2025 Africa Venture Capital Exit & Liquidity Report

Stears

Ventures Platform

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Foreword

Early 2018, my partner and I set out on our first attempt at an institutional fundraising roadshow, taking Ventures Platform Fund to LPs outside Africa. We were prepared for hard questions. We got them in droves. Questions on our track records, macroeconomics, pipeline quality, technological talents and market depth in Africa. We answered most of these with the confidence of entrepreneurial emerging fund managers who believed in what they were building.

But we struggled with one cluster of questions. Where are the exits in Africa? What are the realistic pathways? Who will buy African startup assets at scale? What exit assumptions are you underwriting, and what data justifies them?

Our answers were anchored more in conviction than in evidence, in belief dressed up as analysis. That was uncomfortable. It should have been.

The exits came later. Stripe's $200 million acquisition of Paystack in 2020. DPO Group's sale to Network International in 2021. A growing body of secondary transactions and strategic acquisitions later began to form a pattern. The ecosystem is maturing. But the data infrastructure has not kept pace. The conversation about exits in African VC has remained, until now, more anecdote than evidence.

This report is our attempt to change that.

Built on 181 verified VC-backed exits across Africa between 2011 and 2026, we examined not just how many exits occur, but how they occur, and what that reveals about the structure of liquidity in the ecosystem.

The finding that matters most is this: the problem is not too few exits. It is that exit routes are narrow, buyer pools are shallow, and the broadening that should accompany maturity is not happening fast enough. Trade sales dominate by a wide margin. Just four markets, Nigeria, South Africa, Egypt, and Kenya, account for 81 % of disclosed exits. International buyer participation has declined since 2021. These are not observations about bad years. They are structural features of the current liquidity environment.

This matters for every participant in Africa's innovation economy. For fund managers like us, it reshapes how portfolios must be constructed, how entry price is negotiated and how exit assumptions should be underwritten — not on faith, but on evidence. For LPs, it underpins assumptions about the uniqueness and structure of Africa-focused allocations and return profiles. For founders, exit visibility changes how they structure and negotiate their capital stack. And for acquirers, understanding how African assets have been valued, and through which routes, is the intelligence that deepens the very buyer pool the ecosystem needs.

It is important to note that the opacity in this space is not a neutral feature. Only 12 % of tracked VC exits have a disclosed value. This is well below the 28 % rate for the broader African private market. Data asymmetry weakens price discovery, reduces competitive tension in negotiations, and constrains future liquidity. It is costing the ecosystem more than most people realise.

Our choice to work with Stears on this report was deliberate. Over the past decade, Stears has established itself as one of Africa's most rigorous data analysis firms, producing work on consumer behaviour, fintech lending, and the entrepreneurial ecosystem that does not simply describe Africa's markets but interrogates them. Their research consistently surfaces patterns that less disciplined analysis would miss, and holds up to scrutiny from global institutions and investors. That standard of rigour is exactly what a report of this kind demands: one that had to be evidence-based enough to shift the conversation in African VC, not simply add to it.

The Stears-Ventures Platform Liquidity Index (SVL Index) is the longer ambition. This report is its foundation, setting out a manifesto for why structured, ongoing data on African liquidity events is not optional infrastructure, but necessary infrastructure. The SVL Index will be updated regularly, growing richer as more participants contribute data and challenge our framing. This should make the next conversation, between a fund and its LPs, a founder and an acquirer, more empirically grounded, and less dependent on faith.

We are not flying blind anymore. But we are only beginning to see clearly. What happens next will depend on whether the ecosystem can continue to improve transparency, deepen buyer participation, and expand the range of viable exit pathways.

Read this with that spirit, and then help us see better by contributing data, engaging with the findings, and strengthening the foundation on which future liquidity will be built.

Dr. Dotun Olowoporoku
Managing Partner, Ventures Platform

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Executive Summary

African venture capital is entering a new phase. After a decade defined by capital formation, the focus is shifting toward capital recycling. More companies are reaching exit, and liquidity is becoming more visible across the ecosystem.

However, this transition is not yet secure. The challenge is not simply the number of exits, but the structure of liquidity. The ecosystem does not yet have a sufficiently broad and sustainable liquidity base, and this continues to constrain how reliably capital can be returned and redeployed. And at this juncture, liquidity is no longer a distant milestone for the ecosystem; it is becoming the defining constraint on its evolution.

This report analyses 181 verified VC-backed exits across Africa between 2011 and 2026. The analysis focuses on how liquidity forms in practice, and what that reveals about the structure and evolution of the ecosystem. The data shows a system that is active, but still concentrated. Liquidity is shaped by a small number of routes, a limited set of buyers, and a high degree of sectoral and geographic concentration.

Key Insights

Liquidity in African VC is constrained by structure rather than the availability of exits

The dataset captures 181 verified VC-backed exits between 2011 and 2026, confirming that exit activity is present and increasingly visible. However, this activity is concentrated within a limited set of pathways and participants. Liquidity is not absent, but it is unevenly distributed and difficult to scale. The system's structure, defined by narrow routes and a limited buyer base, limits the ability to generate repeatable, predictable liquidity outcomes. In practice, this means liquidity is episodic rather than systematic.

African VC is entering an early phase of capital recycling, but the transition is fragile

Capital recycling is beginning to take shape. The capital recycling ratio rose from 0.032 in 2022 to 0.065 in 2025, indicating a meaningful increase in realised liquidity. However, this improvement reflects both rising exits and a slowdown in investment activity over the same period. The underlying constraint remains unchanged: exit capacity has not yet scaled in line with capital deployment. As a result, the transition toward sustained capital recycling remains sensitive to shifts in funding cycles. Liquidity is forming, but not yet scaling.

Trade sales dominate the exit landscape, concentrating liquidity in a narrow set of pathways

Trade sales account for approximately 73% of exits in the dataset, making strategic acquisitions the primary route to liquidity. This level of concentration means that exit outcomes are heavily dependent on a specific type of buyer and transaction structure. Other pathways, including IPOs and secondaries, remain limited in scale and frequency. The result is a system where liquidity is largely channelled through a single dominant route.

Buyer depth remains limited, with a narrowing international presence and an incomplete domestic substitution

Buyer participation remains concentrated. The share of exits involving international buyers has declined from 56% in 2020 to 33% in 2025, indicating a shift in the composition of demand. Domestic and regional buyers are becoming more active, but this shift has not yet led to a broader or deeper pool of buyers. The overall level of demand remains constrained, reducing competitive tension in transactions and limiting exit optionality for investors.

Exit activity is highly concentrated across sectors and geographies

Liquidity is clustered in a small number of sectors and markets. Financial Services accounts for 30% of all exits, while Nigeria, South Africa, Egypt, and Kenya together represent approximately 81% disclosed activity. This concentration reflects earlier investment patterns and, in some cases, reinforces them. The result is a system in which liquidity is present but not widely distributed across the ecosystem. Liquidity tends to follow capital, and in doing so, it often reinforces existing concentration.

Secondary transactions are increasing, but are not yet an independent source of liquidity

Secondary transactions accounted for 23% of exits in 2025, the highest share in the dataset and broadly in line with global trends, where secondaries represented approximately 29% of VC exits in the United States that year. Despite this growth, secondaries remain linked to funding conditions and tend to increase during periods of capital availability. They do not yet provide a counter-cyclical or independent source of liquidity. In essence, secondaries are expanding liquidity, but not yet stabilising it.

Endogenous liquidity is emerging, with the ecosystem beginning to generate its own exit pathways

Venture-backed companies are increasingly acting as acquirers, particularly in sectors such as Financial Services. Transactions such as Flutterwave's acquisition of Mono and Risevest's acquisitions of Chaka and Hisa illustrate this trend. This form of endogenous liquidity reflects a system that is beginning to generate internal exit opportunities, rather than relying solely on external buyers. While still early and concentrated, it represents an important step toward a more self-sustaining liquidity environment.

Differences in capital recycling patterns highlight varying stages of ecosystem maturity

Across regions, capital recycling dynamics follow distinct patterns. In Southeast Asia, recycling ratios remain relatively stable over time, even as both funding and exit activity scale. This stability reflects a system where exit capacity has expanded alongside capital deployment, allowing inflows and outflows to move in tandem.

In Latin America, recycling dynamics show periods of stronger liquidity alongside greater volatility, often influenced by shifts in global capital flows and valuation cycles. While exit activity can be significant, it is less consistently aligned with investment activity over time.

In Africa, recycling ratios show greater variation and are more sensitive to changes in funding intensity. Periods of improved recycling often coincide with reduced investment activity rather than a sustained increase in exit capacity. This reflects a system where liquidity remains structurally constrained, and where the relationship between inflows and outflows has not yet stabilised.

Taken together, these patterns point to a liquidity system that is expanding without yet becoming fully robust. Exit activity is growing, though still concentrated within a narrow set of routes and a limited buyer base. New pathways are emerging, but have not yet reached the scale required to reshape how liquidity forms. Capital recycling is emerging, though its trajectory remains uneven and influenced by shifts in funding conditions.

Implications for Investors

These dynamics have direct implications for how investors approach liquidity in African venture capital.

The core message is that liquidity in African venture capital cannot be treated as an eventual outcome of ecosystem maturity. It needs to be actively incorporated into how investments are selected, structured, and managed from the outset. The structure of the exit environment—defined by narrow pathways and limited buyer depth—means that liquidity depends as much on market conditions as on company performance.

Crucially, this has direct implications for portfolio construction. Investment decisions need to reflect how liquidity is likely to occur in practice. This places greater emphasis on sectors, business models, and company profiles that are legible to existing buyers or can credibly attract new ones. It also requires a more explicit assessment of exit pathways at the point of entry, including which routes are realistically available and how they may evolve over the holding period.

Buyer strategy becomes a central component of exit planning. In a system with limited buyer depth, understanding the buyer universe is an ongoing process rather than a late-stage exercise. This includes identifying potential acquirers, understanding their strategic priorities, and positioning portfolio companies to align with those priorities over time. In many cases, exit outcomes will depend as much on buyer readiness as on company readiness. This is because in constrained markets, exits are as much about finding the right buyer as building the right company.

Expectations around timing and exit outcomes need to align with the structure of the market. Longer holding periods, partial exits, and non-linear liquidity pathways are likely to remain common. Capital recycling will take place, though often through a series of smaller or staged transactions rather than a single event. Fund construction, return expectations, and LP communication need to reflect this pattern. Patience is required, though, as liquidity will likely emerge incrementally rather than through a single defining event.

Investors also play a role in shaping liquidity outcomes. Improvements in company legibility, governance, and reporting can expand the pool of potential buyers and reduce transaction friction. Participation in secondary transactions and other emerging pathways can help gradually broaden the liquidity base. Ultimately, liquidity becomes something that is both planned for and actively developed over time.

Implications for the Ecosystem

Improving liquidity outcomes at a system level requires expanding the capacity of the exit environment. The focus needs to be on expanding the range of viable pathways and deepening participation across the market.

A deeper and more diverse buyer base is central to this. Greater participation from domestic institutional investors can provide a more stable source of demand. Continued development of strategic buyers, both local and international, can widen the range of viable exit routes. Intra-African acquisition activity can further strengthen regional liquidity dynamics. Without a doubt, a broader buyer base is the foundation of a more resilient liquidity system.

Transparency remains a critical lever. Low levels of exit value disclosure limit price discovery and reduce transaction efficiency. When only about 12% of VC-backed exits disclose values, compared with approximately 28% in the broader private market, the result is a thinner information environment that constrains future deal-making. Improvements in reporting standards and data availability can help address this by making transactions easier to price and compare. Without transparency, liquidity cannot scale efficiently.

The development of additional exit pathways is also essential. Trade sales will continue to play a dominant role, but they cannot carry the system on their own. The continued growth of secondaries, the gradual opening of public market routes, and the expansion of endogenous acquisitions will be required to support a more resilient and self-sustaining liquidity system over time.

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Acknowledgements

This report draws on contributions from across the African venture capital ecosystem. We are grateful to the investors and partners who shared data, insights, and time to support this work.

Participating venture capital firms

We would like to thank the venture capital firms that contributed to this report by sharing exit data and/or completing our investor survey. Their participation has materially improved the accuracy, depth, and relevance of the analysis presented here, and contributes to a broader effort to improve transparency around exit activity in African venture capital.

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- Microtraction
- Golden Palm Investments
- Launch Africa Ventures
- Enza Capital
- VestedWorld
- DOB Equity
- HoaQ
- Norrsken22
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- MaC Venture Capital

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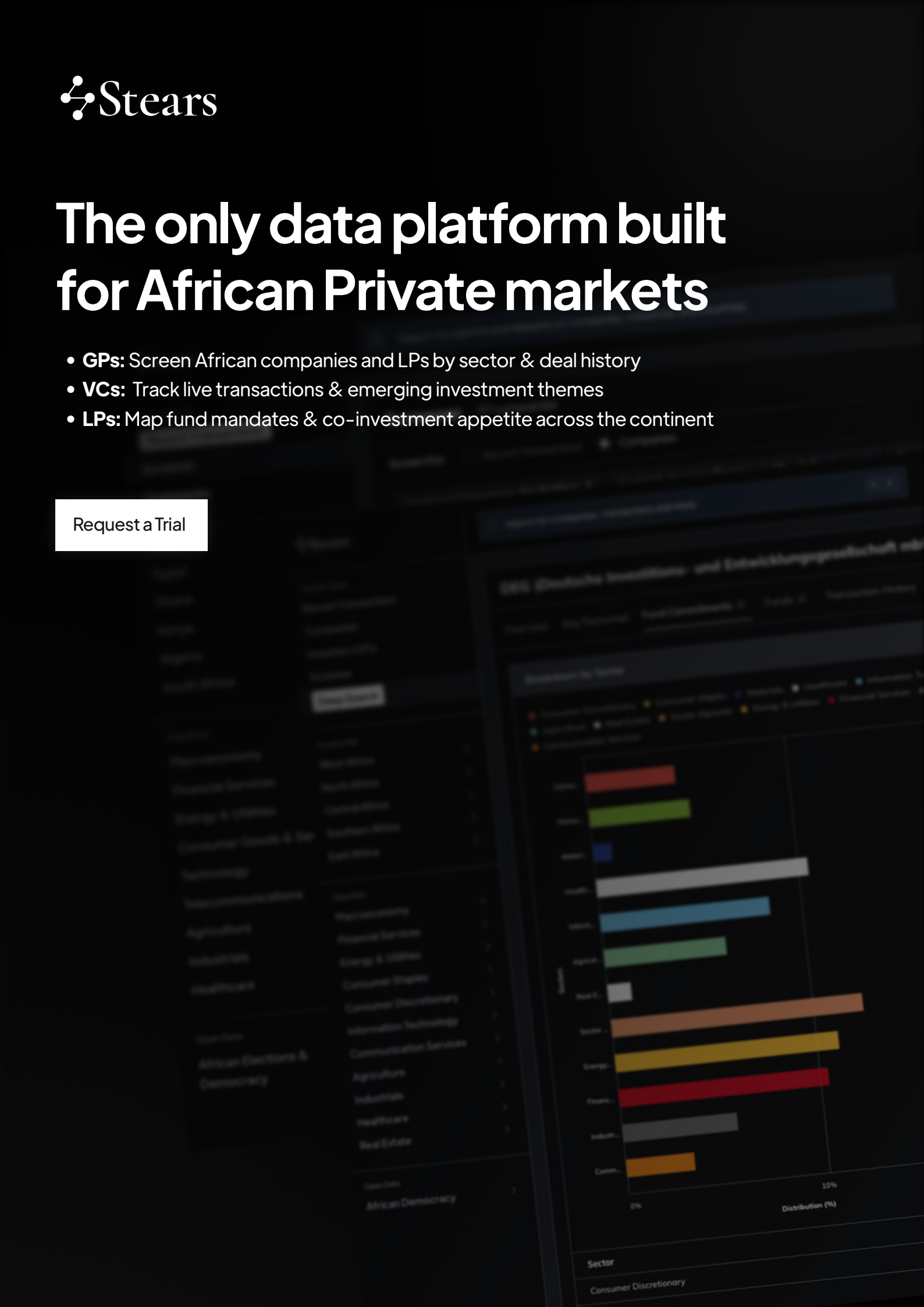

Section 1

Why Liquidity Matters in African Venture Capital

1

Why Liquidity Matters in African Venture Capital

For venture investors in Africa, the question is simple: can capital be reliably returned?

Deploying capital is only part of the investment cycle. Venture capital works when that capital is returned in a way that allows it to be redeployed across funds and over time. This is what underpins distributions, fundraising, and the long-term viability of the asset class.

In this report, when we refer to "exits", we are referring to this process of capital return for investors. An exit occurs when an investor realises liquidity from an investment, either fully or partially, through a sale, secondary transaction, or other route. This is distinct from a company "exiting" in an operational sense. What matters for the ecosystem is whether investors are able to recover and recycle capital. It is this recycling of capital—not the mere existence of successful companies—that sustains future investment activity.

In African venture capital, progress on the first part of that equation is clear. Capital raised has increased, sector exposure is better understood, and the geographic distribution of investment activity is now relatively well mapped. Investors today have far greater visibility into how capital enters the ecosystem.

On the way out, the picture is less developed. Exits are taking place across the continent. Strategic acquisitions have become more visible, secondary transactions are beginning to emerge, and a number of large outcomes have demonstrated that venture-backed companies in Africa can reach liquidity.

However, this does not fully answer the question that matters: how reliable is that liquidity?

A market can produce exits without being consistently liquid. More importantly, an increase in exit activity does not necessarily mean that liquidity is improving. A small number of transactions can drive headline numbers, even when the underlying system remains narrow. That distinction is crucial for investors as it shapes expectations around holding periods, distributions, and the ability to recycle capital across funds and across cycles.

This is where current approaches to measuring exits fall short.

Much of the discussion relies on simple indicators such as exit counts or headline transactions. These are useful starting points, but they do not capture how liquidity is actually formed. Counting exits shows that activity exists, but it does not show how dependent that activity is on specific sectors, routes, or buyers. Crucially, it does not indicate whether liquidity can be sustained when conditions change.

In practice, this creates a gap between observed activity and investor interpretation. Periods of increased exit activity can be taken as evidence of improving liquidity, even when that activity is concentrated. The reverse is also true, as slower periods can be read as structural weakness, even when they simply reflect broader market cycles.

Without a clearer view of the underlying patterns, investors risk drawing the wrong conclusions. They may overestimate how frequently exits can be achieved across a portfolio, or assume that multiple exit routes exist when outcomes are in fact driven by a narrow set of pathways. They may treat emerging segments, such as secondaries, as independent sources of liquidity when they are still closely tied to the same market conditions.

These are real concerns that directly affect how portfolios are constructed, how long capital is expected to remain deployed, and how future funds are raised.

This report addresses that gap by taking a more structured approach to liquidity.

Using a consolidated dataset of venture-backed exits across Africa, it examines how many exits occur, how they occur, and what those exits say about venture liquidity in Africa. The objective is to move beyond headline metrics and build a more complete picture of liquidity in practice.

This leads to a more useful way of thinking about the problem: Liquidity is not only about volume, but also about how that volume is generated.

Two markets can record similar levels of exit activity but have very different liquidity profiles. One may have multiple exit routes, a broad buyer base, and consistent inflows of new capital. Another may rely on a narrow set of transactions, concentrated in a few sectors, with limited buyer diversity. The first is more likely to sustain liquidity over time. The second is more exposed to shifts in market conditions.

Understanding this distinction matters for investors. It helps clarify how dependent exit outcomes are on specific routes, such as trade sales. It provides a better basis for assessing how repeatable those outcomes are likely to be across vintages. And it informs expectations around exit timing, portfolio construction, and the role of secondary transactions within a fund.

To capture in a systematic way, the report applies the Stears–Ventures Platform Liquidity Index (SVL Index), a proprietary composite gauge of private market liquidity. The SVL Index separates liquidity into two components: volume (how frequently exits occur) and quality (how these exits occur). It analyses information on exit routes, the composition of buyers, and the extent to which transactions introduce fresh capital into the ecosystem.

Looking at both dimensions together provides a clearer basis for interpreting liquidity. Not just whether exits are happening, but whether they are happening in a way that supports consistent capital return.

The analysis that follows points to a specific conclusion: African venture capital does not lack exits. It lacks a broad and resilient liquidity structure.

This reflects both the stage of development of the ecosystem and its underlying structure. African venture capital is just now transitioning from a period of capital accumulation to one of more consistent liquidity formation. At the same time, exit outcomes remain constrained by structural factors, including the depth of buyer markets, the availability of exit routes, and broader economic conditions.

Exit activity is concentrated in a relatively small number of sectors and geographies. Trade sales account for the majority of transactions, while alternative routes such as secondaries and public listings remain limited in scale. The buyer base is active but relatively narrow, with a small number of participants accounting for a large share of exits. Where new routes are emerging, they tend to develop alongside existing ones rather than providing independent sources of liquidity.

This has practical implications. A narrow set of routes and buyers makes liquidity more sensitive to changes in specific parts of the ecosystem. Activity can increase during favourable periods, but it can also contract quickly when conditions shift. As a result, liquidity exists, but it is not yet broadly distributed or consistently repeatable.

At the same time, there are early signs of evolution. Secondary transactions are becoming more visible, and in some sectors, larger companies are beginning to act as acquirers. These developments suggest a gradual expansion of available exit pathways, even if that expansion remains incomplete.

For investors, the implication is not simply descriptive. It is operational. Understanding how liquidity is structured affects how portfolios are built, how exits are planned, and how capital is allocated across funds. It also shapes how investors interpret periods of strong or weak exit activity, and how they position themselves across market cycles.

This report therefore has two objectives.

The first is to provide a structured assessment of venture liquidity in Africa, grounded in data and a consistent measurement framework. The second is to examine what these patterns mean in practice, and how investors can respond to them.

In the later sections, the analysis moves from measurement to application. It considers how fund-level strategies can adapt to current liquidity conditions, including portfolio construction and exit planning. It also examines the ecosystem-level factors that influence liquidity outcomes, and the levers that can help deepen and diversify exit pathways over time.

The aim is not only to describe how liquidity works today, but to provide a clearer basis for how it can be interpreted, navigated, and improved over time.

The Stears-Ventures Platform Liquidity Index

The Stears–Ventures Platform Liquidity Index (SVL Index) is designed to answer a simple but critical question: how liquid is the African venture ecosystem?

In venture capital, liquidity refers to the ability of investors to exit their investments and recycle capital back into new opportunities. While fundraising data tells us how much capital is entering the ecosystem, it does not tell us whether that capital is being returned. The SVL Index addresses this gap by focusing directly on exit activity.

Rather than relying on a single metric such as exit counts, the index combines multiple indicators to provide a more complete picture of liquidity. It captures both the pace of exits and the nature of those exits, recognising that not all exits contribute equally to ecosystem health.

At a high level, the SVL Index is built from two components:

- Liquidity Volume, which measures how much exit activity is taking place
- Liquidity Quality, which assesses how strong and sustainable that activity is

This breakdown is important. A period with many exits does not necessarily indicate strong liquidity if those exits do not bring in new capital or expand the pool of buyers. Conversely, a smaller number of high-quality exits may signal deeper structural strength.

Liquidity Volume Index

The Liquidity Volume Index measures the intensity of exit activity within the ecosystem.

It is based on exit volume, adjusted to ensure that increases in activity are meaningful without being dominated by outliers. Importantly, the index incorporates a fresh liquidity adjustment, which increases the score when a higher share of exits introduces new capital into the ecosystem.

At a high level:

LVI_t = adjusted exit volume × (1 + fresh liquidity adjustment)

where the adjustment reflects the share of exits accounted for by trade sales and IPOs.

This approach means that periods with identical exit counts can produce different volume scores depending on the economic impact of those exits.

Liquidity Quality Index

The Liquidity Quality Index evaluates the composition of exit activity to assess its sustainability and structural depth.

It focuses on three key dimensions:

- International buyer participation (IBS), which signals external demand and global confidence in the ecosystem
- Fresh Liquidity Intensity FLI), which captures the extent to which exits generate fresh capital
- Diversity of exit routes (Diversity), which reflects the range of pathways available for investors to realise returns

At a high level:

$LQI_t = 0.60 \times IBS_t + 0.20 \times FLI_t + 0.20 \times Diversity_t$

Together, these indicators provide a view of whether liquidity is broad-based and resilient, or narrow and dependent on a limited set of conditions.

SVL Intepretation and Scaling

The SVL Index combines these two elements into a single score:

- Liquidity Volume (80%)
- Liquidity Quality (20%)

This weighting reflects the idea that exit activity is the primary driver of liquidity, while still recognising that the nature of that activity matters.

The SVL Index is anchored to a reference period (2020–2023), which serves as a baseline for comparison.

- A score above 100 indicates stronger liquidity conditions than the baseline
- A score below 100 indicates weaker conditions

Since the index separates volume and quality, it allows for more precise interpretation of liquidity dynamics:

- High LVI with low LQI indicates active but lower-quality liquidity
- Low LVI with high LQI indicates limited but high-quality exits
- Sustained increases in both suggest structural improvement

This, the SVL Index goes further than tracking exit activity. It helps interpret what that activity means—whether it reflects deeper, more durable liquidity or simply short-term movement—and in doing so, offers a clearer view of how the ecosystem itself is developing over time.

Data & Methodology

The analysis in this report is based on a dataset of 181 verified VC-backed exits in Africa between 2011 and 2026. The dataset is drawn from a broader database of private capital transactions, with this report focusing specifically on the subset of exits where venture capital investors realised liquidity.

An exit is defined as a liquidity event for a VC investor, whether through a full or partial realisation of its stake. This includes trade sales, secondary transactions, and IPOs. Each observation in the dataset represents a confirmed exit event, not a company-level outcome.

An exit is considered "verified" where three conditions are met: (i) the transaction occurred in a VC-backed company and involved at least one investor realising liquidity; (ii) the timing of the transaction is known; and (iii) the event is confirmed by at least two sources. The requirement for a confirmed transaction date is particularly important, as much of the analysis is time-based, including the construction of the SVL Index.

The dataset was created using a combination of sources. The primary secondary source is the Stears Transactions Database, which aggregates and verifies private capital transactions across multiple channels. This is complemented by direct submissions from participating venture capital firms, collected through structured reporting and supported by a survey distributed to participating investors. These submissions are anonymised and integrated into the dataset where they meet the verification criteria.

The dataset is pan-African and sector-agnostic, capturing exit activity across regions and industries. While the dataset includes transactions with incomplete information, such as undisclosed deal values or unknown buyer identities, these observations are retained where the core verification criteria are met. Missing fields may limit certain forms of analysis, but do not affect inclusion in the overall dataset.

As with most private market datasets, coverage is shaped by the availability of disclosed information, particularly at earlier stages and for certain transaction types such as secondaries. Despite these constraints, the dataset provides a robust and systematically verified view of VC-backed exit activity across the continent. It captures the broad patterns and structural dynamics of liquidity in African VC, and serves as a strong foundation for analysing how exit markets are evolving.

Improving data transparency remains an important priority for the ecosystem. As this report shows, deeper visibility into exit activity is critical for understanding liquidity dynamics, benchmarking performance, and supporting more efficient capital allocation. The **SVL Index** is designed as a recurring measure of liquidity, with quarterly updates and annual reporting. Continued participation from investors and market participants will be key to strengthening the dataset over time and improving the accuracy and usefulness of these insights.

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Section 2

Analysing Exit Trends in Africa

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Analysing Exit Trends in Africa

There are 181 verified VC-backed exits in the dataset, spanning 2011 to 2026.

On its own, this number is difficult to interpret. African VC remains a relatively young market, and meaningful benchmarks are limited, often requiring comparison with more mature ecosystems. To better understand what this exit ratio represents in practice, it is more useful to examine the underlying patterns of exits and the broader shape of liquidity within the ecosystem.

But one way to interpret this is not as a measure of performance, but as a signal of ecosystem maturity. In more developed markets, exit ratios are supported by deep buyer pools, multiple exit routes, and strong capital recycling dynamics. In Africa, a lower or uncertain exit ratio is less a reflection of company quality and more an indication that these supporting mechanisms are still developing.

Notes on data disclosure...

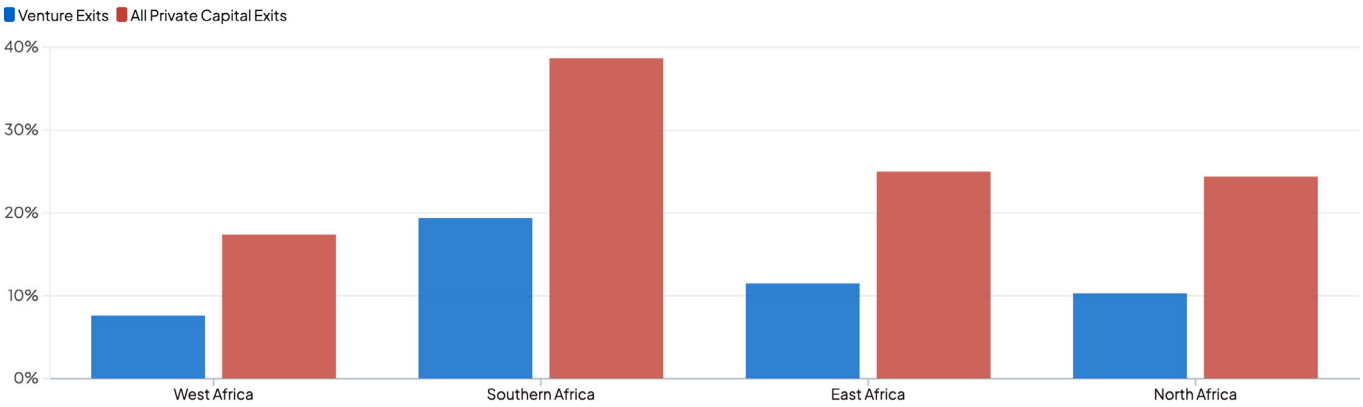
One important consideration is the disclosure rate. Only 12% of tracked VC exits have a disclosed value, which limits visibility into realised outcomes. This is significantly lower than disclosure rates across the broader African private market, where 28% of exits (VC and non-VC) have reported values. It is also below estimated disclosure levels in other regions; for example, roughly 20% of tech M&A deals in Latin America disclose transaction values, providing a useful point of comparison.

