Birguid

SOUTH AFRICAN ARTIFICIAL INTELLIGENCE (AI) MARKET ANALYSIS

March 2024

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EXECUTIVE SUMMARY | CONTEXT

SA's AI market is expected to reach US$7.81 billion in 2029, driven by increased demand from the retail, financial services and public sectors

OVERALL RESEARCH PHILOSOPHY

- This study focuses on the South African AI market examining the factors driving growth.
  - The study focuses on understanding market dynamics, current trends and industry prospects.
  - This involved a comprehensive exploration of the key drivers that contribute to the expansion and development of the AI market and identifying opportunities for growth and development.

MARKET UNDERSTANDING

- The report considers the position of the South African AI market and how it can leverage its unique offering to grow its regional and global market share.
  - It uncovers the challenges encountered by industry participants and how they manage the impact caused by these challenges.
  - It also aims to highlight the potential of the AI market over the next few years.

RECOMMENDATIONS

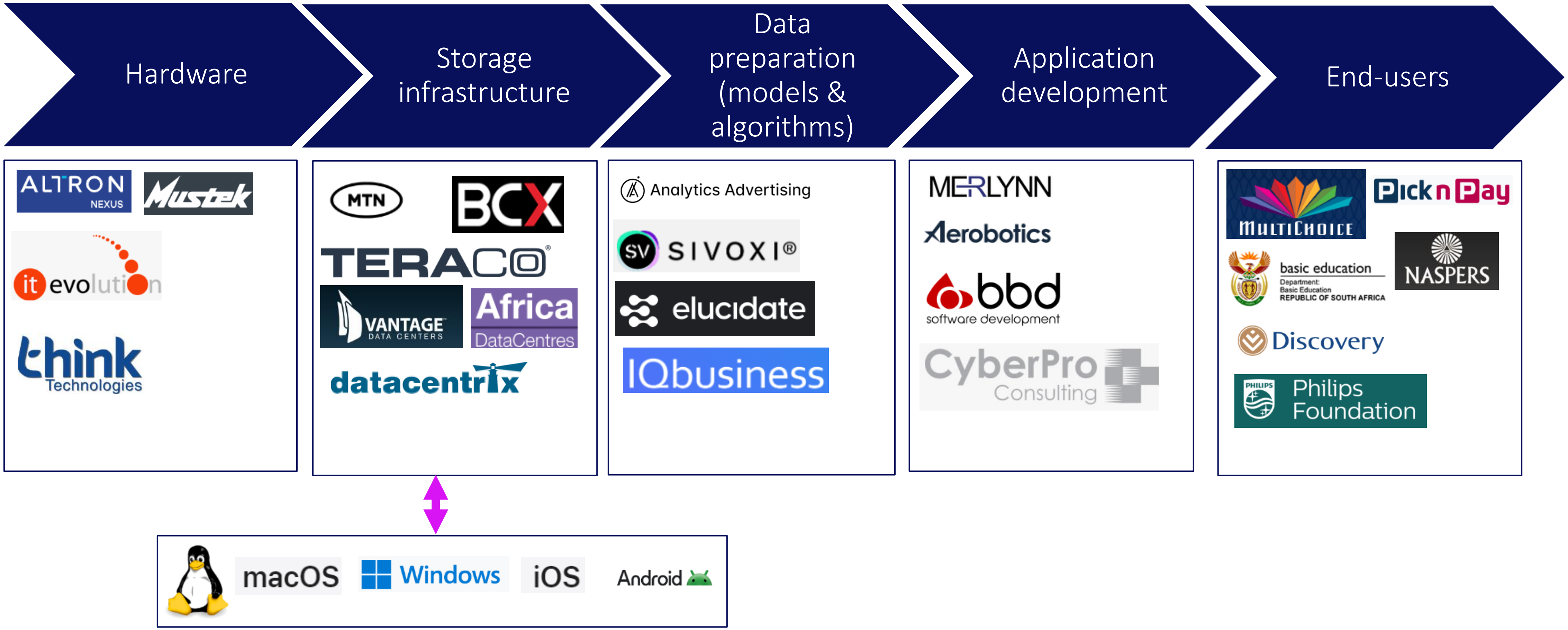
- Recommendations for industry participants include;
  - Strategic partnerships and collaborations with companies that have large amounts of data.
  - Pursuing a customer lock-in strategy.
  - Introduction of laws that govern AI.
  - Investment in quality and consistency.

