

ABAN African Angel Investment Survey 2022

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Introduction & methodology

Angel investors are playing an increasingly important role in the African investment landscape. In simple terms, an “angel” is an individual that provides entrepreneurs and startups with early-stage risk capital through a diverse set of instruments, as well as knowledge, and access to networks to support founders on their journey. Angels mostly operate in groups of different shapes and sizes, such as syndicates, in order to spread the risk and enhance investment performances. Angels provide starting capital, often making them the first investors in early-stage businesses. For many startup founders, angels represent the first real entry point to fundraising, as they may be able to offer more flexible terms than traditional venture capital firms or banks. Although many angel tickets are small, Briter Bridges’ data reveal that more and more angels are actively participating in bigger stage funding rounds as well.

Despite some similarities in the way angels invest, the profile and interests of angels differ. This research explores the activities and demographic backgrounds of angels operating across Africa by leveraging three core sources of data:

1. **‘Survey Sample’** refers to data collected using a survey. 110+ angels contributed to this study. These angels were directly contacted through angel network groups, emails, and LinkedIn.
2. **‘Angel Database’** has been extracted from Briter Bridges’ internal database of almost 400 angel investors. This data has been collected through ongoing desk and primary research on deals and announcements tracking across Africa.
3. **‘2021 Survey’** refers to data extracted from last year’s study on angels conducted by Briter and ABAN, which includes survey responses from 130+ angels.

All three databases are leveraged throughout the study to investigate the extent to which the survey sample reflects the broader ecosystem of angels. The first chapter explores the ‘Survey Sample’ relative to the larger ‘Angel Database’. The second chapter digs deeper into the ‘Survey Sample’ database and qualitative responses to understand angel preferences and needs. The third and final chapter compares the ‘2021 Survey’ to this year’s ‘Survey Sample’, and provides a perspective on where the angel landscape is heading.

CHAPTER 1:

'Survey respondents' vs the
'Angel database'

Survey overview

Survey Sample

110+ contributors

31 locations

59 participating syndicates/
networks

Angel Database

≈ **400** angels

450+ portfolio companies

The 'Survey Sample' in this study represent a segment of the larger Briter Intelligence 'Angel Database'. It should be noted that a lot of angel activity across the continent remains unannounced. As such, because Briter Bridges' 'Angel Database' only considers disclosed deals, it is likely that angel activity in Africa is significantly larger than what is presented in this study.

Geographical distribution

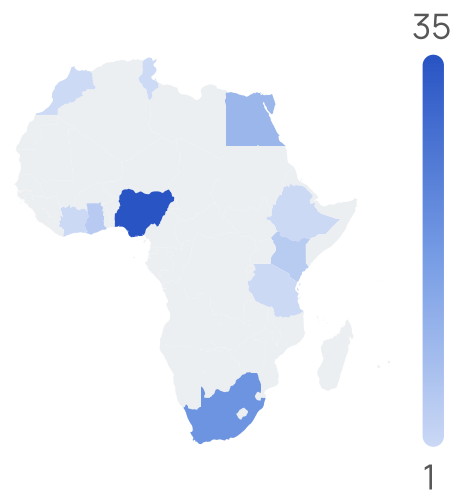
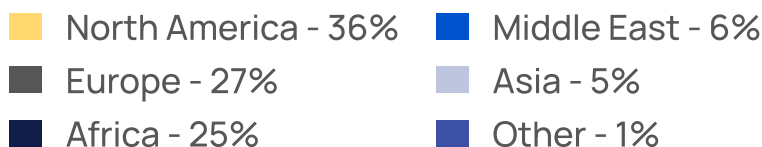
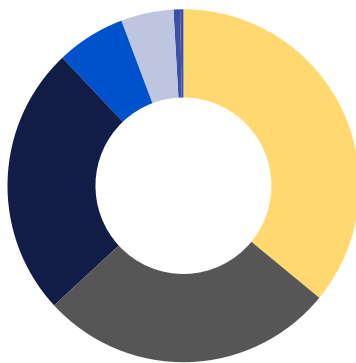
Survey Sample

84% of all respondents are based in Africa

An increasing number of investors are either relocating back to the continent or investing directly from Africa. A large proportion of them are based in Nigeria and South Africa.

Angel Database

Angel locations

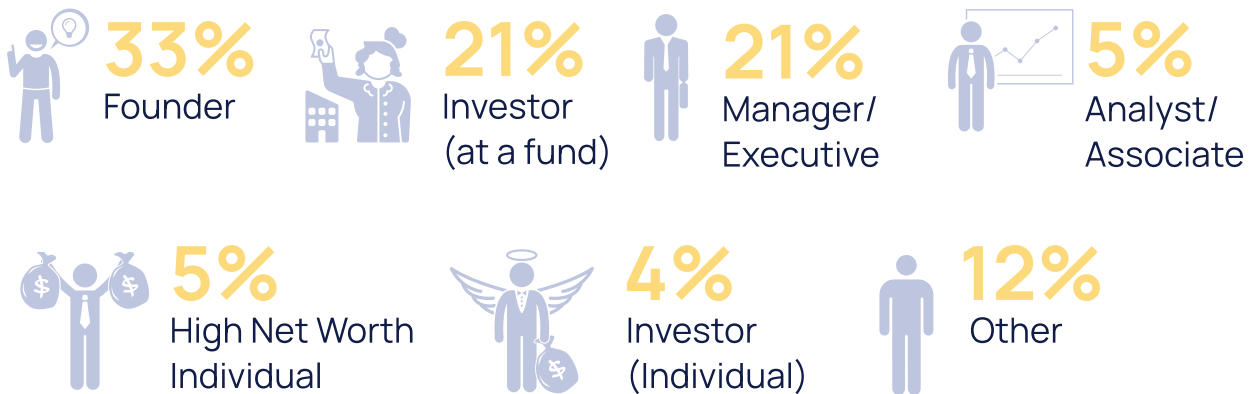


A quarter of angels have primary locations in Africa. Similar to the Survey Sample, the majority are based in Nigeria and South Africa. Notably, both locations align with two of the biggest startup ecosystems across the continent, attracting both local and international talent and investments.

