SAVCA
SOUTHERN AFRICAN VENTURE CAPITAL AND PRIVATE EQUITY ASSOCIATION

VENTURE CAPITAL INDUSTRY SURVEY

2024

INSIGHTS INTO THE SOUTHERN AFRICAN VENTURE CAPITAL INDUSTRY COVERING THE 2023 CALENDAR YEAR

Research Partner: VS Nova

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THE SOUTH AFRICAN VENTURE CAPITAL (VC) INDUSTRY IMPRESSIVELY CONTINUES AN UPWARD TRAJECTORY

This is indeed a year of many firsts and unprecedented change! We were recently introduced to a new coalition government comprising seven parties – a first for our young democracy. Notwithstanding the divergent views that may prevail amongst the parties and South Africans alike, it is critical for these parties making up the 7^{th} administration to find ways to work well together to achieve prioritised results.

There is broad consensus that if we continue to keep the lights on, we may see the GDP grow by 2%. This continued performance from Eskom, coupled with targeted structural reforms to bring in private sector resources (incl. skills), could set us on a far more positive growth path. It was encouraging to hear Operation Vulindlela, at the recent Conference where the next chapter of reforms were under discussion, acknowledge that: 1) South Africa's growth over the next five years will have to be green and digital, if it is to leverage its existing strengths and endowments, and; 2) the country can position itself as a major player in the digital economy, creating jobs in business process outsourcing and digital services, while encouraging a dynamic ecosystem for high-growth start-ups.

Globally, high interest rates, rising inflation, coupled with currency volatility, put pressure on developing economies.

The VC sector's role in enabling these high-growth startups and early-stage businesses remains undeniable. Across the continent, we have seen VC gain popularity as an investment strategy. Our economy depends on this sustained investment into our entrepreneurs and into innovative solutions that can help leapfrog SA into a more competitive and inclusive economy. Advocacy for an enabling regulatory environment continues to underpin our efforts to build a stronger ecosystem.

VC SURVEY RESULTS SNAPSHOT

It gives me immense pleasure to share the findings of the SAVCA 2024 Venture Capital Industry Survey, which showcases investment activity for the 2023 reporting year.

The standout features in the latest survey include a rise in corporate co-investment alongside early-stage fund managers, resulting in a total capital flow to startups of more than R3bn, for the first time since the first survey was conducted in 2010! In 2023, the South African VC asset class had R10.73 billion invested in 1,106 active deals, an increase of 17.8% or R1.62 billion compared to the previous year. 2023 defied the downward trend in annual deals seen since 2020, with investments totalling R3.28 billion reported for the year. The increased participation by corporations and investors (particularly DFIs and Fund of Funds) is very encouraging.

Just under R1bn in dry powder was reported, creating the opportunity for further investments in 2024. New deals amounted to 64.6% of all active deals to date (by deal number), reflecting a steady decline from 70.5% in 2022 and 73.1% in 2021, and a clear demonstration of an increase in follow-on funding into own portfolios in 2023.

For the first time ever, we began to unpack funds under management further, so as to establish a baseline from which we can measure contributions by the asset class towards diversity and transformation overtime.

VOTE OF THANKS

I would like to thank all the members and ecosystem partners who made time to participate in this survey, this year and in the past. Thank you to VS Nova, our research partner, who yet again made it possible for us to produce this body of work. Your contributions to this survey have enabled us to compile rich data that highlights the tremendous possibilities offered by VC to investors and policymakers. We look forward to many collaborations, in our joint effort to move the sector to new heights in 2024 and beyond. **Synergy with Collaboration.**

Warmly,
Tshepiso Kobile
Chief Executive Officer, SAVCA

HIGHLIGHTS

HIGHLIGHTS OF THE 2024 SAVCA VC SURVEY

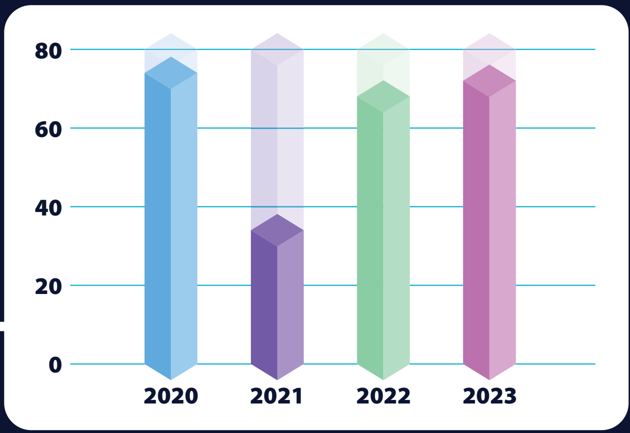
A significant uptick in the amount of capital invested into larger deals, and a further increase in corporate co-investment alongside early-stage fund managers, have seen the total capital flowing to startups from SA Fund Managers soaring to more than R3bn for the first time since the first survey was conducted in 2010. Survey respondents reported to have unallocated committed capital valued at R0.92bn at the time of the survey, which bodes well for further investment growth in 2024.

R3.28bn invested in 2023 into
94 entities, through
184 Investment rounds
72 funds involved[1]

R2.08bn
funds raised from co-investors

R91.1m
exits in 2023

Number of Active Fund Managers



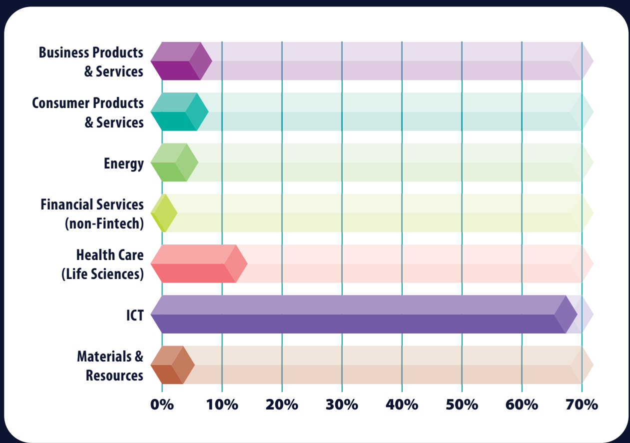
>R1.0bn
Raised by Fund Managers in 2023[2]

R0.92bn
dry powder[3]

72.8%
of deals in 2023 involved two or more investors

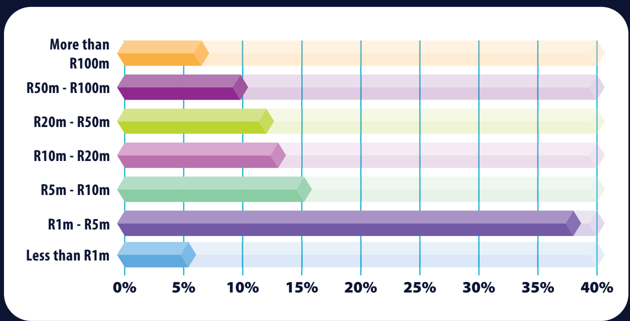
[1] *51 fund managers & 21 corporate co-investors, and an undisclosed number of angel investors.*
[2] *Reported by sample of 28 active fund managers.*
[3] *Capital raised and committed, but not yet allocated.*

Growth in ICT deals, cementing sector as biggest combined sector in 2023



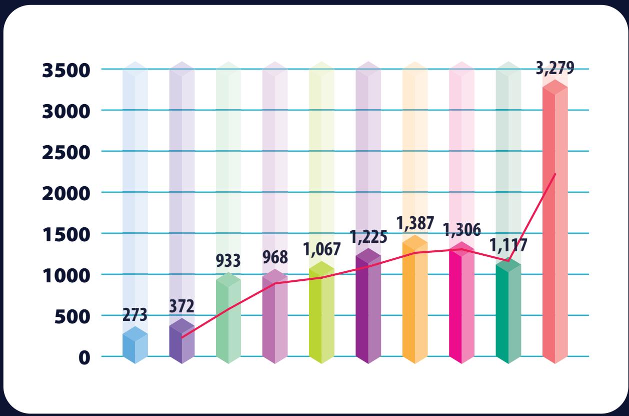
% of deals done in 2023

2023 included 15 deals above R50m, with six valued at over R100m (US$ 5.4m)



94 number of startups that received VC investment in 2023, up 34.3% from 2022

* *Early-stage investment involves funding the first three stages of a company's development, being seed capital (money to help an entrepreneur start a business), startup funding (for product development and marketing), and early-growth funding (scaling to boost manufacturing and sales).*



Value of SA deals per year, ZAR Million

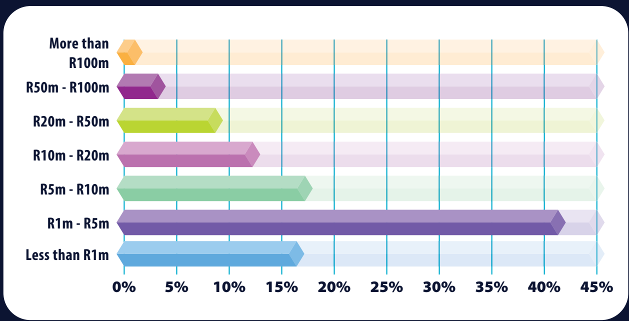
At the end of 2023, the South African VC asset class had…

R10.7bn in active portfolios

1106 deals

R9.54m avg. round values

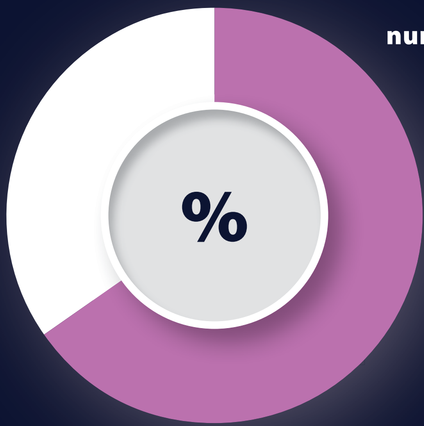
72.9% deals < 5 years old



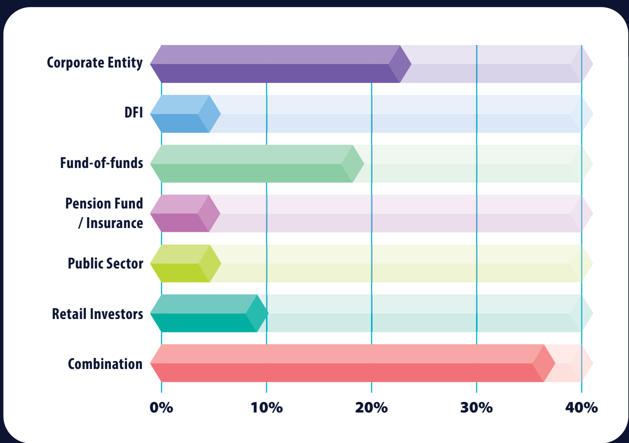
Deal distribution size of all active deals

66.2%

number of active deals held by Independents



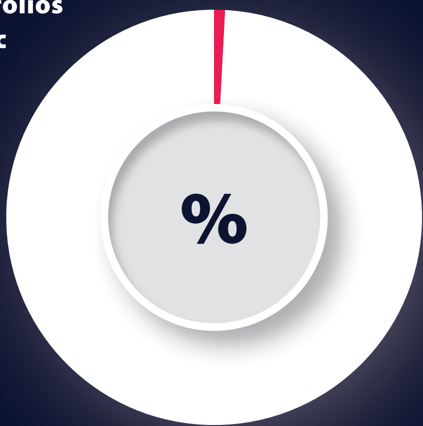
6 of 10 deals done for less than R5 million



Sources of funds raised by investor type (% of total)

Less than 1%

value of portfolios held by Public Sector



Limited direct capital raising from Pension and Insurance funds, but significant increase in fund-of-funds investment involving P&I funds.

