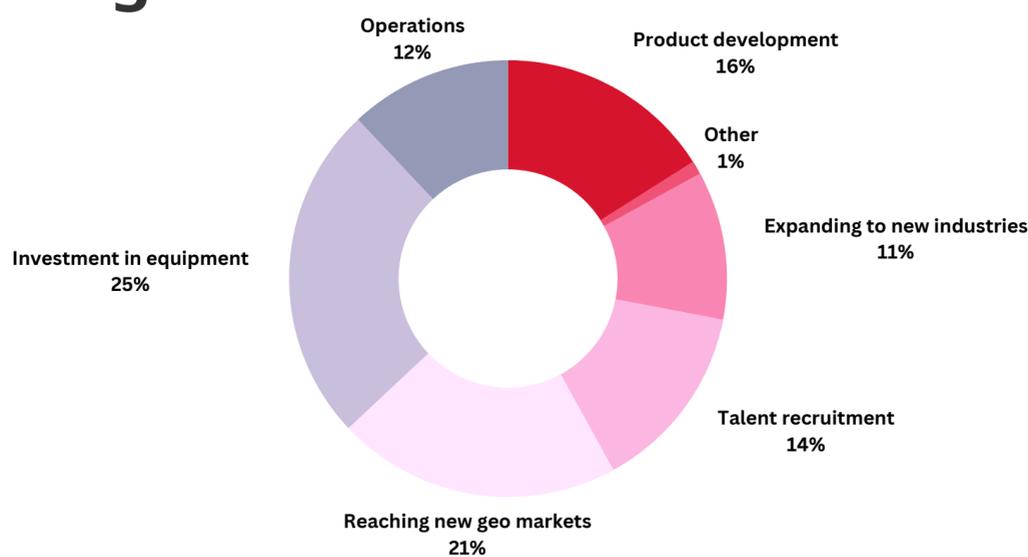


Talent recruitment still receives 14% of funds raised across all business types. But it doesn't feel like talent recruitment is perceived as the most pressing of challenges.

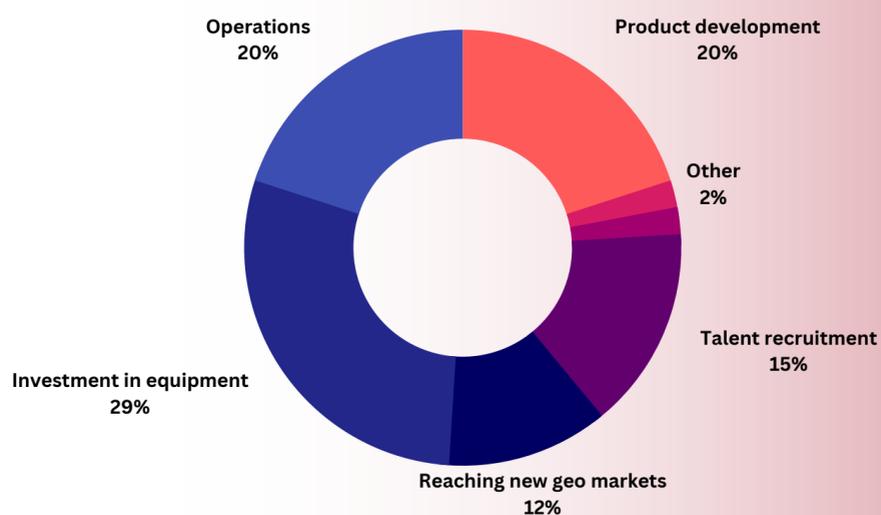


Whilst series A and B business try to expand their offer to new industries, seeds and scale ups rather focus on geo expansion.