Demographic breakdown

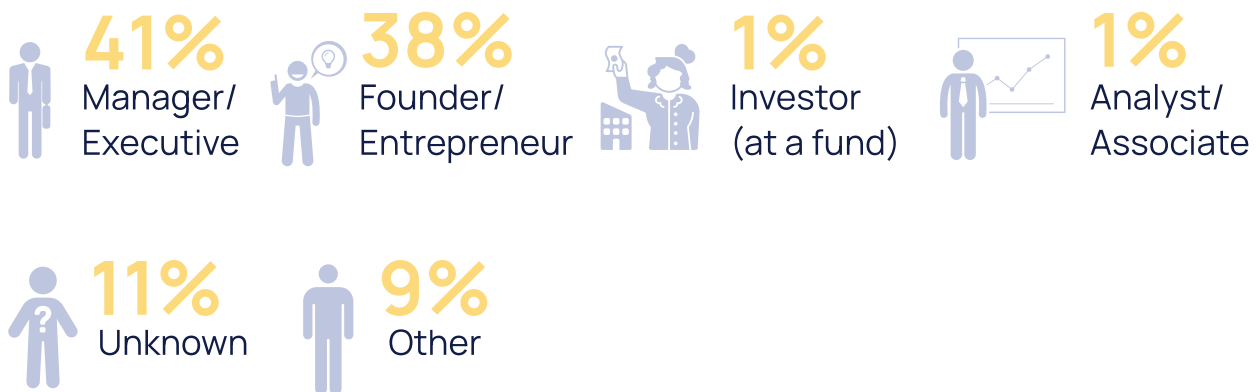
Survey Sample

Occupation of respondents



Angel Database

Occupation of angels

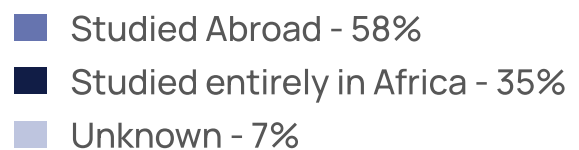
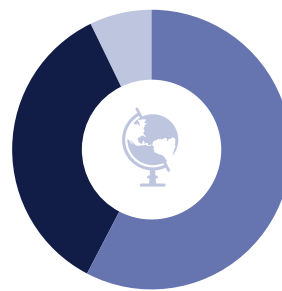
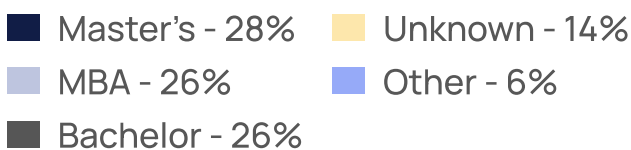
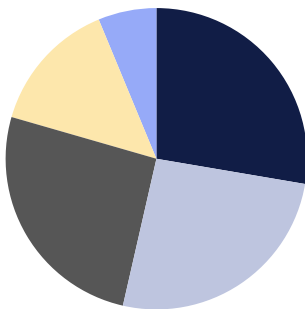


1 in 3 respondents is a founder or entrepreneur while the majority of angels as observed in Briter's database hold C-level positions. With syndicates and angel groups democratising access to investing for retail investors, founders and C-level executives with access to disposable income are backing early-stage startups with small cheques.

Educational Background

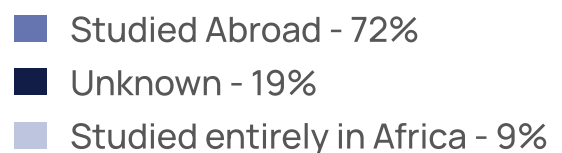
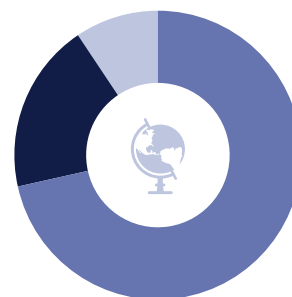
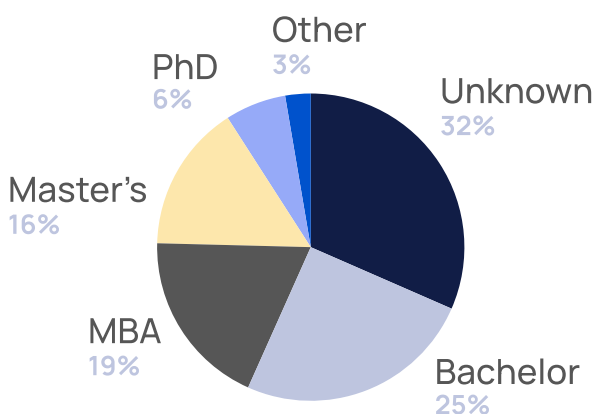
Survey Sample

Educational background of respondents



Angel Database

Educational background of angels

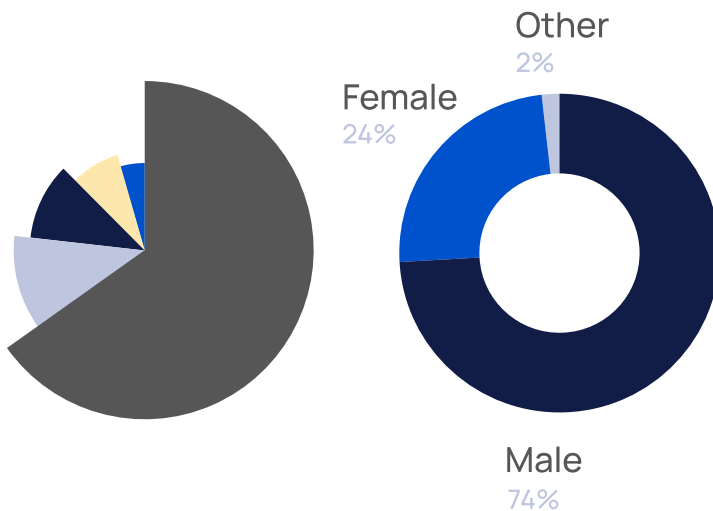


Angels with one or more academic qualifications obtained outside Africa constitute the majority of respondents. The same analysis for the Angel Database produced similar results.

