



Emerging Insights III – Where Capital Meets Code: Private Equity and Fintech in Africa

Africa is entering a new growth phase, even as rising geopolitical tensions, tighter financial conditions, and global trade uncertainty around the world continue to test the continent's resilience. Economic fundamentals are strengthening, structural reforms are taking hold, and consumption and trade are on the rise, alongside other factors that together shape a dynamic and resilient environment for selective private equity investments.

One of the clearest bright spots is fintech, as traditional financial systems have left millions

underserved. Technology-driven solutions are expanding access to payments, credit, and financial infrastructure, which offers increasingly compelling risk-adjusted return profiles.

With over 60 years of investment experience and access to a global network of 15+ local offices through its parent company DEG, DEG Impact combines local insight and global expertise to identify attractive private equity opportunities across Latin America, Africa, and Asia.

Points of Contact:

Moritz Baldsiefer, Head of Investor Relations
+49 173 3709457
moritz.baldsiefer@degimpact.de

Konstantin Böhm, Senior Analyst - Investments
+49 152 03421175
konstantin.boehm@degimpact.de

Meet us at:

- Sustainable Investment Summit Vienna, 18. – 19. March
- BAI Alternative Investment Conference, Frankfurt, 27. – 29. April
- AVCA Nairobi, 28. – 30. April

Emerging Insights

Macroeconomic Overview: Africa's Momentum is Accelerating

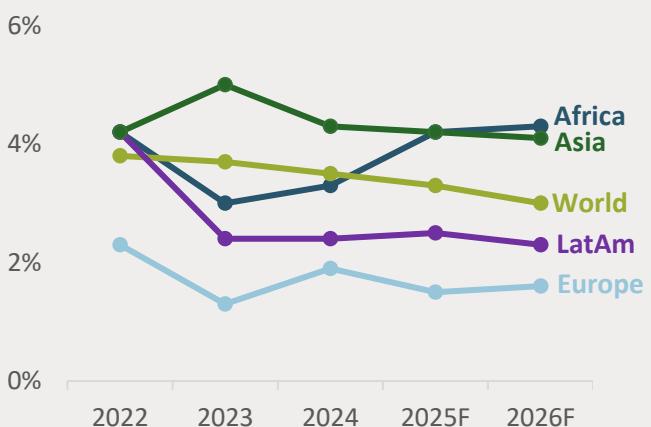
Africa's economic outlook has improved noticeably. Despite some fiscal deficits expected to widen, and structural bottlenecks in some countries, the greater part of the continent remains on a resilient growth trajectory. While Africa is highly diverse, common trends are emerging that highlight Africa's medium-term growth potential:

Economic fundamentals are strengthening across most regions. Average real GDP growth is projected at 4.2% in 2025 and 4.3% in 2026, supported by resilient consumer spending, and favorable monetary policy. Growth in key trading partners and positive effects from a weaker U.S. dollar further reinforce these fundamentals. Moreover, Inflation is generally moderating, with 35 countries expected to remain below 5% in 2025-26, supporting economic stability and maintaining purchasing power for consumers.

Ongoing reforms to reduce structural constraints are strengthening resilience and improving business and investor confidence. External balances continue to improve, with current account deficits narrowing to around 2% of GDP, supported by stronger trade performance and favorable import bills.

Real GDP Growth by Region

Yearly growth rates of regions, in percent



Additional upside could come from the accelerating implementation of the African Continental Free Trade Area, which has the potential to deepen intra-African trade and support medium-term growth. While public debt has increased over the past decade, gross debt-to-GDP ratios are gradually declining, supported by stronger nominal growth and tighter fiscal management.

Overall, despite some challenges, Africa is well-positioned and provides a supportive environment for selective private equity investments.



Growth is expected to remain above 4%, supported by increasing foreign direct investment from Europe and the Middle East.



Growth projected to be strong, supported by a robust tech ecosystem (e.g. Nigeria) & by non-resource-intensive economies like Côte d'Ivoire or Senegal.



Fastest growing region due to strategic infrastructure investment, digital innovation and structural economic shifts.



GDP growth is below the continental average, but Southern Africa, benefiting from South Africa's spillovers, is among Africa's most advanced regions.

