ALGUM AFRICA
CAPITAL LLP

Business Management: Capital Raising: Private Equity

Private Equity Focus

A Look at Major Sectors Attracting Capital, Key Drivers for Private Equity Growth, and Challenges in the Private Equity Space

2 July 2025

www.algumafricacapital.com

Overview

Private Equity (PE) is a form of private capital investment in which capital is deployed into private companies (those not listed on public stock exchanges), with the aim of driving growth, improving operations, and ultimately delivering strong returns to investors. PE firms typically invest through buyouts, growth capital, or venture strategies, often working closely with portfolio companies to enhance value. In Africa, PE plays a vital role in filling financing gaps, (USD 331 billion [1]) supporting entrepreneurship, and scaling businesses across various sectors.

In 2024, the number of PE deals recorded in Africa stood at 231 (valued at USD 1.9 billion), down 45% on 2023 numbers and stemming the 30% decline of the previous year. In 1Q2025, there were 39 deals (, valued at USD 150.2 million) on the continent, against 69 deals (USD 381 million) in 1Q2024, and 77 deals (USD 609 million) in 1Q2023. A notable decrease of 75% in deal value over the period[2].

At the regional level, East Africa has consistently recorded a strong number of PE deals, peaking in 2022 with 111 deals (USD 1.2 billion), up from 88 deals (USD 222 million) in 2021. This growth was driven by major transactions in fintech and energy, making it the leading region in 2022 by deal value, accounting for 26% of total PE deal value. Although deal volumes tapered to 84 (USD 475 million) in 2023 and further to 65 (USD 278 million) in 2024[3], East Africa remains a key region in terms of deal count. In the first quarter of 2025, the region had 11 deals (USD 20.2 million), out of a total of 39 deals (150.2 million), of which 5 deals (USD 8.5 million) were in Kenya.

North Africa also demonstrated robust deal activity, with 104 deals (USD 455 million) in 2021, peaking at 130 deals in 2022 (USD 833 million), before moderating to 61 deals (USD 586 million) in 2023 and rebounding slightly to 71 deals (USD 617 million) in 2024.

The stability of investment values amid fluctuating deal volumes suggests a healthy mix of mid- to large-cap transactions in sectors like manufacturing, infrastructure, and telecoms. In the first quarter of 2025, North Africa was among the most active regions on the continent, recording 14 deals (USD 45 million), which accounted for 30% of the total deal value in Africa in 1Q2025.

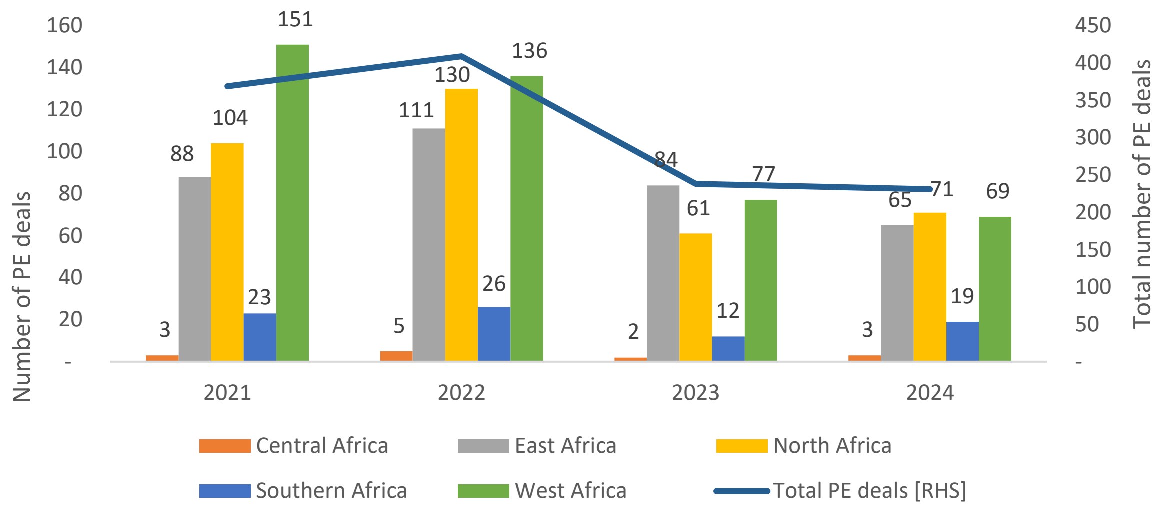
Southern Africa recorded the lowest deal count among the major regions, with 23 deals (USD 209 million) in 2021, peaking at 26 deals (USD 181 million) in 2022 before declining to 12 deals (USD 2 billion) in 2023, and a slight increase to 19 deals (USD 247 million) in 2024[4].