Angels' Ethnicity & Gender

Survey Sample

Ethnicity and gender of survey respondents

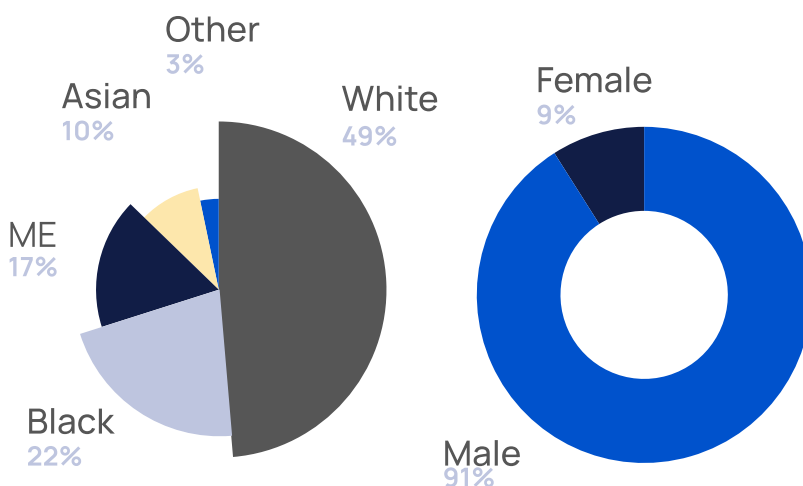


Briter's secondary analysis of respondents revealed that **65%** of angels writing cheques are black.

More than **70%** are male.

Angel Database

Ethnicity and gender of angels



In comparison, analysis of the angel database showed that white male angels have written the most disclosed cheques for startups in Africa.

*This particular data is based on secondary research of the survey respondents and angel database. As such, there is a margin of error to consider, as it does not reflect survey responses.

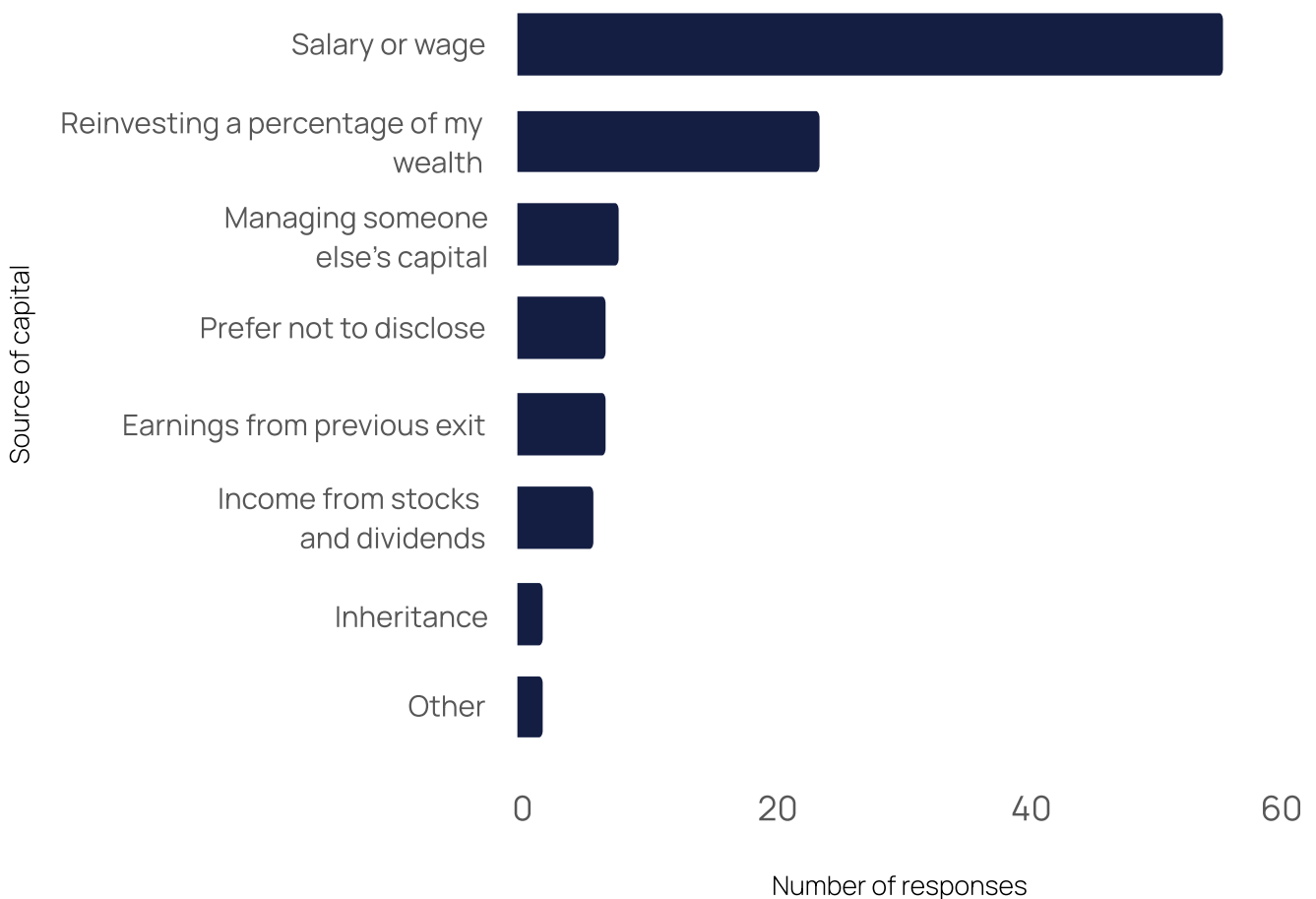
CHAPTER 2:

'Survey Sample' deepdive

Sources of capital

The second chapter of this study explores survey data only. We asked the angels about their interests, methods of investing, and the opportunities and challenges that angel investing in Africa presents.

