

## **SAVCA 2025 Venture Capital Industry Survey**

### **1. Executive Summary**

The SAVCA 2025 Venture Capital Industry Survey showcases investment activity for the 2024 period. At the end of 2024 the South African VC asset class had R13.3 billion invested in 1325 active deals, an increase of 24% from 2023. There was increased presence of women-led and a sustained presence of black-led funds, signaling that transformation initiatives are yielding results. 2024 saw the highest number of individual deals reported since the first SAVCA VC survey in 2010, amounting to 222 individual rounds.

### **2. Background**

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 following categories of venture capital funding were used in the SAVCA VC Industry Survey:**

**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.

**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.

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**This Survey used the following VC investor classifications:**

**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.

### **3. Report Findings**

#### **Funds under management**

- Investment activity in 2024 comprised 222 rounds in contrast to 184 in 2023, outperforming previous years by a considerable margin.
- The total value of equity deals was less than the figures recorded for 2023 (R2.62 bn in 2024, down 20.2% from R3.28 bn in 2023).
- More co-investors were involved in 2024 in general, albeit without the few significant co-investment rounds of magnitude reported in 2023.
- Total capital made available to startups by VC investors and their co-investors amounted to R3.29 bn (R2.62 bn in equity deals of which R1.22 bn was co-investment capital, and R0.67 bn debt)

#### **Investments by Sector**

- The ICT sector (65.9% by value in 2024 down from its peak of 67.3% in 2023), three times the size of the next sector remains the dominant investment area, followed by Health. As previously stated, Health is the only other sector besides ICT to show continued growth.
- 2024 was the least diversified year, heavily skewed toward ICT and Health investments.
- Business Services, Energy, and Financial Services saw significant decline.
- Consumer Products & Services have remained relatively stable in the last three years (6.5% in 2024, 5.8% in 2023 and 8.4% in 2022) but have been decreasing since 2019 (20.5%).
- Health, which includes biotechnology, life sciences and medical devices (20.0% in 2024) showed a strong resurgence, up from 9.9% in 2019 and 12.3% in 2023. 2024 marks its highest share since 2015, indicating renewed focus and investment in health focused startups.
- ICT is driven by a broad range of sub-sectors with Software (20.0%), FinTech (15.9%) and Online Markets (7.6%) making up the top three performers in 2024.

### **Business location of investee companies**

- Western Cape still dominates with 52.0% of deals, its highest share since 2022. Gauteng saw a drop-in investment activity to 26.9%, down from 27.9% in 2023, and well below its 2020 high (53.8%).
- KwaZulu-Natal increased slightly to 3.5%, while the rest of SA remained marginal at 2.9%.
- Non-South Africa sees a significant spike to 14.6%, its highest ever after 2023 (12.8%). This is encouraging as it demonstrates the globalisation of South African startups, expanding into foreign markets on the back of local early-stage capital, in many instances helped further through co-investment from foreign based investors.
- The South African startup ecosystem, also evidenced from the early-stage investment activity reported by fund managers, is still primarily concentrated in the Western Cape and Gauteng.

### **Contribution by stage of the deal**

- In 2024, South African venture capital appears to be shifting toward early-growth stage funding (Series A), indicating a maturing ecosystem with fewer bets on nascent startups. Pre-Series A and Pre-Seed funding has declined, showing a reduced early-stage risk appetite. Late-stage and non-VC capital remains limited.
- 42.5% of investments in 2024 went to Series A, a dramatic increase from 19.6% in 2023 and the highest proportion in any year, suggesting a significant maturation of the startup ecosystem, with more companies reaching early-growth stages worthy of larger rounds.
- Pre-Series A dropped sharply to 15.0% in 2024, down from 31.0% in 2022, and 13.4% in 2023.
- Seed and Pre-Seed exhibit a lower investment focus in 2024 compared to previous years, with Seed rounds up 14.0% up from 2023 to 17.4%, but still below its 2021 peak of 30.8%. Pre-Seed fell to 8.4%, down 14.0% in 2023 and significantly lower than its 2022 high of 15.5%
- Series C saw a modest increase to 4.2%, suggesting a few late-stage deals but no strong momentum
- Non-VC Capital, being buyout, turnaround and replacement capital make up just 3.6% in 2024 which is historically low and consistent with a VC-dominant funding environment.

## Exits

- 2024 recorded the lowest exit activity ever reported by respondents; three exits down, from seven in 2023. Two of the exits were highly profitable
- The most cited hindrance to exit activity for early-stage VC investors in South Africa is limited exit options available. This is compounded by the absence of follow-on early-stage VC options which require the first investor to stay invested longer
- Macroeconomic instability and local regulatory considerations such as B-BBEE also play a role in further restricting the exit landscape. While some believe it's simply a matter of time for companies to mature, the prevalent views point to systemic issues within the South African market that are making it challenging for early-stage investors to realise returns through exits.

## 4. Conclusion

The standout features in the latest survey include that the ICT sector continues to lead the way, accounting for nearly two-thirds of total investment. Software a subsector of ICT took over from fintech and received the most investment. It has been noted that fintech is reaching near market saturation. ICT outperforming other sectors signals that it provides the greatest returns within short timeframes.

Early-stage funding (pre-seed and seed capital) continued to decline, signaling a lack of appetite for risk in nascent start-ups. This issue reinforces the NSI challenge of limited funding for experimental development, this type of research is crucial for innovation.

Transformation initiatives are yielding results which bodes well for diversity and inclusion but have had a negative impact on exits. B-BBE compliance is mandatory for all companies that seek to do business with the state and large private companies. Compliance can significantly impact a business's ability to secure contracts, licenses, and partnerships within the South African market.

## **References**

Gcasamba, M. T. Van der Merwe, T. (Ed.). (2025). SAVCA: Venture Capital Industry Survey 2025. Retrieved from

<https://savca.co.za/resources/>