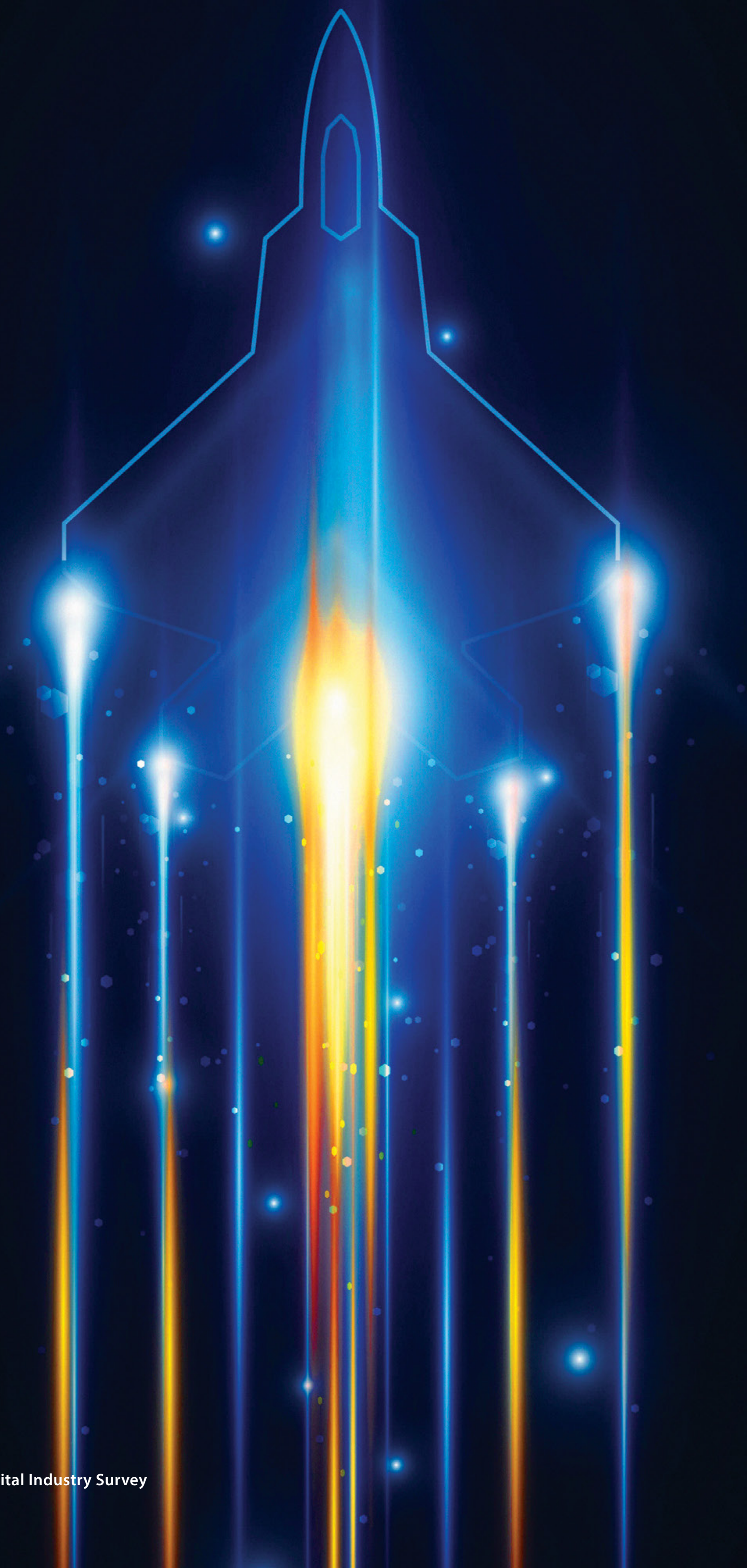
16.7%

of active fund managers raised capital from fund-of-funds

The annual SAVCA VC Survey analyses deal activity of venture capital and similar early-stage investments into mainly South African businesses. It is based on data sourced from various types of fund managers, including SAVCA members active in the VC asset class. The data is reported on in calendar years and covers the full spectrum of investor types, ranging from individuals and angel investors, to corporations and government. The 2024 SAVCA VC survey reports on all active deals up to year-end 2023.

1

VENTURE CAPITAL



- Venture Capital (VC) is financing that investors provide to businesses, in the start-up and early growth phases, that they believe have long-term, high-growth potential. These are deals predominantly funded by equity. For start-ups which don't have access to capital markets, venture capital is an essential source of funding. The associated risk is typically high for investors.
- The need for VC stems from the specific requirements of such businesses, and from the value-add role that experienced VC fund managers can play in structuring, supporting, and nurturing those businesses.
- VC is not limited to investments in high-technology type businesses, but also extends to other sectors where above-average growth and associated returns may be found. In such instances, high-growth returns are underpinned by other factors such as access to large untapped markets; differentiators such as exclusive operating licences; or comparable enablers that give the investments substantial advantages over their peers. High-tech businesses nevertheless remain a primary source of high-growth returns for VC investors. New investment vehicles and regulatory incentives, as well as emerging market opportunities across the continent, continue to broaden the type of VC investors active in the asset class, as well as the business focus and sectors where investments are made.
- The following categories of venture capital were used in this SAVCA VC Industry Survey, with the descriptions of each updated in this year's survey to better align with international terminology:
    - **Pre-Seed:** Funding mostly in the form of grant money. This earliest stage of funding comes so early in the process that it is not generally included among the rounds of funding at all.
    - **Seed capital:** Funding provided before the investee company has started mass production/distribution with the aim to complete research, product definition, or product design, also including market tests and creating prototypes. This funding would not be used to start mass production/distribution.
    - **Pre-Series A:** A mid-round between Seed and Series A, provided to a company that has achieved some traction in the market, and now needs capital to prove that the business fulfils a specific market need. In South Africa, Pre-Series A involves deals where the startup is not yet big enough to enable a Series A round and typically involves a 10% to 25% equity stake. Referred to in previous surveys as Start-up capital.
    - **Series A:** Post-revenue, companies with proven market relevance that need capital to take a strong strategy for turning the business into a successful, profitable enterprise. This was referred to in previous surveys as Later-stage capital. Equity ranges between 10% and 15%.
    - **Series B:** A type of private equity investment (often a minority investment involving less than 10% equity) in relatively mature companies that are primarily looking for capital to expand and improve operations or enter new markets to accelerate the growth of the business. This was referred to in previous surveys as Growth capital.
    - **Buyout capital:** Financing provided to acquire a company, typically purchasing majority, or controlling stakes.
    - **Rescue/Turnaround:** Financing made available to an existing business, which has experienced financial distress, with a view to re-establishing prosperity.
    - **Replacement capital:** Minority stake purchased from another private equity investment organisation, or from another shareholder or shareholders.
- This SAVCA VC Industry Survey used the following VC investor classifications, which include:
    - **Angel Investors:** High-net-worth individuals who inject funding for start-ups in exchange for ownership equity or convertible debt.
    - **Captive Funds:** Funds in which one shareholder contributes most of the funding, typically where a corporate or parent organisation allocates funds to the Captive Fund from its own internal resources. Captive Funds may be subsidiaries of, or divisions within, financial institutions or industrial companies.
    - **Captive Government:** Funds primarily sourced from a government department or public body (also referred to as public sector in the survey).
    - **Captive Corporate:** Funds primarily sourced from a corporate entity such as a listed company.
    - **Captive Other:** Funds sourced from other sources such as family offices.
    - **Independent Funds:** Funds managed by fund managers in which third party investors are the main source of capital and no investor holds a majority stake.

2

FUNDS UNDER MANAGEMENT

- At the end of 2023, the South African VC asset class had R10.73 billion invested in 1106 active deals, an increase of 17.8% or R1.62 billion compared to the previous year, but a decrease of 8.2% when comparing number of deals held.
- The collective portfolio of active deals held by SA VC fund managers underwent significant changes in 2023, brought on mainly by an adjustment to several historic deals[1] as well as a few mega deals concluded in the year.
- The upper limit of all deals in the active portfolio of the SA VC asset class, being deals of R100 million and above (i.e. US $5.3m) at the end of 2023 is comparable to the median early-stage average of US VC deals (i.e. $4.0 m) in 2023.
- The largest contribution to deal activity came from transactions in the R1 million to R5 million size category, comprising 41.3% of all active deals. This is a significant change from the previous survey, where the same category contributed only 8.8% of all deals. The main reason for this is the removal of a portion of early-stage deals as alluded to in the note at the bottom of the page.
- 25.1% of deals entailed individual rounds of more than R20 million.

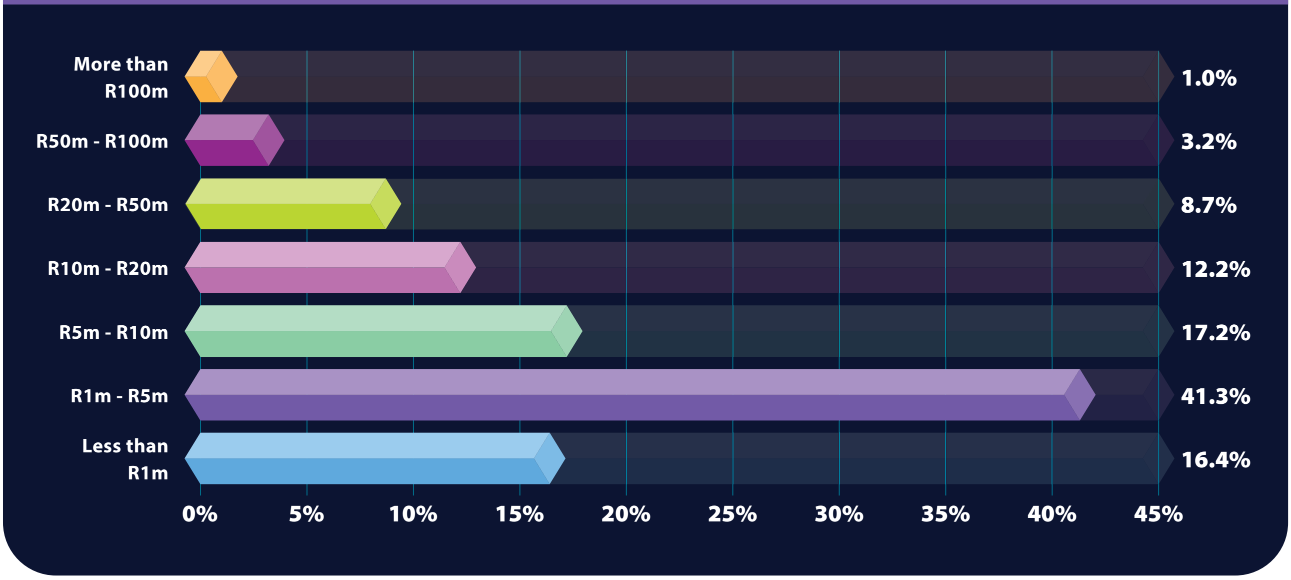
R100M

Deals of more than R50m have become more prevalent in recent years, with 15 such deals reported in 2023 alone, six of which were over R100m.

74.9%

The active portfolio of VC deals as reported at the end of the survey period, showed that SA VC fund managers invested small rounds with almost three quarters (74.9%) of all deals for amounts less than R10m.