This points to a higher degree of opacity in African VC, particularly at earlier stages. The issue is compounded by the likelihood that VC exits themselves are underreported, meaning there are effectively two layers of limited visibility: some exits are not captured at all, and among those that are recorded, only a small share have disclosed values. This makes it more difficult to assess realised returns and benchmark exit outcomes with confidence.

There is, however, some variation across regions. South Africa shows a materially higher disclosure rate, while West Africa appears to be the lowest. This could reflect differences in market maturity or regulatory environments. However, given the composition of exits in South Africa—particularly the prevalence of trade sales involving more sophisticated buyers—it is more likely that these differences are driven by buyer behaviour, with certain types of acquirers more inclined to disclose transaction details than others.

Southern Africa has much higher disclosure rates than other regions

Transaction value disclosure rates across regions



Source: Stears-VP Liquidity Index

All of this matters because transparency plays a central role in how liquidity evolves over time. Where exit values are not disclosed, it becomes difficult to assess realised returns, benchmark outcomes across sectors, or establish clear pricing expectations. This uncertainty is further compounded by the nature of many private exits, which are often partial or structured over time, making it harder to determine how much capital has actually been returned. Over time, this weakens price discovery, increases information asymmetry in negotiations, and can dampen investor confidence, as there are fewer clear, verifiable success cases. In practice, this means that opacity does not just limit visibility into past exits; it can also constrain future liquidity by making it harder for buyers and sellers to agree on price and for capital to recycle efficiently through the ecosystem.

An Overview of VC-backed Exits in Africa

Summary of venture exits in Africa

Share of African venture exits in each category

Category	Share of Exits
Regions	
West Africa	48%
East Africa	29%
North Africa	26%
Southern Africa	25%
Central Africa	6%
Buyer locations	
African	46%
International	38%
Exit routes	
Trade Sale	73%
Secondaries	17%
Others	4%
Sectors	
Financial Services	30%
Information Technology	19%
Consumer Discretionary	13%
Industrials	10%
Communication Services	6%
Healthcare	3%
Energy & Utilities	1%

Source: Stears-VP Liquidity Index
Note: Shares reflect total exits and include unclassified transactions. Results may understate categories with lower disclosure. Some exits fall into multiple categories (e.g. sector or region), so category totals may exceed 100%.

Important note on data coverage in analysis...

Data coverage varies across key characteristics such as sector, exit route, and buyer type. Where classification is incomplete, percentages are calculated using the total number of recorded exits rather than only disclosed data. This approach ensures that results reflect the full dataset and avoids overstating patterns based on a more visible subset of transactions, which are often skewed towards larger or better-documented deals. This reinforces the constraint highlighted earlier that limited disclosure constrains how clearly exit outcomes can be assessed in African VC, emphasising the importance of more consistent and comprehensive data.

The table at the start of this section provides a high-level summary of Africa's exit market. It is worth noting that this is a relatively long-term sample, spanning multiple economic and funding cycles. As such, the figures reflect both short-term fluctuations and the underlying structural patterns in how liquidity forms within African VC.

There are a number of immediate takeaways:

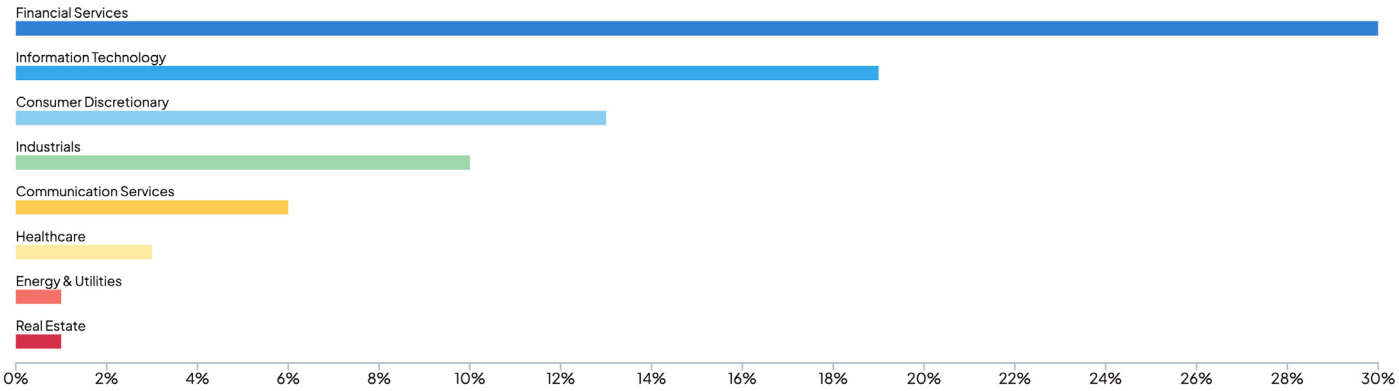
- Exits are more prominent in specific regions and sectors (e.g. West Africa and Financial Services), precisely the places one would expect given underlying investment activity. This suggests that exit outcomes are still closely tied to where capital has historically been deployed, rather than representing an independent layer of ecosystem maturity.
- Trade sales dominate, primarily due to the absence of alternative routes. The public market route is effectively closed, while secondaries are only just emerging. This limits flexibility and locks African VCs into a relatively narrow path to liquidity, which is not well suited to a growing market.
- Exit routes are beginning to diversify, with secondaries becoming more prominent. This is a positive development, as a broader set of pathways increases the likelihood of exits under different conditions. However, this diversification is still early and the routes do not yet operate independently. Instead, they appear to be driven by the same underlying market conditions, suggesting that liquidity remains vulnerable to cyclical and broader market shifts.
- African entities provide most of the liquidity in the VC ecosystem, with buyer types slightly tilted towards domestic participants. On its own, this is encouraging, as local capital can be more patient and better aligned with market realities. However, further analysis suggests that this structure may also reflect limitations in the depth and breadth of the overall buyer base.

Sectoral exit analysis

A key observation from the data is that exit patterns broadly follow investment patterns, and in many cases appear to reinforce them over time. Financial Services is the most liquid sector, accounting for 30% of all tracked exits. This closely mirrors investment behaviour in African VC and the private market more broadly. For example, fintech accounted for roughly 37% of startup funding (by value) in 2025 startup, while Stears analysis shows that the Financial Services sector represented 26% of all African private capital transaction volumes in 2025.

Financial Services dominates exit activity in African venture capital

Share of African venture exits by sector



Source: Stears-VP Liquidity Index
Note: Percentages are based on total recorded exits. Not all exits have complete classification. Some exits fall into multiple categories (e.g. sector or region), so category totals may exceed 100%.

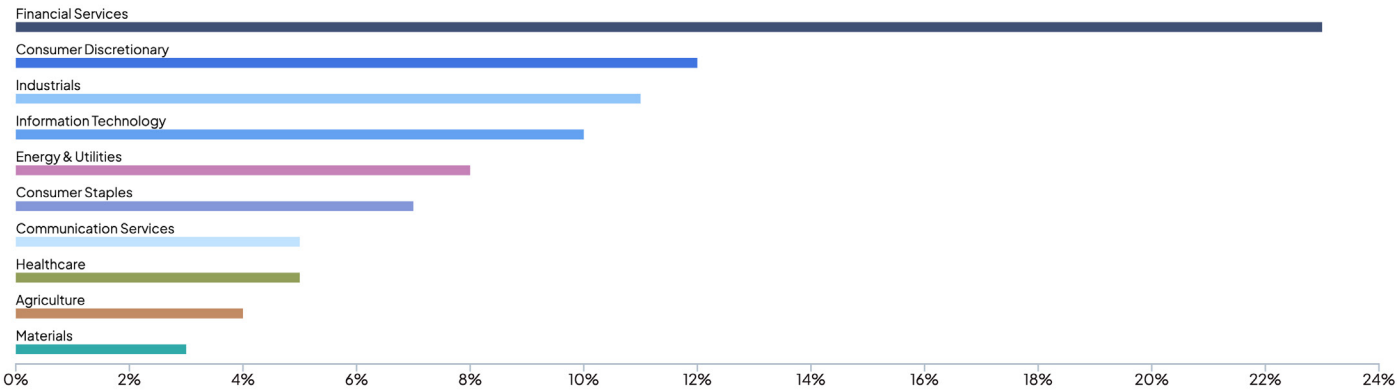
Even though the dominance of Financial Services is expected, the magnitude is striking. The sector's share of exits is almost as large as the next two sectors combined, meaning that disclosed exits are heavily concentrated in Financial Services even after accounting for underlying investment volumes. This concentration can be particularly pronounced in certain years; in 2023, for instance, there were more Financial Services exits alone than all other sectors combined.

This level of concentration suggests that other sectors may be underperforming relative to their investment baseline. One immediate example is the Energy & Utilities sector. While not always treated as part of the core venture ecosystem, particularly in its more infrastructure-heavy segments, it has been a significant recipient of capital across African venture and adjacent private markets, driven both by its systemic importance and the scale of the continent's electricity deficit. Stears analysis shows that Energy & Utilities was the fourth most active sector for private investments in 2025. However, when it comes to exits, it remains relatively quiet.

As noted earlier, it is not sufficient to draw conclusions based purely on exit volumes. A more relevant question is whether this reflects a structural mismatch between how the sector scales and the timelines within which venture capital seeks to realise returns. This is particularly important given that the sector also appears more liquid at later stages. Recent private equity exits in Africa's Energy & Utilities sector include United Energy Group's $150 million acquisition of Apex International Energy, an independent oil and gas E&P firm in Egypt, which facilitated an exit for London-based Blue Water Energy. Another example is Helios Investment Partners' exit from Axxela, a West African natural gas company, through a sale to BlueCore Gas InfraCo. The prevalence of later-stage exits suggests that the challenge may not simply be one of timing, but may reflect deeper constraints in how energy businesses scale and reach exit readiness within the current market structure.

Africa's broader private capital space has more sector diversity in exits

Share of all African private capital exits by sector



Source: Stears-VP Liquidity Index
Note: Percentages are based on total recorded exits. Not all exits have complete classification.

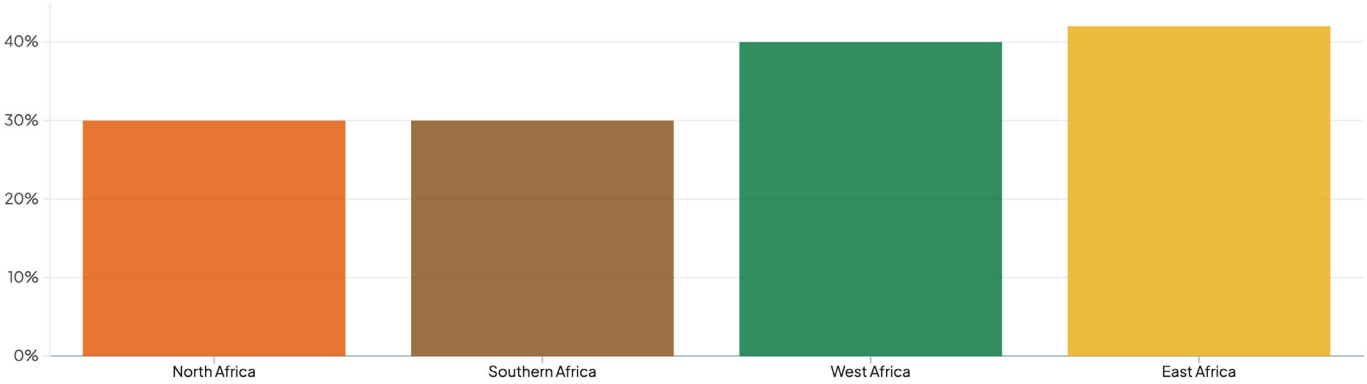
This pattern suggests that the liquidity constraint in the Energy & Utilities sector is likely concentrated at the early stage, rather than reflecting a fundamental lack of exit potential. The weak exit performance at the VC stage does not necessarily mean that energy businesses are not viable or do not eventually exit. Instead, it points to a mismatch between how these businesses scale and the timelines within which venture capital typically seeks to realise returns. Many energy companies—particularly in the African context—are capital-intensive, operationally complex, and take longer to reach the scale and stability required to become attractive acquisition targets. By the time they do reach that stage, they often resemble more mature, infrastructure-like assets, which are better suited to private equity rather than venture-backed exits. In this sense, the issue is less that energy does not exit, and more that it exits later than the VC model is designed for, creating a bottleneck at the early-stage exit layer.

This also points to a broader question for African VC. While the Energy & Utilities sector is often viewed as adjacent to the core venture ecosystem, similar timing dynamics are likely to appear in other capital-intensive or operationally complex sectors, where companies take longer to reach exit readiness than the venture model is typically designed to accommodate.

Looking across regions, Financial Services remains the dominant sector in all cases, suggesting that its liquidity is not simply a function of regional dynamics but reflects a more structural characteristic of the sector on the continent. Within this, West Africa and East Africa stand out as the most fintech-dominated regions, as seen in the chart below.

East and West Africa are more reliant on Fintech for VC exits

Financial Services (Fintech) as a share of VC exits in each region



Source: Stears-VP Liquidity Index
Note: Percentages are based on total recorded exits. Not all exits have complete classification.

This aligns with broader market experience. Some of the most prominent VC-backed exits in Africa have been in West African fintech, including Stripe's $200 million acquisition of Paystack in 2020. More recently, Moniepoint's Series C fundraise also provided liquidity to a number of its early investors, reinforcing the central role that fintech continues to play in driving exit activity in the region.

Notable West African Fintech Venture Exits

Year	Target	Sellers	Buyers	Exit Route
2026	Mono Technologies	Tiger Global Management, Target Global, General Catalyst, SBI Investment, Entree Capital, Ventures Platform, Lateral Frontiers Ventures, Golden Palm Investments, Ingressive Capital, RallyCap Ventures, Y Combinator, Acuity Ventures, TCVP	Flutterwave	Trade Sale
2025	Moniepoint	Oui Capital, Ventures Platform, Novastar, BII, FMO, The Continent Venture Partners, Voltron Capital and others	LeapFrog Investments, Visa, Google, Development Partners International, Swedfund	Secondary
2024	Traction Apps	P1 Ventures, Ventures Platform	OmniRetail	Trade Sale
2023	Nomba	Confidential	Base10 Partners, Shopify, Partech, Khosla Ventures, TLG Capital, Helios Digital Ventures	Secondary
2020	Paystack	Visa, Tencent, Y Combinator, Ingressive Capital, Ventures Platform, Blue Rinc Capital, Pave Investments and Others	Stripe	Trade Sale

Source: Stears-VP Liquidity Index

But the data reveals an even more important trend: growing fintech consolidation. In the last two to three years, there has been a noticeable increase in consolidation activity within the sector, with larger fintech companies increasingly pursuing inorganic growth strategies through acquisitions. This pattern appears most pronounced in West Africa, where more mature fintech players are beginning to acquire smaller startups, both to expand their product offerings and to strengthen their market position, as illustrated in the table above.

This is critical because it points to a gradual expansion of the buyer universe in West Africa, which is one of the primary conditions for structurally improving liquidity in African VC. As larger startups begin to acquire smaller ones, they become credible buyers of early-stage assets, reducing reliance on a narrow pool of external acquirers. This marks an important shift, as startups themselves are increasingly becoming part of the exit ecosystem rather than only participants in capital formation.

More broadly, this suggests that West Africa is one of the few regions where ecosystem maturity has begun to generate internal strategic acquisition capacity. In practical terms, this reflects a transition from a purely startup formation ecosystem to one that is beginning to support capital recycling, where value created at one stage can be redeployed within the system through acquisitions. This is one of

the clearest examples of endogenous liquidity emerging within the African VC landscape.

This is a meaningful shift. It suggests that parts of the ecosystem are beginning to generate their own liquidity internally, rather than relying entirely on external capital. Over time, this kind of endogenous liquidity is what underpins more resilient venture markets, as it allows capital to recycle within the system rather than depending on a narrow set of external exit opportunities.

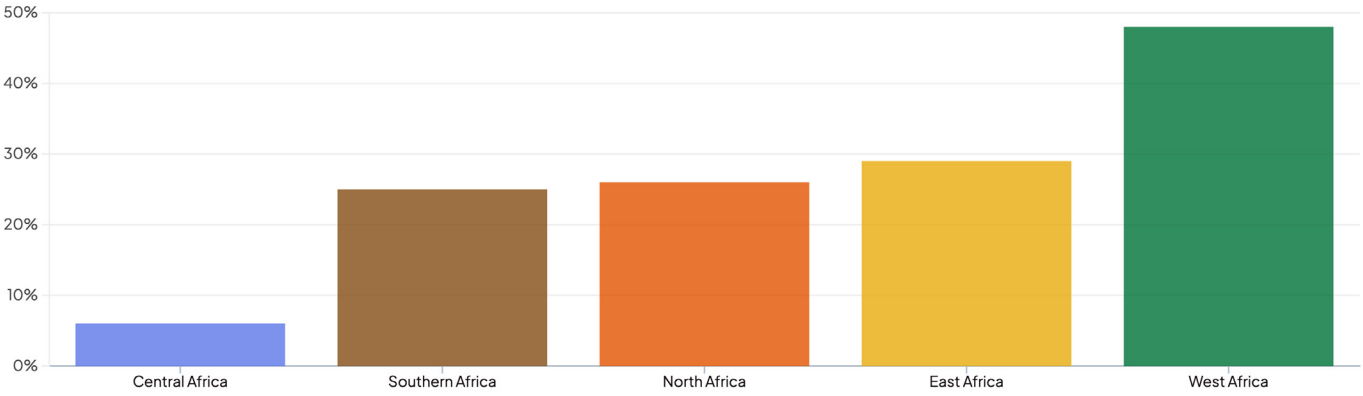
That said, this dynamic is still early-stage and relatively concentrated. So, while the direction of travel is encouraging, the extent to which this internal buyer base can support liquidity across a wider set of sectors remains an open question.

Regional exit analysis

The previous section highlighted a feature of African VC liquidity: concentration. That concentration is equally visible in the regional analysis.

West Africa has the greatest share of venture exits in Africa

Share of African venture exits by sector



Source: Stears-VP Liquidity Index
Note: Percentages are based on total recorded exits. Not all exits have complete classification.

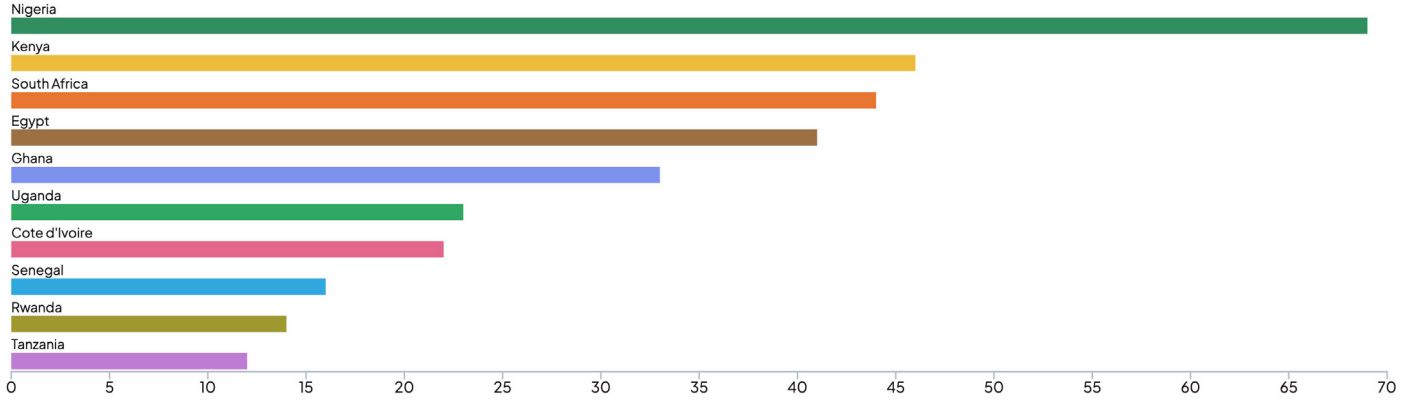
West Africa contributes the greatest share of exits. As with sectoral patterns, this partly reflects underlying investment trends, as the region tends to be the largest recipient of private capital (VC and PE), at least in terms of volume if not always value. Part of this is driven by breadth. In addition to Nigeria, which remains an investment powerhouse, the region also includes Ghana and Francophone West Africa, particularly Côte d'Ivoire, which stands out within that sub-region. By comparison, other regions tend to rely more heavily on a single country, or at most two, to drive both investment and exit activity.

Other regions present a different picture. VC-backed exits remain scarce in Central Africa, which underscores how early the region is in the investment cycle. Lower levels of startup formation, more limited access to venture capital, and a smaller pool of scaled companies all contribute to this outcome. In addition, structural factors, from smaller domestic markets and lower investor visibility to weaker integration into regional or global capital flows, can make it harder for companies to reach the scale required for viable exits.

In contrast, North Africa performs relatively well, although this is largely driven by Egypt, which ranks fourth by verified exit count. Morocco is much quieter by comparison. This stands in contrast to private equity, where Morocco is more comparable to Egypt, supported in part by improvements in the Casablanca Stock Exchange that have enabled a number of PE-backed listings in recent years. However, these developments have not yet translated into a similarly active early-stage exit environment.

Nigeria leads venture exit activity in Africa

Number of African venture exits by country



Source: Stears-VP Liquidity Index

The geographic concentration of exits is most clearly seen at the country level. Across the full dataset, Nigeria, South Africa, Egypt, and Kenya account for 81% of disclosed exits, meaning that four in five VC-backed exits occur in just these four markets. In the early years of African VC, these countries were often described as "gateways" to their respective regions. More recently, they appear to have also become the most reliable routes for the return of capital. This concentration closely mirrors investment activity: these same four countries account for roughly 75% of startup funding on the continent, suggesting that exit outcomes are largely following where capital has been deployed rather than expanding beyond it.

Lastly, it is important to consider not just the volume of exits, but also their quality across regions. Using the volume and quality components of the SVL index, it is possible to assess both how liquid each region is and the nature of that liquidity. This provides a more complete picture, allowing for a distinction between regions that generate higher volumes of exits and those where exit pathways are more diverse, sustainable, and supported by a broader set of buyers.

Immediately, it is clear that there is a positive relationship between exit volume and exit quality across regions. For example, West Africa not only records the highest level of exit activity but also scores strongly on measures of liquidity quality. Likewise, Central Africa has the fewest exits and scores lowest on measures of liquidity quality. This suggests that more active markets are also better able to support a broader and more sustainable set of exit pathways. Breaking down the underlying components of the SVL index that capture quality, such as the share of international buyers and the diversity of exit routes, provides further insight into what is driving these differences across regions.

Measuring Liquidity Quality across African regions

Regions	No. of exits	Fresh Liquidity Intensity	Diversity Score	Unadjusted LQI
West Africa	86	49.33	85.80	87.03
East Africa	53	51.49	64.32	83.16
North Africa	47	58.70	55.17	82.77
Southern Africa	46	69.47	32.81	80.46
Central Africa	10	44.44	53.07	79.50

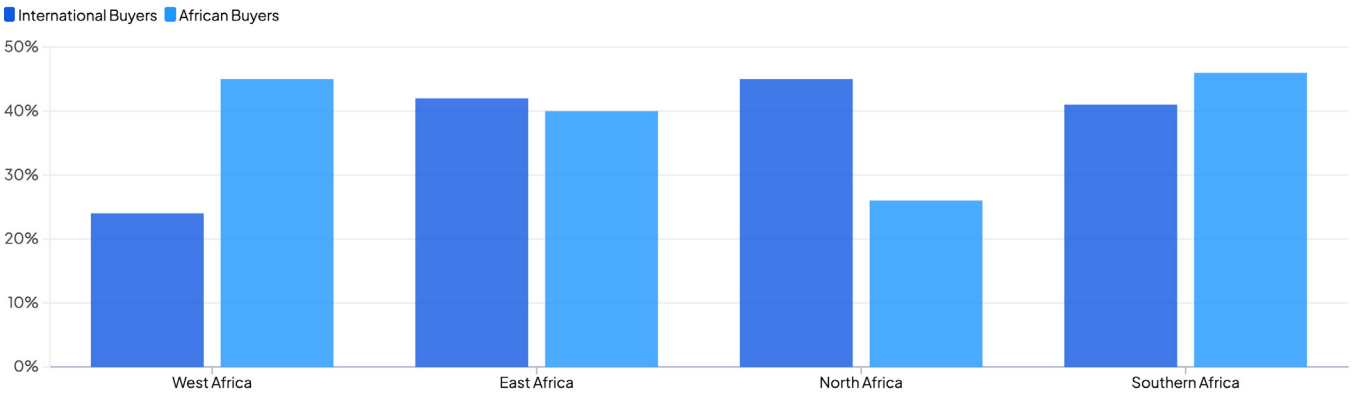
Source: Stears-VP Liquidity Index
Fresh Liquidity Intensity measures the proportion of liquidity generated by external capital. The Diversity Score measures the breadth and depth of exit routes.

West Africa has a higher LQI score, primarily supported by a more diverse mix of exit routes, as reflected in its stronger diversity score. This is important because the presence of multiple exit pathways is a key marker of a more liquid venture market, as it increases the likelihood that investors can realise returns under different conditions rather than relying on a single dominant route. Moreover, given that West Africa also records the highest volume of exits, the data suggests that the expansion of exit activity in the region may be partly linked to the expansion of available routes.

Meanwhile, North Africa ranks highly for liquidity quality primarily due to stronger participation from international buyers. The presence of international acquirers is significant as it signals external validation of local companies and connects the ecosystem to deeper pools of capital, which can support more consistent and scalable exit activity over the medium to long term. North Africa is the region where international buyers dominate the buyer pool.

African entities are more prominent buyers; North Africa is an exception

Share of disclosed exits by buyer geography in each region



Source: Stears-VP Liquidity Index
Note: Percentages are based on total recorded exits. Not all exits have complete classification.

Regional integration likely plays an important role in shaping exit outcomes in North Africa. Stronger links with the broader MENA and GCC regions could support higher participation from international buyers, as these markets are more familiar, accessible, and aligned in terms of capital flows and business environments. However, this dynamic is not limited to exits alone. North Africa also sees a meaningful share of MENA and GCC investors at the funding stage, suggesting that both investment and exit patterns are part of a more integrated and "legible" economic system. In this sense, stronger international buyer participation reflects not just more connected exit markets, but a broader alignment across the full investment lifecycle.

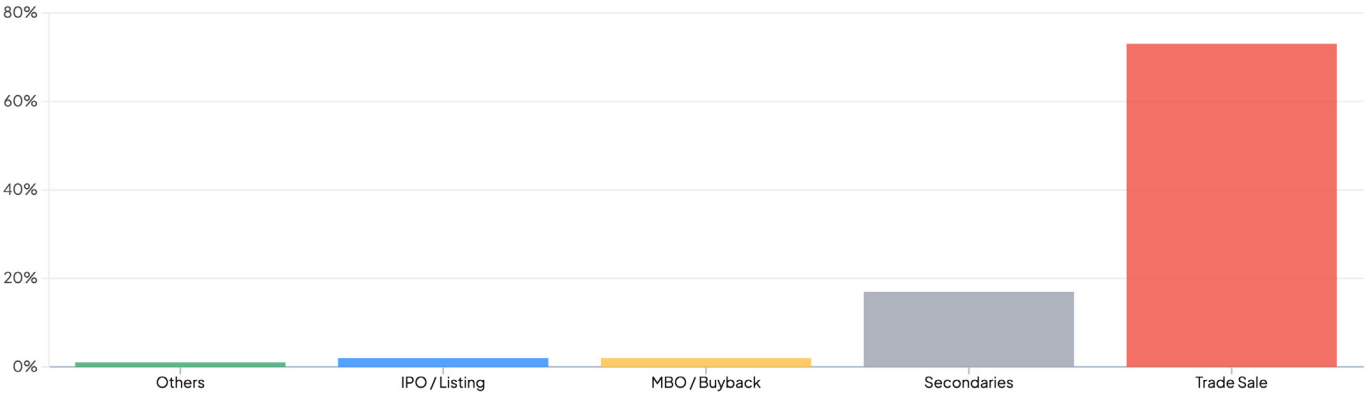
Lastly, Southern Africa shows the heaviest reliance on trade sales, with 89% of VC-backed exits in the region occurring through this route. While South Africa performs comparably to East Africa in terms of exit volume, this concentration points to a more fragile liquidity structure. Trade sales are the dominant exit pathway across all regions, but in West and North Africa, overall exit activity is supported by a broader mix of routes. In Southern Africa, by contrast, the ecosystem remains heavily dependent on a single pathway to realise exits, with limited contribution from alternative liquidity channels.

Exit route analysis

Understanding how VC exits occur is arguably the most important angle. So far, it has been clear that exit patterns are partly anchored to underlying investment trends: the regions and sectors with more investment activity also tend to generate the most exits. Exit routes, however, are different. Unlike geography or sector, they are not determined at the point of investment but emerge at the point of exit. This makes them less anchored to entry conditions and a more direct reflection of the ecosystem's ability to convert value into realised returns. As a result, route patterns provide one of the clearest windows into the underlying strength and flexibility of liquidity in African VC, revealing not just where capital is deployed, but how effectively it can be returned.