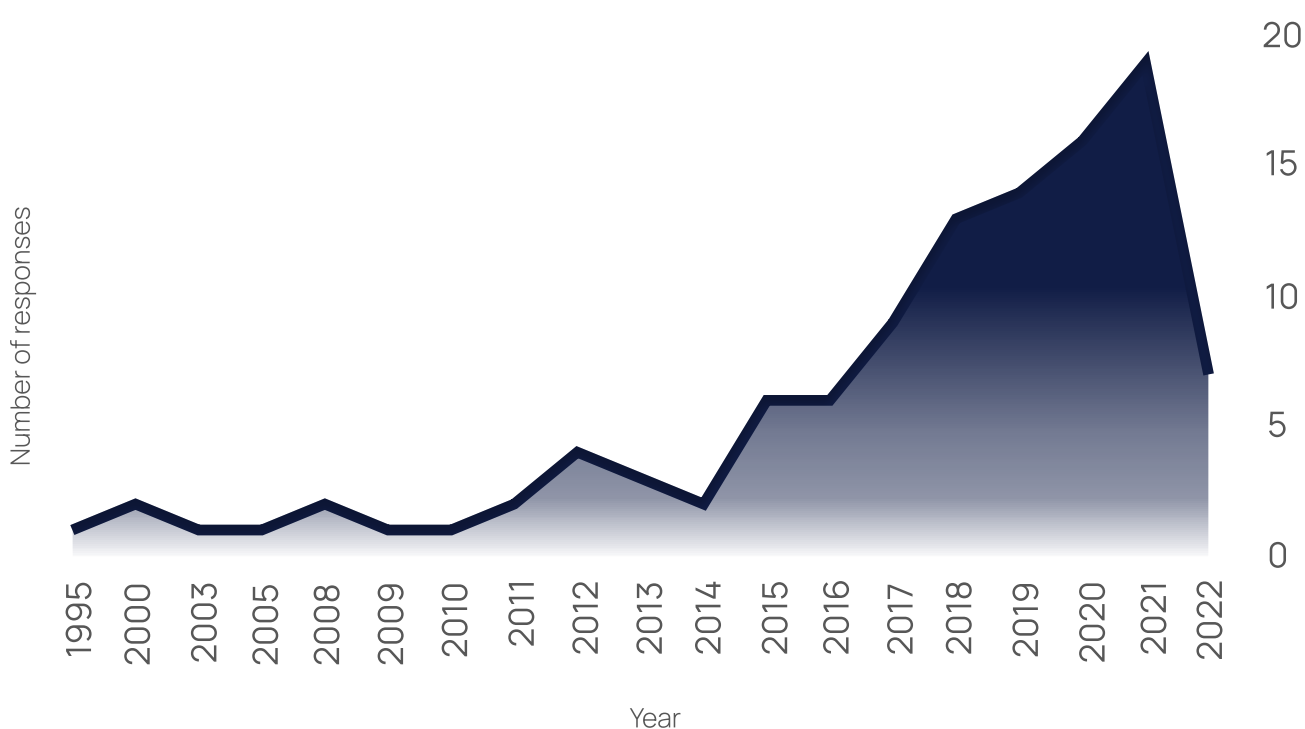
Source of capital by number of responses



When asked about their source of wealth, angels indicated that **salaries** make up the main source of capital used for investing.

A young, but growing landscape

Year of first investment by number of responses

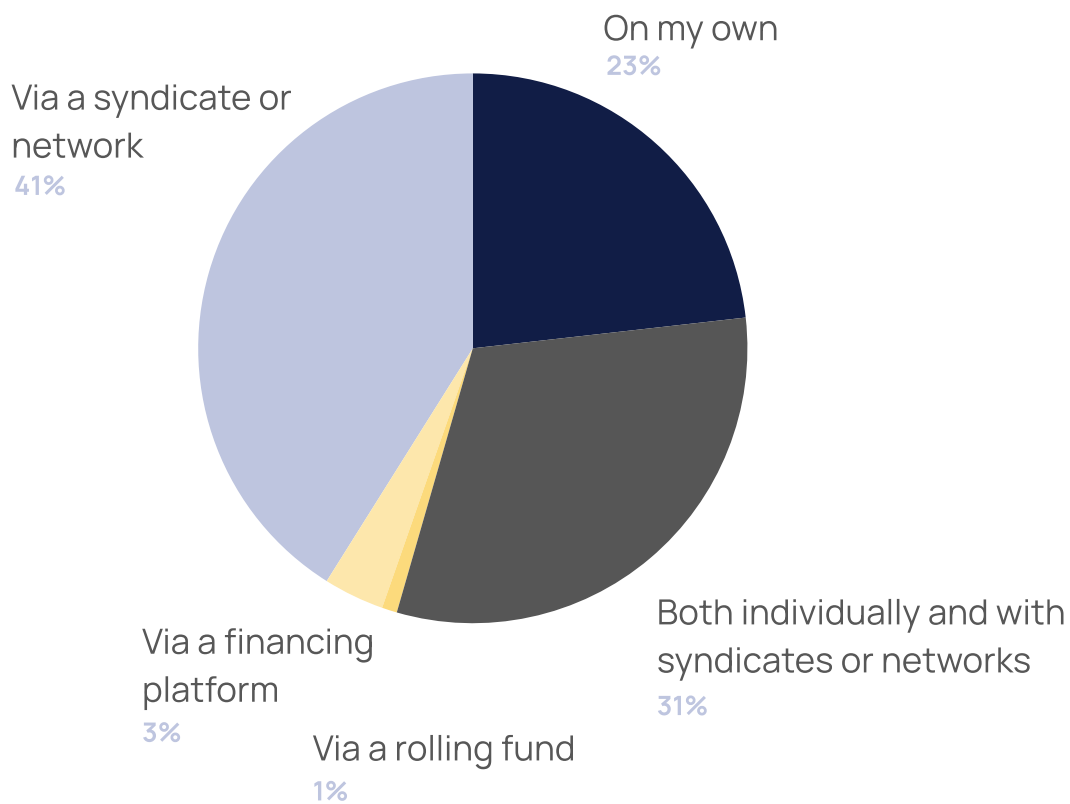


81% of respondents made their first investment between **2015 and 2022**, with most of them making their first investment in 2021. 2021 witnessed record heights for venture funding into African startups.

With successful exit stories like Paystack's and Flutterwave's, an increasing number of high-net-worth individuals seeking income growth opportunities took a chance to deploy capital in small cheque sizes to early-stage startups.

How angels invest

Method of investing



The majority of investors find **angel networks and syndicates** to be effective routes to investment. **59 unique** syndicates, angel groups, and financing platforms were mentioned by respondents as the investment vehicles through which they deploy capital to startups.

Less than 25% of all respondents invest 'on their own'.

How have angels invested?

Method of closing deals

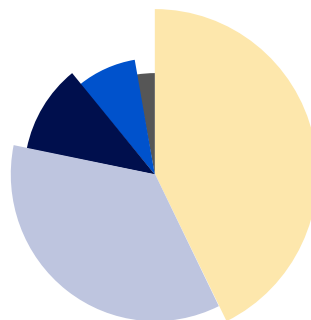
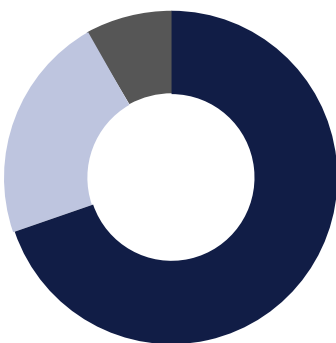
54% of respondents have made 2 or more investments individually in 2022 compared to **35%** in 2021

49% of respondents have disbursed money through an angel group in 2 or more deals in 2022 compared to **42%** in 2021

58% of respondents have closed 2 or more deals through an angel group and individually in 2022 compared to **53%** in 2021

82% of respondents make investments alongside other angels

Preferred investment type and instruments



Equity investments are preferred by the majority of angels, and **SAFEs** is increasingly becoming one of the favourite instruments.