Source: Birguid

EXECUTIVE SUMMARY | VALUE CHAIN OVERVIEW

Most South African technology companies operate as licensed partners for global information technology companies such as Google, AWS and Microsoft

SA AI Value Chain, 2023



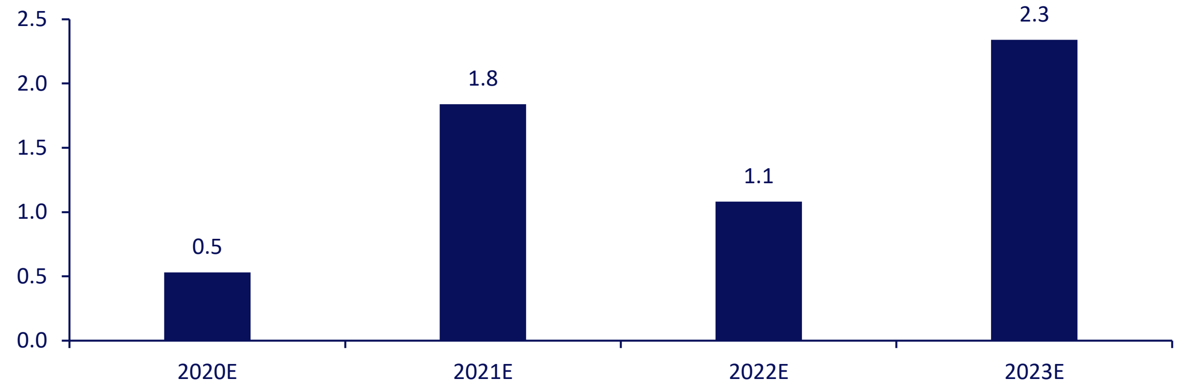
Source: Company websites

EXECUTIVE SUMMARY | MARKET SIZE

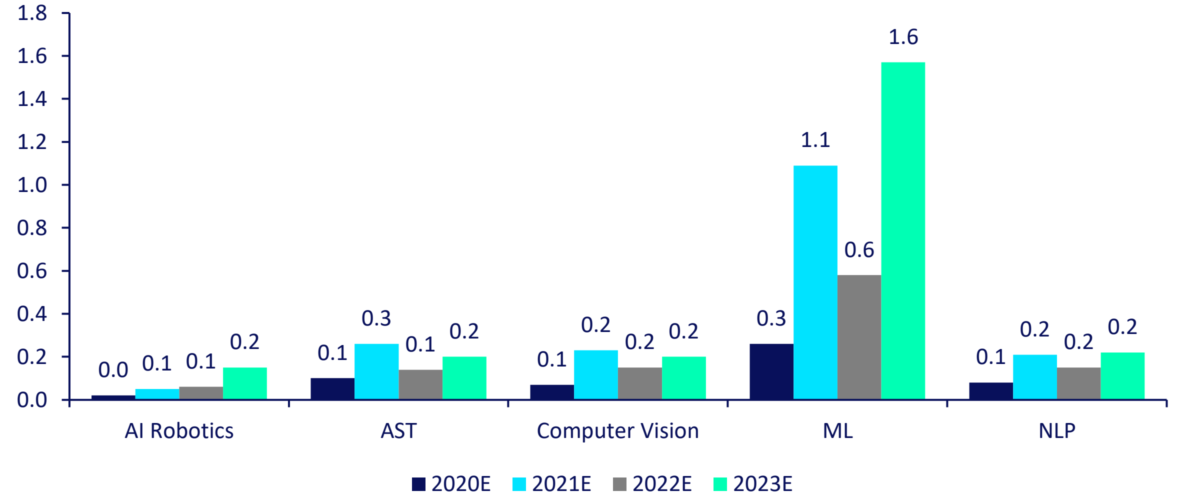
South Africa's AI market grew at a CAGR of 28.1% between 2020 and 2023 driven by machine learning applications within the retail and financial services

- The SA AI market grew from US$0.5 billion in 2020 to US$2.3 billion in 2023.
- Key sectors contributing to the growth included the country's:
  - Retail (e-commerce).
    - Due to the pandemic, SA's online shopping sector increased by 27% in 2020 and 38% in 2022.
  - Financial services.
    - Deployment of AI-powered chatbots to handle routine client queries and provide timely responses.
  - Healthcare.
    - Applications of AI in healthcare were used to improve patient outcomes and transform the health system.
  - Education.
    - AI was adopted in the education sector to improve engagement and enhance learner outcomes.
- Machine learning (ML) grew at a CAGR of 45.5% between 2020 and 2023, contributing 72% to total SA AI market revenues.
  - Growth was supported by application in financial services for fraud detection, credit rating, and customer services.
- Natural language processing grew at a CAGR of 3.6%, contributing 10.2% to total revenues.
  - The increase was driven by a rise in demand for language learning applications.
- Despite constituting only 10% of the 2023 revenues, AI Robotics recorded the highest growth rate, increasing at a CAGR of 65.5% between 2020 and 2023.
  - The primary driver of growth was the introduction of service robots in response to COVID-19 as companies sought solutions to minimize the spread of the disease.