Trade sales remain the dominant exit route in African venture capital

Breakdown of African venture exits by exit route



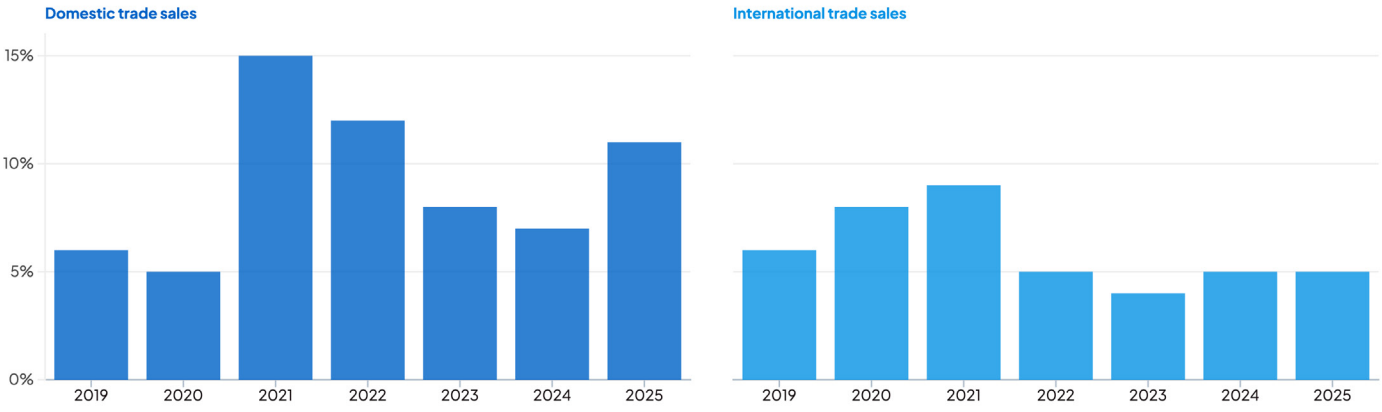
Source: Stears-VP Liquidity Index
Note: Percentages are based on total recorded exits. Not all exits have complete classification.

Unsurprisingly, trade sales are the dominant exit route by a wide margin. A VC-backed company in Africa is over four times more likely to exit via a trade sale than through the next most common route, secondary sales. Part of this gap may be explained by disclosure, as secondaries are often more private and may be underreported. However, disclosure alone cannot account for the scale of the difference. The data reinforces a broader point: exit pathways remain limited, and this has direct implications for liquidity. A narrow set of routes makes the system more sensitive to changes in market conditions, increasing both volatility and fragility.

This raises an important question: if trade sales are the primary route to exit, how diverse is the pool of strategic acquirers supporting them?

Domestic trade sales are recovering; international trade sales have not

Number of trade sales per year (split by buyer geography)



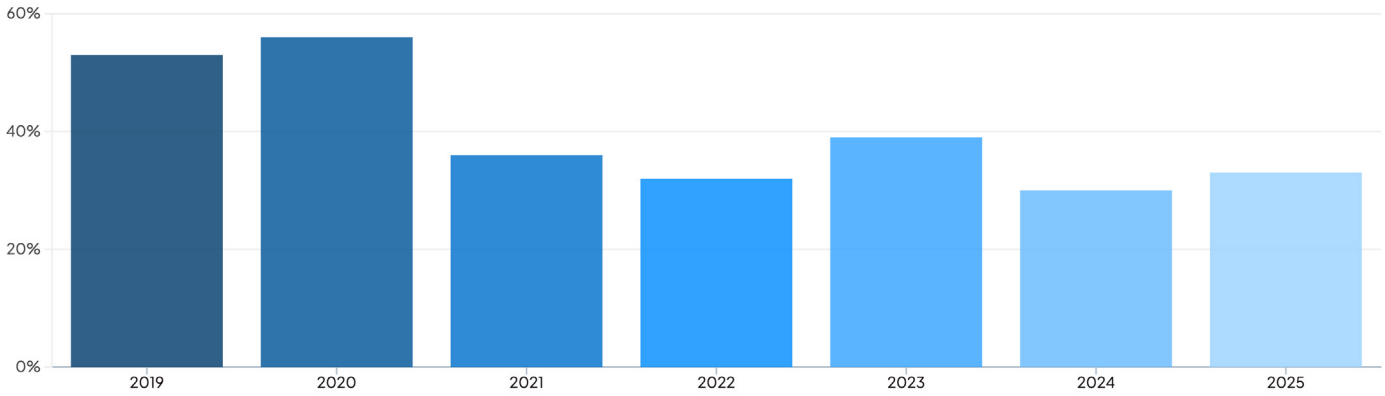
Source: Stears-VP Liquidity Index

The key takeaway here is that international and domestic trade sales are moving in opposite directions. While domestic strategic buyers are becoming more prominent sources of VC liquidity, this appears to be occurring alongside a decline in participation from international acquirers. As a result, the shift is less about an expansion of the buyer base and more about a rebalancing within it, with domestic buyers increasingly filling the space left by international ones.

This has important implications for liquidity. Even though trade sales remain the dominant route, the underlying buyer pool is becoming less diverse. A narrower set of acquirers makes the exit environment more sensitive to shifts in buyer appetite and reduces the range of potential outcomes available to founders and investors. This pattern is consistent with a broader trend of buyer-side concentration. The chart below illustrates a structural break in 2021, where a cohort of international buyers appears to have exited the ecosystem and has yet to return.

The share of international buyers has declined post-COVID

Share of International Buyers in each year



Source: Stears-VP Liquidity Index
Note: Percentages are based on total recorded exits. Not all exits have complete classification.

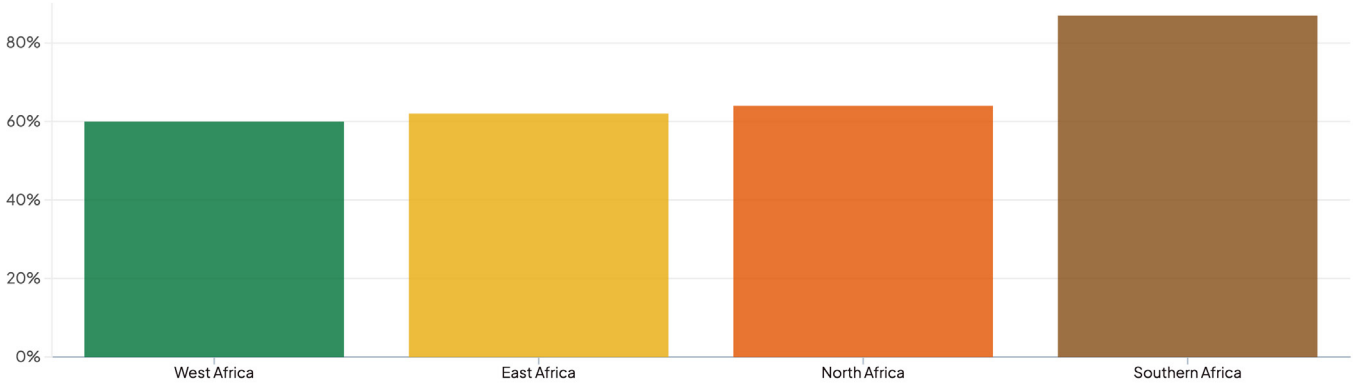
This concentration also has second-order effects. A less diverse buyer base can weaken competitive tension in exit processes, potentially affecting pricing outcomes and reducing the likelihood of premium exits. Over time, this can feed back into investor expectations and capital allocation decisions, reinforcing the underlying constraints in the liquidity environment.

Looking across regions, as highlighted earlier, trade sales are particularly dominant in South Africa, with very few secondaries. Meanwhile, West Africa has a more balanced exit mix, with trade sales accounting for only 60% of all disclosed exits.

One reason South Africa may exhibit a higher reliance on trade sales is the relative maturity and structure of its corporate sector. The country has a deeper base of established companies, including listed firms and large corporates, which are more likely to act as strategic acquirers. This creates a more natural pathway for trade sale exits, particularly for companies that have reached a level of scale and operational maturity. However, this also means that the ecosystem may rely more heavily on these traditional acquisition routes, with fewer alternative pathways emerging alongside them.

Trade Sales are particularly dominant in Southern Africa VC

Trade Sale share of venture exits in each region



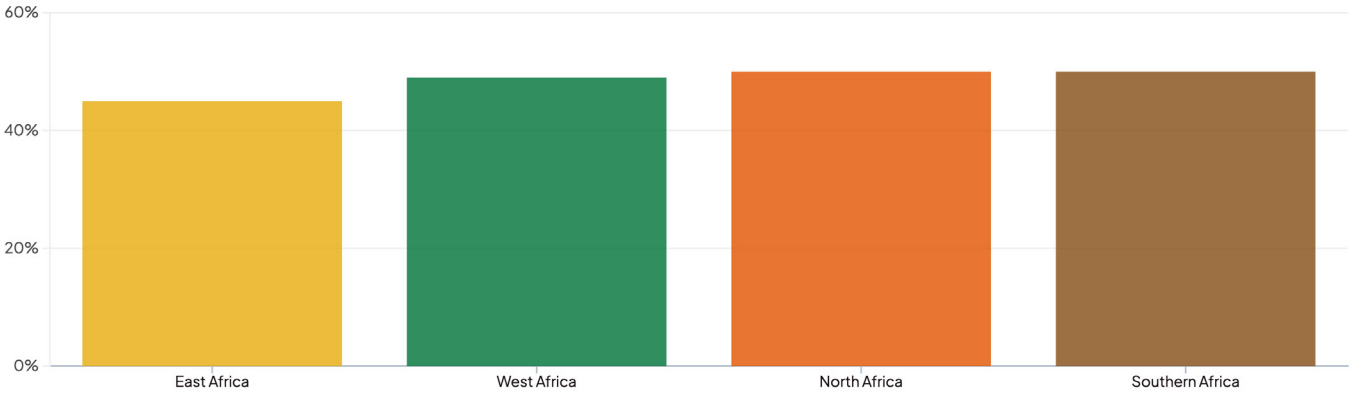
Source: Stears-VP Liquidity Index
Note: Percentages are based on total recorded exits. Not all exits have complete classification. Central Africa has been excluded due to a small sample size.

Interestingly, this pattern does not hold at the broader private capital level. When PE and other non-VC deals are included, the share of trade sales is much more similar across regions. This divergence suggests that the heavier reliance on trade sales in South Africa is more specific to the VC segment rather than a feature of the overall exit environment.

One reason for this may be the difference in asset maturity and buyer profiles between VC and PE. PE-backed companies are typically larger, more established, and closer to exit readiness, which allows for a wider range of exit routes, including secondary buyouts and public listings. In contrast, VC-backed companies in South Africa may be reaching scale in a way that aligns more naturally with strategic acquisition by corporates, while the pool of alternative buyers—such as secondary investors or growth-stage funds—remains relatively limited. This implies that, within the VC segment, liquidity is still more narrowly structured and dependent on specific buyer types, even in a relatively more developed market like South Africa.

Trade Sales are less dominant in the wider private capital space

Share of Trade Sales of all African private capital exits in each region



Source: Stears-VP Liquidity Index
Note: Percentages are based on total recorded exits. Not all exits have complete classification. Central Africa has been excluded due to a small sample size.

This concentration of exit routes appears to be a structural feature of African VC liquidity and a clear candidate for reform and intervention. Unlike geographic and sector concentration, which largely reflect where capital has been deployed in the first place, route concentration is less tied to entry conditions and more indicative of how liquidity is actually realised. As such, it represents a more independent vulnerability within the system.

This distinction matters because it implies a different set of responses. If concentration is primarily a function of investment allocation, then the focus should be on broadening where capital is deployed across regions and sectors. However, if concentration is driven by a narrow set of exit routes, the more relevant intervention is to deepen the buyer pool and expand the range of viable exit pathways. In this case, improving liquidity is less about where capital goes in, and more about how it can come out.

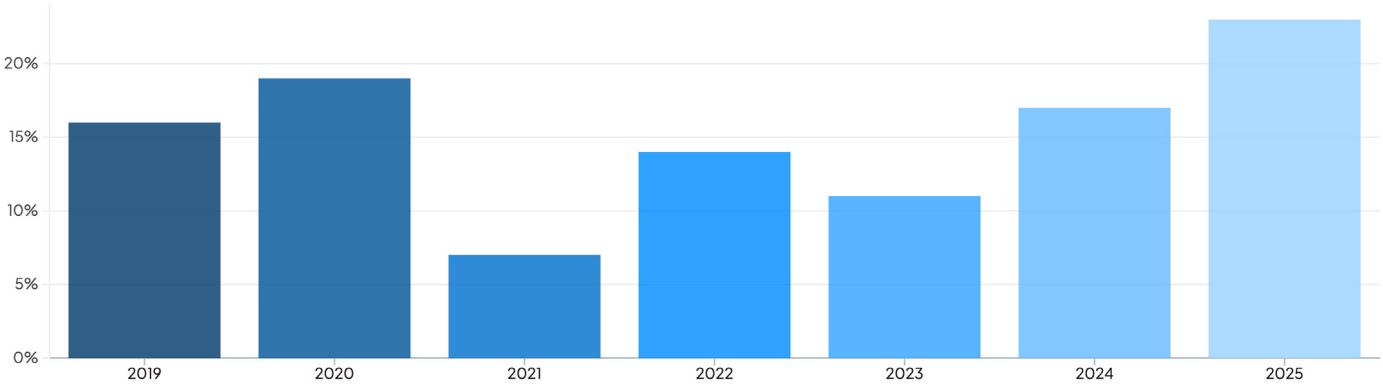
The Role of Secondaries in Africa's VC Ecosystem

The previous section showed that secondaries remain a relatively small part of the exit route mix in African VC. However, the picture is more nuanced. Even at their current scale, secondaries are important precisely because of how concentrated exits are in trade sales. In a market where one route dominates, even a modest increase in alternative pathways can have a meaningful impact on overall liquidity dynamics.

There are also early signs of positive momentum. Secondaries are growing as a share of exits, indicating a gradual shift in how liquidity is being realised. While they are not yet large enough to materially reshape the exit landscape, their increasing prominence suggests that the market is beginning to develop additional pathways for capital to be returned, albeit from a low base.

Secondaries are rising in African VC, following global trends

Share of Secondaries in each year



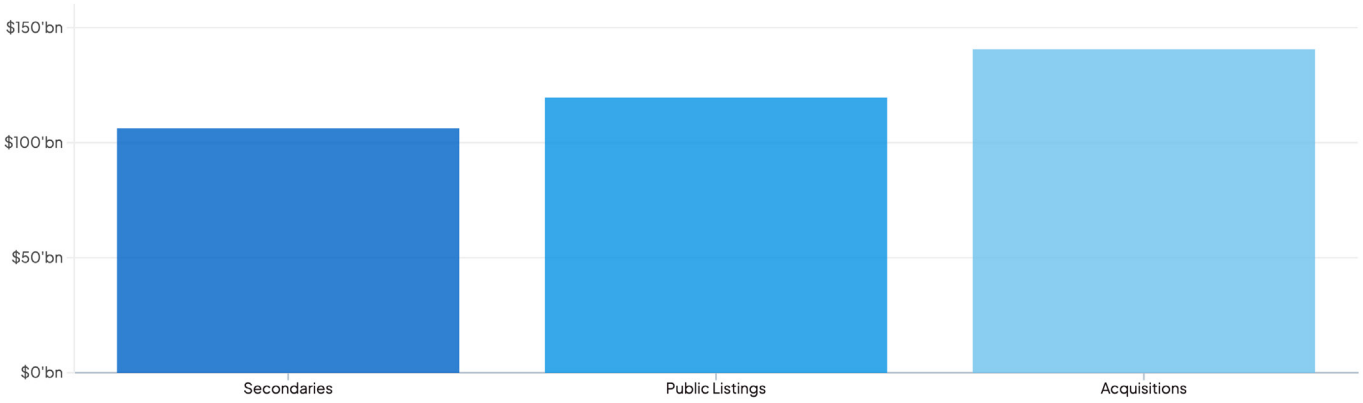
Source: Stears-VP Liquidity Index
Note: Percentages are based on total recorded exits. Not all exits have complete classification.

To understand this pattern, it is useful to look at how secondary markets have evolved in more developed ecosystems. Historically, secondaries have accounted for a relatively small share of VC exits, typically representing around 5% of exits in markets such as the US and Europe. The conventional view has therefore been that secondaries are structurally smaller than trade sales and IPOs in a "normal" venture market.

However, this has shifted meaningfully in recent years. Since 2021, secondaries have become a much more prominent feature of the exit landscape in developed markets, with their share rising significantly. By 2025, secondaries accounted for as much as 29% of VC exit value in the US, reflecting a broader change in how liquidity is being generated.

Secondaries are now a significant exit route in the US venture space

US venture exit value by exit type



Source: Pitchbook US VC Secondary Market Watch (2025)

There are both cyclical and structural drivers behind the rise of secondaries. On the cyclical side, secondaries have increasingly acted as a pressure valve for liquidity when traditional exit routes weaken or are delayed. With distributions to paid-in capital (DPI) at historically low levels in markets like Europe, there has been a growing need for earlier liquidity across the VC ecosystem, particularly for employees and early-stage investors. In this context, secondaries have become a more common pathway for partial exits, allowing stakeholders to realise some returns even in the absence of IPOs or trade sales.

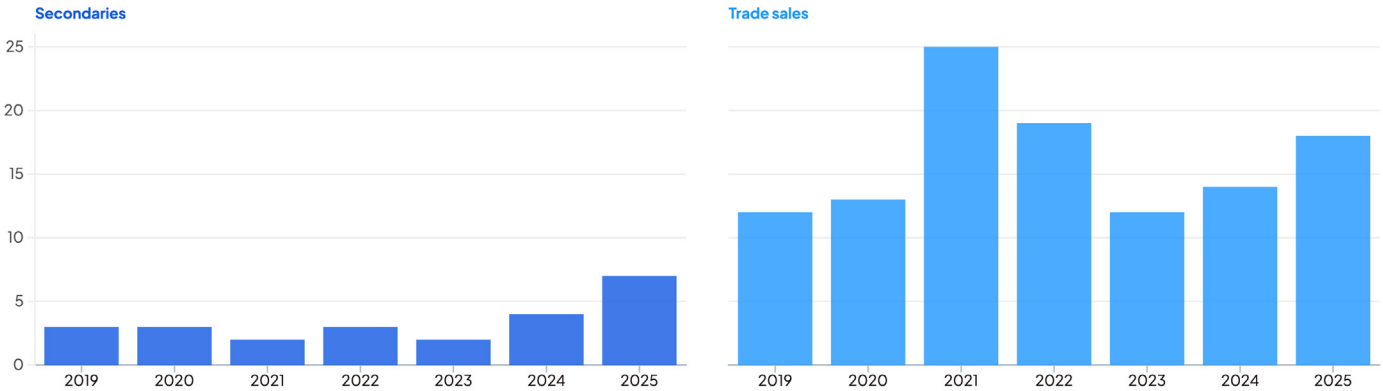
At the same time, there is a structural shift underway. VC-backed companies are remaining private for longer, pushing exits beyond the assumed 5–7 year VC timeline and increasing the reliance on interim liquidity mechanisms. One indication of this is that secondaries have continued to grow across both boom and downturn cycles globally over the past several years, suggesting that their role is not limited to periods of stress but is becoming embedded in how venture liquidity is generated.

A similar pattern is visible in Latin America, where secondaries now account for around 27% of VC-backed exits. While trade sales remain the dominant route at 67%, driven largely by strategic buyers, the rise of secondaries is widely understood as a response to the need for earlier liquidity within the system.

The same dynamics appear to be emerging in Africa. Trade sales have declined from their 2021 peak, and the rise in secondaries since then has been, in part, a cyclical response to this shift. This is most evident between 2021 and 2024, when the share of secondaries increased from 7% to 17% as trade sale activity weakened. As in other markets, the growth of secondaries in African VC is therefore partly tied to the reduced effectiveness of traditional exit routes in recent years, even as longer-term structural factors continue to support their expansion.

Secondaries are rising, but exit routes remain constrained

Number of exits for each exit route (per year)



Source: Stears-VP Liquidity Index
Note: Not all exits have a complete classification.

But there is also a clear structural dimension to the growth of secondaries. One piece of evidence is that secondaries have continued to rise even as the broader market recovers. Trade sales increased from 2023 to 2024, yet the share of secondaries also rose, from 11% to 23%. In effect, secondaries are being added on top of a recovering trade sale market rather than simply replacing it. This suggests that secondaries are not just a downturn phenomenon, but are beginning to scale alongside periods of recovery. Taken together, this points to a broader shift in the African VC exit landscape, which is gradually moving from a single-route system dominated by trade sales towards a more multi-route system, with secondaries playing an increasingly important role in that transition.

This is a positive development. A broader set of exit pathways increases the likelihood that investors can realise returns under different market conditions, reduces dependence on a single buyer type, and introduces greater flexibility into how liquidity is generated. Over time, this can support more consistent capital recycling within the ecosystem and make it easier for both founders and investors to navigate exit decisions.

However, there is an important caveat. The growth of secondaries has largely occurred alongside market recovery, rather than in response to downturns. When exits and trade sales contracted between 2021 and 2023, secondaries did not expand meaningfully in absolute terms and therefore did not offset the decline in overall liquidity within this period. Their more recent growth appears to be tied to improving conditions, rather than acting as a stabilising force when traditional routes weaken.

This has important implications for how liquidity is evolving in African VC. The market has begun to develop multiple exit routes, but these routes do not yet operate independently of one another. While secondaries are becoming a more prominent part of the exit mix, their behaviour in the available data suggests they have not yet demonstrated counter-cyclical characteristics. In more mature markets, secondaries often expand when trade sales and IPOs weaken, helping to sustain liquidity through downturns. In contrast, Africa's secondary market has so far scaled primarily during periods of broader recovery. This indicates that exit routes remain structurally linked, limiting the system's ability to maintain liquidity when conditions deteriorate. However, given that the secondary market is still in its early stages and the available data captures only a limited cycle, a more conclusive assessment will depend on how secondaries behave through future downturns, particularly whether their growth proves resilient when traditional exit routes weaken.

For secondaries to play a more stabilising role, several conditions would need to develop further. These include deeper pools of dedicated secondary capital, more reliable price discovery mechanisms, and more standardised transaction processes. Together, these would allow liquidity to be generated even in weaker market conditions, rather than being contingent on broader recovery cycles.

More broadly, this highlights an important distinction. Sustained and stable liquidity requires not just a greater number of exit routes, but a set of routes that can function independently under different market conditions. At present, Africa is developing more routes, but not yet more independent routes. Until this changes, diversification will improve flexibility but not fully resolve the underlying fragility of the system.

Interpreting Liquidity in African VC

Liquidity is structurally narrow, not just low

While exit volumes remain modest, the more important constraint is the narrow set of routes, buyers, and geographies through which liquidity is realised. This means that exit outcomes are highly dependent on a limited number of pathways, making them more sensitive to changes in specific parts of the ecosystem. In practice, liquidity is less diversified than headline exit counts might suggest, and more exposed to concentrated risks.

Exit routes reveal more about liquidity than exit volumes

Exit volumes largely follow where capital has been deployed, but exit routes are determined at the point of realisation. This makes them a more direct reflection of how effectively value is converted into returns. As a result, route concentration provides a clearer signal of underlying liquidity constraints than geographic or sectoral patterns, and highlights where the system is most rigid.

Liquidity remains highly dependent on trade sales

Trade sales dominate the exit landscape by a wide margin, reflecting both the absence of viable alternatives and the central role of strategic buyers. This means that overall liquidity is closely tied to the behaviour and appetite of a relatively small group of acquirers. As a result, changes in corporate acquisition activity have an outsized impact on exit outcomes across the ecosystem.

The geographical buyer base is narrowing

The shift from international to domestic acquirers suggests that the buyer universe is not broadening, but rebalancing. While domestic buyers are becoming more prominent, they are in many cases replacing rather than supplementing international participation. This results in a less diverse and potentially less competitive exit environment, with implications for both deal certainty and pricing outcomes.

Buyer concentration affects not just exits, but pricing

A narrower buyer base reduces competitive tension in exit processes, which can affect pricing dynamics and the likelihood of premium outcomes. Over time, this can influence how investors assess exit potential and calibrate expectations around returns. In this sense, buyer diversity is not just a function of liquidity volume, but also of liquidity quality.

Secondaries are emerging, but not yet reliable

Secondaries are becoming a more visible part of the exit mix and are clearly gaining importance. However, their growth has been closely tied to periods of market recovery rather than contraction. This means that while they add flexibility to the system, they do not yet function as a dependable source of liquidity when traditional routes weaken.

The market is becoming multi-route, but not yet resilient

The rise of secondaries alongside trade sales suggests that African VC is gradually moving towards a more diversified exit environment. However, these routes remain structurally linked and tend to expand and contract together. As a result, diversification improves optionality, but does not yet provide the kind of independence required for resilience across cycles.

Early signs of endogenous liquidity are emerging

In parts of the ecosystem, particularly within West African fintech, larger startups are beginning to act as acquirers. This marks an early shift towards internal capital recycling, where liquidity is generated from within the ecosystem rather than relying entirely on external buyers. While still concentrated, this is one of the clearest signals of increasing ecosystem maturity.

Sector dynamics matter for how liquidity materialises

The contrast between Financial Services and Energy highlights how sector characteristics shape exit outcomes. Financial Services benefits from shorter scaling cycles and clearer acquisition pathways, while Energy's capital intensity and longer timelines delay exit readiness. This means that liquidity is not only a function of capital availability, but also of how different sectors align with the VC model.

More routes are emerging, but independence is the key constraint

The ecosystem is gradually developing additional exit pathways, particularly through secondaries. However, the effectiveness of this diversification is limited by the fact that these routes are not yet independent. Until different pathways can operate under varying market conditions, liquidity will remain sensitive to broader cycles rather than structurally stable.

Section 2b: Venture Capital Archetypes in Africa

The analysis in Section 2a reveals not just where exits happen, but that how they happen is beginning to change. The emergence of larger startups as acquirers in West Africa is one signal; the divergence in buyer composition across regions is another. These patterns suggest that exits in African VC are not uniform events driven by a single mechanism. They reflect distinct underlying archetypes, each shaped by a different set of conditions. Understanding those archetypes is what allows a fund manager to move from observing exit patterns to anticipating them. In other words, beyond where exits happen or how frequently they occur, what are the underlying mechanisms through which capital is realised in African VC?

That question is answered by building specific exit archetypes in the ecosystem. These archetypes identify the dominant pathways through which exits occur, and the conditions that allow those pathways to function. This moves the analysis from surface-level patterns to a clearer view of how liquidity is generated in practice, and how different exit environments shape outcomes. For investors, this distinction is important. Yes, exit outcomes are determined by company performance, but also by the specific liquidity pathway a company is exposed to, which in turn affects timing, pricing, and reliability of exits. It also provides a basis for how fund managers can anticipate, prepare for, and assess exits at the point of investment, rather than only at the point of realisation.

There are four primary liquidity archetypes in Africa's venture ecosystem:

1. Strategic acquisition liquidity
2. Secondary liquidity
3. Legibility-driven liquidity
4. Endogenous liquidity

It is important to note that these archetypes are not mutually exclusive. A single exit can reflect more than one pathway. For example, a company may be acquired by an international strategic buyer, meaning it fits both a strategic acquisition and a legibility-driven pattern. In fact, legibility-driven liquidity can be understood as a subset of strategic acquisition activity. However, separating it out is analytically and practically useful. As the discussion of this archetype shows, it reflects a distinct mechanism through which liquidity emerges, one that is tied less to the intrinsic strategic value of the business and more to how legible it is to external buyers. Distinguishing this mechanism is also relevant for investors, as it shapes how companies are positioned, how buyer universes are developed, and ultimately how exit pathways are anticipated.

More broadly, each archetype captures a different driver of liquidity. Together, they provide a more complete view of the forces shaping exit outcomes and allow for a more precise assessment of what is enabling or constraining liquidity in the ecosystem.

Strategic acquisition liquidity

Breakdown

A significant share of VC-backed exits in Africa occurs through acquisitions by strategic buyers. These are typically corporates acquiring startups to expand capabilities, enter new markets, or integrate new technologies.

This pathway is particularly dominant in sectors such as financial services, where incumbents and large platforms have clear incentives to acquire high-growth companies. It has emerged as the primary route for liquidity partly because it does not depend on the depth of local capital markets.

Conditions that enable this pathway

For strategic acquisition-led exits to occur consistently, there must be an active base of corporate buyers with both the capacity and incentive to acquire. This requires:

- Sectors where startups solve commercially relevant problems for incumbents
- Corporate balance sheets that can support acquisitions
- A sufficiently mature set of companies that can be integrated into larger organisations
- A broader macro environment that supports corporate expansion and deal-making

In practice, this means that liquidity through this pathway is closely tied to corporate strategy and economic conditions.

Examples of the Strategic Acquisition Liquidity archetype in African VC

Year	Target	Sellers	Buyers	Geography
2025	NeWurth (AZA Finance)	Confidential	dLocal	South Africa, Senegal, Kenya, Nigeria, Uganda, Others
2024	Orcas Tutoring	Confidential	Baims	Egypt
2024	Munyhub Online Ticketing (Quicket)	Knife Capital	Ticketmaster	South Africa, Kenya, Uganda, Zambia, Nigeria, Botswana
2023	InstaDeep	CDIB, Chimera Abu Dhabi, DB Digital Ventures, Google, G42, Synergie, Alpha Intelligence Capital, AfricInvest, Endeavor Catalyst	BioNTech	Rwanda, Nigeria, South Africa, Kenya, Tunisia
2023	Expensya	MAIF Avenir, Silicon Badia, ISAI, Seventure Partners	Medius	Tunisia
2023	TalentMatch Inc (Payday)	Confidential	Changera (Bitmama)	Nigeria, Rwanda
2020	Paystack	Visa, Tencent, Y Combinator, Ingressive Capital, Ventures Platform, Blue Rinc Capital, Pave Investments and Others	Stripe	Nigeria, Others

Source: Stears-VP Liquidity Index

Implications for Investors

For investors, this archetype implies that exit timing is highly exposed to macro conditions and buyer appetite. Even strong companies may face delayed exits if acquisition activity slows.