West Africa has consistently been one of the most active regions, accounting for approximately 28% of all private equity deals recorded across Africa between 2021 and 2024. Deal volumes dropped from a high of 151 deals (USD 1.9 billion) in 2021, driven by a combination of high investor interest and large deals in Nigeria and Ghana, to 69 deals (USD 266 million) by 2024, indicating cooling investor enthusiasm and fewer mega-deals being executed in the region[5]. In the first quarter of 2025, West Africa recorded 10 deals (USD 85 million), which accounted for 57% of the total deal value in Africa in 1Q2025.

Central Africa continues to play a relatively minor role in Africa's PE landscape, with deal numbers increasing slightly from 3 deals (USD 6 million) in 2021 to 5 deals (USD 48 million) in 2022. In 2023, the number of deals in the region went down to 2 (USD 43 million). In 2024, The region recorded 3 deals with a significant drop in deal value to just USD 3 million, reflecting limited deal flow and a lack of large-scale opportunities.

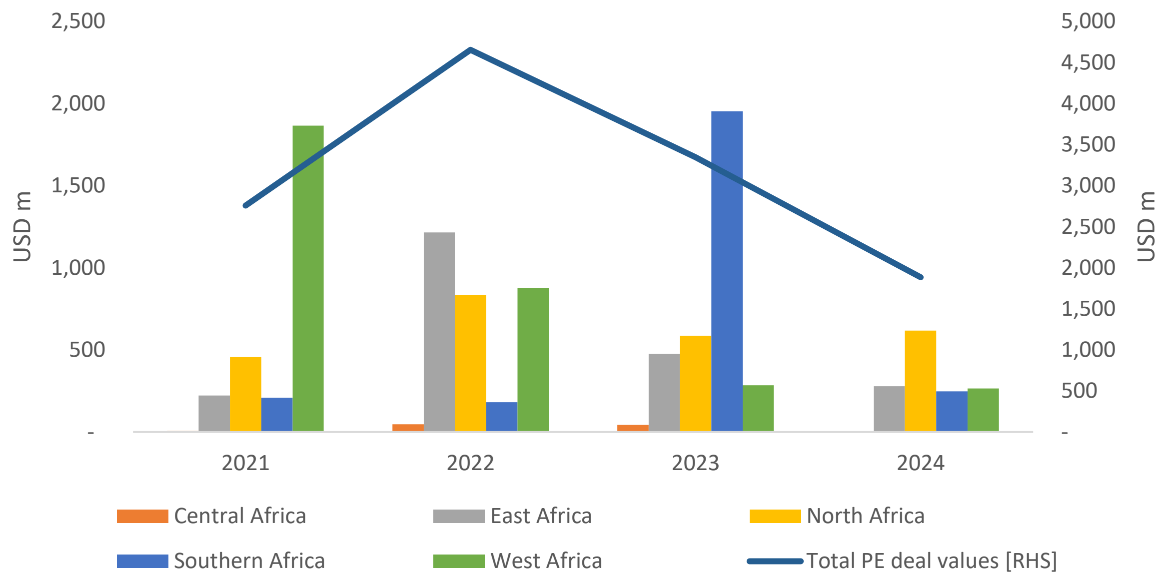
[1] Sloan School of Management. (n.d.). *Responsibly financing Africa's missing middle*. MIT Sloan School of Management. Retrieved July 2, 2025.
[2] Deal Makers Africa 2022 – 2025 Reports
[3] ibid
[4] ibid
[5] ibid