SA AI Market Size (US$ billion), 2020 - 2023



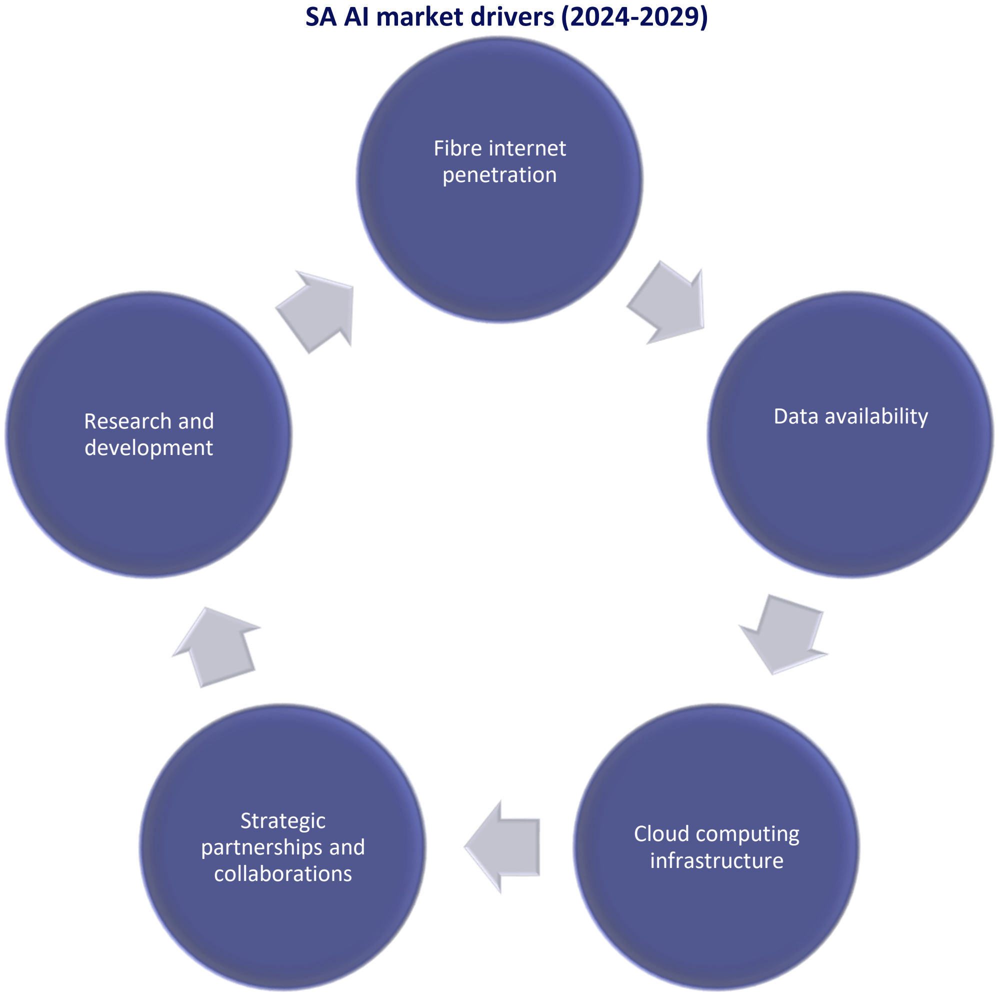
SA AI Market Size by Application (US$ billion), 2020 - 2023