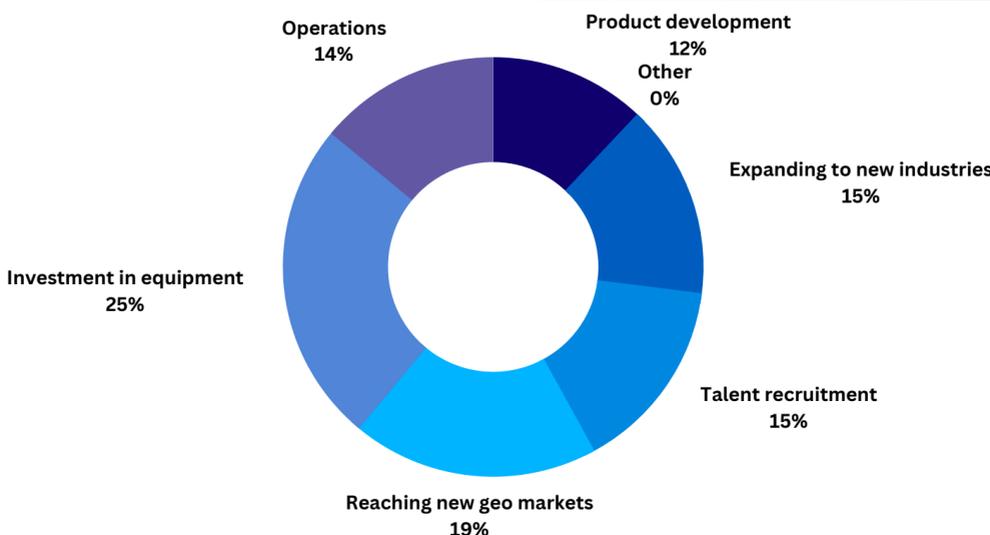
### TOTAL



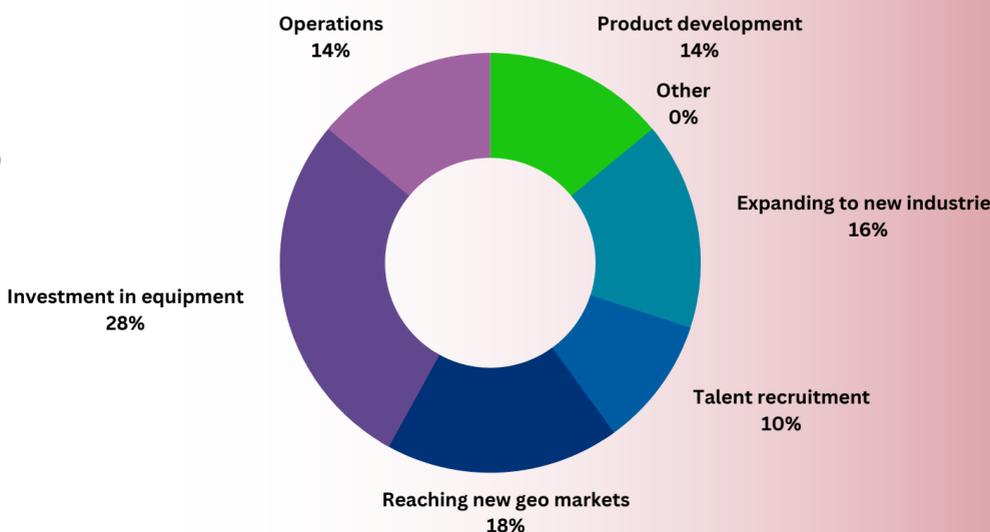
### SEED



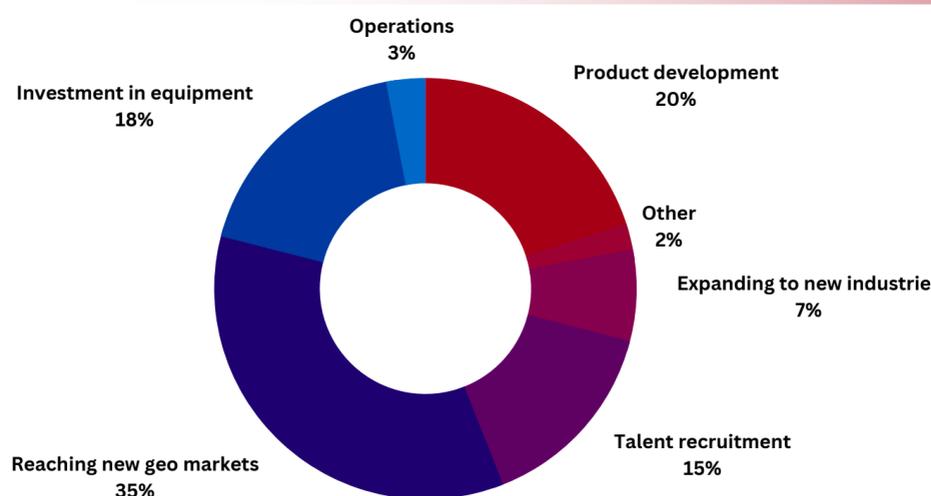
### SERIES A



### SERIES B



### SCALE UPS



# COVID-19 IMPACT

## How has COVID-19 impacted East Africa's startup landscape?

### FINDINGS

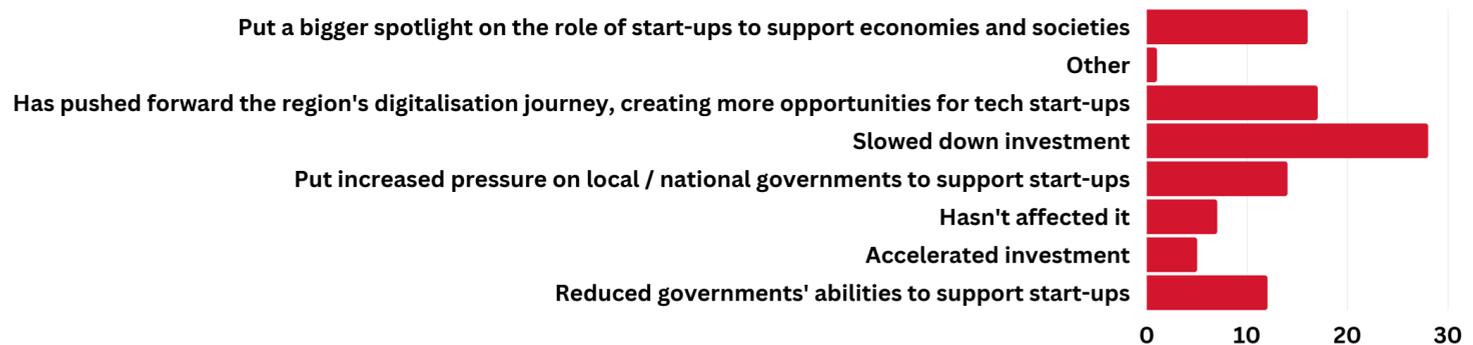


Overall, 28% of respondents indicated that COVID-19 had slowed down investment across the East African start-up landscape, making it the biggest impact