■ Equity - 70%

■ Blended Finance - 22%

■ Debt - 8%

■ SAFE - 43%

■ Shareholders Agreement - 36%

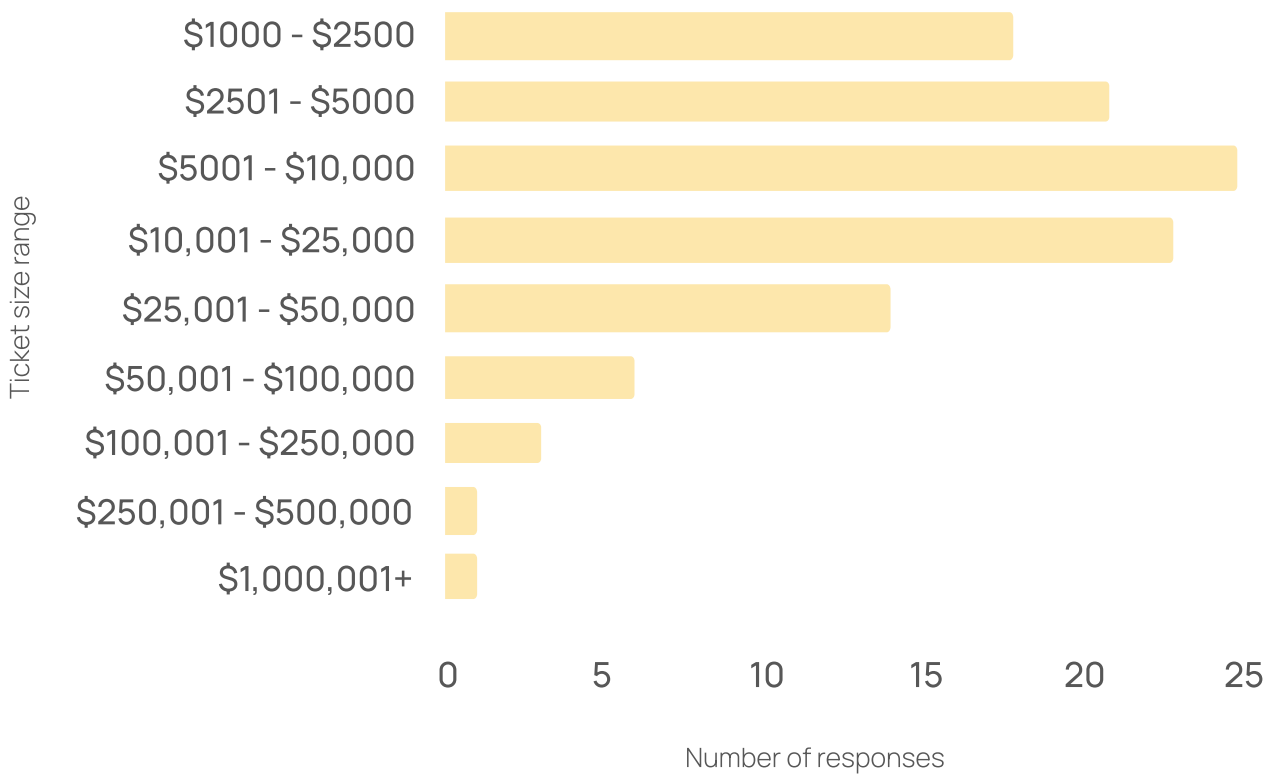
■ Convertible - 11%

■ Loan Agreement - 8%

■ Other - 3%

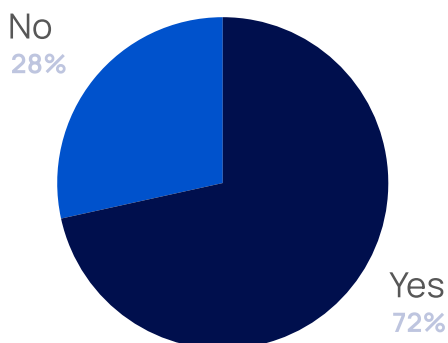
How much angels invest

Ticket size range by number of responses



More than half of angels typically make investments of under **\$10K**. For angels leveraging their salaries or reinvesting parts of their wealth, smaller ticket sizes allow diversified and lower-risk investments.

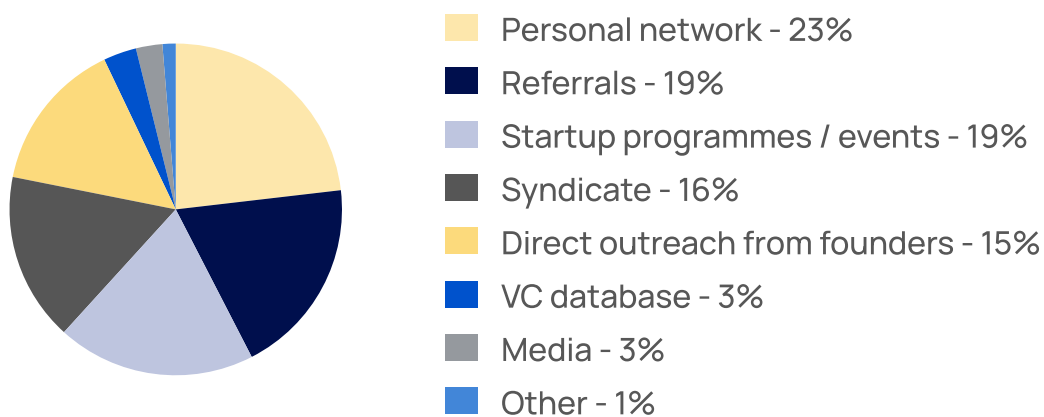
Do angels provide follow-on investments?



Most investors tend to provide follow-on investments to their portfolio companies, building relations with the startups they support.

How angels find startups

Method of generating deal flow



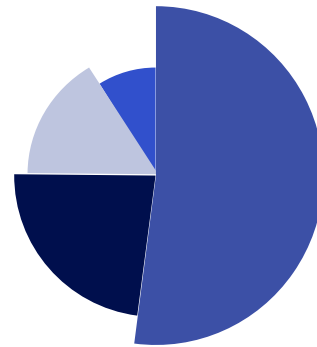
Angels find startups to invest in mostly through their personal networks and from referrals. Startup programmes and events follow closely behind as arenas for founders and angels to connect and discover opportunities.

