

# Backing the entrepreneurs building Africa's next tech giants, a profile of Norrsken22

With #QVCS, Maddyness profiles different funds to give founders and entrepreneurs the information they need to choose the right investor. Today we interview Ngetha Waithaka, General Partner at Norrsken22.

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My career started in investment banking in New York, followed by a stint at a growth private equity firm in the US. Understandably I had the urge to return to the African continent and apply my investment skills there.

This is when I joined Actis, a large emerging markets private equity firm based in South Africa, mostly working on growth equity deals in Sub-Saharan Africa, and specialising in financial services and consumer investing. Notable investments included Compuscan, the largest independent credit bureau which we sold to Experian; and Fawry, a bill payments company which has gone on to become one of the most successful fintech companies on the continent.

This is when the tech-bug really bit me. It was at this point that I realised I wanted to move into earlier stage investing, rather than the later deals I had been making at Actis. My former colleague at Actis – and now current colleague at Norrsken22 – Natalie Kolbe and I discovered the work that Niklas Adalberth and Hans Otterling were doing with Norrsken VC. We then embarked on a journey with them and another colleague, Lexi Novitske, to raise a \$200M

growth tech fund to solve the biggest problems on the African continent.

## Which industries are you working in?

Right now the fund covers four main sectors. Firstly, fintech, where you find the most tech-enabled use cases, simply because the financial services infrastructure on the African continent is underdeveloped. Next is market enablement, which is a big bucket capturing the businesses which break down barriers of doing trade on the continent, for example marketplaces, ecommerce solutions, or logistics platforms. We also invest in MedTech: healthcare businesses which use tech enablement to solve a lot of the problems with healthcare provision on the continent. And finally EdTech, education businesses which apply a technology-first approach to generating and sharing educational content.

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## What do you look for in a founder?

Our 'big vision' is to discover founders who look at an industry or an issue and decide that they can change the way it works, or how things are done, that will deliver a lot of financial value. This value will be from an investment perspective, but also socially, to make a big difference in a chosen sector. Rather than start by saying, "I want to make X million dollars," they start by asking how they can transform how things are done using technology.

For example, the founder at Fawry noticed that a lot of Egyptians are underbanked, and to pay their utility bills they had to physically go and line up at a water or electricity company to make a payment. He decided that there was a way to revolutionise this by integrating a financial services platform into all utilities accounts. Fawry made it possible for customers to pay online on their phone, or offline at their bank or an ATM.

In a nutshell, we want to meet founders who are going after big problems and solving them with a tech enabled approach.

# Can you talk about your current portfolio?

We currently have a great range of companies within our portfolio:

Sabi – a B2B ecommerce marketplace which helps with the fulfilment of goods and services. In Nigeria there are a lot of informal merchants who sell basic consumer goods i.e. flour, oil, fruits and vegetables. Sabi has developed a tech-enabled platform which allows a merchant to source, order and pay for inventory, digitally and conveniently. They no longer need to close shop to restock their stores, and instead they can order their inventory directly from the manufacturers. The tech has meant merchants can stock their store at a lower cost with better convenience; and provides access to useful data on their trading performance, to drive informed business decisions and a wallet to manage finances and purchase everyday items, such as airtime. Sabi generates revenue through commission on orders, embedded finance, SaaS / revenue share with third party services, including lending and agency banking.

Autochek – A used car online marketplace which makes the process of buying a used car much easier. Across the world, the process of buying a used car can be fraught with difficulty. But in Africa, it can be even more complicated as the cars are mostly imported, with no service history. Autocheck helps dealers to work out the value of a car, quality check the car through rigorous inspection, and then digitises that inventory for customers to look for it online. It also facilitates the provision of car finance.

SmileID – an identity verification solution supporting SMEs and large enterprises with electronic Know Your Customer (KYC) checks for onboarding, subsequent transaction authentication and fraud prevention. This could be for users looking to open electronic accounts on the African continent, or for any verification that needs to be done by a tech-enabled user, provided by having integrations into many government ID registries. Beyond onboarding, the needs of Smile customers naturally evolve to include fraud monitoring, authentication for financial transactions, document verification and anti-money laundering (AML). Smile is able to support its customers with a blend of these services via a SaaS offering.

TymeBank – A multi-county licensed digital bank which provides a full suite of financial products to both consumers as well as SMEs in South Africa, revolutionising how people open accounts and interact with banks. Currently, banking in SA is very analogue and provided mostly by the big banks. Tyme is challenger bank using a tech-first approach and has so far amassed close to six million users. Their core offering to consumers is a pay as you use deposit and transaction account and for SMEs is a short term working capital credit product.

They earn income from each product including transaction fees, net interest margin on deposits and interest on credit provided.

Shara – Kenyan merchant lending company providing the tech-enabled tool for businesses to be able to lend to their users. They offer a buy now, pay later product. Next, the company is looking to offer banking as a service to its users who want to provide embedded finance wallets to consumers on the African continent.

## What does the future look like?

At *Norrskén22*, our primary thesis for investing in the tech space in Africa is that the demographic is very supportive. For example, the median age in Sub-Saharan Africa is less than 25, which means a lot of the population is young and seems to have been born with a cellphone in their hands. Much of the provision of goods and services is rapidly changing as industries leapfrog how they used to do things, and are now using technology to deliver goods and services. There is a big demographic and technological shift which we think will enable large businesses to be built, and Norrskén22 wants to be at the centre of that by providing capital: a big issue on the continent.

One of the major trends we're seeing is in embedded finance. Financial services infrastructure is not as well developed, and traditional financial services such as banks and insurers are not participating at the same level as in other markets. Tech companies on the continent are getting a lot of good data and understanding of their users, and can therefore provide a better service to their customers. Embedded finance will be an important part of upcoming business opportunities in fintech.

## What makes Norrskén22 different?

The number one differentiator for us is our experienced team: myself, Natalie, and Lexi – alongside Niklas and Hans – are a group of people who have invested in tech and the African market for over 15 years. Additionally, the key decision makers sit in-market, so we know the belly of what's going on in the markets, rather than looking in from another financial services hub like London or San Francisco.

Crucially, we have a deep pool of capital to back companies over a long period of time. We want to be their number one port of call when they need investors to roll up their sleeves, who understand the nuances of what will drive their success in a given market. Oftentimes, we find that the funds which have a lot of capital sit in other markets – such as the US or Europe – and are not usually mobile. This is an opportunity for a local fund to provide support with both

knowledge and a deep pool of capital in the long term.

If you look at who has invested in our fund, a lot of them are of unicorn founders who have built big tech businesses in Europe who can offer a lot of advice and be a sounding board on how markets could develop, and might even provide advice to specific portfolio companies they invest in. They include: Robert Gertsman, Co-founder, Sinch; Niklas Ostberg, Founder Delivery Hero; Jacob de Geer, Founder of iZettle; and Johan Elvesjo, Co-founder of Tobii.

## What one piece of advice would you give founders?

Perhaps two pieces of advice. The constant advice is don't do things how everyone else has already done: you will find your own route to success. Oftentimes it is the big thought that will make a big impact financially and socially. Integrity is everything – so don't ever compromise integrity for perceived better financial or operational performance, as you will rarely get the chance to improve or correct once ruined.

Ngetha Waithaka is General Partner at [Norrskén22](#).

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