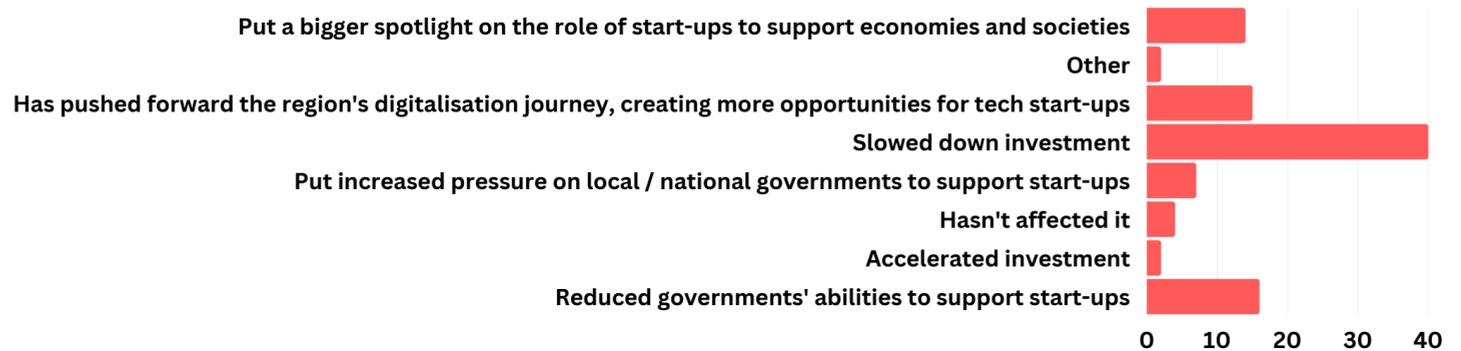


Whilst investment slowed down, 17% of respondents still indicated that COVID-19 has boosted the digitalisation journey of the region, creating more opportunities for tech start-ups.