Investors' preferences

More than half of angels prefer to invest in founders with some form of experience i.e. founding, technical, or managerial.

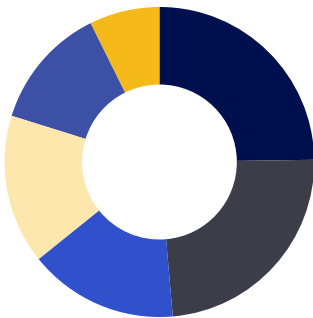
Type of companies backed

- High-growth ventures - 52%
- Niche ventures - 23%
- Dynamic enterprises - 16%
- Livelihood-sustaining enterprises - 9%

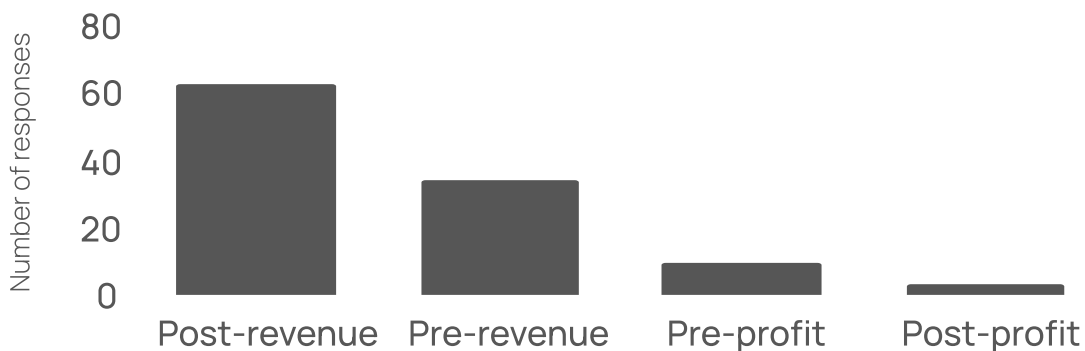


Qualities sought in teams

- Multiple founders in a team - 25%
- Second-time founder - 24%
- No preference - 16%
- Strong technical skills - 16%
- Strong managerial experience - 13%
- Other - 7%



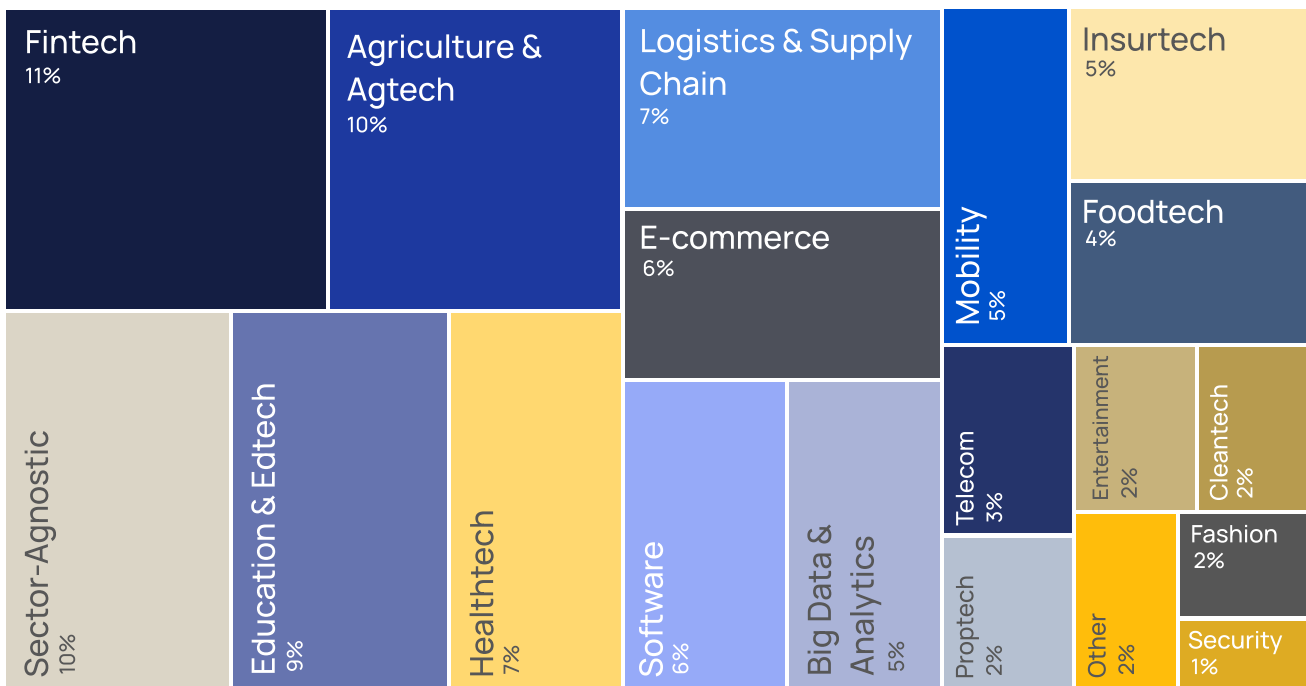
Stages of preference



Angels prefer backing high-growth ventures that are scalable and have proven business models. Companies that generate revenues are usually perceived as less risky investments.