Figure 1 *Deal size distribution of all active deals*

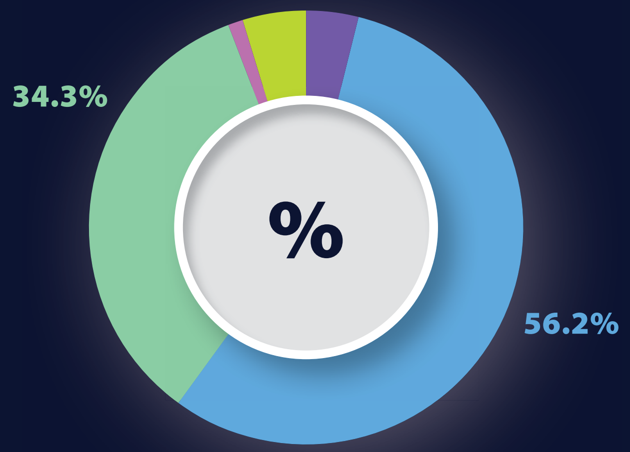


[1] *Adjustments to the pool of active deals were made in this year's survey to improve the accuracy of the overall data. Doing so has markedly reduced the proportion of early-stage deals amongst the overall portfolio of active deals, as most angel and incubator deals involve smaller deal values.*

These included:

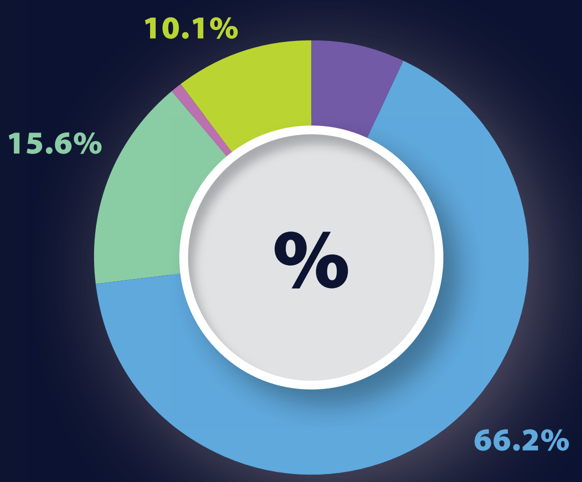
- *A substantial portion of historic VC deals involving the IDC were removed from the VC survey data for the 2024 survey. This follows a restructure of the IDC business, whereby the VC unit was closed and the transactions, having become long-term and private equity in nature were reallocated internally to different operational business units.*
- *Previous surveys included deals where fund managers with accelerators and incubators valued the so-called sweat-equity invested into such deals. In line with international surveys, such investments in this survey and onwards will only be considered once the fund manager makes a follow-on equity investment into the same deal.*
- *Angel deals sourced in 2015 and 2016 through a special angel survey incorporated into the SAVCA VC survey, resulted in several deals captured based on anonymity, a precondition to allow private individuals to report such deals without concern for publicity. These deals were removed in the 2024 survey as (i) the transactions already took place more than seven years ago, (ii) the status of such transactions cannot be verified, and (iii) the deals subsequently present the risk of double counting.*

Figure 1a *Contribution by fund manager type to all active deals, based on deal value*



3.9%	Angel Investors
56.2%	Independent Funds
34.3%	Captive Corporate
0.9%	Captive Government
4.7%	Captive Other

Figure 1b *Contribution by fund manager type to all active deals, based on number of deals*

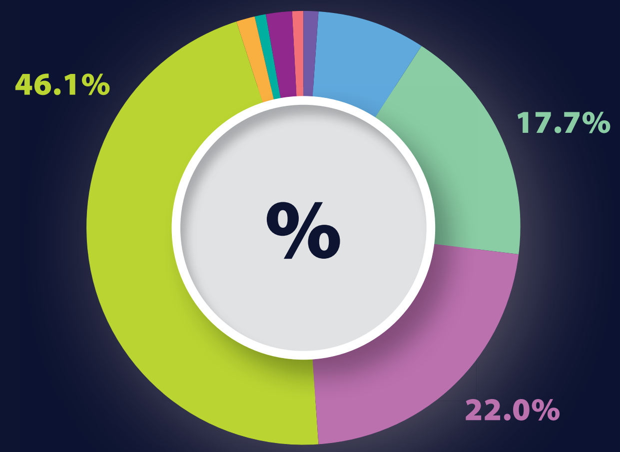


7.1%	Angel Investors
66.2%	Independent Funds
15.6%	Captive Corporate
1.0%	Captive Government
10.1%	Captive Other

- The average deal size of VC transactions varies according to the type of VC investor, with the latest information based on active portfolios as follows:
  - Angel investors: R6.15m
  - Independents: R7.47m
  - Captive Corporate: R20.06m
  - Captive Government: R7.94m
- Growth in investments by independent fund managers continued on the upward trend seen in recent years, now accounting for 66.2% of all deals in the active portfolio of VC investments, up from 61.8% in 2022 and 57.8% in 2021.
- The public sector at the end of 2023 was effectively not involved directly with the SA VC asset class, given the closure of the IDC VC unit – historically the main active public investor in the SA VC asset class - and associated activities. It is noted, however, that the IDC is still involved as a co-investor with several fund managers reporting deals co-funded by the institution. So too is the South African public sector involved in other ways with early-stage transactions, including grant funding, debt and co-investments.

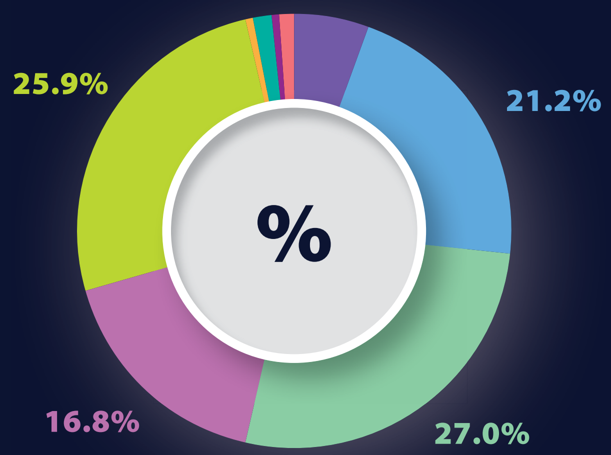
- New deals, which comprised either investments into start-ups or the first investment from an investor (i.e. regardless of whether the start-up has had previous investments from other investors or not), amounted to 64.6% of all active deals by deal number, a steady decline from 70.5% in 2022 and 73.1% in 2021. This can be attributed to an increase in follow-on funding into own portfolios in 2023.

Figure 2a *Contribution by stage of the deal as a % of all deals still invested (based on deal value)*



1.3%	Pre-Seed
8.0%	Seed
17.7%	Pre-Series A
22.0%	Series A
46.1%	Series B
1.2%	Series C
1.1%	Buyout capital
2.0%	Rescue / Turnaround
0.6%	Replacement capital

Figure 2b *Contribution by stage of the deal as a % of all deals still invested (based on number of deals)*



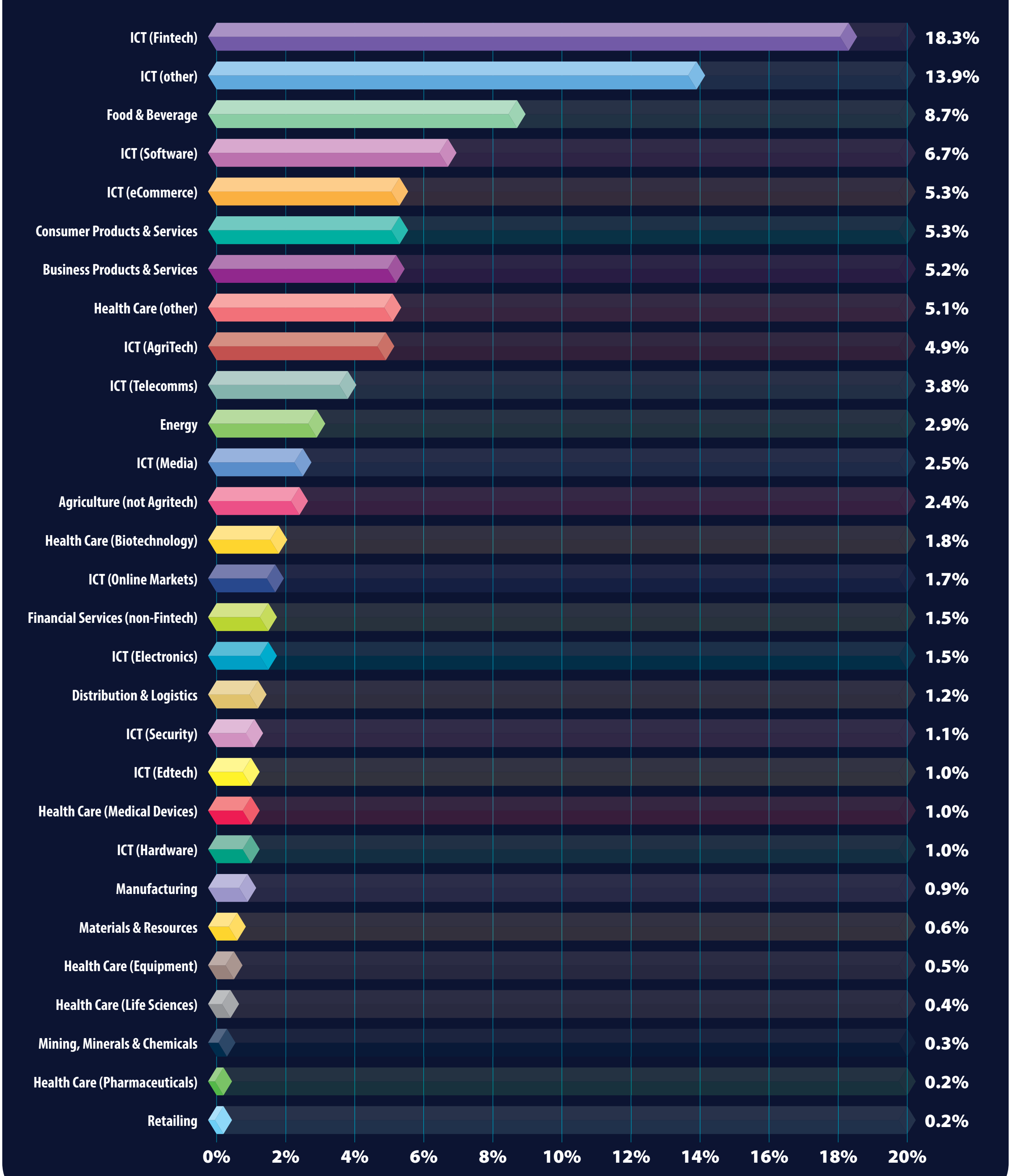
5.6%	Pre-Seed
21.2%	Seed
27.0%	Pre-Series A
16.8%	Series A
25.9%	Series B
0.7%	Series C
1.3%	Buyout capital
0.6%	Rescue / Turnaround
0.9%	Replacement capital

- The contribution of Pre-Series A deals is signifi cantly lower than in the previous survey, owing to the adjustment to the portfolios of active all portfolios, including a large number of angel and early-stage deals as referenced in footnote 1 on page 11.
- The focus of the SA VC asset class is visibly towards very early-stage deals, with 53.8% of all active deals involving pre-seed, seed or pre-Series A stage businesses, which has been a consistent feature of the SA VC asset class, as recorded in previous surveys.
- Series B deals comprised the largest share of deals by value (46.1%), given the fact that such transactions involve larger deal sizes, with Pre-Series A deals the largest by number (27.0%).
- VC investments continued to target opportunities for growing new businesses, with only 2.8% of all active deals used for buyout, rescue, turnaround and replacement capital.

COST OF INVESTMENTS BY SECTOR (% OF TOTAL COST)

Sector data is based on the sectors selected by respondents as best matching the nature of the businesses in which they are invested. The sub-sector is indicated in brackets in instances where a respondent selected a sub-category from one of the seven primary categories[2].