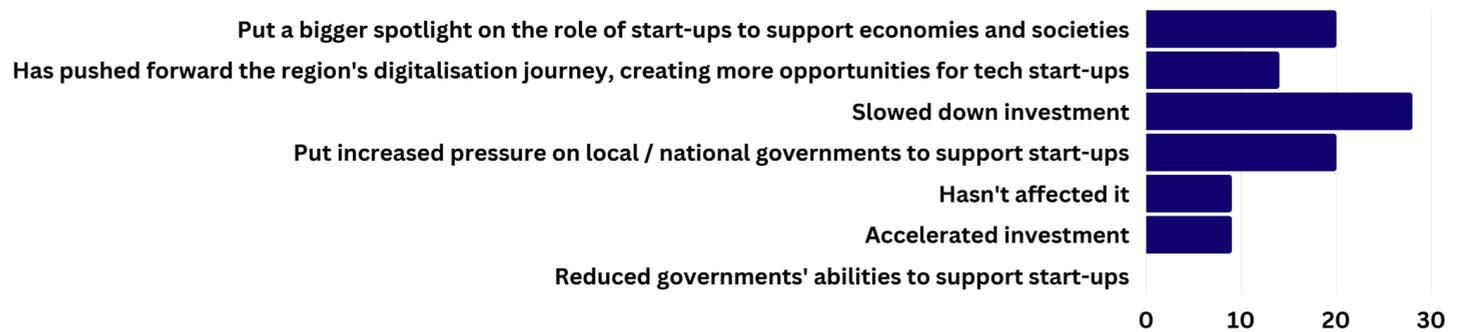
### TOTAL



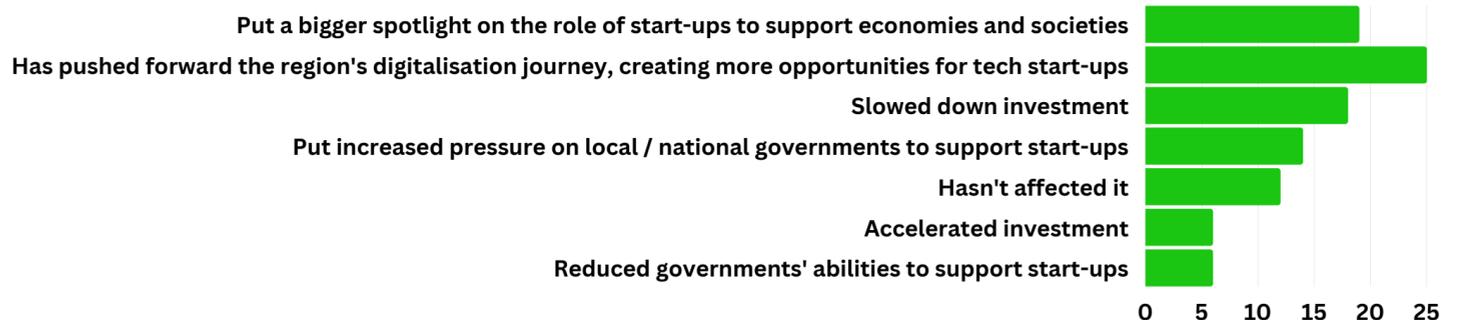
### SEED



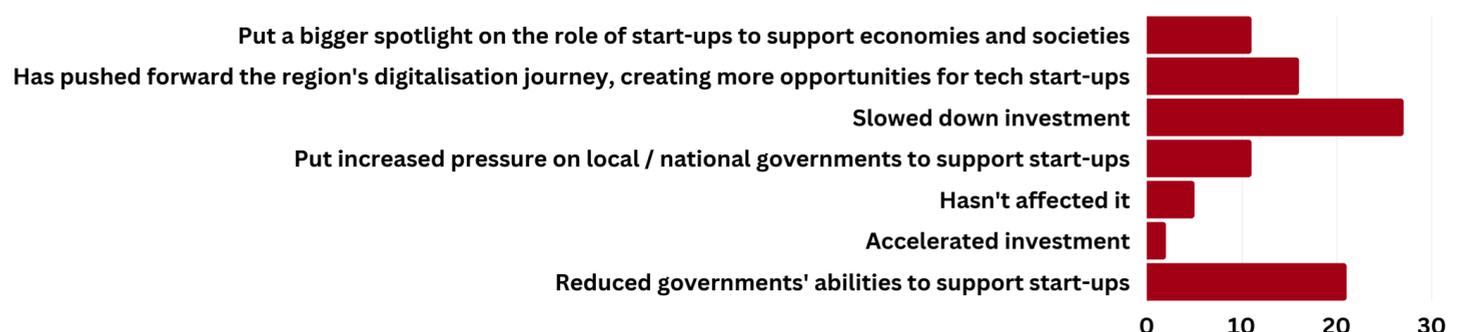
### SERIES A



### SERIES B



### SCALE UPS



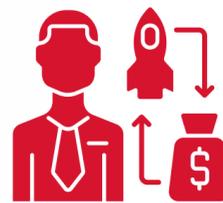
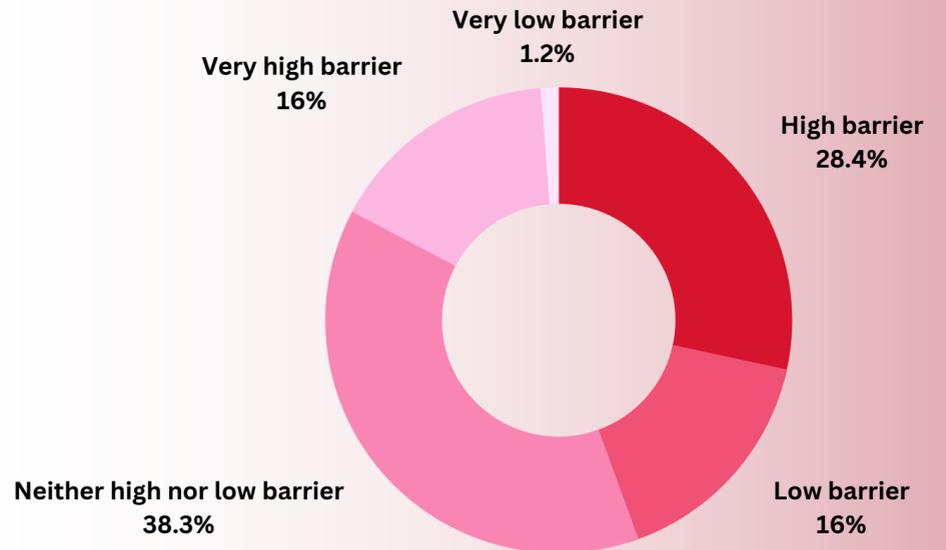
# BARRIERS TO FUNDING

## Biggest barriers for startups to access funds in 2023 (1/2)



### Global recession trends and/or national economic challenges

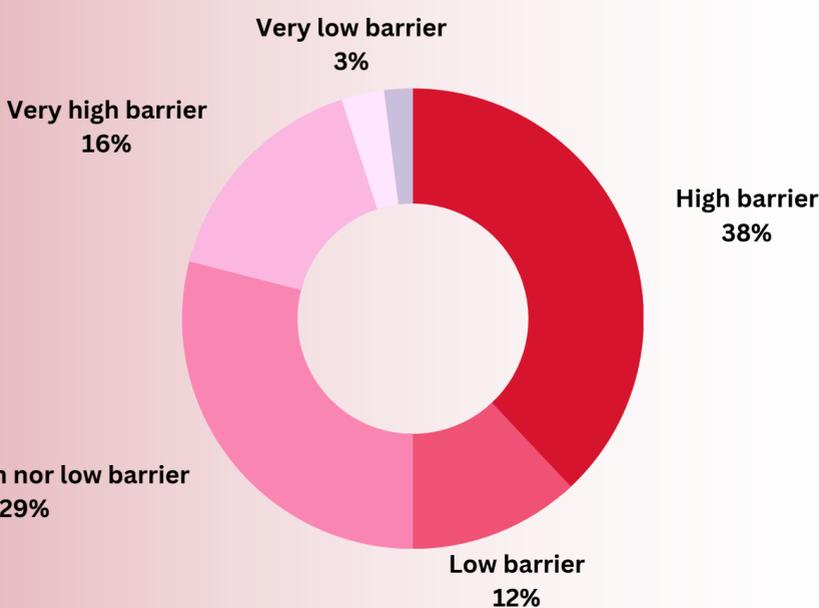
55% of respondents identify the risk of a global recession and / or national economic situations as a barrier to growth, with 32% identifying this as a very high barrier.