Figure 1: Trend in the number of PE deals



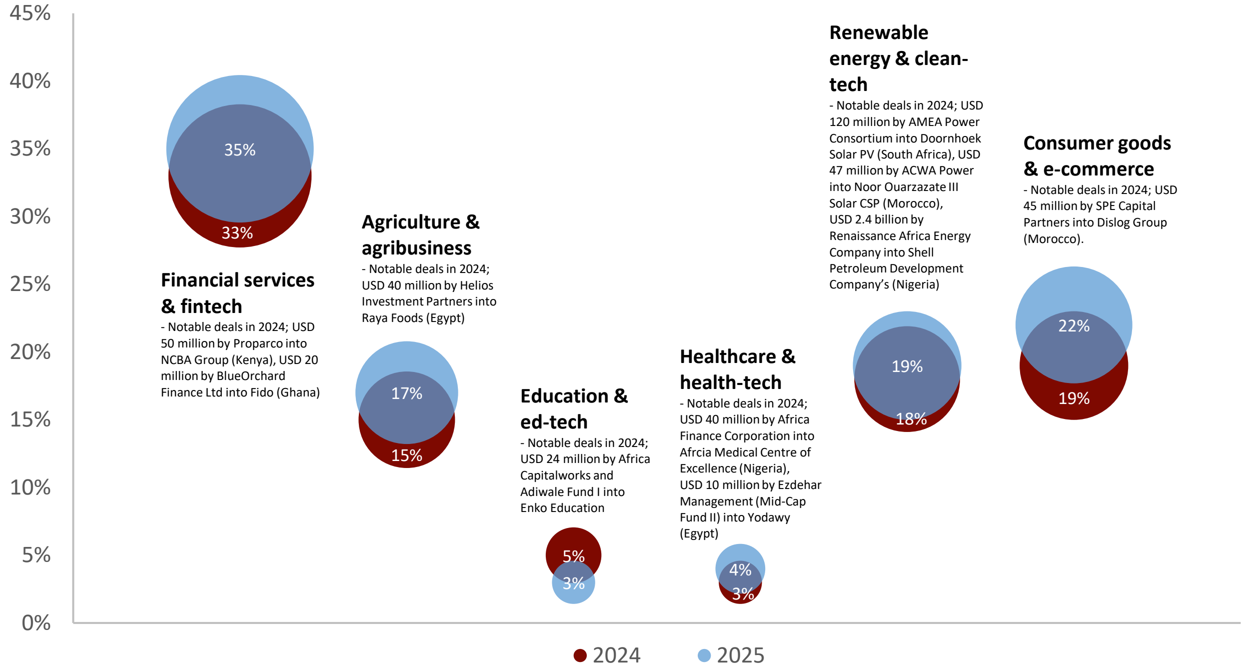
Source: Deal Makers Africa Reports

Figure 2: Trend in the value of PE deals in USD millions



Source: Deal Makers Africa Reports

Major sectors attracting capital



Financial services and fintech[6]

The financial services sector remained the most attractive across the continent[7]. In East Africa, Kenya emerged as a key destination for PE investments in banking and digital finance. The sector's growth was driven by increasing mobile penetration, financial inclusion efforts, and regulatory openness to innovation.

West Africa also showed strong performance, with Nigeria and Ghana securing significant capital for digital lending and financial services.

In Southern Africa, South Africa's mature banking infrastructure supported sustained PE activity, exemplified by Tyme Bank's unicorn valuation following a landmark fundraising round.

In the first three months of 2025, fintech was (by far) the dominant sector[8]. Mobile connectivity and creative business models are leapfrogging traditional solutions.

Agriculture and agribusiness[9]

The agricultural and agribusiness sector continued to attract investors seeking both commercial returns and development impact.

In East Africa, agriculture-focused funds targeted production and processing facilities to boost regional food security and support smallholder integration into value chains.

West Africa, particularly Ghana and Nigeria, benefited from increased capital in agribusiness startups and food processing firms. These investments were aligned with government efforts to reduce food imports and improve local supply chains.

In Central Africa, although PE activity was limited compared to other regions, there was a growing trend toward investments in agricultural land development and primary production. The agriculture sector's role in employment, rural development, and climate resilience continues to make it an attractive area for impact-oriented private equity.

[6] Partech Africatech Venture Capital 2024 Report
[7] African Private Capital Association (AVCA)
[8] Deal Makers Africa Q1 2025 Report
[9] African Development Bank Website Publication: Agriculture and Rural Finance

Education and ed-tech[10]

In Q1 2025, the global ed-tech funding landscape experienced a downturn, with venture capital investment dropping 35% year-over-year in the first quarter. Despite this decline, the average investment size increased to USD 7.8 million, indicating a strategic shift towards fewer but more substantial investments. Investors showed a preference for AI-powered solutions, international student mobility platforms, and scalable models in emerging markets.