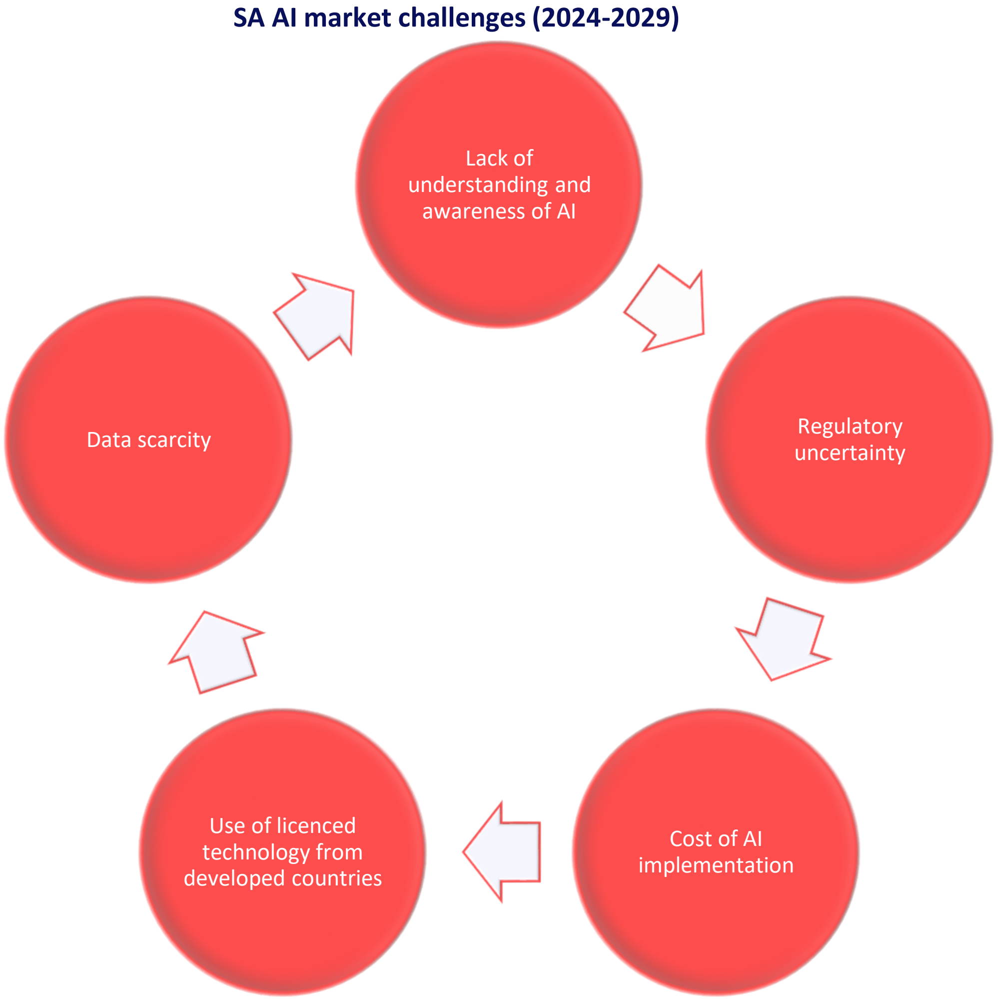


Source: Company websites, press

EXECUTIVE SUMMARY | MARKET DYNAMICS

Understanding key market drivers and challenges is essential for businesses to position themselves proactively for growth





Source:: Birguid

EXECUTIVE SUMMARY | COMPETITIVE FACTORS

Providing AI products that address local problems whilst having key strategic partnerships to support the solution is essential for improving competitiveness within the SA AI market

1 GLOBAL REACH

- SA technology companies have expanded globally or have networks in other territories. Global reach contributes to higher earnings and access to technologies that could support further growth for the local market. It also creates opportunities for strategic partnerships beneficial to organisations.
  - Examples include Naspers that owns Ambani Africa a start-up that developed a language learning application being used in the UK and US.
  - Aerobotics a start-up in Cape Town expanded into the US and has customers in 18 countries.

2 BRAND

- SA has highly visible technology brands in Africa. Effective branding is crucial for recognition and trust, especially in AI where handling sensitive data is essential, fostering customer loyalty.
  - As an example, Dimension Data won the 2018 partner of the year award for Microsoft, Dell, Palo Alto, Alliance and Cisco for its work in Rwanda and Tanzania.
  - EOH Holdings operate in over 30 countries.
    - A global presence can give a company a competitive edge over businesses that only operate domestically

3 STRATEGIC PARTNERSHIPS

- Partnerships and collaborations play a crucial role in the success of scaling AI businesses. By collaborating with retailers and media companies, AI companies can harness valuable data to develop precise algorithms.
  - SA hosts some of the largest data holders on the continent, including Multichoice, which has 20.9 million active subscribers.