### Reliance on international VCs

56% identify the reliance on international VCs as a high barrier to growth

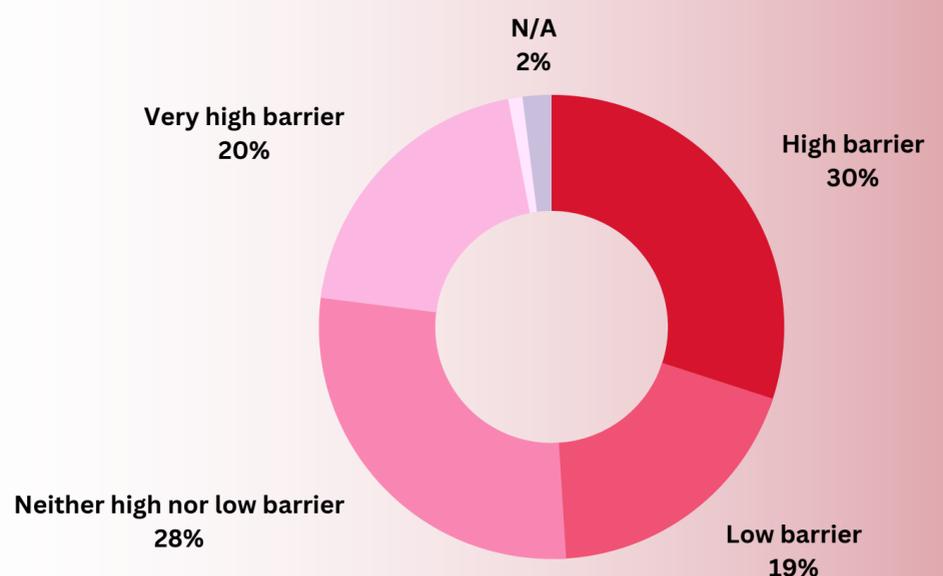
39% of seeds identify the reliance on international VCs as less of a barrier, a lower number as the rest, probably because they rely less on VC funding at their growth stage.



### Too narrow a pool of industries / sectors that receive funds

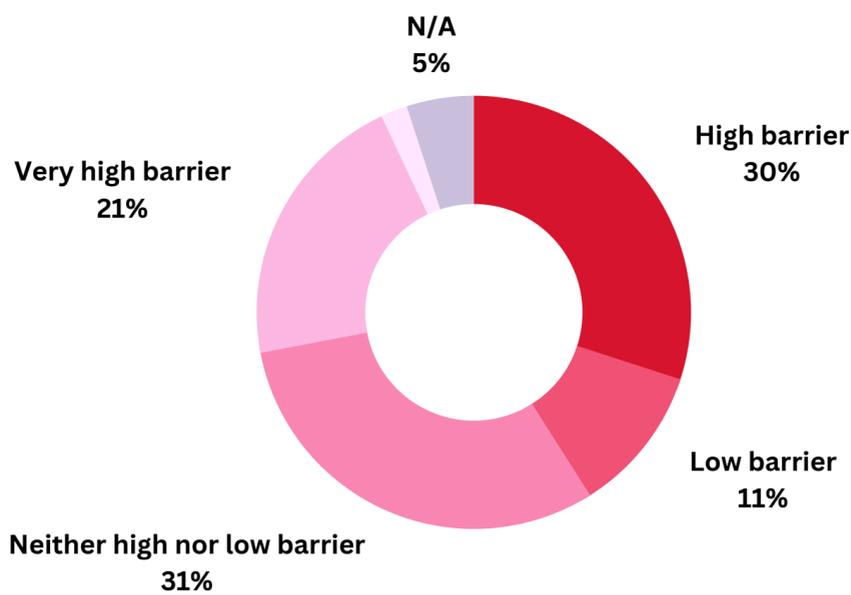
50% find that funds are distributed to too narrow a pool of industries, acting as a high barrier to growth

This is especially visible for scale-ups where 38% identify this as a very high barrier



# BARRIERS TO FUNDING

## Biggest barriers for startups to access funds in 2023 (2/2)



### Over-inflated valuation of start-ups and the risk of value collapse

51% of respondents assess the risk of over-inflated valuations and the risk of collapse as a barrier for growth

