Beyond Venture Capital: The Mispriced Giants of Africa's Digital Revolution

Executive Summary

The conventional way to invest in Africa's booming digital economy is through venture capital, backing startups or venture funds in the hope of a unicorn and a lucrative exit. At Imara, we take a different view. While private markets remain focused on exits and continue to face liquidity and customer acquisition challenges, some of Africa's most successful technology companies are already listed on public exchanges in Nigeria, Kenya, Egypt and Morocco.

We believe the debate around African technology is framed incorrectly. The question is not whether Africa can produce billion-dollar technology companies—it already has. The real question is why profitable, cash-generative market leaders driving financial inclusion across the continent continue to trade at valuations that imply limited long-term growth.

Imara's philosophy developed from 25 years of investing in Africa

In our view, African-listed equities currently represent one of the most compelling ways to gain exposure to the continent's digital economy.

Historically, two factors have constrained investor participation in African equity markets: liquidity and volatility.

For many years, market performance was largely dictated by short-term foreign capital flows, while domestic institutional participation remained relatively shallow. This resulted in pronounced valuation cycles, with periods of rapid multiple expansion followed by equally sharp corrections.

We believe that market structure has evolved materially.

Today, investment in Africa's listed fintech and payments businesses provides exposure to companies with durable competitive advantages, long growth runways and strong cash-generative business models at valuation levels that remain compelling by both historical and international standards. Importantly, we believe the recent recovery reflects the early stages of a structural rerating rather than a cyclical rebound.

Since 2020, the disconnect between underlying operating performance and market valuations has widened considerably. That divergence is now beginning to narrow as liquidity returns to high-quality listed companies and investors increasingly recognise the strength of their earnings and balance sheets.

Several structural developments underpin this change.

First, the majority of short-term foreign capital has already exited these markets, reducing the risk of further indiscriminate selling.

Second, long-term strategic investors have begun deploying capital at meaningful premiums to prevailing market prices. Recent transactions involving Vodafone UK, Asahi Breweries, Nedbank and Elliott Partners illustrate increasing strategic interest in high-quality African assets.

Third, domestic institutional and retail participation has expanded meaningfully, creating a deeper and more stable local investor base.

Finally, despite the recent appreciation in share prices, valuation multiples remain attractive, while earnings growth continues to outpace the market's rerating.

The underlying businesses exhibit characteristics that long-term investors typically seek. Revenue growth consistently exceeds nominal GDP growth, returns on invested capital remain comfortably above the cost of capital, and management teams have demonstrated disciplined capital allocation over extended periods. Low levels of market penetration and exceptionally large addressable markets provide substantial opportunities for continued expansion, while high returns on equity, scale advantages and decades of reinvestment have created meaningful barriers to entry.

The opportunity becomes clearer when viewed through individual companies.

Africa has grown from virtually no mobile subscribers in 2000 to more than 750 million today, yet effective financial penetration remains approximately 20%. The businesses closing this gap are not venture-backed concepts; they are established, profitable market leaders.

Equity Bank has expanded from serving a few thousand customers to more than 30 million across East Africa. In 2025, the bank increased profits by 55% to approximately US$600 million while generating a return on equity exceeding 30%. Despite these characteristics, the shares continue to trade at approximately 2.5x earnings and 0.7x book value.

Similarly, MTN Nigeria reported first-quarter revenue growth of 42%, with fintech revenues increasing by 78%, demonstrating the continued strength of digital financial services across its platform.

These companies sit at the forefront of expanding financial inclusion to previously underserved populations while consistently delivering audited earnings, generating meaningful free cash flow, and returning capital to shareholders through dividends. Yet, despite these strengths, many continue to trade at valuations below those of loss-making private fintech companies with significantly smaller customer bases.

To repeat our executive summary - The current debate surrounding African technology is, therefore, in our view, framed incorrectly. The question is not whether Africa can produce billion-dollar technology companies. It already has. The more relevant question is why profitable, cash-generative businesses with established competitive positions continue to trade at valuation levels that imply limited long-term growth.

For long-term investors, this disconnect represents opportunity.

Valuation is ultimately an opinion. Earnings are a fact

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