Figure 3a *Sectors as a % of all deals still invested, by deal value*



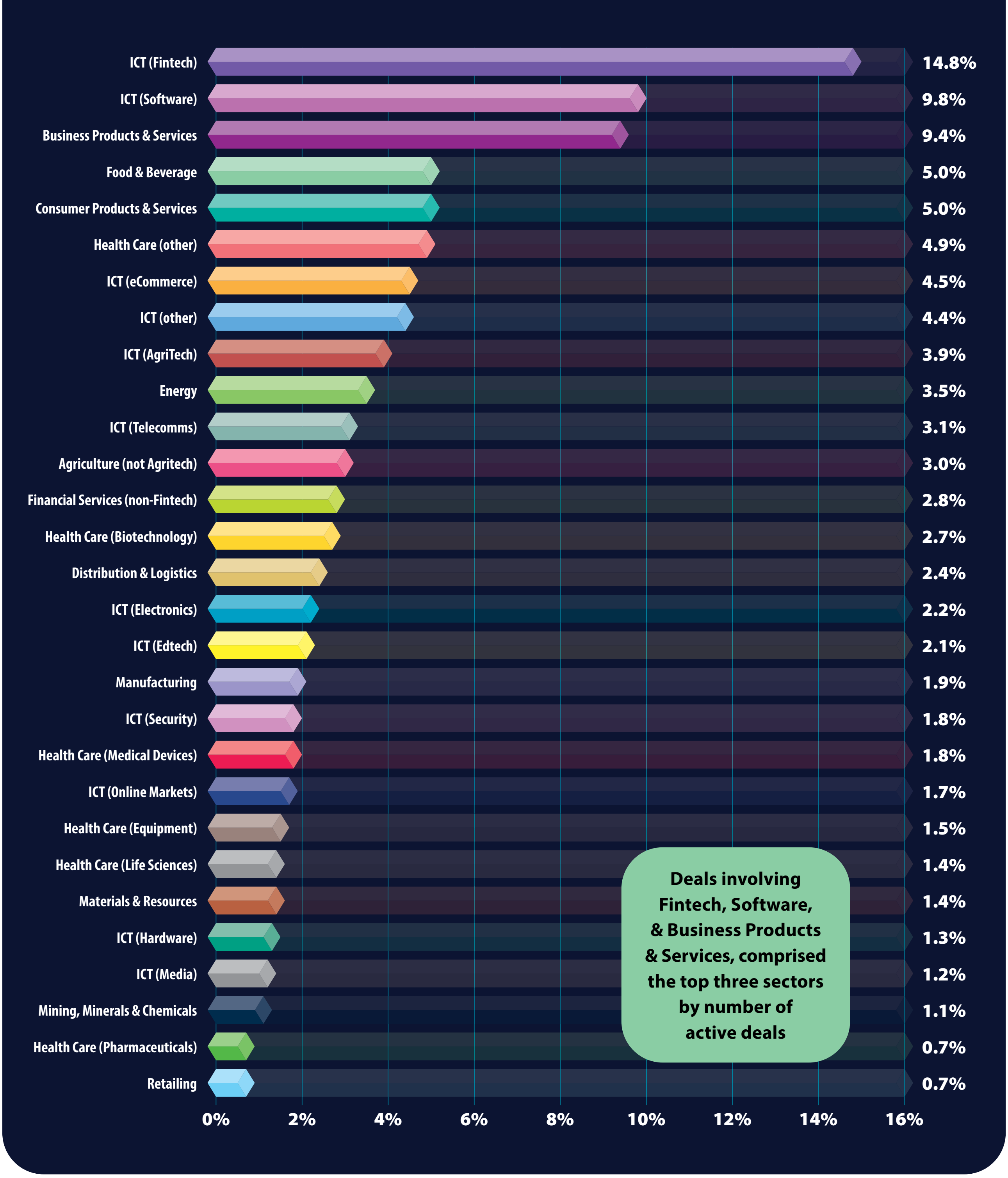
[2] *The sector scheme used by the National Venture Capital Association (NVCA) comprises seven primary sectors (Business Products & Services, Consumer Products & Services, Energy, Financial Services (non-ICT), ICT and Materials & Resources). The sub-categories in the scheme are extensive, with only those relevant to the South African market as selected by respondents, shown in the graphs. The NVCA is an organisation that represents the US venture capital community.*

- Fintech, a subsector of the Information and Communication Technologies (ICT) sector, remained the front-runner by value (18.3%) and number (14.8%) of deals.

- Investments into health-related startups – ranging in focus from biotechnology to life science, including medical devices and pharmaceuticals – have continued despite this being a highly specialised investment class. This speaks to the legacy created by the then-Biotech funds created in the 2000s by the Department of Science and Innovation and the medical device focus of the IDC. Newer fund managers, including those with portfolios involving public-funded intellectual property – being universities and science councils – have found workable investment models to address this critical market focus in South Africa.

- ICT, which combines several active sub-sectors such as Fintech, Edtech, Software, eCommerce and Online Markets, continued to outweigh investment activity in other sectors, as can be seen in the graph below.

Figure 3b *Sectors a % of all deals still invested, by number of deals*



- The following section illustrates the combined allocations based on the Primary Sectors, being the aggregate totals of the sub-sector breakdown reported on in the previous section.
- The overall allocation of capital based on the primary sectors of the economy, shows the abundance of ICT deals in the active portfolio (58.7% by value, 48.8% by number of deals). It is followed by deals involving Consumer Products and Services (14.6% by value, 12.5% by number) and Health Care (8.6% by value, 12.5% by number).
- Financial Services (non-Fintech) excludes investments into businesses that develop ICT based products and services for the Financial Services sector, which are instead included as a sub-category of ICT.
- The contribution of ICT deals to the overall portfolio of deals continued to grow as seen in previous years, with more sub-sectors of ICT attracting the capital, notably Software and Fintech.

Figure 3c *Allocations to Primary Sectors, by value of deals*

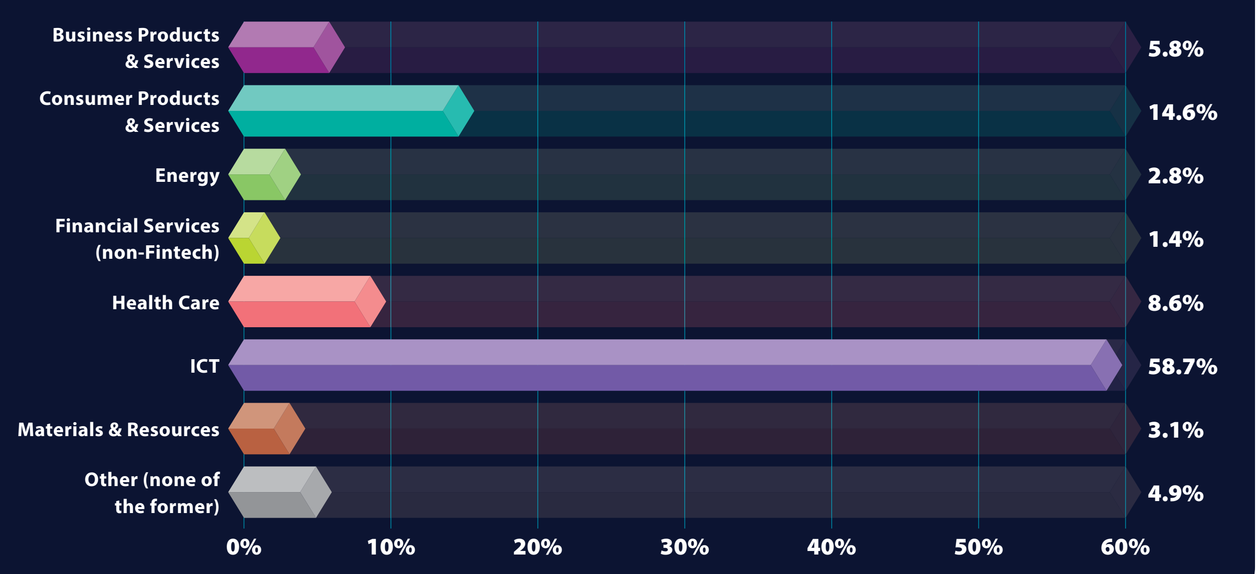
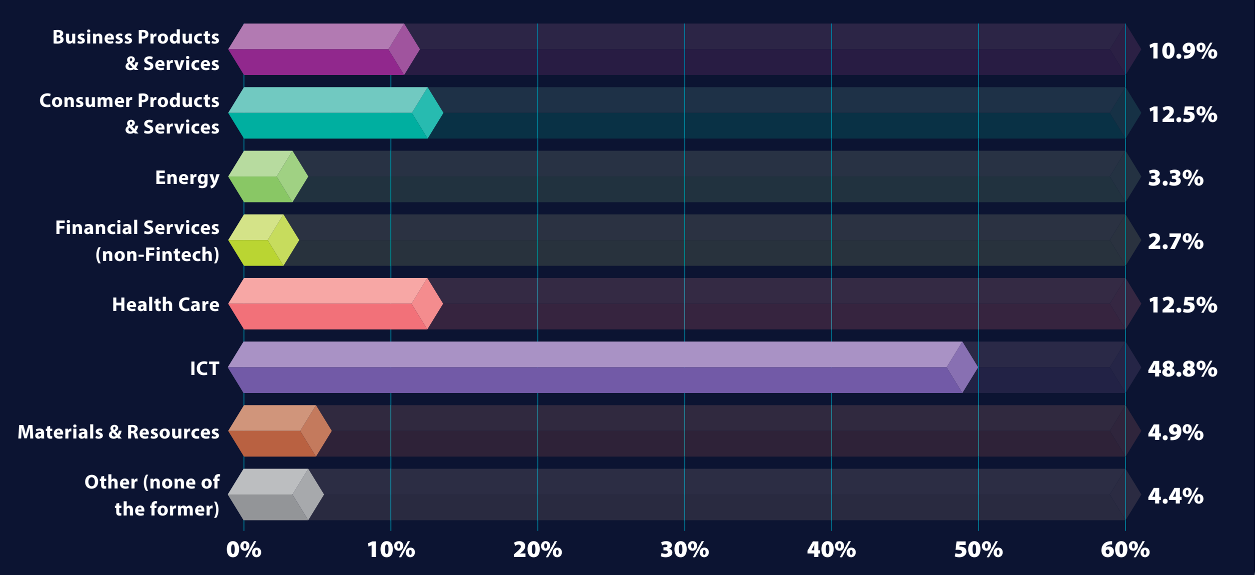


Figure 3d *Allocations to Primary Sectors, by number of deals*



BUSINESS LOCATION OF INVESTEE COMPANIES

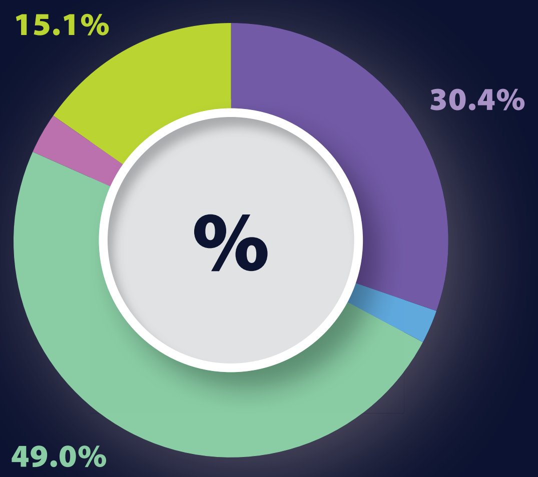
- Active portfolios containing Western Cape based companies declined slightly from 53.7% (2022) to 49.0% (2023) by value, yet increased remained steady at 55.6% by deal volume. This province thus continues to accounts for more than half of the overall VC activity in South Africa, with Gauteng making up 1 in 3 VC deals.

- Gauteng was second at 30.4%, comprising 32.6% of all deals by number. It made up 1 in 3 VC deals.

- Non-South Africa deals grew by almost doubled in number from 2022, due to the amount of co-investment activity with non-South African based investors, and the large deal size involved in co-investments.

One third of deals went to Gauteng investees. More than half of all deals involve Western Cape based companies.