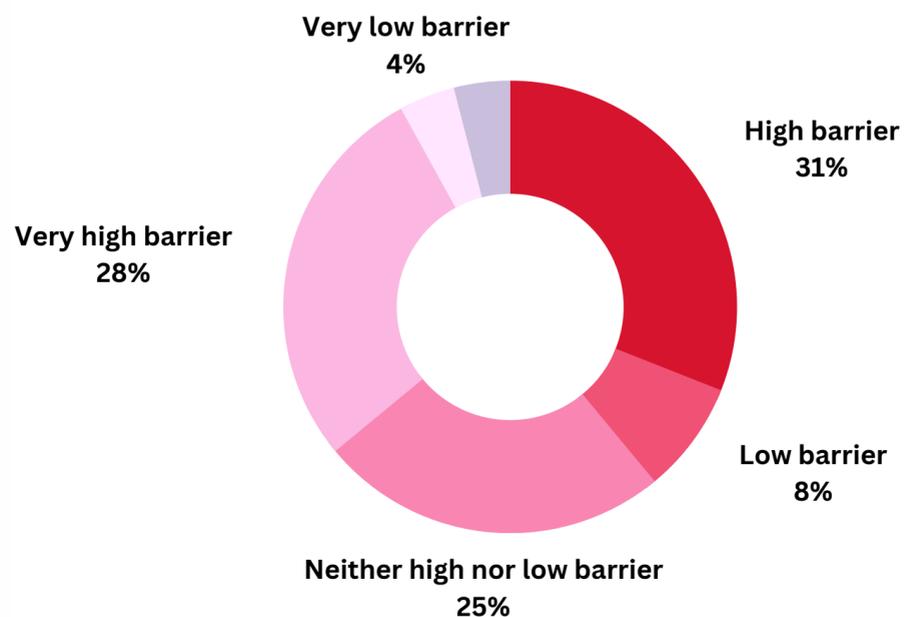
Series B business seem the most preoccupied as 37% identify this as a very high barrier



### Lack of access to investors

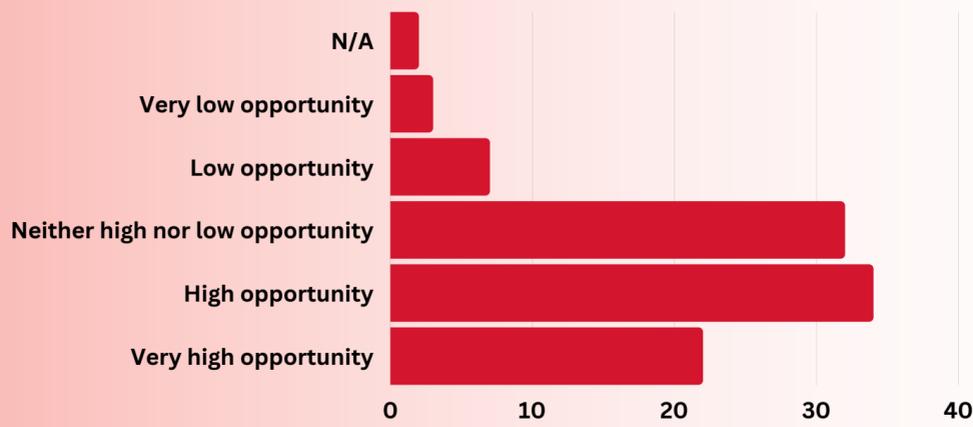
No matter the funding stage, access to investors remain a high concern. Overall, 59% of respondents identified the lack of access to investors as a barrier to growth.

This is especially visible with seeds businesses as 42% identify this as a very high barrier



# OPPORTUNITIES

## Biggest opportunities for startups in 2023



### A widening of the pool of industries receiving funds

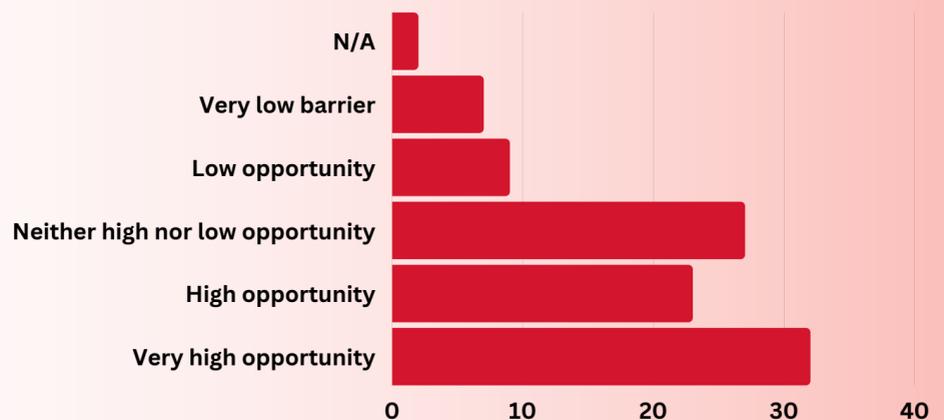
56% identify the widening of the pool of industries receiving funds as at least a high opportunity.

This is especially true for series A businesses as 64% of them identify this as at least a high opportunity.

### Rise of local VCs / funding opportunities

55% of respondents find that an increase in local VCs / funding opportunities would represent at least a high opportunity.

It's especially true for scale ups as 67% of them said that the rise of local VCs / funding opportunities would be at least a high opportunity.