Outcomes are also shaped by strategic relevance rather than growth alone. Companies that are clearly valuable to specific acquirers are more likely to exit successfully, while others may struggle despite strong operational performance.

This makes strategic positioning a critical factor in investment decisions, particularly in sectors where trade sales dominate.

Secondary liquidity

Breakdown

Secondaries provide a mechanism for investors to realise liquidity without a full company exit. These transactions typically involve the sale of shares to other investors, allowing early shareholders to partially exit while the company remains private.

This pathway has become more prominent as companies stay private for longer and as investors seek earlier liquidity in the absence of frequent IPOs or large-scale acquisitions.

Conditions that enable this pathway

For secondaries to function effectively, there must be sufficient depth within the private capital market. This includes:

- A base of later-stage investors willing to acquire existing shares
- Confidence in pricing and valuation, even in the absence of public market benchmarks
- A steady pipeline of companies reaching a level of maturity that attracts secondary demand
- Market conditions that support capital recycling within the ecosystem

In the African context, these conditions are still developing, which shapes how secondaries behave.

Examples of the Secondary Liquidity archetype in African VC

Year	Target	Sellers	Buyers	Geography
2025	Pomelo Technology (LemFi)	Silverbacks Holdings, Others	Highland Europe, Left Lane Capital, Palm Drive Capital, Y Combinator, Endeavor Catalyst	Ethiopia, Kenya, Ghana, Rwanda, Tanzania, Cameroon, Benin, Côte d'Ivoire, Senegal, Uganda, Nigeria
2025	Honeycoin	Confidential	Flourish Ventures, TLcom Capital, Antler, Musha Ventures, 4DX Ventures, Stellar Development Foundation, Lava VC, Visa	Tanzania, Kenya, Nigeria
2025	OmniRetail	Silverbacks Holdings, Lofty Inc, Others	NORFUND, Timon Capital, Goodwell Investments, Ventures Platform, Aruwa Capital Management, Flour Mills of Nigeria	Nigeria, Côte d'Ivoire, Ghana
2024	Moniepoint	Oui Capital, Ventures Platform, Others	Development Partners International, Google, Verod Capital Management, Visa, Lightrock	Nigeria, Kenya
2022	Reliance Health	Confidential	Partech, Picus Capital, Tencent, P1 Ventures, Laerdal Million Lives Fund, M3 Inc, Arvantis Social Foundation, AAIC Investment	Senegal, Egypt, Nigeria

Source: Stears-VP Liquidity Index

Implications for Investors

Secondaries offer an additional pathway to liquidity, particularly for partial exits and DPI generation. This can be valuable in a market where full exits are less frequent.

However, their current behaviour suggests they are closely linked to broader market conditions. Their growth has largely coincided with periods of increased exit activity, rather than acting as an independent source of liquidity.

For investors, this means that secondaries can complement other exit routes but cannot yet be relied upon to offset downturns in strategic acquisition activity.

Legibility-driven liquidity

Breakdown

Some exits are driven by access to international buyers and capital. In these cases, companies are acquired or financed by global players who are able to assess, value, and transact in these markets with relative confidence. While these transactions often take the form of strategic acquisitions, the underlying driver is not only strategic fit, but whether the company and its market are sufficiently legible to external capital.

A key factor here is legibility. Companies operating in markets that are more familiar and understandable to external investors are more likely to attract international interest. This includes factors such as regulatory clarity, market structure, and integration into broader economic regions.

North Africa, particularly Egypt, provides a clear example. Its integration with MENA and GCC capital markets has made it more legible to international investors, which is reflected in stronger participation from foreign buyers and capital in exit activity.

Conditions that enable this pathway

For internationally anchored exits to occur, companies and markets must be legible to external capital. This requires:

- Regulatory and market structures that are familiar to global investors
- Sectors and business models that are comparable to international benchmarks
- Geographic or economic integration with larger capital pools
- Sufficient scale and governance standards to meet international expectations

Legibility reduces the friction associated with cross-border transactions and expands the potential buyer universe.

Examples of the Legibility-driven Liquidity archetype in African VC

Year	Target	Sellers	Buyers	Buyer Geography
2025	Hatla2ee Egypt	Afrimobility, Others	Dubizzle Group	MENA region
2024	Orcas Tutoring	Confidential	Baims	Kuwait
2024	Elmawkaa Limited	OQAL Angel Investors Network, Flat6Labs, 500 Global, Others	Ayen	Saudi Arabia

Source: Stears-VP Liquidity Index

Implications for Investors

For investors, this archetype expands the set of potential exit outcomes. Access to international buyers can improve pricing dynamics and increase the likelihood of successful exits.

However, it also introduces exposure to global capital cycles. Changes in international risk appetite or cross-border investment flows can directly affect exit opportunities.

This makes market selection and company positioning particularly important. Investing in more legible markets, or building companies that align with global benchmarks, can improve access to liquidity. At the same time, it ties exit outcomes more closely to external conditions rather than purely local or sector-specific dynamics.

Endogenous liquidity

Breakdown

A more recent development in African VC is the emergence of liquidity driven from within the ecosystem itself. In these cases, larger or more mature startups acquire earlier-stage companies, creating an internal pathway for exits. Again, these transactions are a subset of strategic acquisitions, but here the source of liquidity is internal to the ecosystem rather than external, pointing to the early formation of self-sustaining capital recycling within the market.

This pattern is most visible in sectors such as fintech, where leading companies are beginning to consolidate the market through acquisitions. As these firms scale, they develop the capacity to act as strategic buyers. In this sense, the ecosystem is not just attracting buyers, but is also beginning to produce them, reducing reliance on external capital to enable exits.

Conditions that enable this pathway

For endogenous liquidity to emerge, the ecosystem must reach a certain level of maturity. This includes:

- A cohort of scaled startups with sufficient capital and strategic ambition
- Sector dynamics that favour consolidation
- A pipeline of earlier-stage companies that can be integrated into larger platforms
- The gradual recycling of capital within the ecosystem

This is typically a later-stage development in VC markets and tends to be concentrated in specific sectors. It reflects a transition from an ecosystem that depends on external liquidity to one that can partially sustain its own exit activity.

Examples of the Endogenous Liquidity archetype in African VC

Year	Target	Sellers	Buyers	Sector
2026	Mono Technologies	Tiger Global Management, Target Global, General Catalyst, SBI Investment, Entree Capital, Ventures Platform, Lateral Frontiers Ventures, Golden Palm Investments, Ingressive Capital, RallyCap Ventures, Y Combinator, Acuity Ventures, TCVP	Flutterwave	Financial Services
2024	Traction Apps	P1 Ventures, Ventures Platform	OmniRetail	Financial Services, Consumer Discretionary
2024	Hisa	Faida Investment Bank, Others	Risevest	Financial Services
2023	Payforce	CrowdForce	FairMoney	Financial Services

Source: Stears-VP Liquidity Index

Implications for Investors

For investors, this archetype reflects a shift in how liquidity is generated. Rather than relying entirely on external buyers, the ecosystem begins to create its own exit opportunities. This can make liquidity more internally anchored and, over time, less dependent on international capital cycles.

Investing in this context involves betting on sector consolidation, startup maturity, and the emergence of internal capital recycling. Where these dynamics are present, liquidity can become more predictable and less dependent on external conditions.

At the same time, this pattern remains uneven. It is currently concentrated in a small number of sectors and geographies, which limits its broader impact.

Section 2c: An empirical evaluation of VC exits in Africa

The archetypes in Section 2b explain how exits form in practice. The next question is whether the resulting exit volumes and the pace at which capital is being recycled are consistent with what one would expect from an ecosystem at Africa's stage of development. That requires external context, i.e. comparing Africa's exit trajectory against markets that have moved through a similar capital formation phase.

To do this, Africa is compared with other venture ecosystems, specifically Southeast Asia, Latin America, and the United States. These regions provide useful benchmarks because they reflect different stages of capital formation and different levels of liquidity development. The comparison helps distinguish between what is typical in emerging markets and what may be specific to Africa.

The resulting analysis focuses on how capital moves through each ecosystem over time. In practice, this means examining the relationship between investment activity and exit activity, and how that relationship evolves as ecosystems scale. This provides a practical lens for assessing whether capital is being recycled or simply accumulating within the VC ecosystem.

Capital Recycling Ratio

A natural starting point for analysing liquidity is to ask a simple question: how many investments actually turn into exits. In practice, answering this is difficult. A proper exit ratio would require tracking individual investment cohorts over time and observing how many of those companies eventually exit. That kind of cohort-level analysis is not feasible with the available data, which only captures total investments and exits by year.

This circles back to the fundamental role that data plays in the ecosystem. The lack of consistent, detailed data on exits remains a structural gap in many emerging ecosystems. Without clear disclosure on exit outcomes, transaction values, and investor returns, it becomes difficult to build reliable benchmarks or assess performance over time. This does not just affect research. It limits how investors allocate capital, how founders set expectations, and how the ecosystem understands what "success" looks like. Improving transparency and data quality is therefore both a reporting priority and a necessary step in strengthening the market itself.

In the absence of cohort-level data, we instead use a simpler proxy, the capital recycling ratio. This is defined as the number of exits in a given year divided by the number of investments in that same year.

The capital recycling ratio does not tell us how many investments from a given year eventually exited. What it does provide is a sense of how capital is flowing through the system at a point in time. A useful way to think about this is through a simple analogy. Imagine the ecosystem as a tank being filled with water. Investment activity represents the inflow (how much water is being added) while exit activity represents the outflow (how much water is being drained). The capital recycling ratio gives a sense of how these two flows compare. If inflows are much larger than outflows, the tank fills quickly, leading to a buildup of unrealised value and potential exit bottlenecks. If outflows increase relative to inflows, the system begins to stabilise.

This perspective is helpful because liquidity depends on whether capital can be recycled sustainably, not simply on whether exits occur. A system that continually absorbs new investment without generating exits will accumulate a growing stock of unrealised capital. Over time, this creates pressure on investors and limits the ability to fund new companies. By contrast, a system where exits keep pace with investment is able to recycle capital more efficiently, supporting sustained growth.

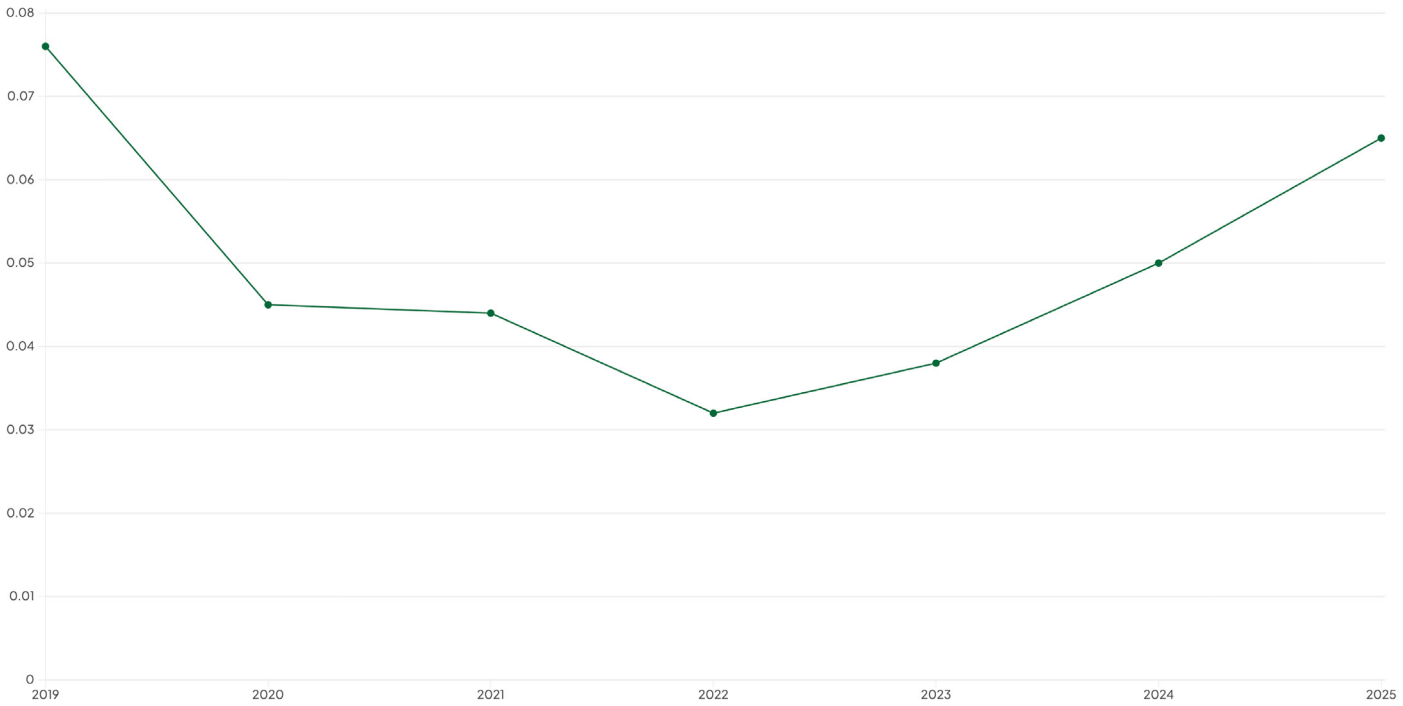
A low capital recycling ratio is not necessarily a negative signal in isolation. It often reflects an ecosystem in a capital formation phase, where investment activity is accelerating and the pipeline of companies is still developing. In this phase, it is expected that capital flows in faster than it flows out. The key question is whether exit activity eventually scales alongside this growth, allowing capital to be recycled rather than continuously accumulated.

Africa

The trend in Africa's capital recycling ratio is instructive. There is a clear decline from 2019 to 2022, meaning that more capital was flowing into the ecosystem than was being returned through exits. At first glance, this might appear negative, but it is largely consistent with the stage of development African VC was in at the time. This period was characterised by rapid capital formation, with funding accelerating across sectors and geographies. In that context, a declining recycling ratio is not a sign of weakness, but rather a reflection of an ecosystem absorbing capital and building a pipeline of companies that could generate exits in the future.

African VC is showing early signs of capital recycling, but liquidity remains constrained

Capital Recycling Ratio, i.e. number of investments / number of exits per year



Source: Stears-VP Liquidity Index, Partech

However, the pattern shifts post-2022. The capital recycling ratio begins to rise, suggesting that the ecosystem is improving its ability to recycle capital relative to the pace of new investment. On the surface, this appears to be a positive development. But a closer look at the underlying data shows a more nuanced picture.

The improvement is driven as much by a slowdown in investment activity as by a genuine increase in exit activity. Funding volumes declined by 33% between 2022 and 2025, reducing the denominator and mechanically lifting the ratio. More positively, at the same time, exits have increased, with 2025 exit volumes approximately 36% higher than in 2022. This does point to early signs of maturation, as a larger pool of companies reaches stages where exits become feasible.

Even so, the overall improvement in the ratio remains relatively modest. Given the scale of the decline in investment, one might expect a more pronounced increase in the recycling ratio if exit capacity were expanding meaningfully. The fact that this is not occurring suggests that, while the ecosystem is beginning to transition from capital accumulation to early-stage recycling, liquidity remains constrained.

This points to a more important structural dynamic. The surge in investment between 2019 and 2022 created a growing pipeline of companies that will eventually need to exit. Every investment made during that period adds to a stock of companies within the ecosystem, each representing capital that investors will, at some point, seek to realise.

To make this concrete, consider a simple example. Suppose an ecosystem funds 100 companies over a three-year period, but only generates 10 to 15 exits per year thereafter. Even if exit activity is increasing gradually, the number of companies waiting to exit will continue to build. Over time, this creates a backlog. More companies reach exit readiness than there are viable exit opportunities available.

This is the dynamic now emerging in African VC. The capital deployed during the 2019 to 2022 expansion has created a larger base of companies moving through the lifecycle. As these companies mature, they will increasingly seek liquidity through acquisitions, secondary transactions, or, less frequently, public listings. The key issue is whether the exit environment is expanding quickly enough to absorb this growing supply.

This is why the capital recycling ratio, on its own, is not sufficient. Even if the ratio stabilises, or declines again in the event of renewed investment growth, the system can still be improving if absolute exit volumes are rising meaningfully over time. The balance between inflows and outflows in any given year is only part of the picture. The other key part is whether the ecosystem is building enough exit capacity to process the accumulated stock of investments. As highlighted in the exits trends in Section 2a, that capacity remains limited in Africa today as exit pathways are still relatively narrow and concentrated.

Equally important is how those exits occur. If exit activity continues to rely heavily on a narrow set of routes, particularly trade sales, then the system remains constrained by the capacity of those channels. For example, if only a limited number of strategic buyers are active

in a sector, even strong companies may struggle to exit simply because there are not enough counterparties. A more diversified exit environment, combining trade sales, secondaries, and viable public market pathways, increases the number of routes through which companies can achieve liquidity.

This constraint is not unique to Africa. Similar patterns are observed in other emerging ecosystems like South East Asia, where exit environments are shaped by structural frictions rather than purely cyclical factors. These include fragmented regional markets, limited depth in local capital markets, valuation mismatches between founders and buyers, and low levels of transparency and disclosure. In such environments, even high-quality companies can struggle to exit efficiently, not because of a lack of demand, but because the underlying market infrastructure is still developing.

Without a meaningful expansion in both exit volume and exit route diversity, the ecosystem risks developing an exit bottleneck. In practical terms, this means that multiple investment cohorts, particularly those funded during the 2019 to 2022 period, will converge on a limited set of liquidity pathways at the same time. The result is slower exits, longer holding periods, increased competition for buyers, and potential pressure on exit outcomes.

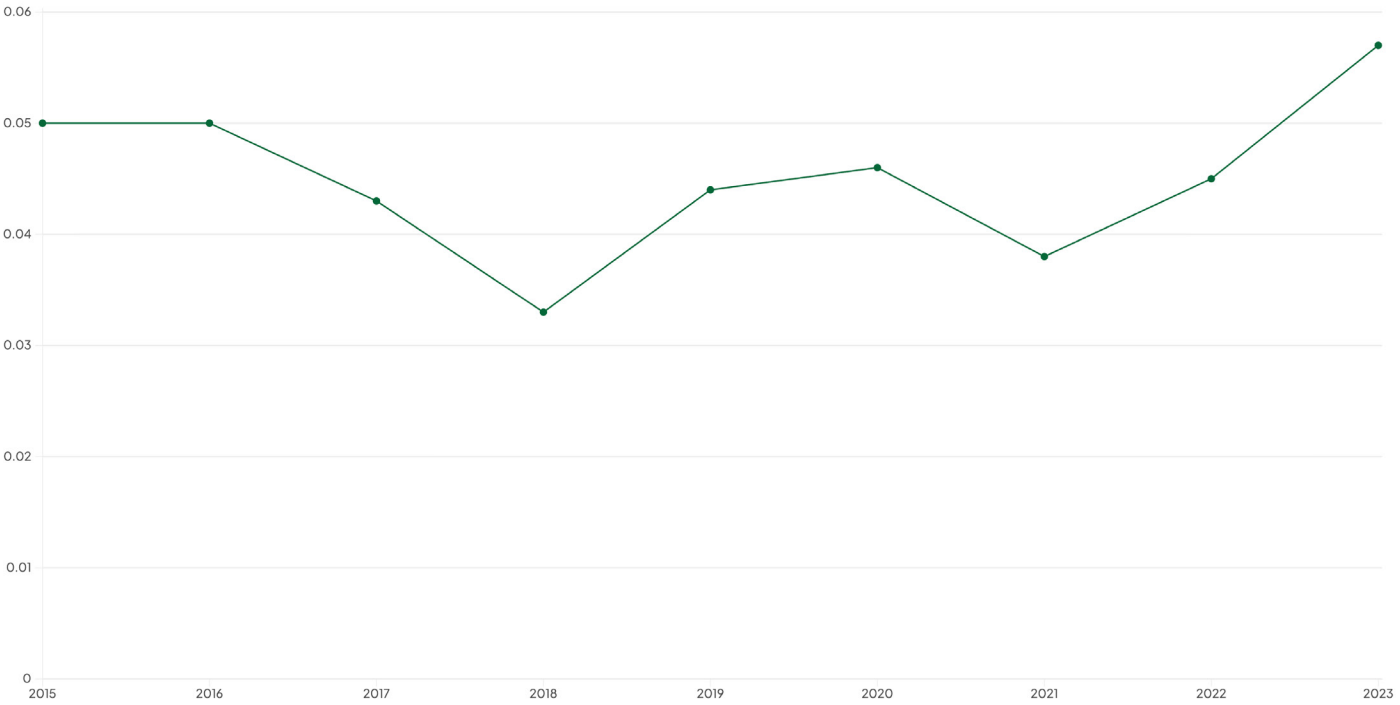
In that sense, the current moment represents a transition point. The ecosystem is beginning to generate more exits, but the scale and structure of those exits have not yet kept pace with the capital deployed. The next phase will be determined by the ecosystem's ability to expand the underlying capacity of the exit environment, and not just changes in the capital recycling ratio. At present, that capacity remains constrained because exit pathways are still relatively narrow and concentrated, limiting how far and how quickly this transition can proceed.

Southeast Asia

The capital recycling ratio in Southeast Asia presents a very different pattern. Rather than showing a clear directional trend, the ratio remains relatively stable over time, fluctuating within a narrow band of roughly 0.03 to 0.05 before rising modestly in 2023.

South East Asia's stable capital recycling ratio indicates more sustainable liquidity formation

Capital Recycling Ratio, i.e. number of investments / number of exits per year



Source: Stears-VP Liquidity Index, Pitchbook

At first glance, this stability might suggest that little is changing. However, the underlying data tells a more meaningful story. Both investment activity and exit activity have scaled significantly over the period. Funding counts increased materially through 2021 and 2022, and exit volumes rose in tandem, moving from around 25–30 exits annually in the mid-2010s to over 70 at peak.

The relative stability of the ratio therefore reflects a system in which exit capacity has expanded broadly in line with capital deployment. As more companies are funded, more companies are also exiting, maintaining a consistent relationship between inflows and outflows. This is characteristic of a more developed ecosystem, where liquidity pathways deepen alongside investment activity.

Short-term fluctuations in the ratio can largely be explained by shifts in funding intensity. The dip in 2018 corresponds to a sharp increase in investment activity without a commensurate rise in exits, while the increase in 2023 reflects a decline in funding alongside more resilient exit volumes. These movements highlight the cyclical nature of capital flows rather than structural shifts in exit capacity.

Overall, the data suggests that Southeast Asia has developed a more balanced capital recycling dynamic. While not fully mature, the ecosystem appears to be scaling in a way where investment and exit

activity move in tandem, reducing the risk of a sustained build-up of unrealised investments.

However, this relatively balanced picture masks underlying structural frictions that are similar to those observed in Africa. Exit activity in Southeast Asia continues to be shaped by regional fragmentation, uneven capital market development, and valuation mismatches between founders and buyers. Public market pathways exist, but remain difficult to access, with companies often relying on less straightforward listing pathways or alternative structures.

One key difference is that Southeast Asia has begun to establish credible exit benchmarks, particularly through VC-backed IPOs. Even if these exits are complex or constrained, they provide price discovery and signal viability in a way that is still largely absent in African markets.

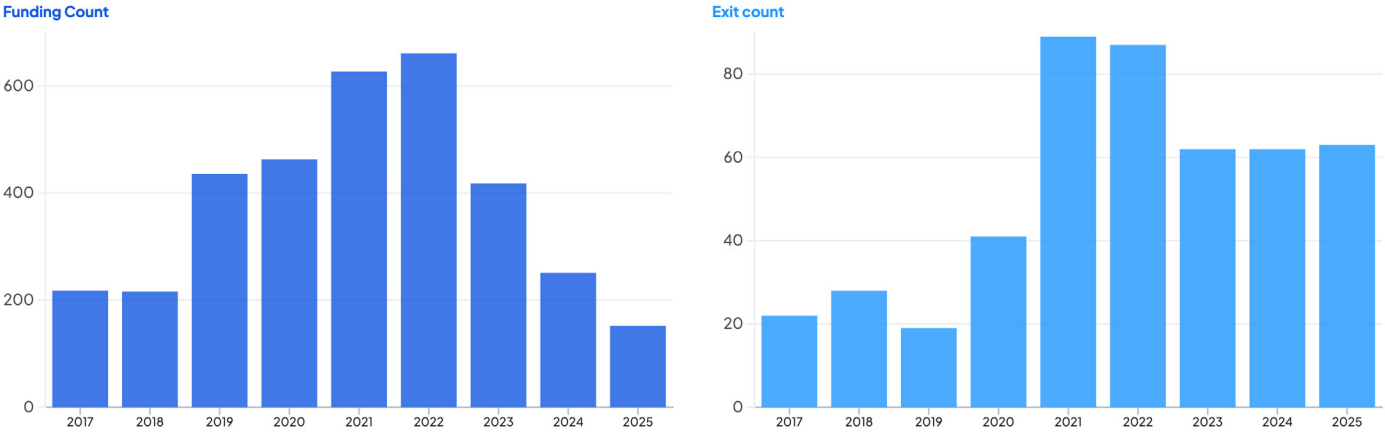
Taken together, this highlights an important distinction. Southeast Asia's lower but more stable recycling ratio reflects a system where exit capacity has scaled in line with capital deployment, supported by broader pathways and deeper buyer participation. In contrast, Africa's more variable pattern reflects a less developed liquidity base, where narrower exit routes and limited buyer depth constrain the system's ability to absorb growing investment.

Latin America

Latin American VC data is more varied. Pre-2022, the data shows a more complex pattern than a simple improvement in liquidity. Investment activity increased significantly, particularly between 2019 and 2022, but exit activity did not keep pace initially. This is most visible in 2019, where funding doubled but exits declined, leading to a sharp drop in the exit ratio.

However, this was followed by a strong rebound in exit activity between 2020 and 2022. Exit volumes increased materially, rising from 41 in 2020 to 89 in 2021, and remaining elevated in 2022. As a result, the exit ratio recovered and reached its highest levels during this period. This suggests that the ecosystem was not only attracting capital, but also beginning to build out its exit capacity, allowing it to recycle capital more effectively over time.

Latin American VC exits have remained resilient across market cycles



Source: Cuantico VP, Startuplinks

Post-2022, the pattern shifts again. Investment activity declines sharply, falling from 661 in 2022 to 152 by 2025. This had a significant mechanical effect on the exit ratio, causing it to rise rapidly over the same period. At first glance, this could be interpreted as a strong improvement in liquidity. However, the underlying driver is largely the contraction in funding rather than a surge in exits.

That said, exit activity has remained relatively resilient. While exits have declined from their peak, they have stabilised at levels that are still meaningfully higher than earlier years. This is an important signal as it suggests that the ecosystem has retained a degree of exit capacity even through a downturn.

This downturn is reflected in broader market sentiment. A majority of investors in the region continue to view the exit environment as unfavourable, with 63% reporting negative conditions in 2026. Lack of exits is also the most frequently cited risk, identified by 74% of investors and 49% of startups as a top concern.

At the same time, the structure of exits is evolving. Trade sales remain the dominant pathway, driven largely by strategic buyers, but secondary transactions are becoming more prominent, now accounting for roughly a quarter of exit activity. These transactions act as a pressure valve, allowing investors to generate liquidity in the absence of large-scale exit events.

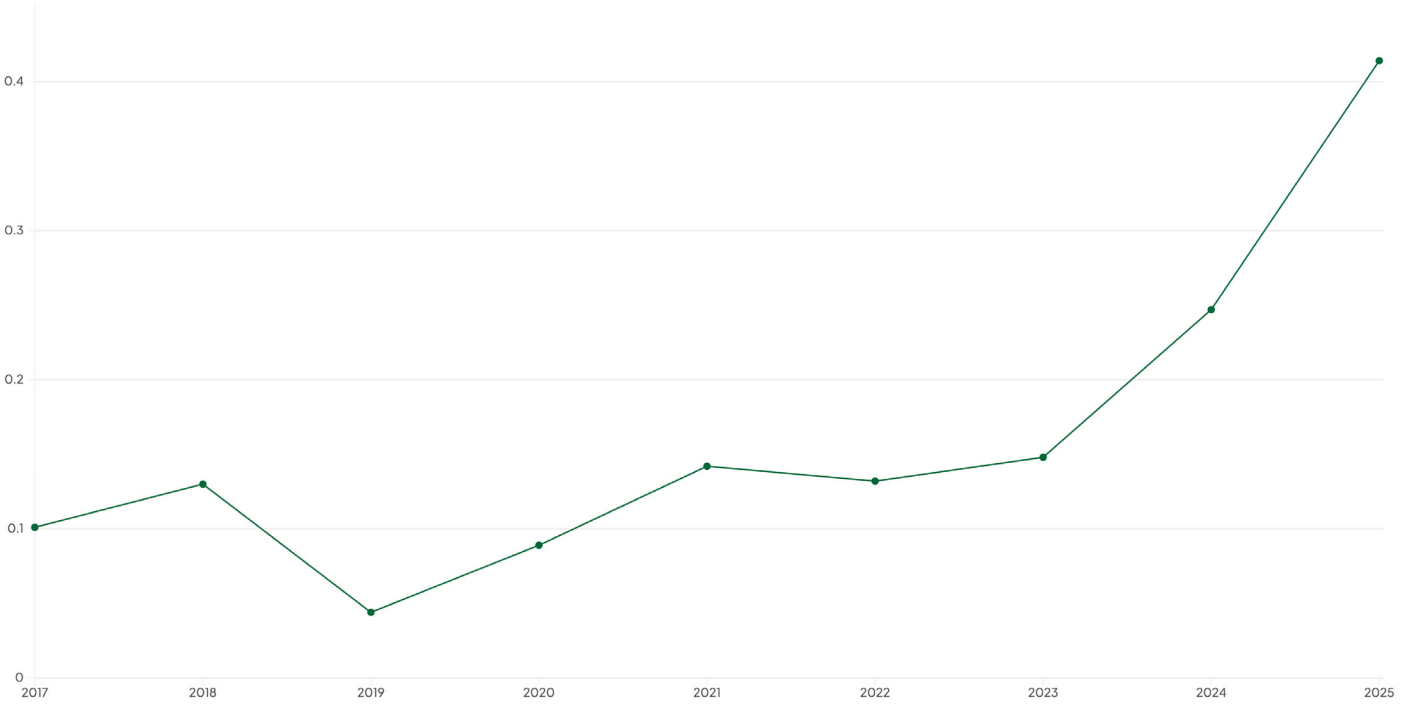
From an SVL perspective, this resilience points to strength across multiple components of liquidity quality. First, it suggests a broader and more active buyer base, reflected in sustained international and strategic buyer participation, which supports exits even when new capital inflows slow. Second, it indicates a degree of route diversity, where exits are not dependent on a single pathway, but can occur through a mix of trade sales, secondary transactions, and other mechanisms. Finally, it reflects more consistent fresh liquidity generation, where exits are more likely to return capital into the ecosystem rather than simply reshuffle ownership.