Emerging Insights

Africa's Private Market Landscape: Exits regain Momentum

Africa's private equity ecosystem is entering a phase of recalibration, marked by a more diversified LP base including DFIIs, sovereign wealth funds, institutional investors, and family offices. While international investors continue to play a key role, their dominance is gradually easing as local capital deepens. Heightened selectivity - consistent with more mature private equity markets - is extending commitment cycles while reinforcing disciplined capital allocation.

As in developed private capital markets, fundraising remains challenging. Total capital raised through Q3 2024 fell by 35% YOY to about USD 2.6bn, with the expected Q4 recovery delayed, pushing several anticipated final closes into 2026. Fundraising cycles have lengthened to around 2.3 years, reflecting higher LP selectivity amid a crowded GP landscape.

Deal activity has stabilized above pre-2022 levels following the post-COVID surge, reflecting more cautious and selective capital deployment. Investment is increasingly concentrated in mid-sized transactions and resilient, scalable sectors, alongside a growing co-investment culture that enhances access, scale, and capital efficiency for institutional investors.

Exit dynamics have improved materially as fund managers seek to enhance liquidity and demonstrate performance.

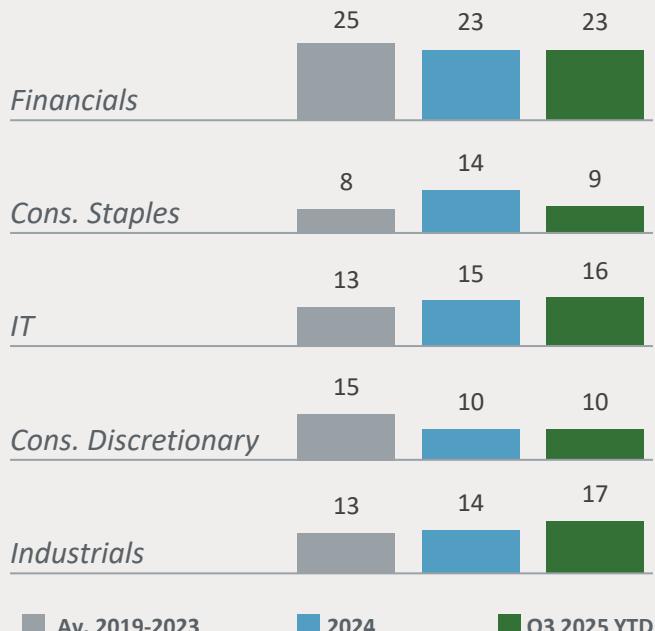
Africa's private capital market is on a path to grow

Value of fundraising (USDb), private capital deals (USDb) and holding period (years)



Financials continue to dominate

Share of volume of private capital deals in percent



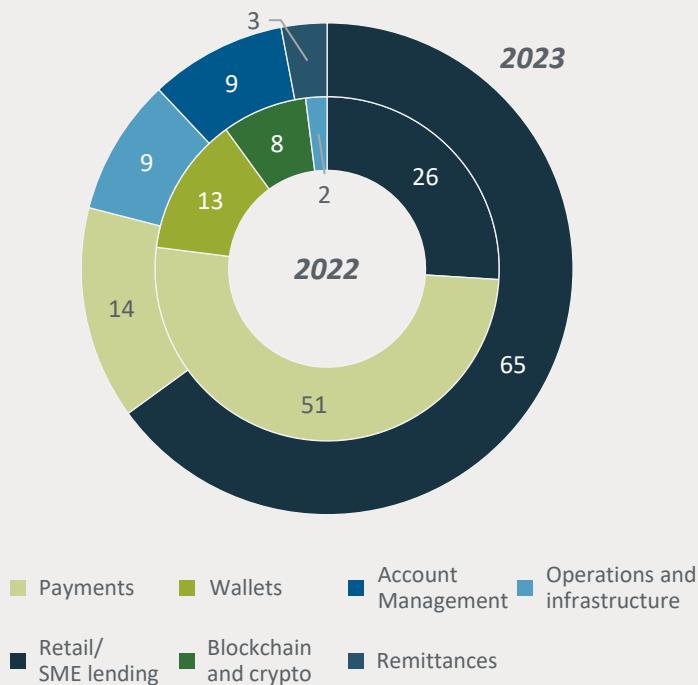
Exit volumes are up year-on-year, holding periods have shortened to their lowest level since 2018, and the market has shifted toward faster realizations. Trade sales remain the primary exit route, while sponsor-to-sponsor transactions are gaining relevance. Sector-wise, financials and consumer discretionary exits show shorter holding periods, while consumer staples reflect longer, legacy-driven timelines. Regionally, Southern Africa has emerged as the continent's main liquidity hub, overtaking West Africa.