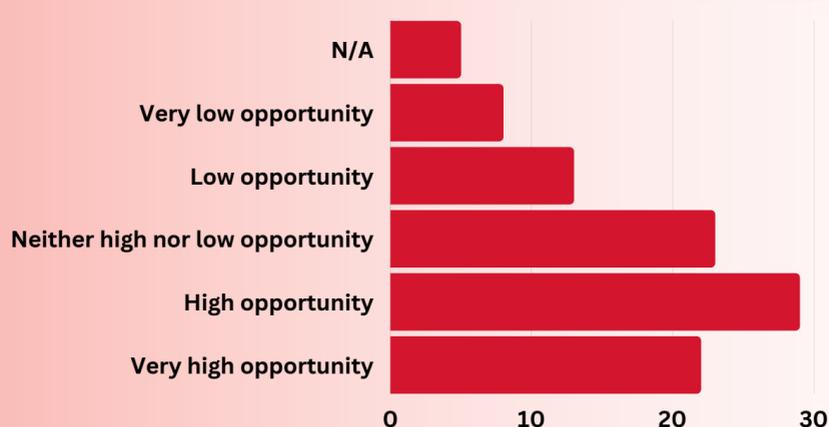
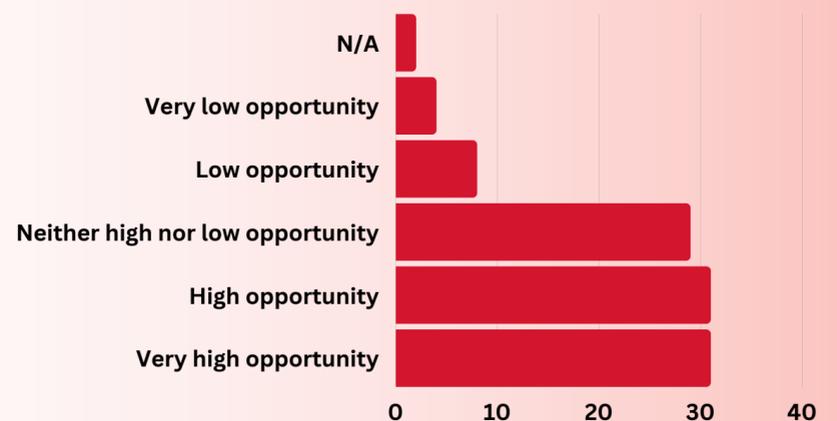
### New local / national regulations, simplifying red tape

52% of respondents identify potential new regulations to simplify red tape as at least a high opportunity.

### Greater network of supporting incubators

57% see a greater network of incubators as at least a high opportunity.

It is especially important for Series B and scale ups businesses whilst less important for seeds and Series A businesses.

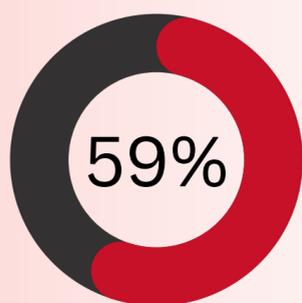


### Greater network of start-up programmes and communities for founders

51% of respondents find that a greater network of start-up programmes and communities for founders would represent at least a high opportunity.

# BARRIERS, OPPORTUNITIES & SUSTAINABILITY

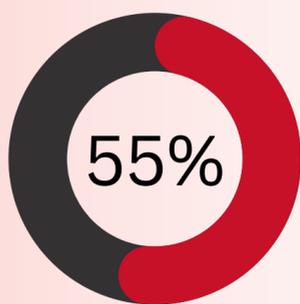
## TOP THREE PERCEIVED BARRIERS:



Lack of access to investors

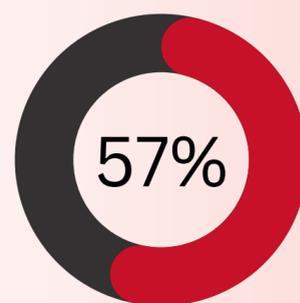


Reliance on international VCs

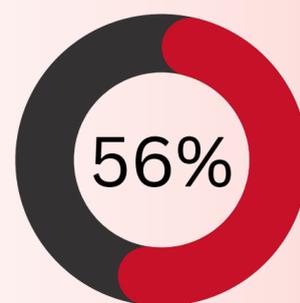


Global recession trends and/or national economic challenges

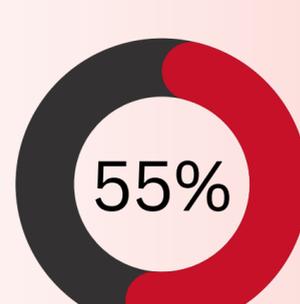
## TOP THREE PERCEIVED OPPORTUNITIES:



Greater network of supporting incubators



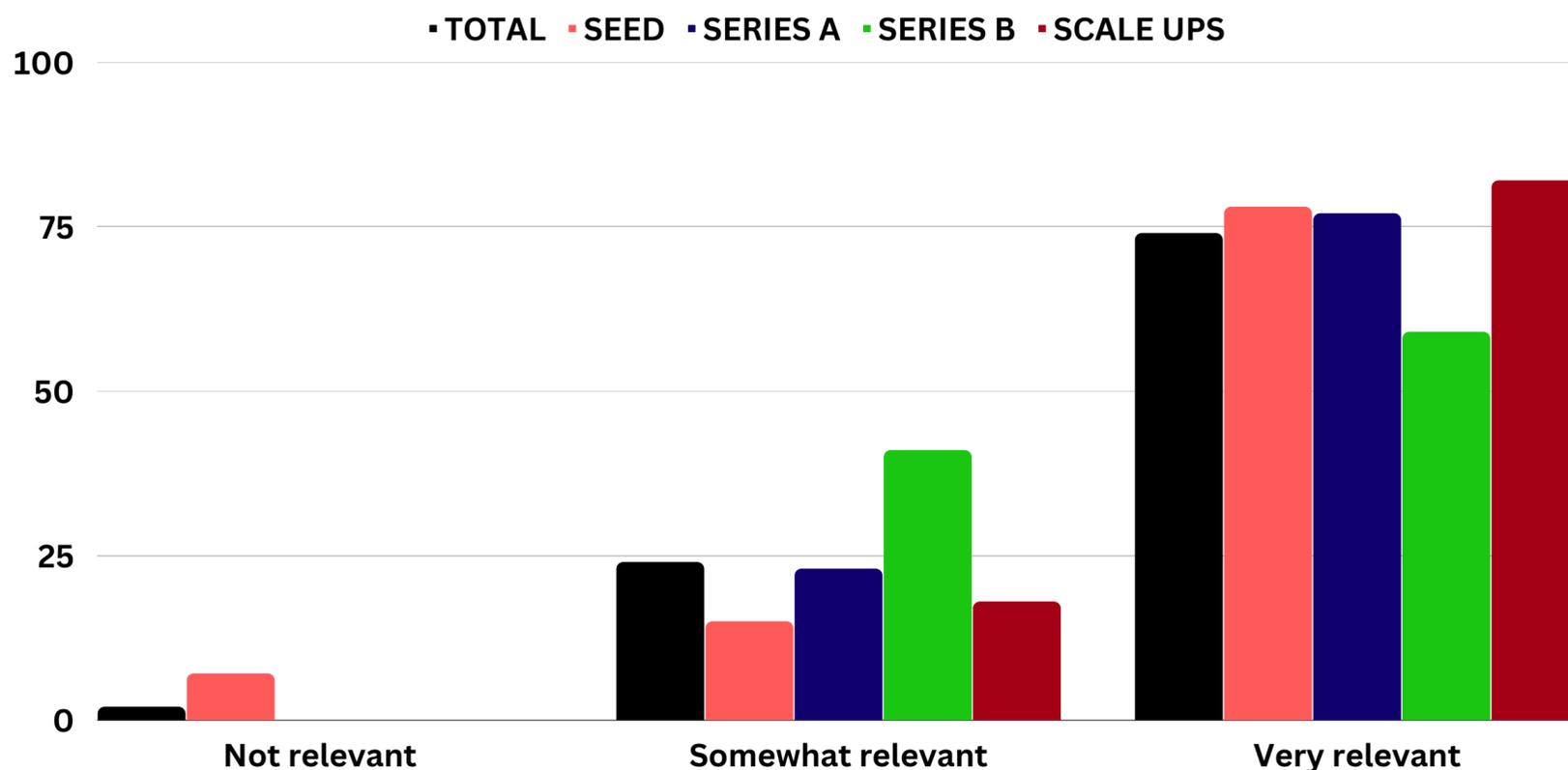
A widening of the pool of industries receiving funds



Rise of local VCs / funding opportunities

## How relevant is sustainability in your start-up's mission?

Across the board, sustainability is very relevant to start-ups' and scale-ups' missions.



# ABOUT THE SURVEY ORGANISERS

## East Africa Com **20<sup>TH</sup>** ANNIVERSARY



25-26 April 2023



Nairobi,  
Kenya



<http://tmt.knect365.com/eastafricacom>

East Africa Com is the region's premier event for technology, telecoms, media and broadcasting.

Back in Nairobi for the first time since 2019, East Africa Com will also celebrate its 20th anniversary on 25-26 April. To mark the occasion, we're building our most exciting and ambitious programme yet to focus on:

**5G Vision**  
**Rural Connectivity**  
**East Africa's 4IR Journey**  
**Digital Payment Revolution**  
**New Data Centre Frontier**  
**Cybersecurity**  
**Lessons from the SVB Crisis**

To guide the discussion, 40+ trailblazing tech experts from **Safaricom, Google, Airtel, Telkom Kenya, Microsoft, Uber, Djibouti Telecom** and more will take to our stage.

Start-ups will be treated to a day of inspiring content delivered by a mix of **influential founders and investors** as part of our dedicated start-up platform **AHUB East**, which will also host an exciting pitch competition.

As for our VIPs, they will join a day of intense discussions as part of our **LeadersIn Africa** series alongside a wealth of telecoms and tech leaders.

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# ABOUT

## ABOUT THE SURVEY ORGANISERS



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East Africa Com's official news partner, **Connecting Africa** is a trusted online news source, dedicated to tackling the immense scope of the African digital landscape.

Connecting Africa offers a comprehensive, informed, and nuanced understanding of the region's communications networking and ICT sector and brings readers editorial content on mobile innovations, fintech, emerging technologies, and the biggest news from Africa's tech and telecoms sector at large.

Readers include decision makers from across the communications technology ecosystem that are either based in Africa, conducting business with African enterprises, or seeking to learn more about one of the communications industry's biggest growth hotspots.

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