Taken together, this is what more sustainable liquidity looks like in practice. Exit activity is not just high during boom periods, but is supported by underlying structures that allow it to persist across cycles, even if we see fewer exits for a period.

This is where the comparison becomes particularly relevant for Africa. The challenge is not just to increase the number of exits in good years, but to build an ecosystem where exit activity can be sustained even when the market cools. That requires more than time and maturation. It depends on strengthening structure of liquidity: deepening the buyer base, increasing the diversity of exit routes, and ensuring that exits generate meaningful fresh liquidity.

LatAm's capital recycling ratio shows exit resilience even through a market downturn

Capital Recycling Ratio, i.e. number of investments / number of exits per year



Source: Stears-VP Liquidity Index, Cuantico VP, Startuplinks

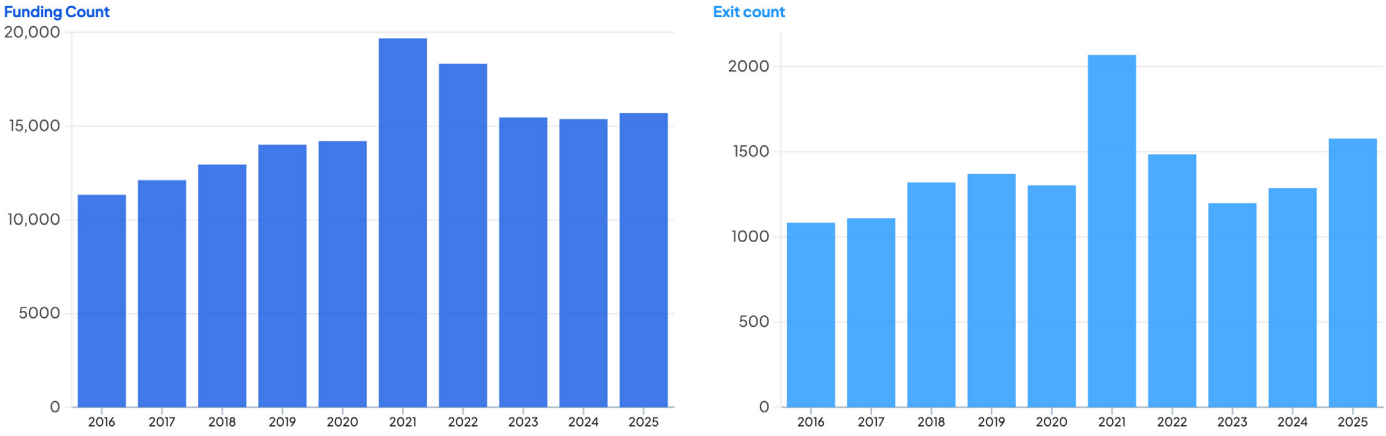
Overall, the data points to a boom-and-correction cycle. LatAm experienced a period of rapid capital formation, followed by a phase where exit activity caught up, and is now in a period of adjustment where investment has slowed but exit activity remains relatively strong. The fact that exits have held up despite a sharp decline in funding suggests that the ecosystem has begun to develop a more durable liquidity base.

For Africa, this highlights the core risk. If exit activity remains closely tied to periods of high investment, rather than supported by stronger underlying liquidity structures, then the system will remain fragile. Over time, this increases the likelihood of an exit bottleneck, particularly as larger cohorts of companies reach maturity without a corresponding expansion in exit capacity.

United States

The US data presents a much more stable picture. The capital recycling ratio remains within a relatively narrow range over time, typically between 0.08 and 0.10, with only modest fluctuations across cycles. While there are some spikes, particularly during the 2021 boom, the overall pattern is one of consistency.

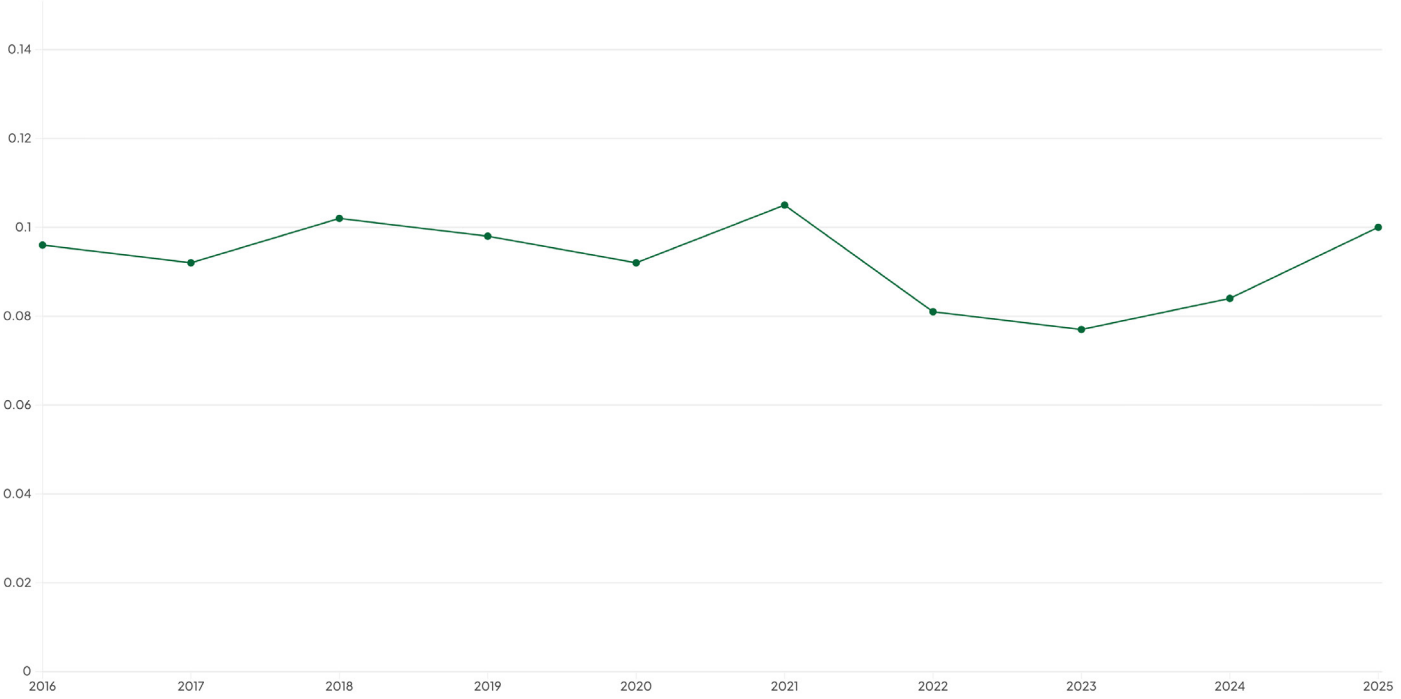
Exit activity closely tracks investments in the US venture ecosystem



Source: Pitchbook Venture Monitor, National Venture Capital Association

The US venture ecosystem has a high and stable capital recycling ratio

Capital Recycling Ratio, i.e. number of investments / number of exits per year



Source: Pitchbook Venture Monitor, National Venture Capital Association

This stability reflects an ecosystem where exit activity scales in tandem with investment activity. During periods of strong funding, such as 2021, exits increase significantly, supported by favourable market conditions and open IPO windows. When funding activity slows, as seen in 2022 and 2023, exit volumes also decline, but not disproportionately. The relationship between inflows and outflows remains broadly intact.

This is a key marker of a highly developed liquidity environment. Exit activity is not dependent on a single route or a narrow set of conditions, but is supported by multiple channels, including IPOs, strategic acquisitions, and private equity buyouts. As a result, the system is able to adjust across cycles without a breakdown in capital recycling.

From an SVL perspective, this reflects strength across all major components of liquidity quality. The US benefits from deep buyer markets, high route diversity, and consistent generation of fresh liquidity. These factors allow exit activity to remain relatively stable even in periods of market stress.

Overall, the data suggests that the US has a self-sustaining liquidity system. Capital formation and capital recycling move together over time, reducing the risk of persistent imbalances and limiting the build-up of unrealised investments within the ecosystem.

Regional Synthesis

Liquidity outcomes differ across regions, but the more important difference is structural. A thorough regional comparison goes beyond comparing exit counts (or even the capital recycling ratio for a given year) to look at how reliably exit capacity scales with investment and whether it holds up across cycles.

All of these patterns point to fundamentally different types of liquidity systems in each region:

- **United States:** The US represents a fully developed liquidity system. The capital recycling ratio remains stable across cycles, and exits scale up and down alongside investment activity. This reflects depth rather than just maturity. Liquidity is supported by multiple channels, including IPOs, acquisitions, private equity, and secondaries, as well as a broad and active buyer base. As a result, capital formation and capital recycling move together over time, limiting the build-up of unrealised investments.
- **Southeast Asia:** Southeast Asia shows a more balanced but still developing system. Exit ratios are stable and exit activity has scaled alongside investment, but underlying frictions remain. The ecosystem continues to face regional fragmentation, uneven capital markets, and constrained public listing pathways. One key difference is that Southeast Asia has seen some instances of VC-backed companies reaching public markets, which provide reference points for valuation and exit feasibility. However, these pathways remain limited and often difficult to access, reflecting broader constraints in regional capital markets. As a result, public listings do not yet represent a consistently scalable exit route, but they do signal a degree of progression in the development of the exit environment that is still largely absent in African markets.
- **Latin America:** Latin America follows a more cyclical path. The ecosystem experienced a sharp increase in investment, followed by a period where exit activity caught up, and then a correction in funding. Importantly, exits have remained relatively resilient through this downturn, stabilising at levels above earlier periods. This suggests that some exit capacity has been retained beyond the boom. Liquidity is not yet stable, but it is becoming less dependent on continuous capital inflows.

- **Africa:** Africa presents a more constrained pattern. The surge in investment between 2019 and 2022 was not matched by a comparable increase in exits, leading to a decline in the capital recycling ratio during that period. While the ratio has improved post-2022, this reflects both a slowdown in funding and only a modest increase in exits. Exit capacity has not scaled at the same pace as capital deployment, leaving the system vulnerable to imbalances. The result is a growing structural imbalance. Capital has accumulated faster than it has been recycled, creating a pipeline of companies that will require liquidity over time without a corresponding expansion in exit pathways.

Comparing the structure of venture liquidity across regions

SVL Index Component	United States	Southeast Asia	Latin America	Africa
Route diversity	Very high across IPOs, M&A, secondaries	Moderate, with multiple routes but constrained execution	Moderate, with trade sales dominant but secondaries increasingly used	Narrow, heavily concentrated in trade sales, with secondaries and IPOs playing a limited role
Buyer depth	Deep, with strategic, PE, and public market buyers	Growing, but uneven across markets and sectors	Moderate, driven largely by strategic buyers with some secondary participation	Shallow and increasingly concentrated, with a limited set of repeat acquirers and declining international participation
Fresh liquidity	High and consistent across cycles	Moderate, supported by M&A and some IPO activity	Moderate, with trade sales dominant and secondaries acting as a partial outlet	Constrained and structurally uneven, with strong reliance on trade sales but limited IPO pathways and increasing use of secondaries, which dilute net new capital inflows
Cycle resilience	Strong, exits scale with funding across cycles	Relatively stable, with exit activity scaling alongside investment	Improving, with exits remaining relatively resilient despite funding slowdown	Weak, with exit activity closely tied to funding cycles and buyer participation
Capital recycling pattern	Stable and self-sustaining	Stable and scaling alongside capital deployment	Cyclical, with catch-up dynamics and partial resilience	Transitioning from accumulation to early-stage recycling, but constrained by limited exit capacity
Liquidity archetype	Self-sustaining system	Balanced but structurally constrained system	Cyclical but partially resilient system	Transitioning system with structural exit bottlenecks

Source: Stears-VP Liquidity Index

The comparison makes clear that strong liquidity is not defined by a rising exit ratio alone. In more developed ecosystems, exit activity scales with investment and remains resilient even when funding slows. This is supported by deeper buyer markets and a wider range of exit routes.

Africa has not yet reached this point. Exit activity remains closely tied to investment cycles, and the range of available exit pathways is still narrow. As a result, liquidity remains fragile.

This creates a clear risk. The capital deployed during the recent expansion phase will need to be realised, but exit capacity has not expanded at the same pace. Without sustained growth in exit volumes and a broadening of exit routes, the ecosystem risks an exit bottleneck as multiple cohorts of companies reach maturity at the same time.

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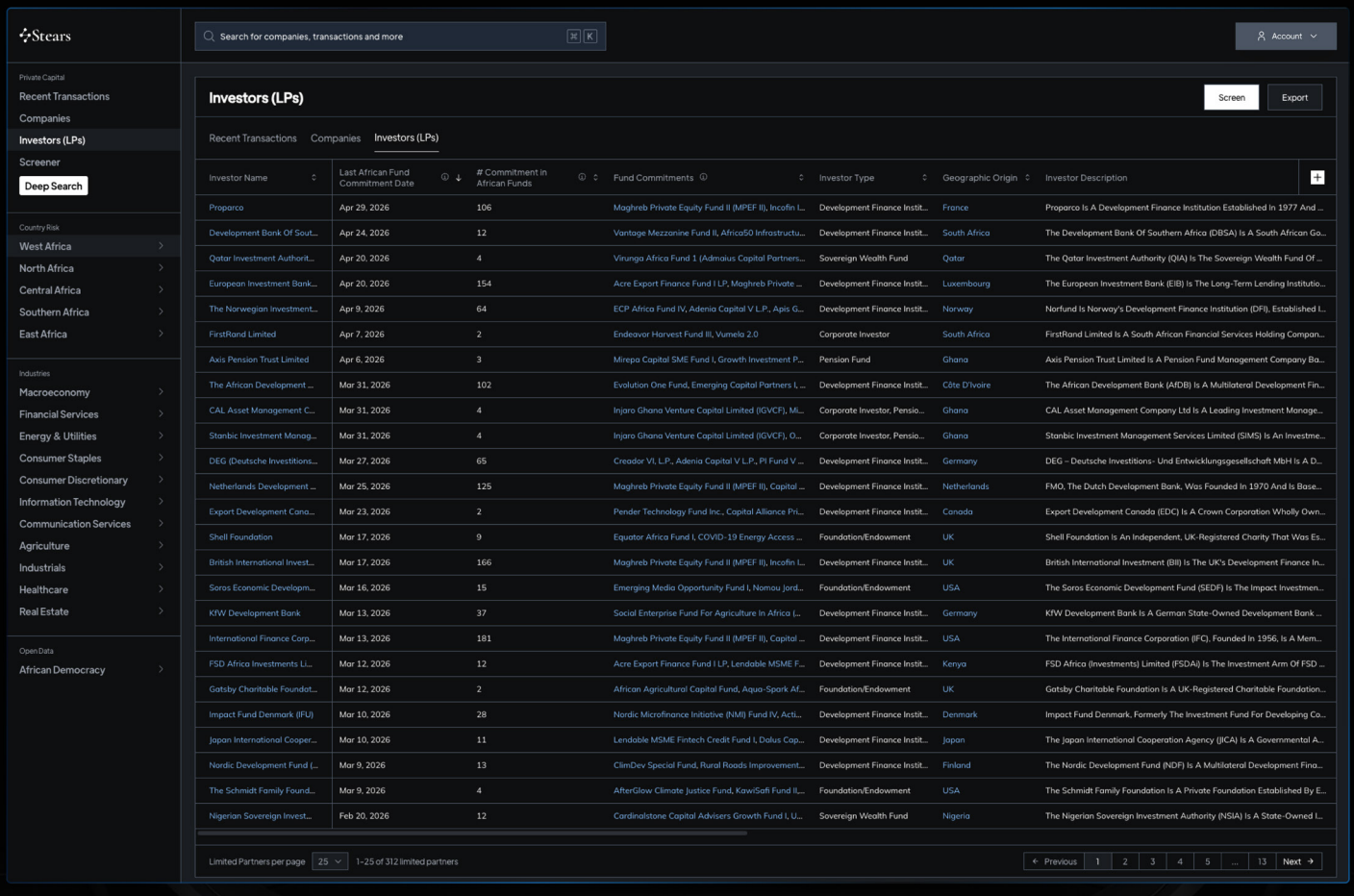


Section 3

How Venture Exits Happen in Africa

3a

How Venture Exits Happen in Africa

Section 2 of this report examined exit trends in Africa, outlined the primary liquidity archetypes, and evaluated how African VC compares with other regions. Taken together, that analysis describes the outcomes available to investors and how those outcomes benchmark against peer markets. Section 4 then turns to what can be done to improve those outcomes, separating the discussion into actions available to fund managers and those that sit at the ecosystem level.

This section sits between the two and focuses on how venture exits are executed in practice.

Understanding these mechanics is important because exit outcomes do not emerge in isolation. They are shaped by the processes through which transactions are sourced, negotiated, and completed, as well as by the structure of the counterparties involved. Looking only at aggregate trends can obscure how dependent liquidity is on specific pathways, relationships, and market conditions.

Examining how African venture capitalists pursue and realise exits provides a clearer view of these underlying dynamics. It helps explain why certain exit routes dominate, why others remain limited, and how liquidity is formed at the transaction level. This, in turn, provides the necessary grounding for the constraints discussed in Section 3b and for the recommendations developed in Section 4.

This section examines the mechanics of two exit routes: trade sales and secondary transactions. These routes are the focus because they account for the majority of observed exits in the African venture ecosystem.

Before diving into the mechanics of exits, it is useful to restate a set of foundational features of venture capital as an asset class, as these shape how investors approach liquidity:

- Venture investors typically hold minority stakes in portfolio companies, with control remaining largely with founders and management teams.
- Portfolio construction assumes a high failure rate, with a meaningful share of investments expected to return little or no capital.
- Fund-level returns depend on a small number of outsized outcomes, where individual investments generate multiples that offset broader losses.
- Capital is deployed within a finite fund lifecycle, which creates an expectation that investments will be realised within a defined time horizon.

These features are broadly consistent across venture markets, even though specific structures may vary. More importantly, they have direct and binding implications for two central aspects of the exit process: control and timing.

Control

The starting point for understanding how exits occur is a simple question: who determines whether an exit happens?

The answer varies across asset classes and regions, but in the African venture context, a clear hierarchy emerges. At its core, the decision to exit is binary, and in most cases, the founding team acts as the effective "yes or no" variable that determines whether a transaction can proceed.

Founders: Founders have the greatest influence over whether an exit occurs. This control stems in part from their role in building and operating the business on a day-to-day basis, but it is equally shaped by their willingness to sell. Founder readiness is often the point at which an exit becomes feasible. Even where investor interest and buyer demand exist, a transaction may not progress if founders are not aligned. This introduces a psychological dimension to exits, where decisions are influenced by factors such as conviction in the company's future, personal incentives, or attachment to the business. Exceptions do arise, typically in adverse situations such as distress, governance breakdown, or fraud. Even in these cases, founders can delay or complicate exit processes. This dynamic differs from private equity, where investors tend to have greater influence over exit decisions. This reflects both ownership structures and the more active role PE investors play in shaping and executing exit pathways.

Buyers: Liquidity outcomes are also shaped by buyer demand. In African VC, the market is structurally imbalanced, with more investors seeking exits than there are buyers willing to acquire assets. As highlighted in Section 2, limited buyer depth means that transactions depend heavily on the presence of credible acquirers. This shifts influence toward buyers, who effectively determine when and how exits can occur. In more developed markets, deeper buyer pools create different dynamics. Investors are more willing to acquire private stakes because they anticipate strong outcomes in public markets, which supports more active secondary activity. In those environments, sellers can initiate secondary transactions with greater confidence that buyers will engage. In Africa, by contrast, the narrower set of buyers constrains liquidity and reinforces the need to expand both the number and diversity of viable exit pathways.

Fund managers: Venture capital investors have comparatively limited control over whether an exit occurs, particularly at earlier stages. Their minority positions and reliance on founder alignment restrict their ability to initiate or enforce exit processes. This contrasts with private equity, where investors may begin actively planning exits well before the end of an investment period. Venture investors can incorporate provisions at entry—such as expectations that companies will explore liquidity options over time—but in practice, they remain dependent on founder willingness and buyer interest. As a result, they often operate as both facilitators of exits and recipients of opportunities, rather than as direct drivers of outcomes.

Timing

The second question is: what determines when an exit happens?

This is fundamentally a question of timing. Many companies reach a point where an exit is feasible, and investors may be willing to sell, but transactions do not occur automatically. In short, readiness does not guarantee execution.

As with control, there is a hierarchy of influence, although it is less rigid. Founders play an important role in shaping timing, both through how they build the company and through their willingness to engage in a liquidity event. The way a company evolves—its growth trajectory, operational maturity, and market position—affects when it becomes

attractive to potential buyers. At the same time, founder readiness remains a key factor. Decisions to pursue a trade sale, support a secondary transaction, or initiate a new funding round that enables partial liquidity all influence when exits become possible.

Buyer dynamics, however, often determine when exits actually occur. This is particularly pronounced in African VC. Across stages, investors hold assets they are willing but unable to sell due to the absence of willing counterparties. In this context, timing is less a function of investor intent and more a function of when a credible buyer emerges. The structure of the buyer market means that the presence of a willing acquirer is often the decisive factor in determining when, or whether, an exit takes place.

The Mechanics of Trade Sales in African VC

For a VC to exit through a trade sale in Africa, four conditions need to align:

- **Company readiness:** The company is sufficiently developed and attractive to be considered for acquisition.
- **Buyer readiness:** There is a willing and able buyer.
- **Transaction alignment:** The buyers and sellers align on price and other key terms.
- **Supporting environment:** Macroeconomic and regulatory conditions do not disrupt the process

Taken together, these conditions determine whether an exit moves from possibility to execution. A typical trade sale can be understood as the convergence of these elements in practice.

Here is a walkthrough of what this looks like for an African VC today:

Company readiness

The starting point is whether the company is a viable acquisition target. This includes both its underlying performance and its position within the market.

- The company demonstrates sufficient financial and operational maturity to attract buyer interest. This may include revenue scale, growth trajectory, or a defensible market position.
- The business has characteristics that make it relevant to a potential acquirer, whether through market access, product capabilities, or strategic positioning.

In parallel, founder alignment remains a necessary condition:

- The founding team is willing to pursue a sale and cede control of the business.
- This willingness is often the point at which an exit becomes actionable, rather than theoretical.

Without both elements—an attractive asset and founder readiness—a trade sale is unlikely to progress, regardless of investor intent.

Buyer readiness

The next condition is the presence of a credible buyer. A trade sale requires more than an attractive company; it depends on whether a specific acquirer is willing and able to engage at that point in time.

- There is a company with a clear interest in acquiring the portfolio company. This is often a binding constraint in African VC due to the limited depth and breadth of strategic acquirers. The presence of larger companies in a sector or geography does not necessarily translate into a viable buyer pool. Potential acquirers must not only operate in the same space, but also have an active acquisition strategy, a willingness to pursue inorganic growth, and a specific rationale for acquiring the target.
- Transactions are rarely driven by competitive bidding processes. In most cases, there is a single credible buyer, or a very small set of potential acquirers. This limits competitive tension and places greater importance on bilateral engagement.
- As discussed in Section 2, legibility is a key driver of liquidity, particularly in markets such as North Africa where alignment with global standards, stronger disclosure, and more comparable business models have supported more consistent exit activity. Legibility is not limited to making companies easier to understand. It reduces the friction associated with transactions and makes both companies and markets investable to a wider set of buyers, especially international acquirers. In this context, legibility expands the effective buyer universe and increases the likelihood that credible acquisition interest emerges in the first place.
- One emerging development is the gradual expansion of the buyer base through endogenous liquidity. Early-stage and growth-stage companies are increasingly acting as acquirers, particularly in sectors where consolidation is underway or where firms are pursuing inorganic growth strategies. This dynamic is beginning to broaden the set of potential buyers in certain segments of the market. Recent examples include Flutterwave's early-2026 acquisition of Mono in an all-stock transaction, as well as Risevest's acquisitions of competitors in Nigeria (Chaka) and Kenya (Hisa).

Transaction alignment

Even where a company is attractive and a buyer is identified, a transaction only proceeds if there is alignment on price and key terms. This stage is often where deals slow down or fall apart.

Pricing alignment: Price is a potential point of friction. Strategic buyers may be willing to pay a premium where an acquisition delivers clear strategic value, such as market entry, capability expansion, or competitive positioning. This creates some flexibility in pricing relative to financial buyers. That flexibility, however, is not unlimited, particularly where expectations are anchored to prior funding rounds.

Influence of early-stage valuations: Valuation expectations formed in earlier rounds can shape the feasibility of a trade sale. In some cases, optimistic early-stage pricing creates a disconnect with how strategic buyers assess value. Corporates evaluate acquisitions based on commercial fit and expected returns within their core business, rather than venture-style growth assumptions. Where this gap is wide, assets can become difficult to transact at expected prices.

This dynamic has implications for how companies are built and positioned. The traditional venture model has supported aggressive early-stage valuations, with the expectation that a small number of companies will reach scale and access public markets. In Africa, the limited and mixed performance of IPO pathways has shifted attention toward trade sales as a more reliable route to liquidity. As this shift takes hold, it may encourage greater valuation discipline, particularly

where founders and investors are building with identifiable strategic buyers in mind.

It also introduces a potential tension between founders and early-stage investors. Higher valuations in subsequent rounds increase the implied value of early investors' stakes, but can make it harder to align with the pricing framework of strategic acquirers. Where expectations are anchored to prior rounds, the set of feasible buyers may narrow, making agreement more difficult and affecting both the timing and likelihood of a transaction.

Non-price terms: Alignment is not limited to valuation. Trade sales typically involve a full transfer of ownership and integration into a larger organisation, which introduces a wider set of considerations. These may include:

- Founder and management retention
- Governance and decision-making post-acquisition
- Earn-outs or performance-linked payments
- Treatment of employees and existing investors

Disagreement on these terms can delay or prevent transactions, even where pricing is broadly aligned. In practice, these discussions often reflect underlying questions around control, particularly from the perspective of founders transitioning out of ownership.

Supporting environment

Macro conditions influence both the availability of buyers and their willingness to transact. This affects not only whether deals are completed, but also whether they are initiated in the first place.

The impact of these conditions differs across buyer types. Strategic acquirers are generally less directly constrained by macro factors than financial buyers, as their decisions are driven by longer-term commercial objectives rather than short-term return thresholds. However, macro conditions still shape their behaviour. In weaker environments, corporates may slow acquisition activity, become more selective, or place greater emphasis on pricing and integration risk.

As a result, the environment often influences the timing and pacing of transactions more than the underlying intent to acquire. Deals may be delayed, repriced, or deprioritised, even where strategic interest exists

The Mechanics of Secondaries in African VC

For a venture investor to exit through a secondary transaction in Africa, a similar set of conditions must align. These conditions determine whether liquidity can be achieved without a full company exit:

- **Company readiness:** The company has reached a stage where existing investors are willing to sell and new investors can underwrite future returns.
- **Buyer readiness:** There is a willing and able buyer.
- **Transaction alignment:** The buyers and sellers align on price and other key terms.
- **Supporting environment:** Macroeconomic and regulatory conditions do not disrupt the process.

While these conditions mirror those of trade sales, the underlying dynamics differ. Secondary transactions are driven by financial buyers, rely more heavily on future exit visibility, and are more sensitive to pricing and capital availability.

Here is a walkthrough of what this looks like for an African VC today:

Company readiness

For a secondary transaction to occur, the company must meet a different set of criteria than in a trade sale, reflecting the needs of financial buyers.

- The company is financially attractive to prospective investors, with sufficient scale, growth, or performance to justify a new investment.
- The company is considered to have credible future exit pathways, allowing a new investor to underwrite a return from this point onward.
- The founders are willing to permit a transfer of ownership between investors, whether passively or as part of a broader financing or liquidity process.

Founder alignment remains important even where the transaction is between investors:

- Even where an existing investor has economic reasons to sell—such as approaching the end of a fund lifecycle—they cannot unilaterally force through a secondary transaction.
- The terms of the transaction, particularly valuation, can influence future fundraising and cap table dynamics. As a result, founders and other existing investors remain active stakeholders in the process, even though it is a fund-to-fund transaction.

Buyer readiness

A secondary transaction requires the presence of another investor willing to acquire the existing stake. Unlike trade sales, the constraint is less about the absence of buyers and more about identifying the right fit.

For a secondary buyer to engage, several conditions must align:

- There are investors active at the relevant stage of the company's lifecycle.
- Those investors have available capital to deploy, whether through a primary mandate or dedicated secondary capital.
- They operate within the relevant sector and geography.
- Their mandate allows for this type of transaction, including willingness to take minority positions, the ability to purchase existing shares rather than only participate in new issuances, and alignment with the size and structure of the deal.