Figure 4a *Business location of all deals still invested, by deal value*



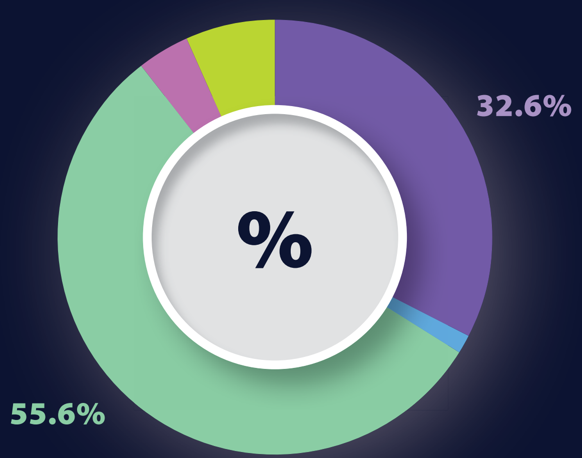
30.4%	Gauteng
2.4%	Kwazulu-Natal
49.0%	Western Cape
3.1%	Rest of SA
15.1%	Non-South Africa

Some South African VC fund managers have cemented partnerships with foreign corporations and VC funds to offer SA startups opportunities to international networks and markets.

- Johannesburg (26.6% by value, 28.3% by number) and Cape Town (40.7% by value, 45.7% by number) dominate as the headquarters for investees.

- The dominant status of the two primary VC markets, namely Johannesburg (or Gauteng with 32.6% of all deals) and Cape Town (or Western Cape with 55.6% of all deals) correlate with the presence of strong startup ecosystems in these locations.

Figure 4b *Business location of all deals still invested, by number of deals*



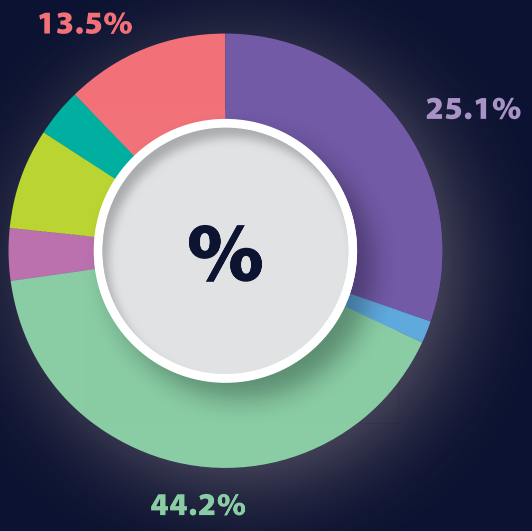
32.6%	Gauteng
1.5%	Kwazulu-Natal
55.6%	Western Cape
3.7%	Rest of SA
6.6%	Non-South Africa

3

INVESTMENT ACTIVITY

BUSINESS LOCATION OF FUND MANAGERS[3]

Figure 5a *Fund Manager Head Office Location*

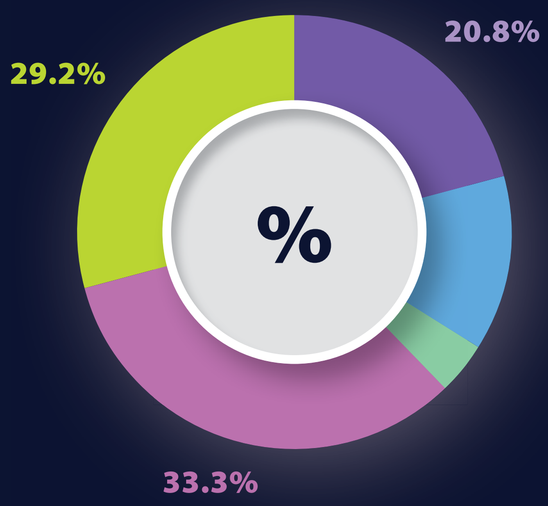


25.1%	Cape Town
1.9%	Durban
44.2%	Johannesburg
3.8%	Pretoria
7.7%	Stellenbosch
3.8%	Rest of SA
13.5%	Non-SA

- The ratio of fund managers based in Johannesburg in comparison to their peers in Cape Town has shifted in favour of the former, due in the main to an increase in co-investments, with many corporate M&A and corporate VC activity driven from head offices in Johannesburg.
- The overall picture though mirrors the geographic distribution of startups, which are similarly found mostly in these two provinces.

COMPOSITION OF FUNDS UNDER MANAGEMENT BY B-BBEE LEVEL OF FUND MANAGER AS AT 2023

Figure 5b *Fund Manager B-BBEE compliance status (% of total)*



20.8%	Level 1
12.5%	Level 2
4.2%	Level 3
33.3%	Level 4
29.2%	Other

[3] *Sections 5a to 5e are based on responses received from 25 fund managers where information was supplied relevant to the applicable questions under review. Collectively, the respondents hold 61.3% of the value of all active deals reported on in the survey.*

- Fund management teams operate with limited investment staff, with the average team size being less than five investment professionals.

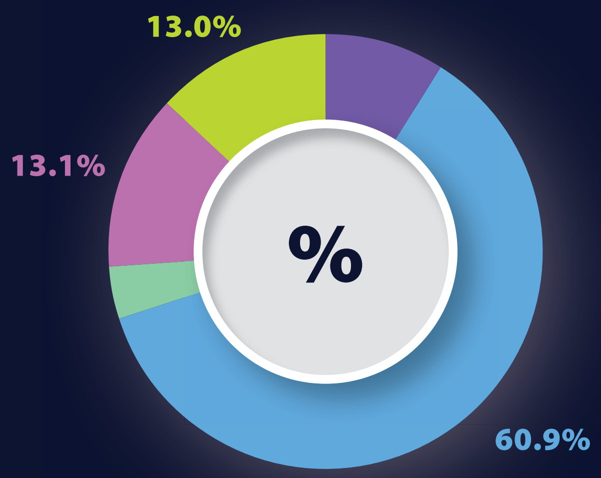
- Notable demographic attributes based on a sample of 25 responses from active fund managers include:

  - 1 in 5 teams had a female CEO, with two funds led by a black CEO;
  - Half of the respondents reported at least one female founder, with three fund managers reporting an all-female ownership.
  - 41.7% of the respondents had at least one black founder, with two reporting 100% black ownership.

- 70.8% of fund managers reported being rated as a Level 4 or higher, with 20.8% at Level 1. The B-BBEE code compliance levels amongst fund management teams with active portfolios are expected to be higher than depicted above, particularly with corporate co-investors, including those amongst the top four banks (all rated Level 1) and other JSE listed financial institutions rated similarly.

INSIGHTS INTO SOURCES OF CAPITAL

Figure 5c *Fundraising strategies (% of total)*



8.7%	Own balance sheet
60.9%	Own ring-fenced VC fund
4.3%	Deal-by-deal basis
13.1%	Combination
13.0%	Other

- More and more fund managers are co-investing with business corporations and foreign investors contributing to the variety of funding options available, and access to international networks. Access to such opportunities appear to be possible through the networks and partnerships of the South African fund managers, evidenced by the number of co-investors investing repeatedly alongside the same South African fund managers.

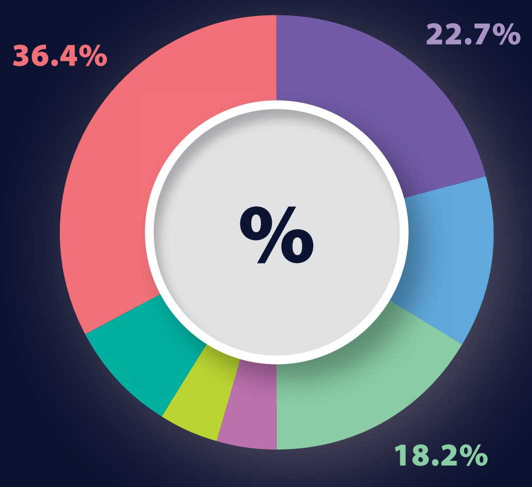
- Fund managers currently holding VC deals have collectively raised more than R11.6 billion over the life-time of their funds for early-stage investments involving South African startups[4]. More than R1 billion was raised in 2023 alone.

- 60.9% of fund managers indicated raising funds into a ring-fenced VC fund as the primary strategy, whilst 13.1% utilised a blend of fund raising strategies.

- R0.92 billion of committed capital at the end of 2023 was available for new investments, being not yet allocated to any existing investment deals.

[4] *Based on VC surveys conducted by SAVCA since 2010.*

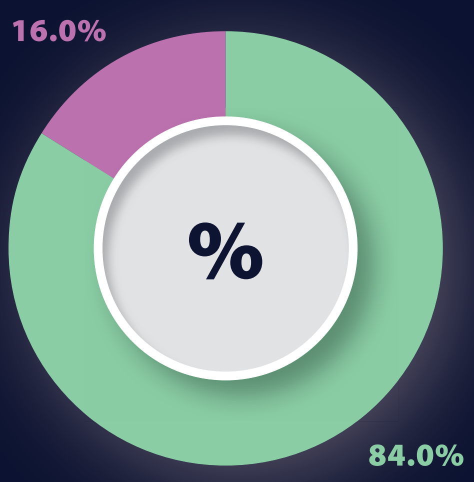
Figure 5d *Sources of funds raised by investor type (% of total)*



22.7%	Corporate Entity
4.5%	DFI
18.2%	Fund-of-funds
4.5%	Pension Fund / Insurance
4.6%	Public Sector
9.1%	Retail Investors
36.4%	Combination

- 22.7% of fund managers reported raising the majority or all of their funding from corporate entities.
- The largest portion of fund managers (36.0%) made use of a combination of capital sources, which in recent years have seen an increase in capital raised from fund-of-funds and DFI type investors.

Figure 5e *Geographical source of funds raised (% of total)*

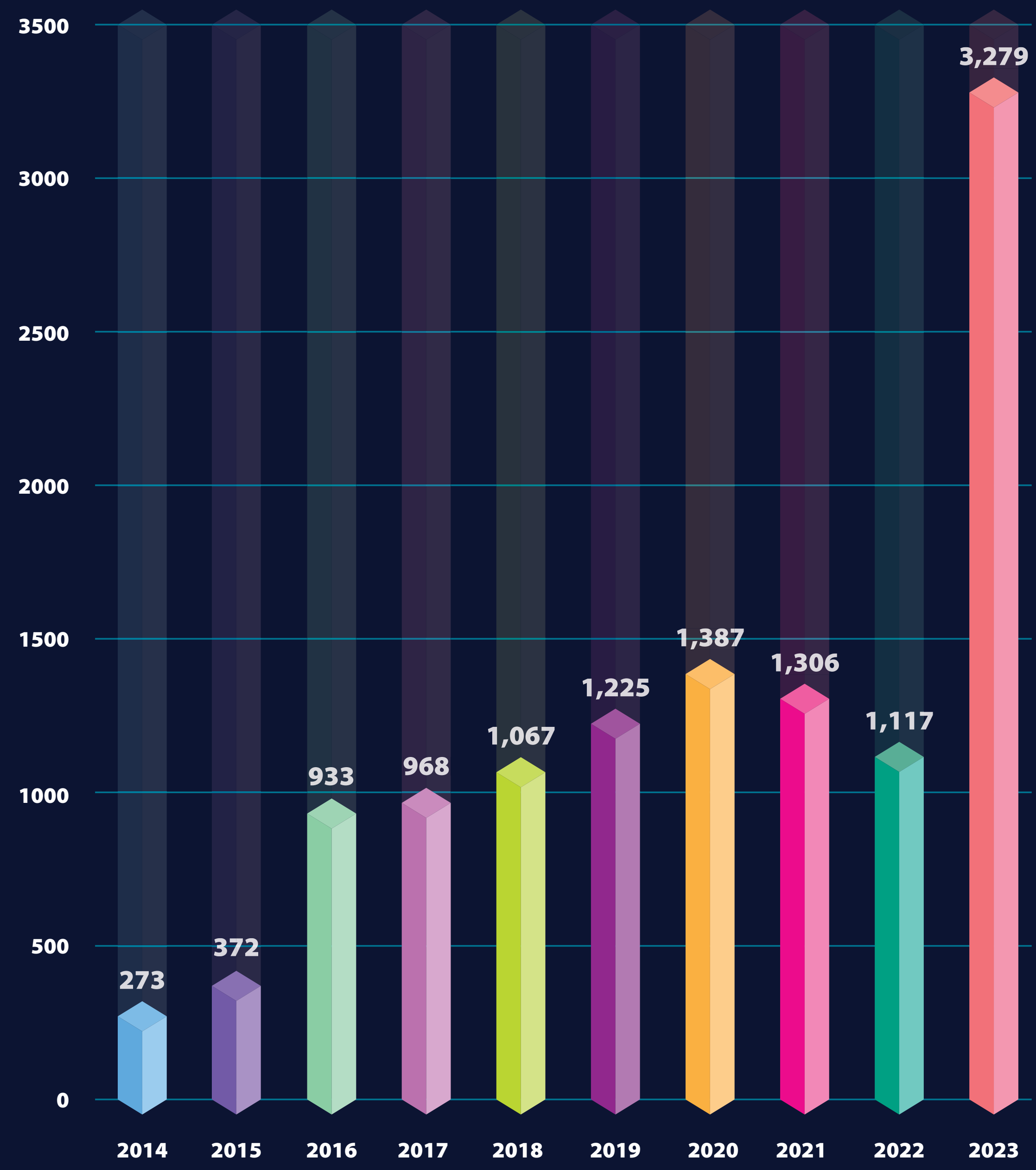


84.0%	South Africa
16.0%	Non-South Africa

- South African investors remain the primary source of capital for early-stage fund managers investing into South African startups.