In 2024, ed-tech funding in Africa reached approximately USD 34.6 million, marking a 27% increase from the previous year. The number of deals also rose significantly, with 31 transactions recorded, a 72% year-over-year growth.

Regionally, South Africa emerged as a focal point for ed-tech investments.

Healthcare and health-tech[11]

In early 2025, the global healthcare technology sector showed signs of recovery. In the first quarter, PE and venture capital deals in healthcare technology reached USD 2.91 billion, up nearly 22% from the same period in 2024. This growth was driven by increased interest in digital health solutions, AI-driven diagnostics, and innovations aimed at improving care delivery and efficiency.

The healthcare sector in Africa experienced a significant contraction in PE investments in 2024. Health-tech funding plummeted to USD 65 million, a steep 70% decline from the USD 212 million recorded in 2023. The number of deals also decreased, with only 31 transactions compared to 52 in the previous year.

Renewable energy and clean-tech[12]

In North Africa, countries such as Egypt and Morocco led in solar power investments. Southern Africa, especially South Africa, remained an important market for renewable energy deals due to persistent power shortages and a favorable policy shift toward independent power producers. In West Africa, Nigeria stood out with several large-scale deals.

Across these regions, the energy sector remains central to climate finance strategies, with investors focusing on off-grid solar, mini-grids, and energy access initiatives.

In the first quarter of 2025, the energy sector, particularly renewable energy, featured among Africa's top 5 sectors for deal activity as investors increasingly target sustainable energy projects to address the continent's power deficit and support green transitions.

Consumer goods and e-commerce[13]

Consumer goods and e-commerce also featured prominently, with e-commerce comprising over a quarter of that segment. East Africa, and Kenya in particular, saw increased PE interest in e-commerce platforms and retail logistics, driven by a rising middle class and growing mobile internet usage.

In West Africa, Nigeria led the region in digital consumer markets, with investors targeting scalable logistics and e-commerce infrastructure to support growing urban demand.

South Africa's more mature retail ecosystem continued to attract PE funds, particularly in food production, fast-moving consumer goods (FMCG), and supply chain optimization. These investments are often underpinned by demographic trends, including urbanization, a youthful consumer base, and increasing disposable incomes.

In the first quarter of 2025, consumer goods and e-commerce PE deals were driven by increasing urbanization, rising middle class, and expanding internet penetration across the continent.

[10] Partech Africatech Venture Capital 2024 Report
[11] Partech Africatech Venture Capital 2024 Report
[12] Partech Africatech Venture Capital 2024 Report
[13] ibid

Key drivers of private equity growth in Africa[14,15,16,17]

Digital transformation and technology adoption

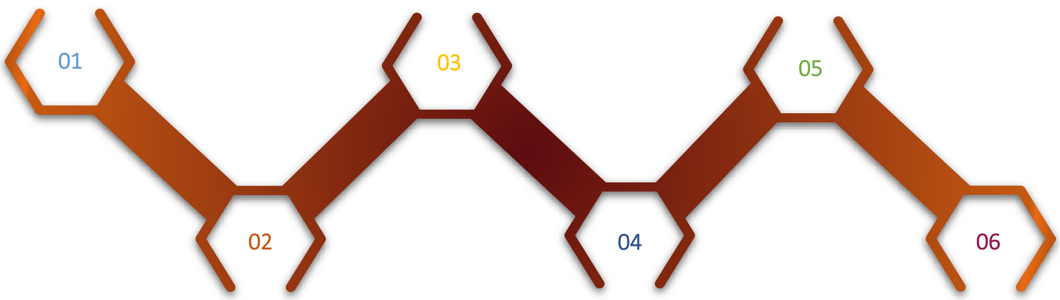
Africa is experiencing rapid mobile penetration (92% mobile penetration), fintech growth, and digital platform expansion. These trends have created opportunities for tech-focused PE deals, particularly in payments, logistics, and digital health.

Rising domestic and international investor interest

There is a growing base of local institutional capital such as pension funds and increasing participation from international LPs, DFIs, and impact investors in the Africa's PE space.

Infrastructure gaps and climate-smart investment

Africa faces major infrastructure shortfalls, estimated at $100 billion annually, creating long-term investment opportunities. There's also rising PE focus on climate-resilient infrastructure, clean energy, and agri-tech.