In practice, many investors may meet one or two of these conditions, but far fewer meet all of them simultaneously. This makes buyer identification a question of fit rather than simple availability.

Case study: Secondary liquidity during primary fundraises

There is one context in which company readiness and buyer readiness tend to align more seamlessly: when a company is raising a new primary round.

In these situations, a new investor is already being introduced to the company, has conducted diligence, and is prepared to deploy capital. This reduces the friction typically associated with identifying a secondary buyer. The presence of a lead investor can also anchor valuation, making it easier to structure a transaction that includes both primary and secondary components.

Founder and stakeholder alignment is often stronger in this context. A secondary component can be used to provide partial liquidity to early investors while still bringing in new capital for growth. Where structured appropriately, blended transactions can balance the interests of existing investors seeking liquidity and new investors seeking exposure. This can make founders more willing to facilitate secondaries, particularly where it strengthens the cap table or supports long-term company development.

A number of secondary exits in African VC have occurred through this pathway. For example, Moniepoint's Series C fundraise enabled partial and full exits for early-stage investors, including Oui Capital and Ventures Platform.

At the same time, this pattern is inherently opportunistic. It depends on the timing of new capital inflows rather than on a deliberate exit process. The fact that many secondary transactions occur in this context reflects the broader dynamic highlighted earlier: venture investors have comparatively limited control over when liquidity is realised and often rely on moments where buyer availability and company activity coincide.

Transaction alignment

Even where a suitable buyer is identified, secondary transactions require alignment on pricing and terms. Pricing is often the main source of friction.

Pricing and valuation disconnect: Buyers and sellers approach valuation from different perspectives. Sellers tend to anchor to prior funding rounds and the company's trajectory to date, while buyers focus on future return potential from this point onward. This difference in framing can create a gap between expected and acceptable pricing.

Secondary-specific discounts: Financial buyers typically apply discounts to reflect the nature of the asset. These include illiquidity, lack of control, uncertain exit timing, and information limitations. As a result, even where both parties agree on company quality, the price a buyer is willing to pay may fall below the seller's expectations.

Impact on execution: These pricing dynamics can delay or prevent transactions, particularly in markets where buyer depth is limited and competitive tension is low. In such cases, there are fewer opportunities to bridge valuation gaps through competing bids.

Role of benchmarks and transparency: Clearer benchmarks and improved data transparency can help narrow pricing gaps. Where there is greater visibility on comparable transactions, company performance, and market conditions, both sides have a more grounded basis for valuation. This reduces uncertainty and can make it easier to reach agreement.

Non-price considerations: Non-price terms are generally less complex than in trade sales, as ownership of the company is not changing hands and operations are not being integrated. However, secondaries still require approvals and coordination. This may include:

- consent from founders or the board
- alignment with other investors on cap table changes
- compliance with existing shareholder agreements

While these factors are typically not the primary obstacle, they remain necessary conditions for execution.

Supporting environment

As with trade sales, macro conditions influence both the availability of buyers and their willingness to transact. This affects not only whether deals are completed, but also whether they are initiated in the first place.

The impact is more pronounced for financial buyers. Their participation depends on capital availability, return expectations, and confidence in future exit pathways, all of which are highly sensitive to market conditions. When conditions weaken, capital deployment slows, return thresholds rise, and underwriting becomes more conservative. Strategic buyers are less directly constrained, but may still become more selective or delay transactions.

This dynamic explains why secondaries do not act as a counterbalance to weaker exit environments. The same conditions that reduce trade sale activity also limit the participation of financial buyers. As a result, both pathways tend to contract at the same time, reducing overall liquidity rather than offsetting it.

Takeaways & Outlook

VC structure shapes liquidity: The structure of venture capital shapes how liquidity can be realised. Minority ownership, reliance on a small number of outsized outcomes, and limited control over exit decisions mean that investors do not independently determine when or how they exit. Liquidity is pursued within these constraints rather than engineered freely.

Exits are negotiated outcomes: Exits are negotiated outcomes, not investor decisions. They depend on alignment between founders, buyers, and existing investors, each with different incentives and constraints.

Exits are matching problems: Exits are also matching problems,

rather than market-clearing events. In liquid markets such as commodities, buyers and sellers can transact easily because assets are standardised and pricing is transparent. Venture assets are different. Each company is unique, information is uneven, and buyers have specific mandates and expectations. In African VC, where buyer pools are narrower and less systematic, this matching problem becomes more pronounced. Liquidity depends on identifying a buyer whose mandate, timing, and view of value align with the asset being sold. Where that alignment does not exist, transactions do not occur, even if both supply and demand are present in aggregate. In this context, information and data transparency play a critical role. Greater visibility into company performance and transaction benchmarks can reduce search and pricing frictions, making it easier for counterparties to identify and evaluate opportunities. More transparent ecosystems tend to match more efficiently, while opacity increases the likelihood that viable transactions do not happen.

Optimising within and beyond constraints: For fund managers, improving liquidity outcomes involves two broad approaches. The first is to optimise within existing constraints. This includes building companies with clearer exit pathways, improving legibility, and engaging actively with potential buyers. The second is to adjust the terms of engagement. This may involve rethinking what constitutes an acceptable outcome, such as realising partial liquidity through secondaries, staging exits over time, or calibrating entry prices with future buyer expectations in mind. These adjustments can improve the consistency and timing of liquidity, but they must be balanced against the core economics of venture capital, which remain dependent on a small number of large outcomes. The evolution of African VC is likely to involve a gradual recalibration along these dimensions, as investors adapt to the realities of how exits occur in practice.

Section 3b: Liquidity constraints in African VC

African venture capital has expanded quickly over the past decade. More companies have been funded, and a larger number have reached a scale where an exit should at least be possible. Even so, liquidity remains thin. Money has entered the ecosystem faster than it has come back out, and the exits that do happen still depend on a fairly narrow set of buyers and routes.

That shortfall does not come from a single weak point. Some of it is built into the market itself. Companies often take longer to mature, sector exposure remains concentrated, late-stage capital remains thin, and domestic institutional participation has yet to meaningfully deepen. Some of it is more cyclical. Foreign exchange volatility, valuation resets after the funding boom, and weaker global risk appetite have all made exits harder to achieve in recent years.

The data captures that narrowness quite clearly. Roughly 73% of exits occur through trade sales, indicating that while liquidity is present, it remains concentrated rather than broad-based. As noted throughout the report, a market can produce exits without becoming genuinely liquid, especially when outcomes continue to depend on a relatively narrow set of buyers.

That is the deeper constraint. A few strategic acquisitions can establish precedent, but precedent is not the same thing as repeatability. For capital recycling to become more reliable, exits need to occur across a wider range of companies, through a broader pool of buyers, and with greater regularity than the market has so far managed.

Constraint I: Longer holding periods reflect a structural timing mismatch

One persistent liquidity constraint in African venture is the mismatch between company maturation timelines and conventional venture fund architecture. Standard ten-year structures usually assume that a meaningful share of portfolio companies will reach exit or near-exit liquidity within roughly six to eight years. In many African markets, that assumption remains optimistic. The issue is not simply that exits are scarce, it is that they often arrive on a timetable that sits uneasily with mainstream venture models. Longer holding periods are therefore better understood as a structural constraint than as straightforward evidence of exit failure.

A better way to think about the issue is through exit-readiness. A company becomes exit-ready once it has enough scale, operating stability, and buyer legibility (the same legibility dynamic explored through the archetypes in Section 2b) for a credible sale process to be possible, whether or not a transaction actually happens. In African venture, that point often arrives later than standard fund models assume. The reason is not abstract "market difficulty", but a set of specific conditions that each add time to the journey. Unlike firms expanding across the European Economic Area (EEA) under a common PSD2 payments framework, African fintechs still tend to expand country by country, securing separate approvals as they go. Flutterwave's recent country-specific approvals in Uganda and Ghana are a reminder that scaling still proceeds jurisdiction by jurisdiction rather than through one harmonised market.

Similar dynamics are visible in other sectors. In pharmaceutical manufacturing, for example, fragmented and uneven regulatory regimes across countries limit the ability of firms to scale regionally, even where demand exists. Initiatives such as the African Medicines Agency and broader regulatory harmonisation efforts are intended to address this, but progress remains gradual, and differences in regulatory capacity continue to constrain cross-border expansion. As a result, companies often scale more slowly than their underlying market opportunity would suggest.

The same timing problem appears beyond regulation. Moniepoint's model is built around infrastructure and distribution networks for payment acceptance, while Jumia's scale has depended heavily on logistics and customer behaviours such as payment-on-delivery. Neither business scales purely through digital adoption. In both cases, operating maturity takes longer to build, which pushes out the point at which a company looks sufficiently stable and legible to a serious buyer.

Taken together, these dynamics point to a broader pattern. As discussed earlier in Section 2a in the context of energy, where exit activity is more visible at later stages than within the VC window, the timing of exit-readiness does not always align with venture capital expectations. This does not imply that such businesses lack exit potential, but it does suggest that in several sectors, particularly those that are capital-intensive or operationally complex, the path to exit is structurally longer within the African context. This reflects the combined effects of economic fragmentation, infrastructure constraints, and uneven regulatory environments, all of which extend the time required to scale and reach exit readiness. In practice, this creates pockets of mismatch between how companies scale and when venture capital is typically structured to realise returns.

How local market conditions extend time to exit-readiness

Condition	How it adds time before a company becomes exit-ready	Example
Fragmented regulation	Expansion often requires separate licences, approvals and compliance work in each market. That slows the point at which a company can build the regional footprint many strategic buyers want.	Payment firms in Europe can operate within a common PSD2 framework across the EEA, while African firms still expand jurisdiction by jurisdiction. Flutterwave's recent Uganda and Ghana approvals illustrate that pattern.
Distribution has to be built, not assumed	Startups often need to assemble agent networks, merchant acceptance, logistics capacity or offline onboarding before growth becomes repeatable. That pushes out operational maturity.	Moniepoint explicitly describes itself as building infrastructure and distribution networks for payment acceptance. Jumia's model includes its own logistics layer to move packages across its markets.
Adoption takes longer to become reliable	Customer trust, payment behaviour and repeat usage can take longer to stabilise, especially where businesses must support cash-heavy or assisted-user models alongside digital channels.	Jumia still cites payment-on-delivery as a meaningful part of customer behaviour, showing that product adoption often depends on local trust-building rather than pure digital convenience.
Growth capital thins out too early	Companies may reach Series A or even Series B and still struggle to access the next layer of capital needed to scale into a business that looks clearly acquirable.	Late-stage financing in African tech fell significantly in 2025, leaving more companies stranded between early traction and real exit-readiness.
Public-sector or institution-linked scaling takes longer	In sectors such as healthcare logistics, growth depends not only on customer adoption but on government contracts, regulatory comfort, and integration with public systems.	Zipline's expansion model in Africa has been tied to government agreements, including a 2026 Rwanda expansion announcement and a 2025 Africa CDC partnership focused on national integration. That kind of scaling can be powerful, but it rarely happens at venture speed.

Source: Stears , Partech Partners, European Commission

That delayed path to exit readiness is consistent with what the underlying market conditions would predict. In a still-thin exit market, holding period averages can shift quickly when a small cluster of earlier transactions comes through, especially trade sales. Shorter holding periods are not automatically a sign of healthier liquidity either. Where exits are rushed or taken on weaker terms, timing may improve on paper while realised outcomes weaken.

The broader interpretation also needs some caution. It is difficult to prove an expectations gap using holding-period data alone, because that risks circularity: long holding periods become both the evidence and the explanation. The stronger case lies in the mechanics around the data. Where regulation is fragmented, distribution takes longer to build and later-stage capital remains thin, it is reasonable to expect exit-readiness to take longer as well.

For fund managers, the consequences are practical. Occasional improvements in average holding periods do not remove the underlying tension with fund duration if a meaningful share of assets still take longer to reach a credible sale process. Once portfolio companies move into years seven and eight without a clear path to exit, managers are left with a limited set of options: hold for longer, accept earlier liquidity on weaker terms, or explore structured secondary solutions that remain thin in African markets. Each carries a cost.

The importance of this constraint depends on the benchmark being used. For managers operating within conventional ten-year venture structures, it is a high-friction issue because it delays distributions and complicates portfolio realisation. For the market more broadly, though, it should not be read too quickly as evidence that liquidity has failed. In many cases, the deeper issue is that the timetable itself is mis-specified.

Constraint II: Foreign exchange volatility weakens realised liquidity

Foreign exchange affects liquidity in African venture in more than one way, and it useful to separate them.

The first effect is structural. Most funds are raised in dollars or euros, while many portfolio companies earn, spend and scale in local currency. The second effect is cyclical. Sharp depreciation episodes in markets such as Nigeria and Egypt have made that mismatch far more visible over the past decade. For example, the Egyptian pound depreciated 67% between 2021 and 2025, while the Nigerian naira depreciated 74% over the same period. That magnitude of rapid depreciation is uncommon in major African markets. The third effect is transactional. Even after a sale, proceeds may still need to be converted and removed from the market before they become usable liquidity for LPs.

The evidence that this matters is not limited to Africa. A study examining six decades of IFC equity investments across 130 countries found that local currency depreciation directly and measurably worsened private equity performance, while local inflation alone, controlling for depreciation, was associated with higher returns. What makes Africa distinctive is the frequency and severity of its triggering. Multiple industry surveys have shown that exchange rate volatility was the top macroeconomic concern for a significantly high number of GPs and LPs surveyed. An earlier AVCA survey found that 75% of GPs reported currency risk had a detrimental impact on their realised investments, and that its effect was felt most acutely at the point of exit, not entry.

Over the past decade, sharp currency depreciation in major African markets has materially weakened dollar outcomes even where companies have scaled strongly in local terms. A business can grow rapidly in naira or Egyptian pounds and still look far less impressive once that progress is translated into dollars. That matters for liquidity because venture exits are ultimately judged against hard-currency returns. In practice, depreciation raises the growth hurdle that companies must clear to meet conventional VC expectations within standard fund timelines. A company that is growing well in local-currency terms may therefore still need more time to reach the same dollar-denominated exit target. FX weakness, in that sense, does not just reduce realised returns after an exit, it can lengthen the holding period required to make an exit viable in the first place. This is best understood as a cyclical pressure, amplified by the scale of recent depreciation, even if the worst of that shock has begun to ease.

Ultimately, depreciation did not just reduce realised returns; it raised the dollar growth threshold companies needed to meet, pushing exit readiness further out and extending fund timelines in ways that had little to do with operational performance. The table below illustrates the effect of currency depreciation on investor return multiples, using a scenario where the investment was made in Nigeria in 2019 and the exit happened in 2025.

FX erosion scenario: Naira growth vs Dollar return

Company Scenario	Entry ($ at ₦360/$1)	Naira multiple	Exit value (₦)	Exit ($ at ₦1,500/$1)	USD multiple	Impact on Return
Strong performer	$10M	10×	₦36bn	$24M	2.4×	Depreciation depressed FCY return
Solid performer	$10M	5×	₦18bn	$12M	1.2×	Depreciation eroded FCY return
Modest performer	$10M	3×	₦10.8bn	$7.2M	0.72×	FCY return is negative due to depreciation

Source: Stears

But it is worth asking what the FX constraint looks like in a world without those acute shocks. Even without the sharp depreciation episodes of recent years, the FX constraint would not disappear. A steadier pattern of currency weakness still creates a mismatch between how companies grow and how fund performance is measured. If a business compounds in local currency while the currency weakens modestly each year, the dollar return will still lag the local operating story over a six- or seven-year hold. The effect is slower and less dramatic, but it still matters. In a more stable FX environment, currency risk becomes less of a shock and more of a gradual drag on time-to-liquidity, because companies need longer for local-currency growth to translate into the dollar outcomes that fund structures and LP expectations are built around.

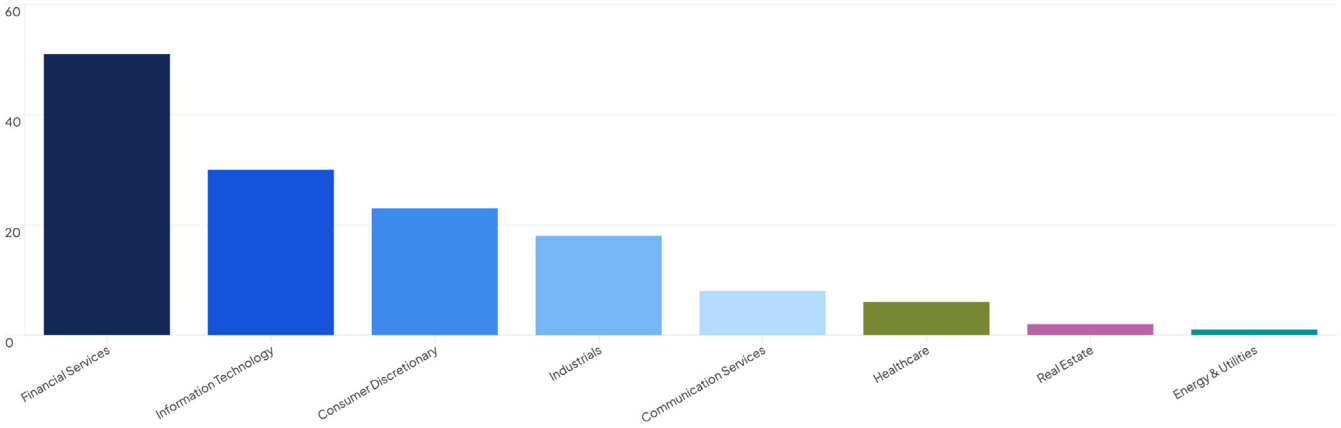
The final layer is the one that appears after an exit has supposedly occurred. In several African markets, realised value still has to be converted and repatriated before it becomes clean liquidity for foreign LPs. When foreign exchange is scarce or access is rationed, a completed sale can still leave cash stranded, delayed or discounted in practice. The FX mismatch also affects more than final exits. It shapes the practicality of partial-liquidity mechanisms along the way. Where value is generated in local currency but fund obligations sit in dollars, even relatively simple distributions can become harder to execute cleanly, especially when foreign exchange is scarce or conversion is costly. This is important as liquidity in private markets does not come only through outright sales. Dividends, interim distributions, and other early liquidity mechanisms can also return capital to investors. Local-currency funds are often more flexible on this front, since they can distribute value in the same currency in which it is earned. Dollar funds do not have that advantage. The FX constraint therefore, affects not only whether an asset can be exited, but also how easily value can be released before a full exit takes place.

There is one more subtle effect worth noting. Weak dollar outcomes can reduce the incentive to publicise an exit, especially where realised performance falls short of what earlier marks had implied. That makes parts of the liquidity picture harder to observe. It is difficult to measure this directly, and the point should be treated cautiously, but it does suggest that reported exit activity may understate some realised transactions at the margin. In this sense, FX dynamics do not just affect realised returns, but also the visibility of those outcomes. Where disclosure is uneven, the observed data becomes a less complete representation of underlying liquidity, reinforcing the broader challenge of interpreting exit activity in low-transparency environments.

The importance of this constraint depends on who is bearing it. For dollar funds exposed to volatile local currencies, it is a high-severity mixed constraint because it affects valuation, timing and the transfer of proceeds back to investors. For local-currency funds, domestic buyers, or businesses with meaningful hard-currency revenues, it remains relevant but is less binding. The larger point is that FX should not be treated as a macro complication sitting outside the liquidity story. In African venture, it sits inside the mechanics of realisation itself.

Constraint III: Concentration limits exit breadth

VC exits by sector (2019–2025)



Source: Stears-VP Liquidity Index

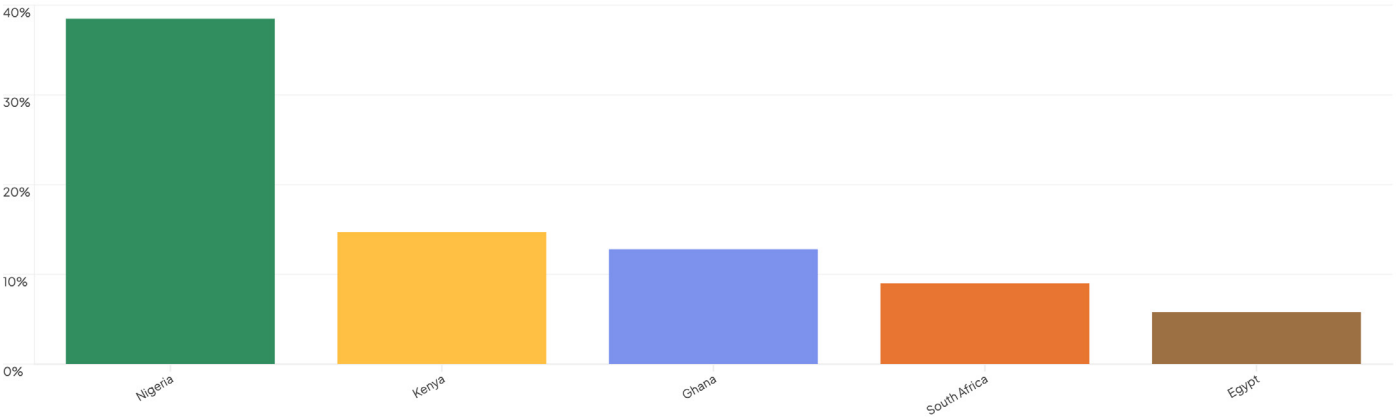
Concentration in African venture is less a question of whether exits can happen than of how broad and durable the exit base is. Capital tends to flow into the sectors and markets where scalable opportunities are most visible, so it is not surprising that exits also cluster there. The issue is not that concentration prevents exits, but that it narrows liquidity, makes it less resilient, and makes it more sensitive to shifts in a small part of the market.

The most direct bottleneck sits on the demand side. African venture exits still rely heavily on a limited group of strategic buyers, and trade sales accounted for 70% of recorded exits between 2019 and 2025. That does not make trade sales a weak route. It does mean that much of the market still depends on a single buyer channel to carry most of the load. When that buyer base slows, liquidity weakens quickly because there are not yet enough alternative routes to absorb the pressure.

The same narrowing begins earlier, at entry. Exits can only emerge from the stock of companies that got funded in the first place. If investment is heavily concentrated in a small part of the market, the eventual exit universe will be too. Financial services is the clearest example, as highlighted in Section 2a. That is not a problem in itself. It reflects where capital has found the clearest opportunities. But it does mean that a relatively narrow buyer pool is being asked to absorb a relatively concentrated supply of exit candidates.

Geographic concentration works in much the same way. Based on data from the SVL Index, Between 2019 and 2025, Nigeria, Kenya, South Africa, Ghana, and Egypt accounted for approximately 85% of exits. Again, that largely reflects where venture activity has been deepest. But liquidity then compounds unevenly. Buyer familiarity builds faster, precedent forms earlier and route formation becomes easier in markets where activity is already dense. Outside those hubs, exits are not impossible, but they are less repeatable and more bespoke.

Share of venture-backed exits by country (2019–2025)



Source: Stears-Ventures Platform Liquidity Index

There are early signs that the base may widen over time. Climate, health, logistics, and AI-related businesses are attracting more attention than they did a few years ago, which should gradually broaden the set of companies that could become exit candidates. But diversification compounds slowly. For many funds that deployed most actively between 2019 and 2022, the exits now being pursued still reflect the structure of the market as it was when capital was deployed: concentrated in a narrow set of sectors, markets and buyer relationships.

That is the better way to read this constraint. Concentration does not necessarily suppress liquidity in absolute terms. It makes liquidity narrower, more exposed and less stable across time. In practice, that means exit activity can look healthy for a period and still remain fragile underneath, because too much of it depends on a narrow set of buyers staying active in a narrow part of the market. African venture can produce exits, but too much of that capacity still depends on a concentrated set of funded sectors, core markets and strategic buyers.

Constraint IV: Thin late-stage, crossover, and secondary depth delays exit readiness

Exit markets are shaped long before a company is formally put up for sale. The availability of capital across each stage of a company's development plays a central role in determining whether it can reach exit readiness. In deeper ecosystems, that middle layer is filled by late-stage venture investors, growth capital, crossover money and secondaries. They help companies mature, give early backers ways to reduce exposure and make valuations easier to test before a final exit is on the table.

African venture still looks thin at that stage of the journey. Early funding is more available than it used to be, and strong companies can still make it through Series A. Beyond that point, capital becomes more selective and less consistently available. The number of Series C and later-stage rounds each year remains small—e.g. Stears tracked just twelve Series C+ deals across 2024 and 2025, indicating that relatively few companies are able to access the level of funding required to scale fully before pursuing an exit. As a result, a meaningful share of companies sits between early traction and full exit readiness for longer than standard venture timelines would anticipate.

There are signs of progress. Growth-stage capital is increasingly being provided by investors traditionally associated with private equity, reflecting a gradual expansion in the funding available to scaling companies. This is already visible in some of the largest recent late-stage rounds, including Series C+ deals such as Thunes and Moniepoint, which featured significant participation from private equity investors. In these cases, crossover capital has helped extend the runway for stronger companies and support their progression towards exit readiness. At the same time, this activity remains selective and concentrated, with only a small number of companies able to access this layer of funding. The depth and consistency required to support exit readiness across the broader ecosystem have yet to develop.

The same bottleneck appears in the secondary market. In more developed ecosystems, secondaries allow capital to recycle before a company is sold outright or goes public. They give early investors another way to realise value and reduce some of the pressure that builds when holding periods stretch. Africa has not reached that point yet. Secondary activity exists, but the market remains small, with relatively few dedicated vehicles and fund sizes well below levels common elsewhere. The issue is not absence so much as scale.

Secondary activity is beginning to take shape, though it remains too small to carry much weight across the ecosystem.

Public markets have not filled that gap. For most venture-backed companies on the continent, IPOs remain rare enough to count as exceptions rather than a dependable route to liquidity. That leaves strategic sales doing more of the work than they would in a more developed market, while companies that are not yet ready for that path can find themselves stuck between stages.

Where that middle layer of capital is constrained, companies often take longer to become exit-ready and reach the market under less favourable conditions. Liquidity is delayed, and outcomes are shaped by a narrower set of counterparties. This affects both the timing of exits and the competitiveness of the process, with implications for how much value investors are ultimately able to realise.

Constraint V: Valuation resets and market cycles complicate timing

The 2021–2022 funding boom left many African startups carrying valuations set in a very different market. Cheap capital, strong growth sentiment and looser pricing made it easier to raise at ambitious levels. The environment that followed was much less forgiving. Part of what made the correction so disruptive was that many companies had been priced on assumptions that were difficult to sustain once market conditions changed. Those prices were often anchored in forward-looking expectations and benchmarks drawn from more developed venture markets, in a period when capital was abundant and diligence cycles were shorter.

This creates friction at exit.The African corporates, banks and telecoms that make up the most credible buyer universe tend to price assets on revenue, margins and cash flow, rather than on the story that justified the last round. A company that raised at a $500 million valuation in 2021 may since have become operationally stronger and still struggle to clear that price, because the buyer is pricing the business as it exists today rather than the trajectory implied at the last round.

The valuation comparisons illustrate how acute this can be. Flutterwave's $3.2 billion valuation from its 2022 Series D has not been updated since and is slightly below the current dollar market capitalisation of GTCO ($3.6 billion), Nigeria's most valuable listed bank. Kuda was valued at about $500 million in 2021, roughly in line with FCMB's market capitalisation today (~$550 million). PalmPay's last known valuation of $800–$900 million sits above several mid-tier Nigerian banks in dollar terms. If those marks still hold, the realistic buyer universe for some of these companies may be much narrower than their cap tables imply.

These comparisons are not intended to suggest that venture-backed startups and listed banks are directly comparable assets, as public market valuations reflect different business models, risk profiles, and investor expectations. The relevance lies in what they imply for exit feasibility. When venture valuations approach or exceed the scale of the institutions most likely to act as acquirers, tension can emerge between pricing and realistic exit pathways. In more developed markets, that tension is often absorbed by deeper buyer pools and alternative exit routes. In African markets, where those alternatives are more limited, the same dynamic becomes a more binding constraint on liquidity.

The shift in valuations feeds directly into liquidity. Exit expectations are set well before a business is sold, and many companies are now operating against benchmarks established in a very different market.A company may still be performing reasonably well, with revenues growing and the core operating story intact, yet the valuation needed to produce an attractive outcome for early investors may no longer be realistic. This creates tension in both fundraising and exit discussions. Founders and existing investors are often reluctant to accept a sharp reset, while buyers are pricing off present conditions rather than the assumptions that shaped earlier rounds.

As discussed in Constraint II, FX dynamics add another layer to this adjustment. Even where local operating performance remains strong, currency depreciation can weaken dollar outcomes, increasing the gap between underlying business progress and hard-currency return expectations. The reset is therefore not only about lower market multiples. In many cases, it reflects the need to reconcile local performance with valuation levels that were set under more favourable conditions.

Over time, the gap does begin to close, but not in a particularly clean way. More often, it works through the market via longer holding periods, flatter exits and changes in what buyers are actually willing to pay. Many 2020–2022 vintage assets are still somewhere in the middle of that adjustment.

Much of the adjustment appears to be taking place below the surface. A number of GPs, particularly those with exposure to assets priced in the 2020–2022 period, have like revised internal valuations downward. This is difficult to verify directly, as private marks are rarely disclosed and there are limited incentives to formalise markdowns too quickly while fundraising remains in view. Even so, how assets are being valued within portfolios is shifting, even if this has not yet been reflected in actual exits.

None of this means African venture capital is illiquid in any absolute sense. Exits happen, strategic buyers are active and some secondary activity is beginning to emerge. What the data shows, however, is a system where liquidity is concentrated in a limited set of pathways and delivered with less consistency than fund models typically assume.

Some of that pressure should ease with the cycle. The harder constraints are structural though: companies take longer to mature, late-stage capital remains thin, buyer depth is concentrated and FX risk still affects what investors ultimately realise. Liquidity exists, but it remains narrower and less repeatable than the pace of capital deployment would suggest.