Preferred sectors by angels

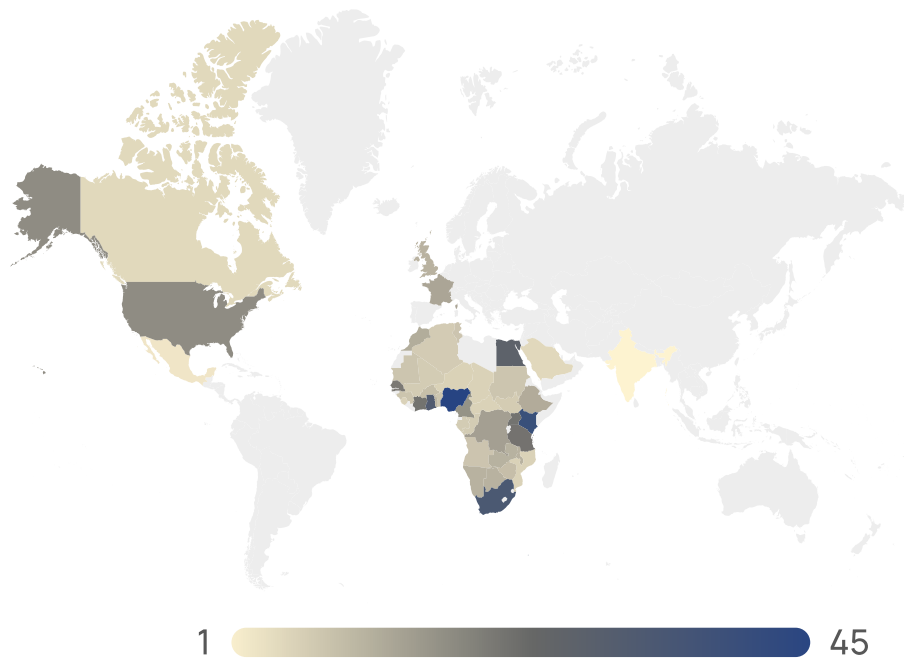
Sectors of preference



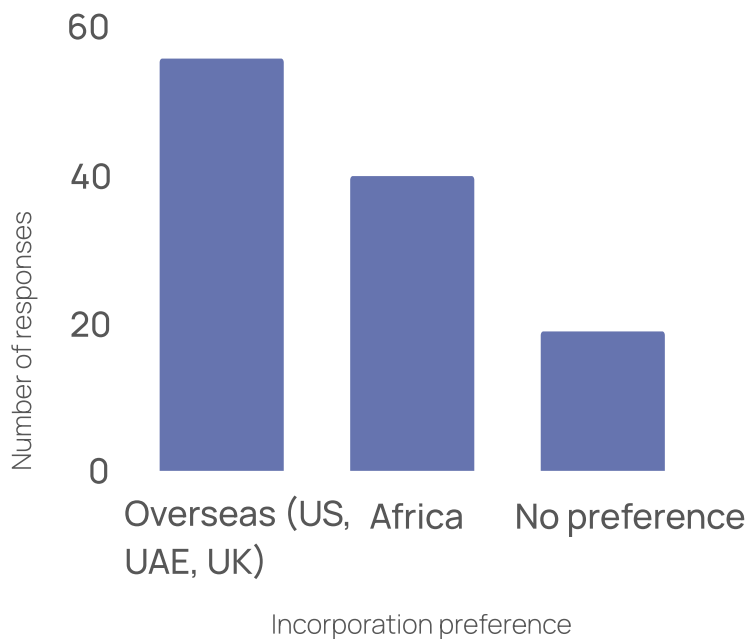
10% of angels adopt an agnostic approach to their investment style, and **51%** of investors expressed interest in 3 or more sectors as part of their investment strategy. Of these, fintech is the top preferred sector, reflecting the broader funding flows across the continent as startups offering financial technology products continue to capture the largest share of funding. Fintech startups have also produced successful exits for African angels, with Paystack as a notable example, attracting the attention of new angels. Agritech, healthtech, and edtech follow in terms of sector preference.

Where angels tend to invest

Operational geographies of preference



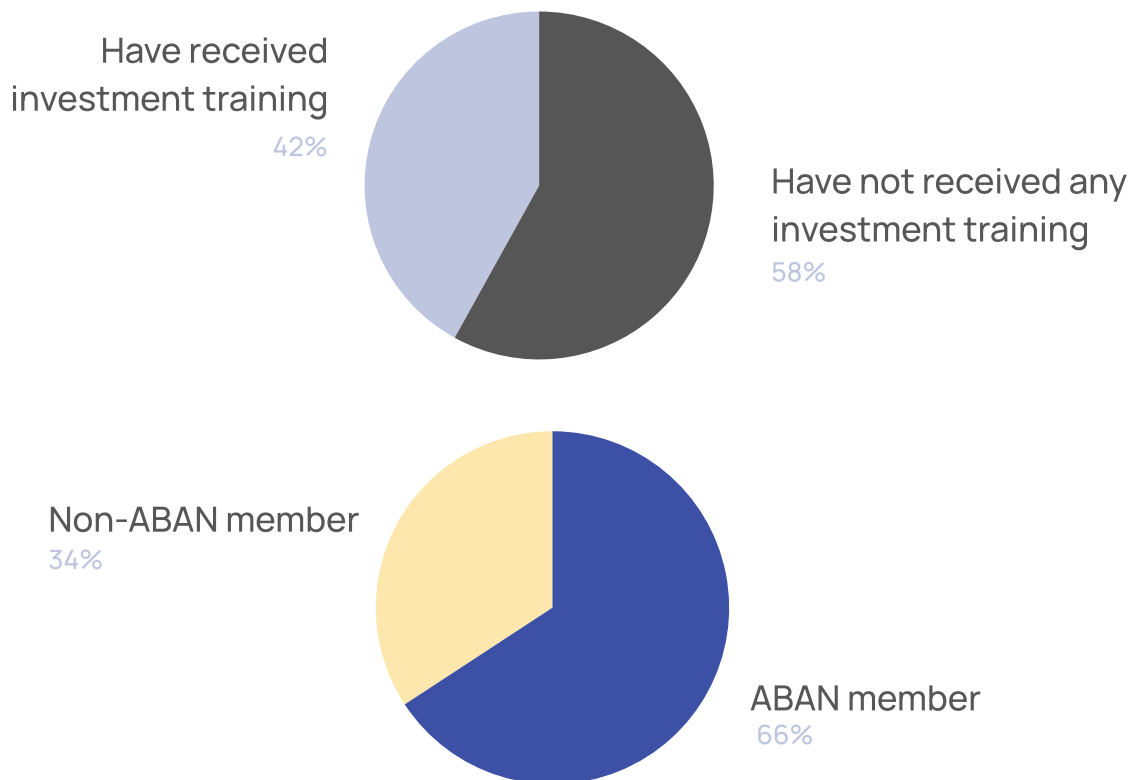
Incorporation geographies of preference



Most angels tend to invest in Africa-operating companies with incorporation overseas. One possible reason for this is that overseas geographies typically offer predictable regulatory frameworks.

Training Statistics

Angel training statistics



Close to half of respondents received some form of investment training and are part of angel groups and networks that provide support, networking opportunities, and essential investing resources for founders.

Initiatives such as the African Angel Academy (AAA) are helping to increase the number and diversity of active angels in Africa by offering training programmes to angel investors. **59%** of survey respondents have gone through this training programme in 2022 and **44%** have done 2 or more deals since taking part in the programme.