Demographic dividend and urbanization

Africa has the world's fastest-growing population, expected to double to 2.5 billion by 2050. The current median age of Africa is approximately 19.32 years (2025), making it the youngest continent globally. This creates a large, youthful consumer base, accelerating demand for goods, services, housing, and jobs ideal conditions for PE-backed growth.

Economic diversification and structural reform

Several African governments are implementing reforms to reduce dependence on commodities and stimulate private-sector-led growth. This opens up new opportunities in sectors like healthcare, manufacturing, and renewable energy.

Underserved markets and informal sector formalization

Large portions of the African population remain underserved by formal markets in finance, education, energy. PE firms target businesses that bridge these gaps and scale essential services.

[14] UNDESA, World Population Prospects 2022
[15] Partech Africa Tech Venture Capital Report 2023
[16] African Development Bank, African Economic Outlook 2024
[17] African Private Capital Association, African Private Capital Activity Report 2023

Challenges facing private equity investments in Africa[18,19,20]

Limited exit opportunities

Exiting investments remains a major challenge, particularly outside key markets like South Africa, Egypt, and Nigeria. Low capital market depth, few IPOs, and a shallow pool of strategic buyers restrict exit options.

Macroeconomic and currency volatility

Many African economies are exposed to external shocks, such as commodity price swings, inflation, and exchange rate fluctuations, which affect portfolio company earnings and deal valuations.

Regulatory and political uncertainty

Frequent changes in regulatory frameworks, inconsistent enforcement, and political instability in some countries increase risk for PE investors and deter long-term capital deployment.

Shallow pipeline of investment-ready SMEs

Although Africa has many SMEs, only a small fraction meets PE requirements (governance, financial reporting, scalability). This limits deal flow, especially for mid-sized and lower middle market funds.

Fragmented markets and operational complexity

Africa's 54 countries have diverse legal, tax, and commercial environments. This fragmentation complicates regional expansion strategies and increases compliance costs for PE-backed businesses.

High perceived risk and due diligence costs

Investors often perceive Africa as a high-risk environment, resulting in higher hurdle rates and extensive due diligence requirements. This drives up transaction costs and delays deal timelines.

Future outlook

In the remaining quarters of 2025, private equity activity in Africa is expected to remain subdued and uneven. This will be driven by continent-specific factors such as challenging domestic markets as well as global factors such as shifting trends in geopolitics and their resulting effects on the global economies and markets.

Importantly, the total value of PE deals in Africa has been on the decline, from USD 2.8 billion in 2021 to USD 1.9 billion in 2024. This decline suggests that investors will become more selective, focusing on high-quality businesses that show strong potential for returns and impact. As a result, many companies may find it more difficult to raise private equity funding in the short- to medium-term.

However, there are still opportunities in key sectors. Areas like energy, digital infrastructure, and critical minerals are likely to continue attracting investment, especially as investors look for stable and resilient industries. Despite global uncertainty, Africa remains a promising long-term investment play due to its young population and rapid urban growth. To unlock these opportunities, private equity firms will need to rethink how they deploy capital. At the same time, governments must help reduce risks for investors by creating supportive policies and business environments that allow companies to grow.

[18] African Private Capital Association, Exit Report 2023
[19] IFC, Closing the SME Finance Gap, 2023
[20] Deloitte, Africa Private Equity Confidence Survey 2023

About Algum Africa Capital

We are a pan-African Management Consulting and Business Advisory firm. We partner with SMEs and Large Enterprises to help them overcome various business challenges. We position them to achieve success through tailor-made solutions to overcome strategic, financial, organizational, managerial and operational challenges.

Our suite of offerings includes but not limited to strategy, investor readiness, capital raising, mergers and acquisitions, financial modeling, business analytics, business restructuring, business plans, due diligence and operational optimization. We also offer research and analytics services, private equity deal pipeline development and training and capacity building.

Contacts

Please visit www.algumafricacapital.com to learn more about us.

For general enquiries, write to info@algumafricacapital.com

For research and insights write to insights@algumafricacapital.com

For training and capacity building write to training@algumafricacapital.com

For consulting and advisory write to advisory@algumafricacapital.com

If a private equity investor looking for pipeline write to dealpipeline@algumafricacapital.com