The constraints are not equally severe, and some are more tractable than others. But their combined effect is consistent: they point to a need to calibrate venture assumptions more closely to how liquidity actually materialises in this market. That is where the analysis moves from diagnosing the constraint to examining what a fund designed honestly around these realities should look like.

Section 4

Fund-level considerations for optimising liquidity

4a

Fund-level considerations for optimising liquidity

If African VC exit timelines are longer, buyer pools narrower, and secondary markets thinner than the global benchmarks against which most fund structures were designed, the question is how venture funds should be calibrated in this context. What does a well-calibrated African VC fund look like in practice, and where does it need to diverge from global norms? The answers are not uniform. Some adjustments can be made at the fund level today, while others depend on broader ecosystem development, and many vary by fund size, stage, and LP composition.

Where is the mismatch in what a standard fund design assumes vs. what Africa delivers?

The standard 10-year closed-end VC fund was designed for markets with deeper and more diversified liquidity structures than those observed in Africa today. It was designed for markets where public listings are a reliable exit pathway and secondary intermediaries are active enough to absorb portfolio companies when trade sales fall short. In Africa, neither condition holds consistently. As established in Sections 2a and 3b, trade sales accounted for approximately 70% of exits between 2019 and 2025, making them the dominant route by a margin of more than four to one over the next most common pathway. This describes a market where one exit route carries almost the entire burden of liquidity, alternative pathways remain nascent, and public market exits are the exception rather than a dependable channel.

The gap between what the standard fund structure assumes and what Africa actually delivers is therefore a central design challenge for African VC managers. But diagnosing that gap correctly matters as much as closing it. A fund can be misaligned with its market in two fundamentally different ways:

- **Structural misalignment:** The vehicle itself is poorly suited to the market, with its duration, waterfall, and LP commitment structure calibrated to conditions that do not exist.
- **Operational misalignment:** The vehicle is defensible, but the assumptions built into it are misaligned with how liquidity actually materialises.

Each one requires a different response and treating them as equivalent risks solving the wrong problem without meaningfully improving liquidity outcomes.

The case for operational misalignment as the dominant problem rests on one central observation: the same standard 10-year closed-end vehicle often described as incompatible with African markets has, in fact, produced exits. Nedbank's $93 million acquisition of iKhokha enabled a full exit for the selling consortium, including Apis Partners, Crossfin Technology Holdings, and IFC, all operating through conventional fund structures. Launch Africa has also generated both cash exits through secondaries and stock exits during the fund's life, while raising a successor vehicle. Ventures Platform provides a further example, having returned capital across multiple fund vintages through secondary transactions. These cases do not prove that the model always works. But they do show that conventional fund structures are not inherently incapable of producing liquidity in African markets. What differentiates funds that realise liquidity from those that do not is more likely to lie in the assumptions underpinning deployment, timing, and exit strategy than in the legal structure of the vehicle itself.

The broader data support that interpretation. Around 60% of African VC funds operate on the standard 10-year model, with many extending to 15–17 years in practice. A more precise interpretation is that the assumptions embedded in those vehicles, particularly around exit timing, buyer depth, and secondary liquidity, have proven optimistic in this context. African exits have often taken 8–15 years, well beyond the 10-year horizon typically assumed at fund formation. This reflects the interaction of longer company maturation timelines and a buyer landscape that remains concentrated and transaction-specific, rather than continuously liquid. T A fund that underwrites exits in year 6 in a market where they materialise closer to year 9 or 10 will appear structurally broken when it is in fact operationally miscalibrated. The estimated median holding period of 5 years reflects only completed exits, not the larger pool of unrealised investments still held on GP books. This is a general feature of exit data, but in a market where exits are slower and less frequent, it can more significantly understate the true duration of capital at risk.

The point is not that the vehicle never works, but that when it fails, the breakdown often lies in the assumptions built into it rather than in the structure itself, and that distinction matters because it changes the remedy. Redesigning the vehicle when the primary problem is operational means solving the wrong problem at a higher cost and with limited effect on liquidity outcomes. Once the problem is framed as operational, the focus shifts to which assumptions matter most: exit timing, buyer access, portfolio construction, reserve strategy, and the role of secondaries. Crucially, these do not all carry equal weight.

Structural vs operational misalignment in African VC

Fund Dimension	Structural misalignment	Operational misalignment
Duration	The 10-year legal life is fundamentally incompatible with the market	The 10-year life is defensible, but exit timing assumptions are too optimistic
Waterfall	Return distribution mechanics do not fit African exit sequencing	Carry timing, DPI expectations, and recycling assumptions are calibrated to faster realisations than the market delivers
LP commitment structure	The closed-end structure is wrong for the market	The structure is usable, but LP liquidity expectations are not calibrated to African exit realities
Deployment assumptions	Capital cannot be deployed effectively within the investment period	Capital is deployed, but insufficient exit runway remains after deployment
Exit timeline assumptions	The market cannot support exits within any reasonable fund horizon	Exits are achievable, but are modelled too aggressively at fund inception
Implied response	Redesign the vehicle — evergreen structures, hybrid instruments, longer legal durations	Fix the model — recalibrate assumptions, tighten portfolio construction, and plan secondaries from entry

Source: Stears, Tech in Africa

Convergence toward more liquid exit conditions is underway but remains conditional, and that conditionality is the core point.

The early signs are real. Local investor participation in African VC deals has risen from 19% a decade ago to 31% in 2024, bringing more domestically anchored capital into the ecosystem. Domestic investor participation (pension funds, insurers, and corporates) in African private capital grew 3.7x between 2022 and 2024, from $171 million to $639 million. Ghana has also mandated a 5% allocation of pension assets to private equity and venture capital, demonstrating how domestic capital can be deliberately directed toward the asset class. On the buyer side, intra-African consolidation is rising, with cross-border acquisitions broadening exit routes beyond the traditional reliance on international trade buyers. These developments indicate that some of the conditions required for deeper liquidity are beginning to form.

But convergence toward liquidity conditions that would make the standard fund model more self-correcting requires more than early momentum alone. It depends on four conditions advancing together:

- Sustained domestic institutional participation, because without local patient capital anchoring the LP base, exit markets remain exposed to international pull-back cycles.
- A strategic buyer pool that extends beyond fintech and payments, because liquidity concentrated in one sector is fragile rather than deep.
- A more active base of local acquirers, including African corporates and scaled startups, because endogenous M&A broadens the buyer universe and reduces reliance on external buyers.
- Functional public market pathways for growth-stage companies, because without a credible IPO route, trade sales carry almost the full burden of exit supply.
- Macro stability strong enough to attract crossover capital, because currency volatility and repatriation risk still reduce the pool of international buyers willing to transact at fund-relevant valuations.

Progress along each of these dimensions is uneven, and there is limited evidence that they will align within the exit windows of funds raised before 2022 or 2023.

That is what matters for fund design. Convergence should be monitored, not assumed. The rational response for funds operating today is to design for the market they are most likely to face during their active life, not the one that may eventually emerge. Even managers who believe convergence is underway still make an irreversible choice at fund formation, because duration, LP mix, portfolio construction, and secondary strategy are fixed before the market reveals how far that convergence will go. A manager who underwrites to convergence and is wrong has little room to correct. A manager who adapts to current conditions and finds that convergence arrives early gives up relatively little beyond some efficiency in a more liquid market than expected. That asymmetry makes adaptation the more prudent choice, regardless of one's view on the pace of convergence.

The adaptations that follow are therefore best understood as responses to a transitional market phase rather than permanent departures from global fund design norms. They are necessary for 2021–2023 vintages whose exit windows are likely to open before convergence is sufficiently advanced, and remain relevant even for newer funds whose longer horizons create flexibility but not certainty.

Diagnosing the mismatch as operational rather than structural changes the nature of the response, but it does not make that response self-evident. Operational assumptions span exit timing, portfolio construction, and how secondary options are planned and priced, and they do not all matter equally. The adaptations examined below are therefore prioritised based on their expected impact on liquidity outcomes. In a constrained market, the most visible lever is not always the most consequential.

Duration calibration: The most discussed and least decisive adaptation

Duration calibration refers to how fund life, deployment pacing, and expected exit timelines are aligned with how liquidity actually materialises in the market. Duration calibration matters, but it is rarely the binding constraint in African VC liquidity. Most liquidity constraints arise from buyer depth, pricing alignment, and exit feasibility rather than from fund timelines alone. It is one of the most discussed fund-level adaptations available to African managers, but it is probably not the most decisive. That ranking matters because Africa is not simply time-constrained. It is both time-constrained and buyer-constrained, and those are different problems that respond to different levers. The danger in overstating duration is that it directs attention to the wrong solution. The core misdiagnosis is treating duration as the primary constraint when the binding constraint lies elsewhere.

BCG data suggests that 71% of African LPs identify a weak exit climate and unpredictable exit windows as their primary challenge, not fund duration. Data on African PE holding periods points in the same direction: the extra year portfolios are held beyond global benchmarks, reflecting less a deliberate choice to be patient than the interval between the exit the GP hoped for and the offer the market

was actually willing to support. Extending fund life does not create a better offer. It only extends the wait.

Extending timelines plays a limited role in improving liquidity outcomes. What matters more is how funds operate within and adapt to these constraints. This connects directly to the valuation reset dynamic examined in Constraint V of Section 3b. Some of the most instructive cases in the African exit dataset are not companies that failed to reach exit readiness, but companies that reached it and still could not exit at valuations that worked for their investors. The constraint in those cases was not time. It was the gap between the valuation at which the company was investable and the valuation at which the available buyer pool was willing to transact. Holding such an asset for an additional two or three years does not necessarily close that gap. It often just postpones the point at which the mismatch becomes unavoidable.

Duration extension is therefore least useful where the exit problem feels most acute: when the company is ready, but the economics of the available exit do not work. In those cases, the real solution is a different buyer, a different entry valuation, or both.

That said, this does not mean duration is unimportant. In a market where exits take longer to materialise and alternative liquidity mechanisms remain limited, timeline calibration still matters. The mismatch between fund timelines and exit reality is not unique to Africa; it exists across venture markets. What differs is that more developed markets have mechanisms that soften the constraint by separating liquidity from final exit. Deeper secondary markets, more active continuation vehicles, and more stable follow-on capital allow managers and LPs to manage timing pressure without relying entirely on a trade sale or IPO. Africa lacks those mechanisms at meaningful scale. As a result, the duration constraint is more binding here than in more mature ecosystems, and mistakes in timeline calibration are harder to absorb.

To make that argument precisely, holding period and fund life need to be kept separate. Holding period refers to the elapsed time between an individual investment and its exit at the portfolio company level. Fund life refers to the legal duration of the vehicle. A fund can have a 12-year legal life and still face effective exit pressure by year 8 if deployment runs through year 4 and LPs expect distributions before wind-down. Duration calibration is therefore not simply a question of extending legal life. It is a question of how deployment pacing, company maturation timelines, and the remaining exit runway fit together.

The implications differ by fund type. Duration becomes more binding for early-stage funds, but even here it does not operate in isolation. If African exits often take 8–15 years in practice, then a fund with a three-year deployment window and exit assumptions centred on year 7 may be left with only four years of genuine exit runway, which is rarely enough for companies that need close to a decade to mature in an African operating environment. For these funds, a longer legal duration or a materially tighter deployment pace is the most defensible adjustment. Growth-stage funds face a different version of the problem. Their portfolio companies are closer to exit readiness, but buyer pools at meaningful valuations remain thin, and exit channels are still limited, especially as investor appetite beyond Series B remains selective. For these funds, buyer development matters more than additional time. Multi-stage funds face both pressures simultaneously, making a single fund-wide duration assumption too blunt. What they require instead is cohort-level duration modelling that segments the portfolio by expected maturation path.

LP appetite for extended vehicles also varies materially by LP type and should not be treated as uniform. DFIs, which anchor many African VC fund LP bases, often operate within mandate timelines and reporting cycles that limit how long they can remain invested in a closed-end structure. Duration extension is therefore only viable where the LP base can support it, which means this decision must be resolved at fund formation rather than improvised once exit pressure emerges. The composition of the LP base is therefore not only a fundraising issue. It is also a duration strategy.

When duration calibration helps — and when it does not

Situation	Real constraint	Why duration helps / does not help	Better adaptation
Early-stage fund, long company maturation timeline	Time and exit runway	Helps, because fund runway is genuinely too short for portfolio maturation	Longer legal life or tighter deployment pace
Growth-stage fund, exit-ready company but thin buyer pool	Buyer depth / valuation gap	Helps less, because more time does not create a better buyer	Buyer development, better entry pricing, portfolio construction
Multi-stage fund	Mixed constraints	A single duration assumption is too blunt	Cohort-level duration modelling
DFI-heavy LP base	LP mandate constraints	Extension may not be feasible even if useful	Solve at fund formation through LP base design

Source: Stears

Duration calibration, then, can reduce the pressure that thin exit markets create, but it cannot resolve them. The next question is what else a fund can do to generate liquidity within those constraints, without waiting for a trade sale that may not arrive on schedule. That is where secondary markets come in and where the gap between what is available globally and what is accessible in Africa matters most.

Secondary liquidity

We have just seen that duration calibration, the adaptation managers most often reach for, is less decisive than it appears, because Africa's exit problem is as much about buyers as it is about time. The next question is what a fund can do to generate liquidity within those constraints. That is where secondary markets enter the discussion, and where the gap between what exists globally and what is actually accessible in Africa matters most.

From July 2024 to June 2025, global VC secondary transaction value reached an estimated $61.1 billion, exceeding the combined value of VC-backed IPOs over the same period. That figure is often cited as evidence that secondaries have become a primary liquidity mechanism in venture capital. The citation is correct. The inference, that African managers can therefore access the same tool on similar terms, is not. Africa's secondary ecosystem, including specialist buyers, dedicated vehicles, pricing agents, and the legal infrastructure that makes such transactions routine, remains nascent. That intermediary gap is the binding constraint, and no fund-level decision can remove it on its own.

That matters because secondary transactions sit on a spectrum, and Africa has very different levels of readiness for different forms along it.

The organising principle is straightforward: each secondary structure requires a deeper layer of buyers, capital, and intermediary support to function. Understanding where Africa sits on that spectrum is what makes the secondary argument practically useful rather than merely aspirational.

At the most accessible end is **direct secondary sales**. This is when a GP sells its stake in a portfolio company to another fund, a PE firm, a corporate, or a fund of funds. It requires the least market infrastructure: a willing seller, a willing buyer, and a negotiated price. But as highlighted in Section 3a on how venture exits work in practice, these transactions remain highly buyer-specific, with outcomes shaped by mandate fit, asset familiarity, and pricing expectations rather than by any standardised market process.

Next are **LP-led secondaries**, where an LP sells its stake in a fund to a secondary buyer, which requires more: a buyer willing to take on exposure to African VC funds, credible NAV marks, and sufficient track record to price the position with confidence. They are viable for stronger, more established funds, but usually clear at wider discounts than comparable global transactions because information asymmetry remains harder to overcome.

GP-led continuation vehicles are the most dominant form of **GP-led secondary** activity globally, and they require the most: specialist buyers able to diligence and price individual assets, sufficient ticket size, and legal and advisory infrastructure capable of executing the transaction. Continuation funds account for roughly 90% of GP-led secondary volume globally. In Africa, the infrastructure to support them at meaningful scale does not yet exist. In practice, that tool is available only to the largest managers, typically those with assets above roughly $150–200 million, strong enough to attract international secondary buyers.

The secondary liquidity spectrum in African VC

Secondary route	How it works	Infrastructure required	Current viability in Africa	Main constraint
Direct secondary sale	GP sells stake in a portfolio company to another investor	Low	Highest	Thin buyer pool, pricing discounts
LP-led secondary	LP sells fund interest to a secondary buyer	Medium	Selective	Limited buyer appetite, weak NAV confidence
GP-led continuation vehicle	GP transfers asset(s) into a new vehicle for liquidity and extended hold	High	Very low	Lack of specialist buyers, legal/advisory depth, ticket size

Source: Stears

For most African managers today, direct secondary sales are the main viable option, and the evidence suggests they are being used with increasing intentionality. Oui Capital turned a $150,000 seed investment in Moniepoint into an $8 million return by selling shares during the company's $110 million Series C. Silverbacks Holdings made a partial exit from OmniRetail after the business reached profitability in 2024, realising a verified 5x return. Launch Africa has made the logic explicit by holding top-quintile assets while actively marketing second- and third-quintile companies as candidates for secondary sale to PE firms, corporates, and funds of funds. And as was flagged earlier, Ventures Platform has also returned capital through secondary transactions across multiple fund vintages. Together, these cases reflect a more deliberate approach to portfolio construction, where secondary sales are incorporated as a planned liquidity pathway rather than used reactively.

These cases show that secondaries can work in Africa. But their effectiveness depends on how they are designed and executed, rather than on their availability alone.

The first requirement is strategic design. A secondary strategy must be built into portfolio construction from the outset, not introduced only when liquidity pressure sets in. In one documented case, investors in 54Gene were offered a secondary exit at a $100 million valuation, most declined, and the company later shut down after raising $45 million in total. This is best understood as an illustrative case of timing and pricing misalignment rather than a general outcome, but it highlights how quickly exit windows can close when buyer confidence weakens. Reactive secondary marketing tends to clear at wider discounts than a process planned in advance because, in a thin buyer market, a motivated seller has little negotiating leverage. The real discipline is to segment the portfolio at entry, distinguishing assets that are likely secondary candidates from those better held for a full exit. That is what turns the secondary option from an emergency valve into a genuine liquidity tool.

The second requirement is cost transparency. Secondary exits usually clear at discounts to primary valuations, and that discount has to be built into return expectations from the outset. This is distinct from execution quality. A fund can run a secondary process well and still disappoint LPs if its return model was never designed to absorb the cost of that liquidity. And remember, secondary pricing is based on negotiated outcomes in a constrained buyer market, not simply a technical discount to prior marks. A secondary strategy that is not budgeted for at fund formation is not really a strategy, it is a residual outcome.

Beyond fund-level execution sits a broader market risk. If managers systematically bring weaker assets to the secondary market, a familiar adverse selection dynamic can emerge. When buyers cannot reliably assess asset quality, they price defensively to protect against the risk of overpaying. At those prices, stronger assets are less likely to be sold, because their owners can achieve better outcomes by holding. What remains on the market is a higher concentration of weaker assets, which reinforces buyer caution and pushes pricing down further. Over time, this can reduce both participation and transaction volume, as credible sellers withdraw and buyers become more selective.

In deep secondary markets, this is a persistent friction that can be moderated by better information, more buyers, and more developed intermediation. In Africa's thinner secondary ecosystem, where transaction volumes are low and buyer competition is limited, the same dynamic is harder to offset and can more quickly constrain both pricing and market activity.

The usual mitigation, better reporting and more disciplined asset selection, assumes a level of coordination across competing fund managers for which no formal mechanism exists. This is not just a management problem. It is a coordination problem. And coordination problems do not yield to better individual behaviour alone. They require structural solutions: an intermediary that improves pricing transparency, shared reporting standards, or an ecosystem-level institution that anchors buyer confidence through verified deal quality. None exists at the necessary scale in Africa today. The implication is that adverse selection is a real structural limit to the secondary market argument, and the weight placed on secondaries as a liquidity strategy should reflect this.

Secondary markets, then, are a real and growing liquidity tool for African managers, but a conditional one. They work best when designed for at entry, priced honestly from inception, and used selectively rather than reactively. Used well, they can raise the floor of a fund's liquidity profile. Used poorly or assumed to be more accessible than the market infrastructure allows, they disappoint quickly.

Portfolio construction: The most powerful and most underused adaptation

We have now seen that duration calibration mostly defers the problem, while secondaries offer only conditional relief. Both respond to exit constraints after capital has already been deployed. Portfolio construction is different. It determines whether those constraints are embedded in the portfolio from the first investment decision. That makes it the most powerful fund-level adaptation available to African managers. It is also one of the most underused, not because managers do not understand it, but because its discipline is hardest to preserve under deployment pressure.

A useful way to position portfolio construction relative to the other drivers of exit outcomes is this: it is the only layer a fund fully controls. Market conditions sit above it and are largely outside any manager's influence. Fund management tools such as duration, secondaries, and LP communication sit in between, helping funds navigate constraints without removing them. Portfolio construction sits closest to the source of the problem because it shapes which constraints the fund is exposed to in the first place.

The claim is not that African exit markets work well, or that a well-constructed portfolio will always exit successfully. The structural constraints discussed elsewhere in the report are real. The narrower point is that a meaningful share of exit failure is already embedded at entry, before market conditions come into play. What is mis-specified at investment cannot usually be repaired at exit.

The evidence is straightforward. A fund that invested in an African fintech at Series A in 2021 at a $40 million pre-money valuation often underwrote against global VC comparables — revenue multiples, growth trajectories, and total addressable market narratives. The acquirers who eventually appear typically price to African enterprise reality using metrics such as EBITDA-based multiples, proven cash flow, and discounts for FX exposure, enforcement risk, and governance uncertainty. PE funds acquiring mid-market businesses globally in 2025 paid roughly 5x-9x EBITDA for companies with enterprise values in the $25–100 million range. For a company generating $3 million of EBITDA, that implies an exit valuation of $15–27 million (assuming zero leverage). A fund that invested $8 million at a $40 million pre-money valuation would initially own about 17% of the company. If later dilution reduced that stake to roughly 13%, the company would need to exit at about $62 million for the fund merely to recover its invested capital. At a $27 million exit, it does not even recoup its original investment. No amount of duration extension or secondary planning changes that arithmetic.

The three dimensions of exit-aware portfolio construction

Three dimensions of exit-aware portfolio construction matter most, though not equally. They are best understood in order of practical importance: co-investor alignment, ownership structure and contractual protections, and sector weighting with buyer-pool discipline.

Co-investor alignment: This is the most immediately actionable. It can be assessed before capital is committed, and its failure is usually visible early. Practitioners at the SAVCA VC Conference 2024 identified strong, aligned shareholder groups as critical not only to exit execution but also to portfolio management more broadly, because misalignment compounds over time and is hardest to resolve when a transaction is live. In thin buyer markets, that cost is amplified. Even a short delay in shareholder alignment can weaken competitive tension and allow the buyer to revise terms downward. Exit outcomes are often judged by whether a transaction closes, but the terms at which it clears are just as important. In fragmented cap tables, sellers are more likely to negotiate on the buyer's terms, particularly where coordination across investors is weak.

Ownership structure and contractual protections: This is the most underappreciated dimension. Cap table mechanics matter far more than most founders realise until it is too late to change them. Consider a company that raised $21 million across three rounds, each carrying a 1x non-participating liquidation preference, that sells for $22 million. The preferred stack is repaid first, returning $21 million to investors before any proceeds flow to common shareholders. After multiple rounds of dilution, three co-founders might collectively hold around 40% of the common equity, giving them $400,000 between them, or roughly $133,000 each. That outcome is not determined at exit. It is determined in the financing documents. Weak minority protections such as poor co-sale rights, missing drag-along provisions, or limited information rights, trade short-term execution speed for long-term exit flexibility. That trade-off may sometimes be worth making, but it should be made consciously and priced into expected returns, not accepted by default under deal pressure.

Sector weighting with buyer-pool discipline: This is the most structural and the slowest to influence outcomes. The argument is not that portfolios should concentrate in fintech simply because fintech has the deepest buyer market. It is that every investment, in every sector, should be underwritten against a named buyer universe: who the realistic acquirers are, what their acquisition history suggests about pricing, and whether the implied exit can generate fund-level returns given entry valuation and ownership. The increasing role of private equity as an acquirer reinforces this point. In Europe, the share of venture-backed companies sold to PE has risen from 8% in 2010 to 24% in 2024, reflecting a growing overlap between venture and buyout exit pathways. But PE buys on different terms from the strategic acquirer that many African VC portfolios were originally built toward. Buyer-pool discipline means recognising that shift and building toward the buyers who are actually present, not the ones assumed at fund formation.

Exit-aware portfolio construction raises the floor of a fund's liquidity profile by screening out investments where exit failure is already embedded at entry. But it does not raise the ceiling. It can improve whether an asset is exitable in principle, but it cannot determine whether that asset will be exitable in practice, because that depends on buyer depth, macro conditions, and FX dynamics, none of which are under fund-level control.

This becomes most evident when even a well-constructed portfolio meets a buyer market that is too thin to support a transaction at a return-generating price. At that point, portfolio construction has done all it can. What remains is a market-structure problem, which is the domain of the ecosystem-level interventions discussed later in the report.

Systematic portfolio misconstruction has effects that extend beyond individual fund outcomes. When funds consistently build portfolios that are hard to exit, because entry valuations are disconnected from buyer reality, cap tables are fragmented, or contractual protections are weak, the consequences compound across the ecosystem. Delayed or discounted exits weaken DPI. Weak DPI erodes LP confidence. Lower LP confidence makes successor fundraising harder and reinforces the perception that liquidity in African VC is structurally unavailable. Africa's gap in exit multiple data and valuation benchmarks already makes deal pricing more uncertain than it should be. Persistent portfolio misconstruction deepens that uncertainty and makes it harder for the ecosystem as a whole to attract the capital needed to improve exit conditions over time. Disciplined portfolio construction is therefore not only a fund-level performance issue. It also shapes how investable the African VC ecosystem appears to outside capital.

Incentive structures and LP communication

Portfolio construction determines whether an asset is exitable in principle. But even a well-constructed portfolio can fail to realise that potential if the incentives surrounding the exit decision are misaligned. This section examines a less visible aspect of the exit problem: how LP expectations and carry structures shape GP behaviour at the moment of exit decisions. When aligned, they convert exit potential into realised liquidity. When misaligned, they erode the value that disciplined portfolio construction created.

When LPs enter African VC funds with return and distribution expectations calibrated to global benchmarks, i.e., meaningful DPI within 7–8 years and IRRs aligned with top-quartile global performance, those expectations shape GP behaviour throughout the fund's lifereflecting not only return targets but also LPs' own allocation cycles and portfolio constraints. These expectations translate directly into pressure on exit timing. A GP whose LPs expect distributions on a global timetable in a market where exits materialise later faces a clear incentive: to exit earlier than is economically optimal, at valuations the buyer market can support now rather than those a longer hold might eventually produce. DPI now dominates re-up decisions, with LPs increasingly favouring managers who can show realised cash returns over those with strong paper NAV. Given Africa's weaker liquidity base , where timing is externally constrained, that pressure does not accelerate good exits. It pushes GPs toward available exits rather than optimal ones.

Addressing this requires changes at the level of fund design rather than ongoing expectation management. Embedding realistic, Africa-specific exit timelines into fund documents at first close, rather than importing global benchmarks and trying to moderate them through annual updates, removes the expectation gap before it distorts behaviour. The most effective LP relationships in African private capital in 2025 were those in which LPs such as Proparco and Visa Foundation worked with GPs to design liquidity mechanisms suited to the market rather than applying generic global expectations. That provides a useful reference point. Expectation alignment belongs in fund design, not in damage control once expectations have already diverged.

The choice between fund-level and deal-by-deal carry is not a matter of abstract preference. Each structure solves a different problem, and in Africa's exit environment, the consequences of that choice are unusually direct.

- Fund-level carry, where GP participation is calculated across the fund's realised returns, preserves the incentive to hold assets until their best exit rather than monetising them too early. That is valuable where LPs can absorb longer timelines and the strongest exits may come late in the fund's life. In Africa, however, the risk can run the other way. With exits scarce and timing uncertain, fund-level carry can encourage over-holding—waiting for a large exit to clear the preferred return hurdle even when a partial secondary or smaller trade sale would generate a better risk-adjusted outcome for LPs. In practice, this incentive interacts with market conditions, where limited buyer depth can reinforce holding decisions regardless of carry structure.
- Deal-by-deal carry, where GP participation is calculated on each realised exit, creates a stronger incentive to monetise assets earlier. That can support DPI and preserve LP confidence during the long middle period of the fund's life when paper NAV is the only visible performance signal. In 2025, funds that showed more urgency around DPI saw stronger LP re-up activity across vintages from 2017 through 2023, reinforcing how decisive early cash returns have become for successor fundraising. But the trade-off is equally clear. Deal-by-deal carry can encourage premature exits, undermining the patient holding periods that African markets often require.The conclusion is therefore conditional. Fund-level carry is better suited to patient, well-capitalised funds with LP bases able to absorb extended timelines. Deal-by-deal carry is better suited to smaller funds or LP bases that are more liquidity-sensitive. The choice should be deliberate and explicitly tied to LP composition at fund formation, rather than defaulting to fund-level carry simply because that is the global norm.

The conclusion is therefore conditional. Fund-level carry is better suited to patient, well-capitalised funds with LP bases able to absorb extended timelines. Deal-by-deal carry is better suited to smaller funds or LP bases that are more liquidity-sensitive. The choice should be deliberate and explicitly tied to LP composition at fund formation, rather than defaulting to fund-level carry simply because that is the global norm.

The most consequential incentive problem in African VC is also one of the least discussed. For emerging managers raising a first or second fund without an established DPI record, the pressure to generate early distributions affects not only LP communication. These incentive pressures are most visible where exit outcomes are closely tied to fundraising survival.

An impressive narrative is rarely enough if Fund I only shows unrealised gains. LPs in 2025 want evidence of cash-on-cash returns, and are placing increasing weight on realised distributions when assessing re-up decisions. For an African emerging manager trying to raise Fund II against that backdrop, the logic is very clear. Accepting suboptimal terms on an early exit in Fund I may be necessary to preserve the franchise, even if it weakens Fund I returns. The exit that proves DPI and unlocks the next fundraise is not always the exit that maximises asset-level value. In a thin buyer market, where those two outcomes cannot always be achieved together, the manager will often rationally choose the one that keeps the platform alive. Partial exits through secondaries can help bridge this gap, but remain dependent on buyer availability and pricing conditions.