Emerging Insights

Fintech: Redefining Financial Future

Fintech funding in Africa has moved to more advanced verticals

Funding across fintech verticals in Africa in percent



Alongside industrials, financials continue to shape overall investment activity and remain the largest sector by deal volume, underpinned by strong buyer appetite and liquidity. Within this landscape, technology-enabled business models are increasingly driving growth, with fintech standing out as a core pillar of the sector's expansion.

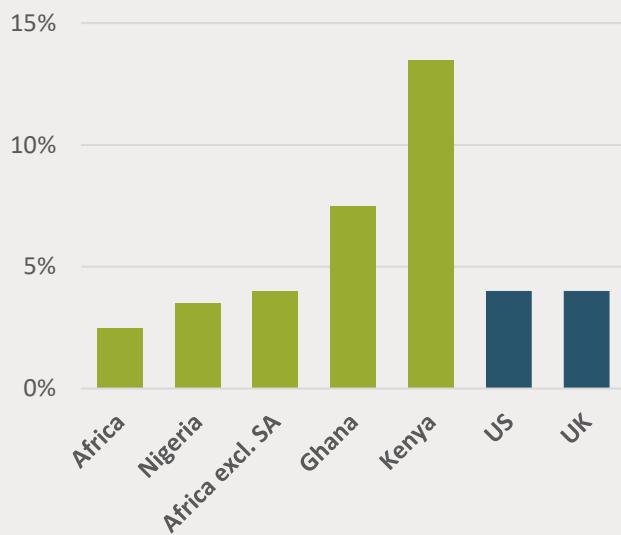
Africa's fintech sector is emerging as one of the continent's most compelling sources of inclusive growth and long-term value creation. Technology-led solutions are integrating millions of individuals and businesses into the formal financial system, addressing structural gaps caused by limited banking infrastructure and restrictive access requirements. In markets where cash remains dominant, fintech represents a durable structural shift with scalable revenue potential.

Mobile money and digital payments platforms such as M-Pesa, Airtel Money, Orange Money, and Yoco have become foundational financial infrastructure, enabling payments, transfers, and access to credit at scale. Adoption accelerated during the COVID-19 pandemic, underscoring the sector's resilience and its capacity to deliver essential services through economic cycles.

The subsector is supported by strong structural tailwinds, including population growth, rising smartphone penetration, and improving digital literacy. Leading hubs such as Nigeria, Kenya, South Africa, and Ghana continue to anchor innovation and capital deployment. Looking ahead, growth is extending beyond consumer payments into SME finance, B2B and embedded finance, and core financial infrastructure—segments addressing deep structural needs and offering attractive scalability. With maturing business models, improving unit economics, and growing investor confidence in scaled platforms, Africa's fintech ecosystem offers increasingly compelling risk-adjusted return profiles alongside measurable development impact.

Fintech penetration in some African markets exceeds global benchmarks

Fintech growth rate in regions, in percent, 2023



Emerging Insights

Questions or further information needed? We'd be glad to hear from you!

Points of Contact:



Moritz Baldsiefer, Head of Investor Relations
+49 173 3709457
moritz.baldsiefer@degimpact.de



Konstantin Böhm, Senior Analyst - Investments
+49 152 03421175
konstantin.boehm@degimpact.de

Our Partners and Industry Associations:



Bundesverband
Beteiligungskapital e.V.



REPRESENTING
ALTERNATIVE
INVESTMENTS



Operating Principles for
Impact Management

Disclaimer

This newsletter is intended solely for "Professional Clients" as defined in Annex II of Directive 2014/65/EU (MiFID II). It is not directed at retail clients or semi-professional investors and must not be made available to them, either directly or indirectly. The information contained herein is provided for informational purposes only and does not constitute an offer to buy or sell financial instruments, nor a solicitation of such an offer. It does not constitute investment advice. All information, particularly regarding markets, sectors, transactions, or performance, is based on publicly available sources or internal assessments at the time of publication. While care has been taken to ensure accuracy, completeness, and timeliness, no guarantee is given in this regard. Past performance is not indicative of future results. Investments involve risks, including the possible loss of invested capital. This newsletter is confidential and may not be distributed, reproduced, or published, in whole or in part, without the express written consent of the publisher.