INVESTMENT ACTIVITY IN 2023 COMPARED TO PREVIOUS YEARS

Figure 6a *Investments per year, by value (in ZAR million)*



R8.4 B

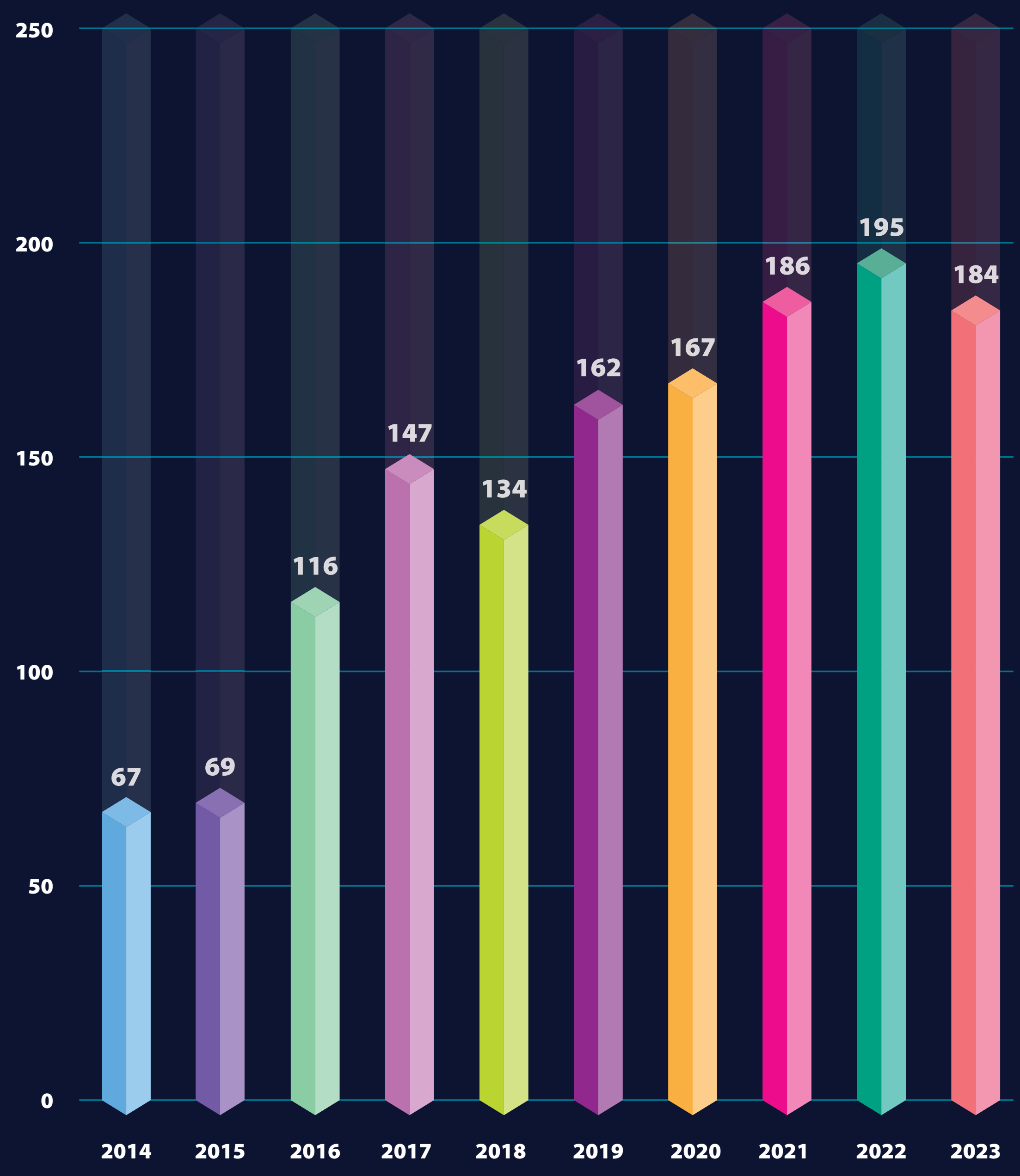
In the last five years (2019 to 2023), SA VC fund managers invested more than R8.4 billion into early-stage opportunities.

1106 DEALS

897 investment rounds were reported for the last five years, demonstrating the young age of the active portfolio (1106 deals in portfolios reported on since the 2010 SAVCA VC survey).

- 2023 defied the downward trend in annual deals seen since 2020, with investments totalling R3.28 billion reported for the year. The increase in Series B deals in the last five years and the typical ticket size of such deals indicate that the trend may continue.
- Deal activity by number of deals has broadly remained stable, with a slight decrease in 2023 as the number of entities receiving funding slowed down, with more investments going into the same companies.

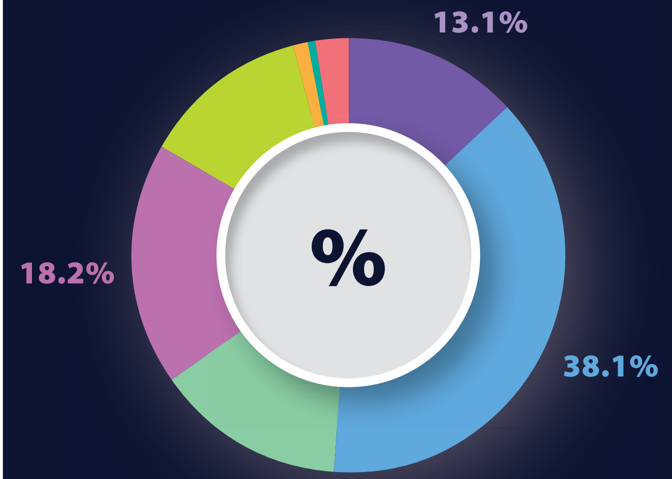
Figure 6b *Investments per year, by number of deals*



- Notwithstanding the decrease in number of deals in 2023 (184 compared to 195 in 2022 and 186 in 2021) deal activity remains higher than the pre-COVID levels of 162 in 2019 and 167 in 2020.
- The trend in co-investments continued into 2023, but with a reduction in the number of entities receiving money (94 in 2023, down from 122 in 2021). 2023 saw upwards of 21 corporate co-investors as well as an undisclosed number of angel and individual investors.

INSIGHTS INTO STAGE PREFERENCES FOR 2023 DEALS DONE

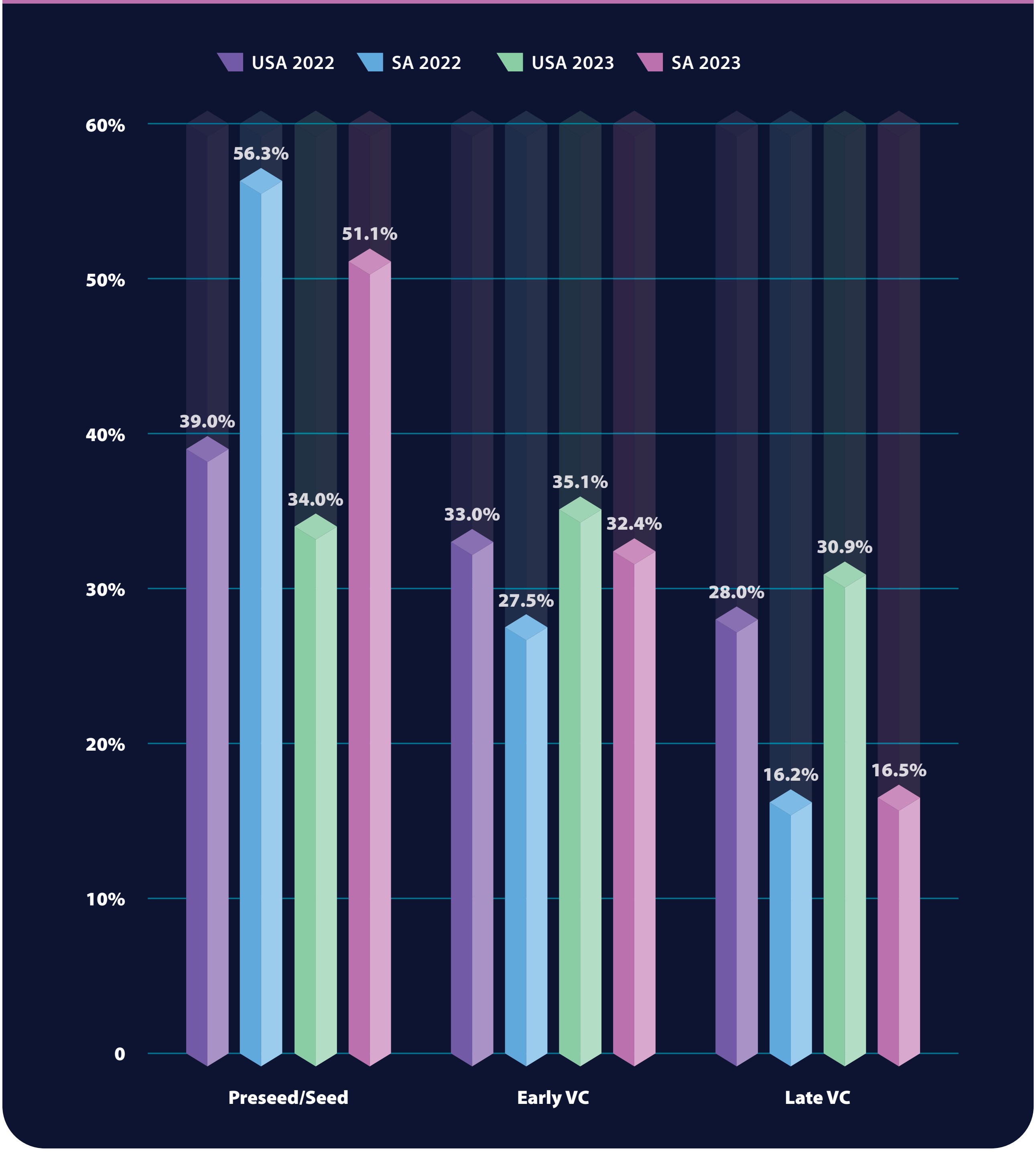
Figure 6c *Contribution by stage of the deal as a % of all deals invested in 2023 (based on number of deals)*



13.1%	Pre-Seed
38.1%	Seed
14.1%	Pre-Series A
18.2%	Series A
12.5%	Series B
1.1%	Series C
0.6%	Buyout capital
0.0%	Rescue / Turnaround
2.3%	Replacement capital

- The proportion of deals involving very early deals (seed and pre-seed) amounts to 51.2% of transactions in the year, slightly fewer than the previous year (56.3% in 2022). The value of seed and pre-seed pales in comparison to early and later stage deals; 15.3% as opposed to 36.8% for early-stage and 48.0% for later stage VC deals in 2023.