This behaviour reflects the incentives created by fund structure and fundraising dynamics, and not bad judgement. If emerging managers systematically exit early to generate DPI, the market becomes populated by smaller, earlier, and cheaper transactions than underlying portfolio value would justify. Over time, that reinforces the perception that African VC returns are structurally weak, which in turn deepens the LP caution that created the pressure in the first place.

How LP structure affects exit behaviour in African VC

Fund design feature	Behaviour it encourages	Main risk	Best fit
Fund-level carry	Hold for larger exits	Over-holding	Patient LP base
Deal-by-deal carry	Earlier monetisation	Premature exits	Liquidity-sensitive LP base
DFI-heavy LP mix	More timeline pressure	Forced DPI focus	Structured / lower-risk strategies
Family office / patient capital mix	Greater holding flexibility	Slower interim liquidity	Longer-maturity portfolios

Source: Stears

Lastly, LP composition places hard constraints on how a fund can pursue liquidity. DFIs, family offices, endowments, and high-net-worth individuals operate with different mandate timelines, liquidity needs, and tolerance for long holding periods. These differences go beyond communication. They determine which carry structures are viable, how much duration a fund can realistically embed, and how much flexibility exists around exit timing. A fund anchored by DFIs with fixed timelines cannot realistically underwrite 12-year exit horizons, however well those reflect African market conditions. But a fund backed by more patient capital has more room to do so. So, LP composition actually shapes the incentives governing exit decisions from the outset and acts as a binding constraint on how liquidity can be pursued over the life of the fund.

Section 4b: Ecosystem-level considerations for optimising liquidity

The fund-level steps outlined in Section 4a can meaningfully improve a manager's odds of achieving liquidity, but only within bounds that no single manager can shift. Portfolio construction determines whether an asset is exitable in principle; it cannot determine whether a buyer is present at the right price. Duration calibration reduces timing pressure but cannot create a better offer. Secondary strategy adds a release valve but cannot substitute for a missing buyer market. What remains is a set of constraints that are structural in nature and require ecosystem-level action.

African venture exits continue to be shaped by limited buyer depth and a narrow liquidity base. The pool of credible acquirers, crossover investors, and secondary buyers remains insufficiently broad to support consistent price discovery. When the buyer pool is thin, sellers lose pricing power, timelines lengthen, and exit optionality narrows regardless of how well a fund is managed. But the problem is not simply that there are too few buyers. It is that the market itself is not yet consistently organised to support repeatable trading in venture-backed assets.

Ecosystem youth does matter. Younger markets naturally have fewer realised exits, shallower buyer pipelines, and lower institutional familiarity with the asset class. But youth alone does not explain the depth of the constraint. The more persistent problem is structural. Many of the institutional conditions that support liquidity in more mature markets remain underdeveloped, and those gaps will not self-correct through transaction growth alone. As a result, even where attractive companies exist, exits do not always happen at the right speed, to the right counterparties, or on terms that preserve value.

Liquidity depth therefore depends on more than widening the buyer universe in a narrow numerical sense. It also depends on making the market more legible to outside capital. Buyers need to understand what is being sold, how comparable assets have performed, what credible pathways to transferability exist, and whether the surrounding market infrastructure can support a transaction with confidence. In practice, ecosystem-level liquidity rests on three interdependent conditions:

- broader and more diverse buyer base.
- Market infrastructure that makes exits legible and credible to outside capital.
- Public-market pathways that are realistically accessible to venture-scale companies.

These conditions reinforce one another. A broader buyer base is less useful if the market remains opaque, while better transparency has limited effect if too few buyers are in a position to act on it.

These conditions sit largely outside the control of any single fund, but together they determine whether exits can occur at an acceptable speed, price, and frequency. That is what makes them ecosystem-level constraints rather than simply firm-level execution issues. The rest of this section therefore examines five levers through which those constraints could be eased over time: deepening PE–VC crossover participation, expanding domestic institutional involvement in venture capital, strengthening strategic buyer ecosystems, selectively improving public market pathways, and raising transparency and liquidity reporting standards. Each is assessed not only by its potential impact but also by its tractability, timeline, and the actors most capable of moving it forward.

Lever 1: Deepening PE–VC crossover participation

PE–VC crossover comes first among the five levers because it is the most immediately actionable. Unlike domestic institutional participation or public market development, it does not depend on building a new buyer class from scratch or waiting for long-cycle regulatory change. It starts with pools of capital that already exist. Stears has previously highlighted how the growth of venture activity in Africa has already encouraged pan-African private equity firms to broaden their strategies toward venture, citing both Helios Digital Ventures and Verod-Kepple Africa Ventures as examples of that shift.

The more important point, however, is that crossover is not a single model. African firms are already positioning themselves differently along a spectrum that runs from direct exposure within a broader private-capital platform to structurally separate venture vehicles. Helios illustrates one end of that spectrum. It has long had exposure to technology-enabled financial infrastructure through assets such as Interswitch, and its May 2022 launch of Helios Digital Ventures is a clear example of a traditional PE platform extending into venture-style investing. Verod illustrates another model: its PE platform sits alongside Verod-Kepple Africa Ventures, a separate venture fund focused on tech-enabled startups. Taken together, these examples show that crossover in Africa is already happening, but in very different institutional forms.

That distinction matters because deeper crossover participation alone does not solve the liquidity problem. Fundamentally, crossover transactions depend on whether venture-backed assets align with the mandates and underwriting frameworks of PE investors. A more integrated model can offer real advantages: shared infrastructure, stronger pattern recognition, more flexible capital deployment, and a greater chance that later-stage companies can move across the platform as they mature. But integration also raises the risks of mandate drift, execution strain, and internal tension, because venture and PE are built around different payoff profiles, time horizons, and

tolerances for loss. A more separate model preserves mandate clarity, but can also make the crossover shallower in practice. The relationship may generate strategic alignment, market knowledge, or founder access without necessarily creating a reliable downstream exit path from venture into PE. For liquidity purposes, what matters is not proximity between the two worlds, but whether that proximity translates into genuine investment capacity at the growth stage.

Thus, the opportunity is real, albeit highly selective. Most African PE funds are still constrained by fund size, concentration limits, exit timelines, and LP return expectations. That makes minority, high-multiple venture acquisitions difficult to underwrite broadly, especially when the company still carries venture-style pricing but is being assessed through a PE lens. This pricing mismatch is a binding constraint on how broadly crossover can operate.. Venture investors typically underwrite growth, market position, and future optionality; PE buyers are more tightly anchored to earnings visibility, cash generation, downside protection, and a credible path to realisation. The gap narrows only when a company has reached a point where its economics are legible through a PE lens: stronger revenue quality, clearer unit economics, more disciplined governance, and a business model that fits within a buy-and-build or platform strategy. That is also where the portfolio construction discipline outlined in Section 4a (specifically entry valuation discipline and buyer-pool underwriting) becomes directly relevant to crossover viability. Some of this mismatch can be reduced at the fund level if companies are built and priced with downstream transferability in mind.

That helps explain why PE–VC crossover is best understood as a bridge rather than a system-wide solution. It works for a subset of companies, particularly where later-stage fintech, payments, or technology-enabled business models have begun to look more like scalable operating platforms than open-ended venture bets. But it is not yet broad enough to clear the wider stock of venture-backed assets. In that sense, Africa still faces a sequencing problem. Crossover becomes more meaningful only when the pipeline of later-stage businesses is deep enough and predictable enough to be underwritten on PE terms. Until then, the lever expands liquidity at the margin rather than solving ecosystem illiquidity outright.

The question, then, is who can actually move this lever. The answer is mostly market participants, not regulators. Venture funds can help by managing valuations more responsibly, building buyer relationships earlier, and preparing portfolio companies for the financial discipline required by downstream acquirers. Founders and management teams matter as well, because businesses optimised only for narrative growth are far less likely to clear through crossover channels than those built with stronger reporting, governance, and integration potential. Private equity firms also have a role in developing clearer internal theses on when venture-backed assets fit their mandate, rather than treating all venture exposure as automatically out of scope. DFIs, catalytic LPs, and industry bodies can support the process by encouraging structures that reward collaboration, circulating evidence from successful transactions, and improving the data available to buyers evaluating venture-stage assets. No single actor controls this lever, but each can make crossover more real rather than merely rhetorical.

PE–VC crossover is the first lever because it is already available, even though it is not sufficient on its own. It starts with existing buyer classes. But its usefulness depends on more than their presence. It depends on whether venture-backed assets are being built, priced, and presented in ways that private equity can realistically underwrite, and on whether the crossover model itself creates genuine transferability rather than superficial adjacency.

Lever 2: Expanding domestic institutional involvement in African Venture

Domestic institutional capital will not be the primary buyers of venture-backed assets, but they have a significant role to play as a deeper pool of capital that extends the reach, duration, and resilience of the funds doing the investing. So it will have a more indirect near-term effect, through LP commitments to funds and blended structures that support later-stage financing and longer holding periods. A stronger domestic LP base reduces dependence on foreign capital cycles, provides local managers with a more stable platform to build toward exits, and over time strengthens buyer depth and diversity, both of which underpin a more resilient liquidity structure.

The problem is not the lack of domestic institutional capital. Regulatory reforms over the last half-decade means there is enough capital theoretically available to catalyse African venture. For example, Nigeria's Pension Commission now permits up to 15% of pension assets to be allocated to private equity, yet actual allocations sat at just 0.87% of total pension assets at the end of 2025. Likewise, Kenya permits up to 10% in PE and VC, but actual allocation sits even beneath Nigeria's. Only Botswana and South Africa have a meaningful share of pension assets in private equity or venture capital, and even those countries are still well belowregulatory limits.

The real frictions can be found in how allocation decisions are actually made. Structural fit is the binding constraint; the investment must align with liquidity profiles, portfolio limits, and internal governance before anything else matters. Currency sits at the centre of that test. Most African venture funds are dollar-denominated while domestic LPs hold local-currency liabilities, and cumulative depreciation across major markets has been significant enough that currency exposure alone can determine whether an allocation proceeds. Ticket size compounds the problem: standard minimum commitments are too large relative to many African LP asset bases, creating concentration risk even where appetite exists. These two filters explain why domestic capital has consistently shown up first in strategies requiring the least structural adjustment—infrastructure, private credit, local-currency vehicles—before extending further.

The pattern is visible in practice. The IDEAS Managed Fund in South Africa has attracted pension capital into rand-denominated infrastructure. The Ascent Rift Valley Fund II in East Africa is one of the few PE vehicles to incorporate a local-currency element while drawing domestic institutional LPs. Nigeria's FCMB-TLG Private Debt Fund is structured around senior lending with predictable repayment profiles that sit more comfortably within pension mandates than equity vehicles with uncertain exit timelines. Each example points in the same direction: domestic capital moves first where the asset is legible within an existing institutional framework.

Venture sits at the opposite end of that spectrum, creating the same chicken-and-egg problem as the PE–VC crossover. Domestic institutions will participate more readily after seeing stronger performance and clearer exits, but the ecosystem needs their participation to produce those outcomes. Breaking that circle requires deliberate proof points: DFI-anchored or blended structures designed to demonstrate viability before the broader institutional base is ready to move, with commitment sizes and currency profiles that clear existing portfolio constraints.

The near-term objective is therefore not large-scale pension allocation into venture. It is building a domestic institutional base gradually, through structures that clear existing filters. Each successful early allocation does two things: it returns capital to the LP and produces evidence that makes the next allocation easier to justify internally. If venture managers become more open to earlier or staged liquidity at the portfolio level, that could help narrow the gap between LP expectations and realised outcomes, making venture returns more legible to domestic institutional investors.

Lever 3: Strengthening strategic buyer ecosystems

Domestic institutional participation expands the capital base that funds the ecosystem, but liquidity ultimately depends on who is willing to buy assets at exit. That is where strategic buyers become decisive.

Strategic buyers remain the most reliable exit route in African venture precisely because trade sales do not depend on a mature secondary market or public exchanges capable of absorbing high-growth, pre-profit businesses. As shown in Section 2a, trade sales account for the majority of realised exits, which is why the depth and behaviour of strategic buyers matter disproportionately. Their value lies in how they underwrite assets, not solely on financial return thresholds, but on operational fit, market access, data, product extension, or regional expansion logic. That willingness to pay for strategic positioning rather than just earnings visibility is what makes them structurally different from financial buyers.

This matters because trade sales are negotiated outcomes rather than automatic exit routes. Circling back to the discussion in section 3a, a transaction clears only when a specific buyer's strategic rationale, valuation framework, and timing align with the asset being sold. Where that alignment is absent, exits do not occur, even when companies are operationally strong. Strategic buyers also underpin multiple exit archetypes discussed in Section 2c, including both traditional strategic acquisitions and legibility-driven exits involving international acquirers. For fund managers, that premium is not incidental. It is the clearest argument for prioritising strategic acquirers where feasible.

Strategic vs financial buyer valuation behaviour

Buyer type	Valuation basis	Multiple behaviour	Implication for exits
Strategic	Operational fit, synergies, market access	High variability; outlier multiples possible	Premium exits are achievable where strategic alignment is strong
Financial	Earnings visibility, cash generation, downside protection	Tighter bands; more macro-sensitive	Pricing is more conservative, especially in tighter capital markets

Source: Stears

The constraint is that Africa's strategic buyer ecosystem remains narrow and uneven. Many local corporates have historically grown organically rather than through acquisition. Corporate development functions are underdeveloped, and cross-border M&A capacity remains concentrated in a small number of markets and sectors, with financial services and telecoms the most consistent, while most other sectors produce strategic transactions only sporadically. The most credible near-term strategic buyers therefore remain multinational operators, regional telecoms groups, financial services platforms, logistics players, and a small number of larger African corporates with genuine inorganic growth capacity. With a limited and concentrated buyer base, the probability of alignment between any given asset and a willing acquirer remains low. This is why exit timelines extend and outcomes become less predictable. For earlier-stage funds, which face sharper holding period pressures and more limited late-stage capital (as discussed in Constraints I and IV of Section 3b), the buyer universe is narrower still, making the matching problem more acute at that end of the market, where fewer buyers are both willing and able to transact.

Strategic buyer ecosystem — Sector concentration

Sector	Strategic buyer depth	Cross-border M&A activity	Near-term exit viability
Financial services	Deep	Consistent	High
Telecoms	Deep	Consistent	High
Fintech / Payments	Growing	Increasing, partly AfCFTA-driven	Medium-High
Logistics	Moderate	Emerging	Medium
Healthtech	Thin	Sporadic	Low-Medium
Edtech	Thin	Rare	Low

Source: Stears

Two developments, however, are worth including in this assessment because they enrich the picture. The first is a growing M&A culture within African venture itself. Inorganic growth is becoming more common even among venture-backed firms, which are increasingly acquiring smaller players to accelerate scale, expand into new geographies, or consolidate adjacent capabilities. This matters for strategic buyer development because it builds M&A execution muscle earlier in the ecosystem cycle. Companies that have themselves made acquisitions are better positioned to become acquirers at the next stage, gradually deepening the buyer pipeline from within.

The second is the structural shift that AfCFTA is beginning to create in how African companies think about regional expansion. The agreement is not creating cross-border ambition where none previously existed, as companies like MTN and Airtel Africa have operated across multiple African markets for years. What AfCFTA is gradually doing is lowering the cost of acting on that ambition by reducing tariffs, improving customs coordination, and harmonising trade rules across participating markets. The practical consequence of that shift is that more companies are organising themselves around regional platforms rather than single-country strategies, and regional expansion is increasingly driving acquisitions. Access Bank's acquisition of Standard Chartered subsidiaries across four African markets, and Wave's scaling of a single payments platform across Francophone West Africa, illustrate how that logic is already producing cross-border transactions. As companies pursue regional scale, acquisitions become a more efficient path than organic expansion, reinforcing the role of strategic buyers. This also expands the pool of potential acquirers that can rationally underwrite cross-border transactions, increasing the likelihood that venture-backed assets can find suitable buyers. As AfCFTA implementation deepens, that dynamic is likely to spur more strategic acquisition activity across sectors where venture-backed companies operate, particularly in fintech, payments, logistics, and digital infrastructure.

Neither development changes the central point. Strategic buyer development matters because it deepens the part of the buyer universe already producing exits, but its expansion depends on the

slower emergence of a broader corporate M&A culture that venture activity alone cannot create. What the growing trend of inorganic growth within VC and the AfCFTA dynamic suggest, however, is that the forces capable of building that culture may not be limited to venture. Companies themselves, trade policy, and the gradual regionalisation of African corporate strategy may collectively do more to widen the strategic buyer pool over the next decade than the ecosystem could achieve on its own.

The real test of the ecosystem is whether it can consistently produce buyers whose mandates, timing, and valuation frameworks align with the assets coming to market.

Lever 4: Building listing-readiness and selective public market pathways

One thing must be said upfront: This lever focuses on building listing-readiness rather than increasing IPO activity in the near term.

For most African venture-backed companies, the conditions for public listing remain out of reach. The stronger argument is that building toward listing-readiness creates benefits that extend well beyond public markets. In more mature ecosystems, public market pathways matter because they expand exit optionality, support price discovery, and help recycle capital. In the African context, their direct contribution to venture liquidity remains limited. But the discipline required to become listing-ready still matters because it improves how a company is understood by every other class of potential buyer.

The contrast between exchanges helps clarify the point. Casablanca is one of the more constructive examples on the continent because it has spent years building the institutional scaffolding that makes market access more credible for smaller companies. The exchange operates an SME-oriented alternative market, and its "Offre PME" initiative was designed with regulators and market infrastructure providers to help smaller firms prepare for listing. That does not make Casablanca a venture exchange in the classic sense, but it does show how public market pathways can become more usable over time when the surrounding infrastructure is deliberately strengthened.

The Johannesburg Stock Exchange (JSE) presents a more complicated picture. It remains Africa's deepest and most sophisticated exchange, and its AltX market is explicitly designed for small and medium-sized companies in a growth phase. Yet depth alone does not automatically make an exchange a reliable venue for venture exits. What matters is whether market infrastructure is matched by issuer readiness and investor familiarity. Even where infrastructure exists, the investor base may still be more comfortable with mature, better-understood issuers than with the operating profile of a typical venture-backed company. That is why the relevant lesson is not simply that Africa needs deeper public markets, but that public market infrastructure must be matched by issuer readiness and investor familiarity before it can materially widen venture liquidity.

Jumia provides a useful reference point. Its 2019 New York Stock Exchange (NYSE) IPO was a landmark moment for African technology, but its post-listing history also highlights the volatility that can accompany early-stage public market exposure. After peaking shortly after listing, Jumia's share price had depreciated nealy 90% by 2025, highlighting how quickly public market sentiment can reverse. The point is not that public listings do not matter, it is that being able to list and being durably understood, correctly priced, and consistently rewarded by the market are not the same thing. That distinction has understandably tempered enthusiasm for treating IPOs as a broad liquidity solution.

For most African venture-backed companies, public listing remains outside the realistic near-term exit set. Scale, profitability, governance maturity, and investor base depth remain insufficient in many cases, and African equity markets generally remain smaller, less liquid, and more concentrated than their counterparts in other emerging regions. The more actionable implication is narrower but more important: companies that build toward listing readiness early tend to become more legible across all exit channels. Audited accounts, stronger governance, cleaner disclosure, and tighter reporting discipline do not only improve the long-run possibility of an IPO. They also improve credibility with strategic buyers, crossover investors, later-stage capital providers, and any acquirer trying to underwrite risk with confidence.

In practice, this reduces the information asymmetries that make exit transactions difficult to execute, improving the chances that buyers and sellers can align on price and timing. As highlighted in the South-East Asia comparison in Section 2b, even in markets where IPO activity remains limited, the gradual development of listing culture has helped reduce these information gaps, making venture-backed assets easier to evaluate and transact. In that sense, listing-readiness is less a public-markets bet than a broader market-quality upgrade.

That is what makes this lever more consequential than it first appears. Although, public markets are unlikely to materially expand venture liquidity in the near term, the more immediate effect comes through the discipline they impose. Companies that prepare as though a listing were one day possible tend to be systematically more legible to buyers, and therefore more acquirable, long before any listing window opens. That is where the real value lies.

Lever 5: Improving transparency and liquidity reporting standards

Transparency matters because every other liquidity lever depends on outside capital forming a credible view of the market it is entering. PE-VC crossover, domestic institutional participation, strategic buyer development, and listing-readiness each expand a different dimension of buyer depth. But all of them assume that buyers, LPs, and crossover investors can assess the ecosystem well enough to act. In African venture, that assumption is often weak. Exit data remains fragmented, inconsistently reported, and difficult to benchmark. Transparency is what makes the rest of the market legible, and reduces the information frictions that, as shown earlier in the report, make exit matching, pricing, and timing more difficult in practice..

Poor transparency in African venture exit data creates a classic collective-action problem, and one of the clearest examples of market failure in the ecosystem. No single manager has a strong incentive to disclose materially more than peers, particularly where stronger disclosure might expose weaker DPI dynamics or inconsistent liquidity outcomes. Yet the result of that individually rational restraint is ecosystem-wide opacity that weakens the credibility of the asset class to precisely the categories of outside capital the market is trying to attract. New buyers cannot assess comparable pricing. LPs cannot benchmark performance against peers. Crossover investors cannot evaluate holding-period norms or distribution pacing. As seen in the dynamics described in Section 3a, where exits depend on alignment between buyers and sellers, incomplete information makes it harder for transactions to clear even when they are theoretically viable. These

information gaps do more than create inconvenience. They increase perceived liquidity risk, because outside capital must underwrite not only the business itself, but also the reliability of the market signals surrounding it.

That makes transparency the most clearly ecosystem-level of the five levers. PE–VC crossover, domestic institutional participation, strategic buyer development, and listing-readiness can each be advanced, at least in part, by individual actors making individual decisions. Transparency cannot. It depends on coordinated behaviour across funds, industry bodies, and LPs, which is exactly why it remains underprovided even as other parts of the ecosystem evolve.

It is also the lowest-cost and most immediately tractable of the five. It does not require regulatory reform, structural capital shifts, or years of realised exits to begin improving market function. More standardised reporting on exit outcomes, holding periods, realised distributions, and liquidity pacing would materially improve the quality of signals available to prospective buyers and LPs without imposing disproportionate cost on any single participant. This is because it directly improves the inputs used in valuation, underwriting, and exit timing decisions across the ecosystem. That combination of relatively low structural barrier and broad market impact makes transparency one of the few levers the ecosystem could move quickly if the collective will existed to do so.

Transparency is also foundational. It supports and amplifies every other lever in this discussion. Better exit data improves the market's legibility to PE crossover buyers. Clearer holding-period and DPI benchmarks make it easier for domestic institutions to justify allocation decisions internally. Richer transaction comparables help strategic buyers price acquisitions with greater confidence. And companies operating in a more transparent market benefit from the credibility that comes with being part of an ecosystem that outside capital can actually read. In each case, improved transparency reduces the uncertainty that widens bid–ask gaps and delays transactions. In that sense, transparency is not simply one of five levers, it is part of the infrastructure that makes the other four more effective.

Voluntary reporting alone, however, is unlikely to produce full adoption. Where disclosure may expose underperformance, managers have limited incentive to lead. That is why institutional backing matters. Industry bodies such as AVCA are natural conveners of coordinated reporting standards, but coordination will require either enforcement mechanisms or sustained LP pressure to move beyond aspiration. LP due diligence expectations may be the more powerful lever: once transparency becomes a baseline requirement rather than a differentiator, reporting standards begin to shift from optional to necessary. Initiatives such as the Stears-Venture Platform Liquidity Index and liquidity dashboard demonstrate how structured, standardised reporting can improve how the ecosystem is measured and understood, giving buyers, LPs, and fund managers a more grounded basis for judging ecosystem performance than fragmented anecdotes allow.

Better reporting does not solve thin buyer markets on its own. But it improves the credibility and legibility of the ecosystem to the buyer classes the market is trying to attract. Many of the frictions identified throughout this report, from delayed exits to pricing mismatches, can be traced in part to incomplete or inconsistent information. Improving signal quality therefore directly increases the likelihood that transactions can be executed at viable terms. In a market where perceived risk is often as much a barrier as actual risk, that improvement in signal quality has real economic value.

The five levers differ in how quickly they can move and in the conditions required to activate them. Ecosystem-level liquidity deepening follows a sequence rather than a single reform agenda.

Liquidity levers differ by tractability and timeline

Lever	Near-term tractability	Time horizon	Why it sits here
PE–VC crossover participation	High	Near-term	Existing buyer class already operates in the market
Transparency and liquidity reporting standards	High	Near-term	Low-cost, coordination-based, improves legibility quickly
Strategic buyer ecosystem development	Medium	Medium-term	Builds on existing route, but depends on stronger M&A culture
Domestic institutional involvement in venture	Medium-Low	Medium- to long-term	Requires proof points, regulatory comfort, and trustee conviction
Public market pathway improvements	Low	Long-term	Requires deeper market structure and a stronger listing pipeline

Source: Stears

PE–VC crossover and transparency are the most actionable near-term levers. One expands the buyer base selectively by drawing on capital that already exists in the market. The other improves the credibility and legibility of the ecosystem to buyers and LPs alike, at lower cost and with fewer preconditions than any other lever on this list. Both can move without major regulatory reform or structural capital shifts.

Domestic institutional participation and strategic buyer development sit in the middle of the sequence. Both matter materially for long-run liquidity depth, but both depend on slower-moving change in trustee behaviour, corporate M&A culture, and the accumulation of realised outcomes that make the asset class easier to underwrite.

Public market pathways remain the most long-dated lever. Their near-term value lies less in listings themselves than in listing-readiness: the governance, disclosure, and reporting discipline that improve a company's legibility across all exit channels well before any public window opens.

African venture liquidity will deepen through a staged widening of the buyer universe, supported by better market infrastructure and stronger information signals, rather than through any single breakthrough in exit conditions. But ecosystem-level progress is necessary, not sufficient. These levers shape the conditions within which exits can happen; they only translate into realised outcomes when fund managers are also doing the work outlined in Section 4a. Both have to move together for liquidity to translate from potential into realised outcomes.

Section 5

Outlook for Exits & Liquidity in African VC

5

Outlook for Exits & Liquidity in African VC

African venture capital is entering a phase where liquidity is becoming more visible, but the system has not yet reached a point where it can generate consistent outcomes across cycles. The building blocks are there, and several supporting trends are starting to take shape. At the same time, the structure of the exit environment continues to constrain how reliably capital can be returned. What happens next is likely to be gradual rather than step-change, and will depend on how a few key factors evolve.

The evolution of the buyer base will be central to this. International buyers are expected to return gradually, supported by improving macro stability relative to the 2022–2025 period. This recovery is unlikely to be sharp, and participation may stabilise before expanding meaningfully. Domestic and regional buyers will continue to grow in importance, especially as larger African companies become more active acquirers. Even so, the overall buyer pool is likely to remain relatively concentrated in the near term, with depth improving incrementally rather than expanding decisively.

The mix of exit routes will also evolve, though not with an immediate shift. Trade sales are expected to remain the dominant exit pathway, given their established role and the continued importance of strategic buyers. The more important change will be within trade sales, as the set of active buyers broadens across sectors and markets. Secondary transactions have the potential to become a more structural component of the liquidity landscape, but this will depend on whether existing frictions are addressed. Greater pricing transparency, improved information flow, and increased participation from LPs and dedicated secondary buyers will be necessary for secondaries to operate as a repeatable source of liquidity rather than a cycle-dependent one. Public market exits will remain scarce, but they can still matter. A stronger focus on listing readiness and governance can improve how companies are built and how exits are approached, even if IPO volumes stay low.

Endogenous liquidity is one of the more interesting developments to watch. Venture-backed companies are already acting as acquirers in some sectors, especially Financial Services, and we expect this trend to persist. This activity will probably stay concentrated rather than spreading evenly across the ecosystem. Even so, it can have a wider influence on how the ecosystem approaches liquidity. The presence of credible, recurring buyers within specific verticals can shape valuation expectations and provide clearer pathways to exit. In addition, companies that grow through acquisitions can scale faster and become more attractive targets themselves. In this way, endogenous liquidity can act as a catalyst, with effects that extend beyond the transactions it directly generates.

Some of the broader enablers will take longer to play out. Regional integration, including the African Continental Free Trade Area, is likely to have a gradual but uneven impact. Progress will vary by sector and by how quickly specific policies are implemented. Over time, greater integration can support pan-African scaling strategies, improve market legibility, and expand the universe of potential buyers. Domestic institutional capital should become more active in the venture ecosystem more broadly. But even if activity grows by an order of magnitude—a meaningful shift from its current low base—it is unlikely to be decisive in the near term. Its primary contribution will be to provide additional depth and stability to the market rather than to transform it outright.

How the market functions will continue to matter. Limited exit disclosure continues to constrain price discovery and reduce the availability of comparable transaction data. As visibility improves, coordination across market participants will strengthen. A clearer understanding of how liquidity forms can influence how investors and founders approach exit planning, gradually shaping behaviour across the ecosystem. In this sense, the development of shared data and analysis has the potential to play a modest but meaningful role in improving market efficiency over time.

Cyclical factors will continue to play a role alongside these structural changes. Global capital conditions are projected to remain volatile, though somewhat more supportive than in the immediate post-2021 period. Currency pressures and macroeconomic fluctuations across African markets will continue to influence both the supply of capital and the behaviour of buyers. These factors will affect the timing and volume of exits, even as the underlying structure of the system evolves more gradually.

Taken together, the outlook for liquidity in African venture capital points toward steady progress, though without a sharp inflection in the near term. The system is expanding, and new sources of liquidity are beginning to take shape. At the same time, the constraints identified in this report remain relevant, and their resolution will determine how far and how quickly the ecosystem can transition toward more consistent capital recycling. The most likely path is one in which liquidity becomes more established over time, with periods of acceleration where key drivers align, and periods of slower progress where structural frictions persist.

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