

The rise of African tech unicorns

African unicorns have made big news in recent months, with four startups having recently reached a \$1bn valuation or more this year alone, taking the total up to seven. Two of the new entrants are in fintech, one in edtech, and one in general technology. These and other technology-enabled sectors are where emerging market investors are betting a flurry of new African unicorns will follow suit in the near future.



Ian Lessem, managing director of HAVAIC

Unicorns are privately held, fast-growing startups with a valuation equal to or above \$1bn. Unicorns are “rare creatures,” hence the term, which, according to Ian Lessem, managing director of HAVAIC, says is expected to rise in Africa in the coming years.

The number of billion-dollar companies is growing faster than ever before; unicorns in Africa have been a rare breed up until now.

“It is thanks to a combination of factors, not least of which has been the interest in these growing sectors from venture capital investors,” explains Lessem. “Across the globe, the number of billion-dollar companies is doubling in half the time, all while delivering leading returns.”

On the continent, with the pace of digital transformation and adoption continuing at unprecedented rates, the rise of African tech unicorns is starting to gain significant momentum.



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7 Sep 2021



High mobile penetration rates, a tech-savvy and growing youthful population, and advancements in technologies that help overcome historically poor infrastructure in Africa, are key factors driving the growth of promising technology businesses. In addition, an inflow of skilled human capital returning to Africa has created the perfect melting pot of opportunity and skills, bolstering the development of technology-enabled businesses.

“Africa is rich with opportunity – 2020 was a record year for investment in the startup ecosystem, with 2021 expected to be even better, explains Lessem. “It is a continent of born entrepreneurs solving a number of challenges that Africans are committed to addressing. When coupled with technology, ever-increasing addressable local and international markets, all buoyed by unprecedented amounts of investment, the future for the African tech sector has never been brighter.

In parallel to these developments, the venture capital market has matured in recent years, establishing a solid foundation for promising startups. Lessem elaborates, “The maturing venture capital market is supported by well-established accelerator programmes, corporate innovation challenges, and a wealth of international and local investors vying for an opportunity to support Africa’s growth opportunities.”

As Africa is not a homogenous market, finding the right partners with local experience and expertise is vital. “Whether termed a unicorn, camel or a gazelle, one thing holds true, African innovation backed by smart capital holds promise for investors who have the right partner by their side,” he adds.

Unicorns are an indication that a venture capital ecosystem is able to deliver scalable solutions, and with that deliver leading returns on investments; the rise of four unicorns this year to date, together with a maturing startup sector, is a strong indicator that Africa is ready for and heading towards producing many more billion-dollar companies in the years to come.

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