Figure 6d *Contribution by stage of the deal, USA vs. South Africa in 2023 (based on number of deals)*



- A comparison of investments by stage of deals reveals that the overall allocation of deal activity in South Africa leans towards the very early-stage (i.e. seed and pre-seed) in comparison to the USA, with early-stage activity similar in both countries.

TREND IN COST OF INVESTMENTS BY SECTOR (% OF TOTAL COST)

Figure 7a *Sector allocation based on the number of deals concluded in the last five years*

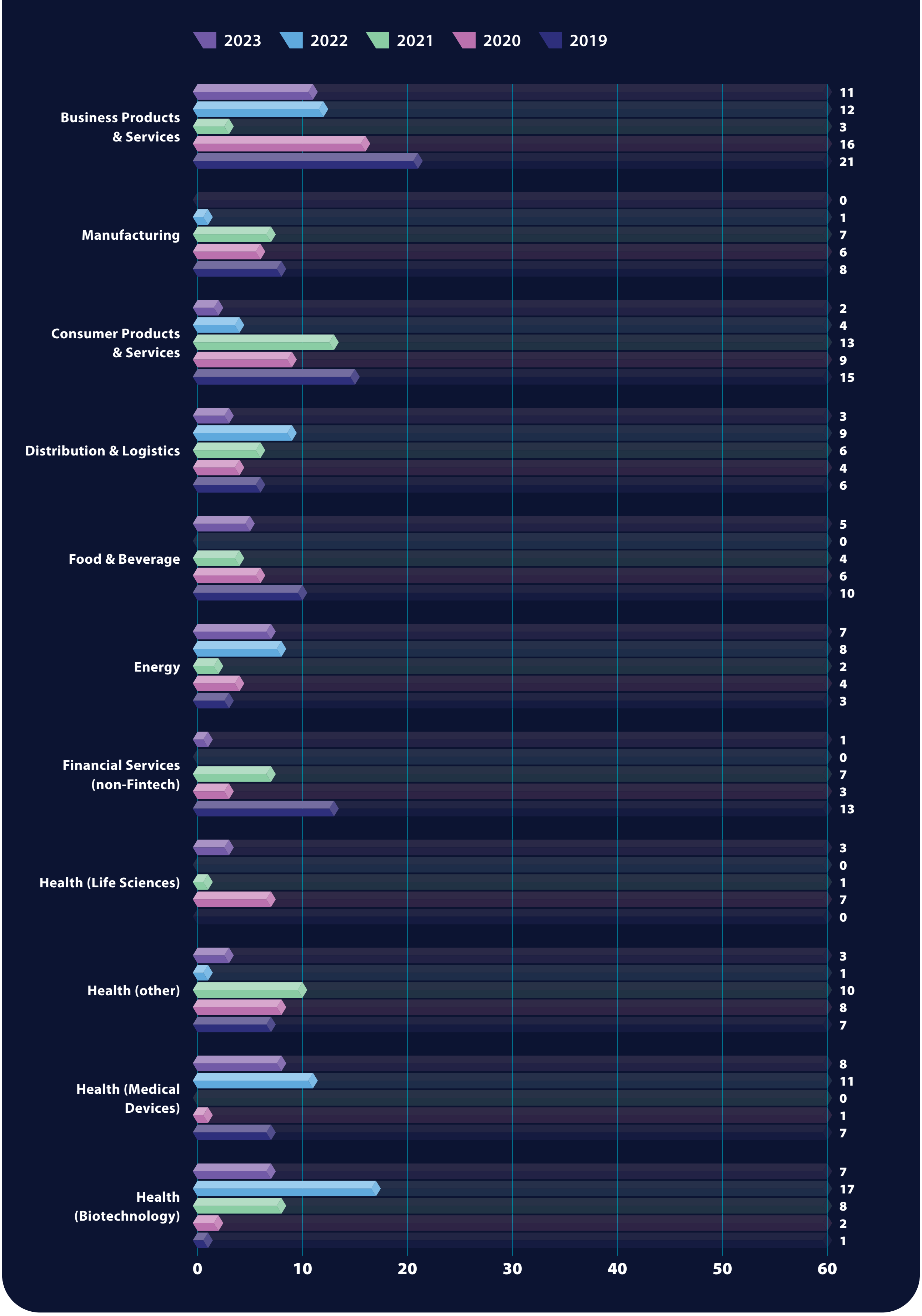
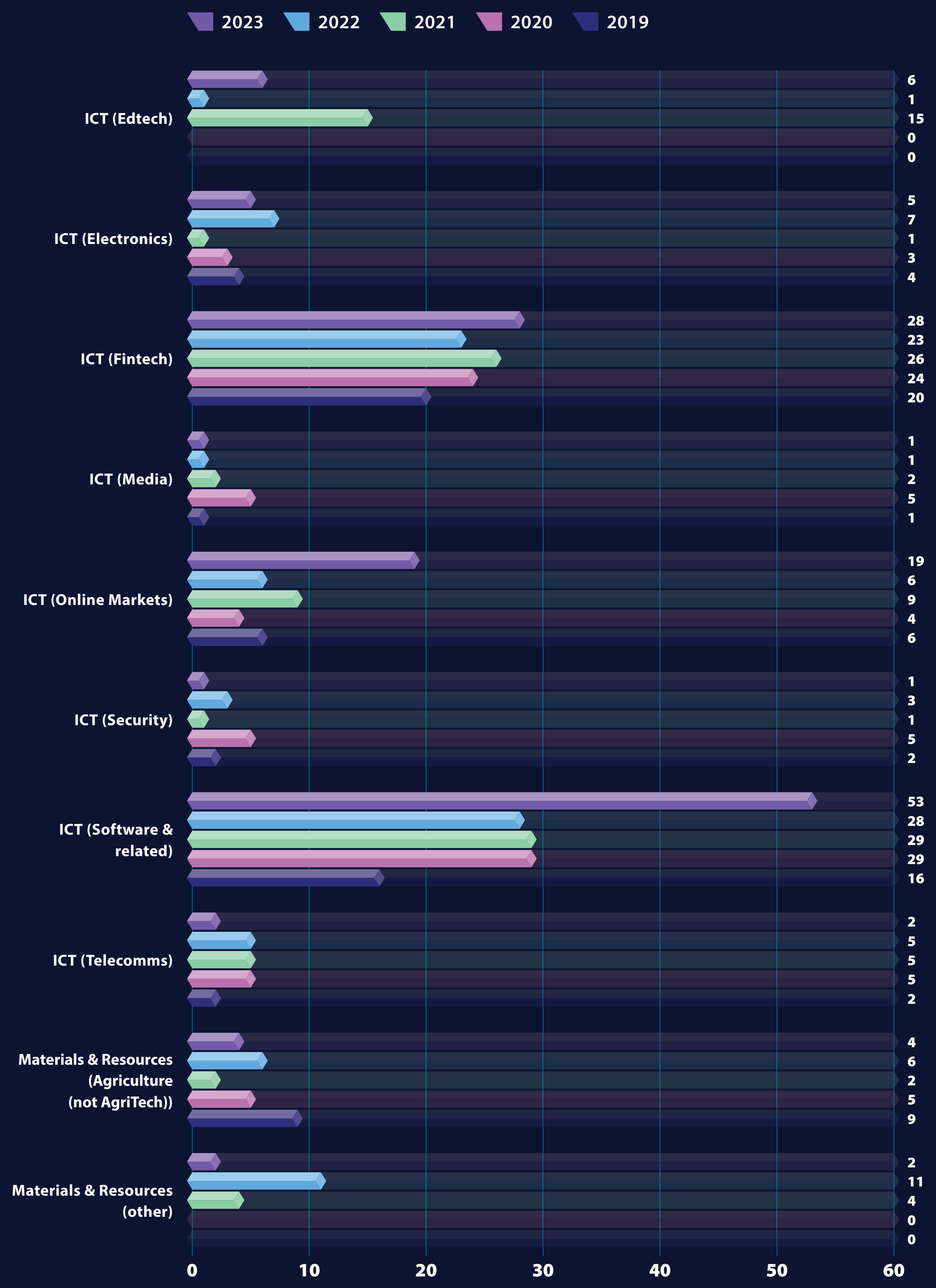


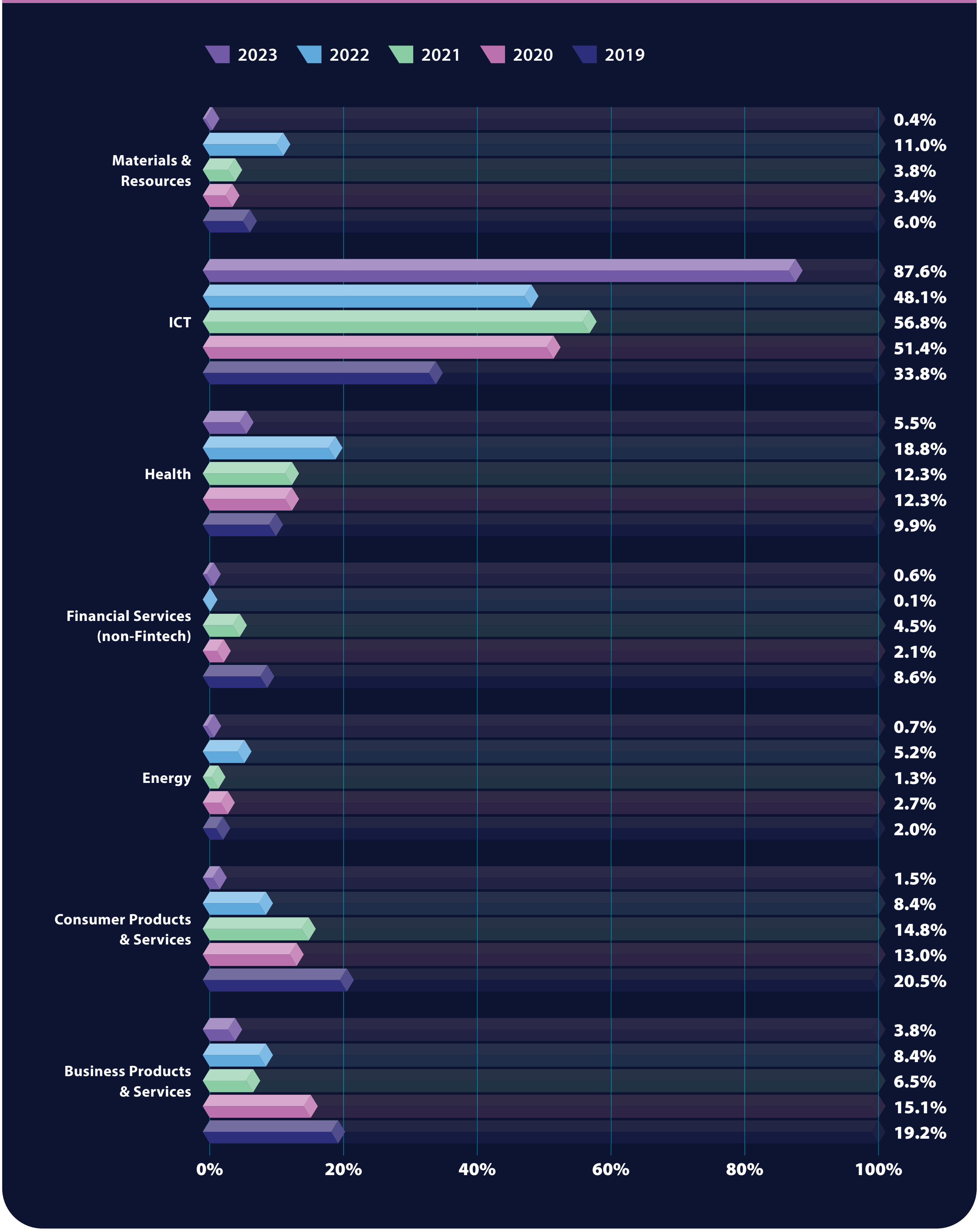
Figure 7a *Sector allocation based on the number of deals concluded in the last five years (cont.)*



- The five sectors / sub-sectors that attracted the greatest number of deals in 2023 were Software and related (31.0%), Fintech (16.4%), Online markets and ecommerce (11.1%), Business Products and Services (6.4%) and Medical Devices (4.7%). Together, these five sub-sectors amounted to 69.6% of all deals done in 2023.