Prioritised impact metrics

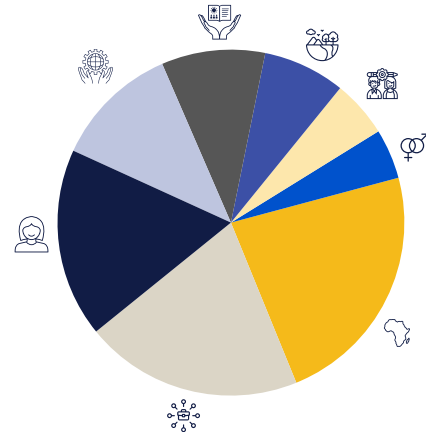


48%

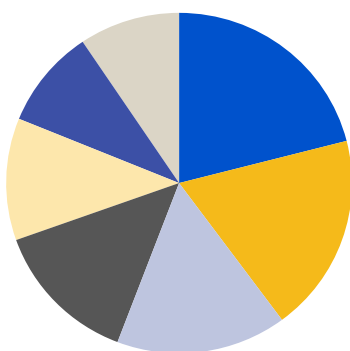
of respondents target a gender-balanced portfolio.

- African-born founders - 23%
- Job creation - 20%
- Female founders - 18%
- SDGs- 12%
- Youth or education - 10%
- Environmental focus - 8%
- Informal sector - 5%
- Gender-related - 34%

Impact metrics considered



Sustainable Development Goals focus



- Job creation and economic growth - 21%
- Poverty reduction - 19%
- Improved food security - 16%
- Improved equality - 14%
- Improved inclusive health - 12%
- Sustainability and conservation - 9%
- Climate resilience - 9%

Almost half of the angels are prioritising a gender-balanced portfolio, with 18% specifically targeting women founders. Investing in **African-born founders** and **job creation** are two of the other top cited impact metrics considered by angels, with innovations and digital technologies playing a crucial role in developing local communities and supporting underserved markets.

Key drivers of investment

To create social impact

“I invest as a way of impacting the economic situation in my country (job creation/fight against poverty)”

To generate additional income

“I invest to make monetary returns”

To give back and to pay it forward

“I invest because I consider it a way to give back to the ecosystem”

To support entrepreneurs

“We invest and support the next generation of exceptional founders in Africa”

To diversify wealth

“I invest in startups as an asset class and as a way to diversify my asset portfolio”

To build Africa

“I invest to contribute towards creating the future I want to see - economic development in Africa”

For fun, personal satisfaction, and to learn

“I invest to learn about new business models”

“Investing is stimulating”

Challenges to investing

Macro environment factors

Angels cited currency devaluation, inflation, regulatory challenges relating to IP and foreign exchange, insecurity, unfavourable business policies, and political risk as some challenges they experience.

Ecosystem attributes

Angels highlighted limited exit opportunities and unclear exit timelines, few experienced, skilled and disciplined founders, setting valuations, immature funding environments and limited number of syndicates.

Finding the right deals

Some challenges listed by angels include the quality of investments on offer, limited opportunities for venture debts, and having access to quality deal flow, co-investors, and follow-on investments.

Conducting due diligence

Common challenges include verifying financial information, inadequate business data, inadequate time to assess founder, due diligence costs, pressure to close fast, governance, and transparency.

Personal capacity

Angels mentioned limited investment capital, access to operational experience and coaching, capacity to manage and support investments, limited investment knowledge and experience, and fear of losing their investment.

Incentives to invest more

Improved macro conditions

“A friendly business environment, a good legal structure, and access to good banking systems”

“Tax incentives”

Maturing ecosystem

“A more developed seed investor base, which would de-risk angel investing”

“Strong founding team”

“More visible exits of angels”

“Make startups investment-ready”

Access to quality deals

“More viable companies in line with my investment strategy”

“Opportunities to diversify my portfolio (across industries and geographies)”

“Finding a co-investor I can do deals with”

“Expert analysis of potential deals”

“High-quality database of vetted potential investees”

Trustable due diligence

“Take care of due diligence and paperwork”

“More time to access opportunity and less time pressure”

“Syndicates that do initial due diligence”

Opportunities to develop personal capacity

“Upskilling myself on the knowledge of what to look out for would also increase my risk appetite”

“Increase in disposable income”

“Ongoing support and mentorship for angel investors”

CHAPTER 3:

Comparing the angel studies

2021 to 2022 observations

This page summarises some of the key findings from last year's study and the 2022 edition*.

Broadening of investment vehicle types

Findings from this study revealed that angels invest through one or more investment vehicle types comprising syndicates, angel network groups, and startup investing platforms. The vehicle forms which angels use are expanding with more investment platforms entering the market and more angels choosing to invest through these platforms. Investing platforms like Getequity and pulaspace allow startups to crowdfund from retail and institutional investors in exchange for ownership in the company.

Diversity in the type of role of investors

Similar to findings from the Angel Survey 2021, at least half of the angels writing cheques for startups in Africa are either founders and executives holding C-level positions in a company. However, a new crop of diverse angels are emerging on the continent. They are junior and senior analysts and associates working in venture capital firms.

Angels having specific sector focus

Compared to the findings from last year's study, fewer angels seem to be adopting an agnostic approach when investing, although more than half express a specific interest in 3 or more sectors. Fintech narrowly tops the list across both studies.

*Note that the 2022 edition of the survey includes a combination of contributors from last year's survey as well as new participants.

Angel outlook

Africa's startup ecosystem is witnessing the involvement of an increasing number of professionals with access to disposable income which predominantly comes from their wages. Also, the increased participation of founders in angel activities reflects the rise of more successful African startups. The investments angels make are driven by their desire to generate additional income and diversify their wealth, while creating social impact, giving back to the ecosystem, and contributing to Africa's development. Furthermore, syndicates, angel groups, and investing platforms are stepping in to smoothen the process of investing for non-professional investors by providing investment vehicles to help them deploy capital based on their investment strategy.

However, angels in Africa experience challenges that hinder their participation in many deals. These challenges can be attributed to macro economic factors and risks, the current stage of the local ecosystems, and the process of sourcing deals and verifying information about potential investees. To reduce capital flight from the ecosystem, angels allude to some changes that will need to happen to increase their participation. Some of these will require the intervention of key stakeholders in the ecosystem like the government, tech and innovation hubs, and other support organisations to help further smoothen the process of angel investing.

As more professionals with access to disposable income take notice of the successful exits of angels from African startups, angel activity on the continent is expected to continue growing with a new crop of angels actively investing to close the funding gap for early stage startups in Africa.

Contacts

ABAN

<https://abanangels.org/>

Briter Bridges

<https://briterbridges.com/>

African Angel Academy

<https://africanangelacademy.com/>

DGGF

<https://english.dggf.nl/about-dggf>