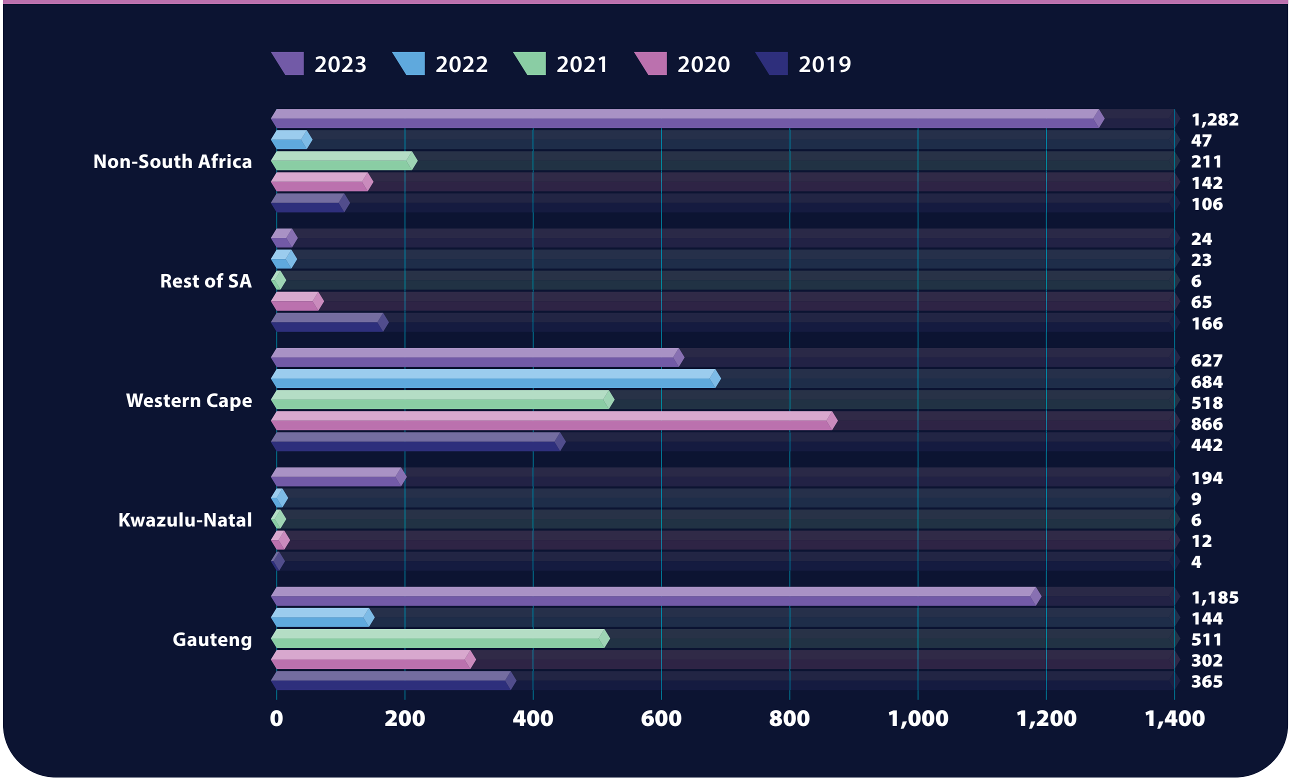
- ICT as a primary sector almost doubled in number of investments compared to 2022, amounting to 87.6% (48.1% in 2022).

Figure 7b *Sub-sectors grouped into Primary Sectors allocation based on the primary number of deals concluded in the last five years*



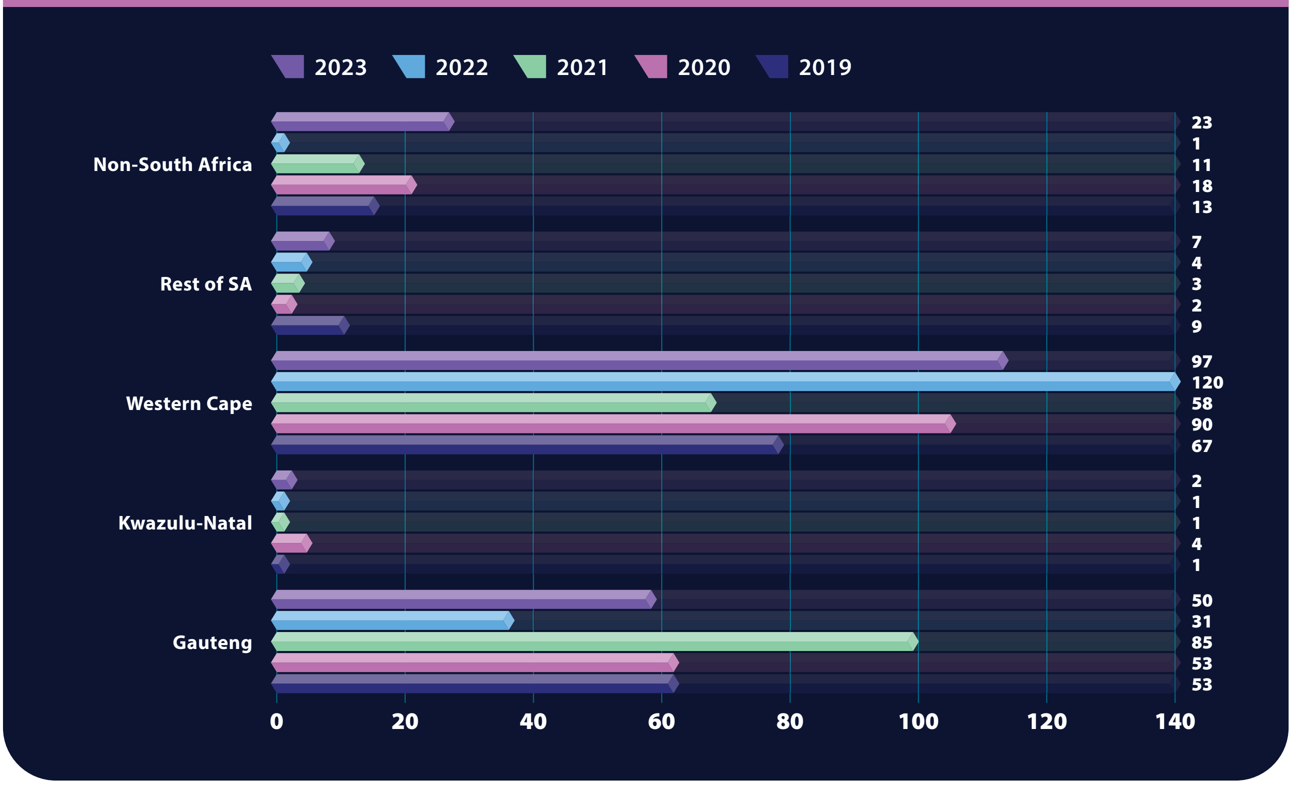
BUSINESS LOCATION OF INVESTEE COMPANIES

Figure 8a *Location of investee company Head Office by value of deals concluded (ZAR million)*



- 2023 saw a complete reversal of the recent trend of more investment activity in the Western Cape, with Gauteng and non-South African based startups attracting the largest amount of capital.
- Three South African businesses raised large foreign capital for their Series B deals, with said capital raised in non-South African bases.

Figure 8b *Location of investee company Head Office by number of deals concluded per year*



4

EXITS

- Consistent with 2022, exit activity in 2023 was subdued in comparison to pre-Covid levels. Seven profitable exits were reported and three write-offs.
- Trade sales remain the preferred route for profitable exits.
- Profitable exits dropped significantly from 2019 levels, but improved from a low in 2022, amounting to R91.4 million.

Figure 9 *Number of exits reported per year*

5

PARTICIPANTS

The list of firms that participated in the SAVCA VC survey are listed below. Only firms that have given consent have been listed.

4Di Capital*
AngelHub Ventures (Hlayisani Capital)*
Anza Capital (Pty) Ltd
Cactus Advisors
Creative Growth Capital*
Crossfin Ventures (Pty) Ltd
Digital Africa Ventures Fund Managers
E Squared Investments*
Edge Growth Ventures (Pty) Ltd*
Equate Advisory
Grindstone Accelerator
Grindstone Ventures*
Harvest Venture Capital Company (Endeavor SA)
HAVAIC*
Hlayisani Capital*
Horizen Partners
IDF Capital*
Industrial Development Corporation of South Africa Limited
Invenfin*
Kalon Venture Partners*
Kingson Capital Partners*
KNF Ventures*
Knife Capital*
Newtown Partners Inc.*
nReachCapitisLaysan
OneBio Venture Studio*
Platform Investment Partners (Pty) Ltd
SA SME Fund*
Savant Capital*
Savant Venture Fund*
Secha Capital*
Startupbootcamp AfriTech
Stocks and Strauss
The University Technology Fund
Venture Capitalworks

* *SAVCA Full Members*

6

SOURCE OF INFORMATION

OBJECTIVES AND METHODOLOGY

- This survey process entailed gathering and processing data through questionnaires and interviews with VC fund managers and other investors conducting VC-type investments.

- The approach to this survey was similar to the bottom-up methodology used in previous SAVCA VC Industry Surveys using verifiable data and information about completed VC deals.

Information excluded from survey data:

- The VC asset class globally is comprised of VC-type deals made by both individuals and firms. Much of the actual deal flow is not publicly known, as there are limited regulatory and similar formal processes to require disclosure of investment activity by VC investors /fund managers. This is even more so given that individual investors operating in their personal capacity drive a large proportion of the VC asset class. Many investors, especially private individuals prefer to operate anonymously. There is also a substantial number of unreported deals facilitated by independent fund managers, where the details of these deals are not disclosed due to strict confidentiality limitations enacted on such fund managers by their respective investors. Data obtained through surveys of any VC asset class does not therefore reflect the full extent of VC investment activity within a region.

- Known investors active in the Southern African VC industry, in addition to those listed on the SAVCA Members Directory, include Angel Investors, corporate investors, enterprise development agencies, and government backed institutions such as those within the ambit of the DSBD and the TIA.

- Deals that entail no equity risk are excluded from this survey.

- Deals that entail equity securitisation have been excluded, such as those that focus primarily on real estate acquisition, property investments, and buying up land for development and agricultural purposes.

Graphs and calculation of totals

Not all respondents supply complete responses for each attribute in the survey, with some for example omitting details on sector classification, location and stage of the deal. For this reason, totals in some graphs may vary from the actual total of transactions in the full dataset as graphs are generated using only those records with complete details to report on the attribute in question.

About SAVCA
The Southern African Venture Capital and Private Equity Association (SAVCA) is a non-profit industry association, representing over 200 members in Southern Africa, who collectively manage in excess of R213bn in assets.

SAVCA promotes Southern African private equity and venture capital by engaging with regulators and legislators on a range of matters affecting the industry; providing relevant and insightful thought leadership and research on aspects that impact the industry; offering training and capacity building opportunities to stakeholders in the ecosystem; and by creating meaningful networking opportunities for industry players, investors and capital seekers.

Website: www.savca.co.za | **Twitter:** @SAVCAssociation
LinkedIn: @Southern African Venture Capital & Private Equity Association (SAVCA)

About VS Nova
VSNova is a South African based management consultancy. Our business offering is centred on strategy, research and advisory services.

NOTES

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