4 PRODUCT

- Having the right product that addresses local problems can attract customers' attention, investors, and partners, fostering a positive reputation.
  - In SA, AI that can solve basic socioeconomic issues such as food production and security can improve market share of a company.

Source: Company websites, press,

EXECUTIVE SUMMARY | CONCLUSION

Key variables expected to drive growth include the demand for enhanced service delivery, government initiatives and the availability of data infrastructure

- The SA AI market will grow a CAGR of 16.2% from US$3.2 billion to US$7.8 billion between 2024 and 2030.
- Driven by (key opportunities for investors):
  - Untapped data in the public sector provides an opportunity for AI companies to enhance their technology and algorithm training.
  - Technology firms leveraging AI solutions to benefit customers looking to expedite their shopping process.
  - The financial sector generates vast amounts of data which are a key resource for training AI models
    - AI-driven solutions such as chatbots, virtual assistance and mobile apps can provide financial advice, addressing key SA challenges such as financial literacy.
    - Growth of sub-sectors such as the FinTech sector will create data for AI modelling.
- Key growth regions include:
  - The Western Cape where Cape Town has a 63% internet penetration rate and the biggest open access fibre network in Africa. Cape Town has a thriving technology ecosystem as it is home to companies including Aerobotics, GetSmart, and Yoco.
    - According to ITWeb, Cape Town hosts 38% of the total developers in South Africa, the highest concentration of developers in the country thus giving it an edge over other provinces in terms of attracting AI investment.
  - Data centre growth in Gauteng and KwaZulu Natal also renders it a good investment destination for AI.
- AI solutions for local issues are key to competitiveness

ITEM	MEASURE
2023E SA AI market	• US$3.2 billion
2030F SA AI market	• US$7.8 billion
Key markets	• Western Cape • Gauteng • KwaZulu Natal
Key end-user markets	• Public sector • Retail (including e-commerce) • Financial services • Healthcare • Agriculture
Key product markets	• Machine learning (recommendation systems) • Generative AI (text and image generation) • Industrial automation
Key competitive factors	• Global reach • Brand • Strategic partnerships • Product

Source: Birguid

ABOUT BIRGUID

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WHO BIRGUID IS

ABOUT US

Founded in 2015, Birguid is a challenger consultancy that offers integrated strategic research and advisory services.

We identify opportunities through robust research, build strategies to take advantage of identified opportunities, and support our partners to roll out these strategies.

We are curious about the past. We're intrigued by the future. We're excited about ideas. Leveraging the past and the future, we work with our partners to turn ideas into viable and sustainable opportunities.

OUR ETHOS

Organisations don't need researchers or consultants.
They need Partners. Partners who Help. Learn their business with them. Understand their ecosystem to Build, Take Risks, and Succeed with them.

At BIRGUID we're Entrepreneurs first.

We believe in Strategic Simplicity. Leveraging our research expertise and practical approach to build and progress businesses through actionable strategies.
Context is important for the strategies we co-create. We exist at your coal face to build iteratively, through continuous collaboration, empathy and forward thinking.

We journey with you EVERY STEP OF THE WAY, co-accounting for your businesses' successes and challenges, to eventually deliver lasting value, together.

BIRGUID'S CLIENTS TO-DATE

Standard Bank
ALBRIGHT STONEBRIDGE GROUP
EW SETA
ROYAL GROUP
OCP AFRICA
Rolfes Chemicals
GRUNDFOS
ENGEN
ECOCHEM PUMPS Solution based pump engineering
MUBADALA
PUMA ENERGY
IDC Industrial Development Corporation
PETRONAS
HOME FROM HOME
MRC SOUTH AFRICA
SoilChild
Z.E.S.A.
UTECHFOAM FOAM IN ANY SHAPE
shangoo
ENRICH ZIMBABWE.COM
ASTRON ENERGY
MAMELANI PROJECTS
JTI
step
COACHFLUENCE Connect • Coach • Catalyze
Barloworld Power CAT
Insite Towers
RMB
PHATISA More than capital

BIRGUID'S OFF-THE-SHELF RESEARCH PORTFOLIO TO-DATE

Company website: birguid.co.za/page/reports/

2024

1) South African fintech industry analysis

2023

1) South African export agriculture industry analysis
2) South African heavy commercial vehicle market analysis
3) Sub-Saharan Africa fertiliser export market analysis

2022

1) South African waste-to-energy market analysis

2021

1) Southern African cannabis industry analysis
2) Southern African solar industry analysis

2020

1) Unpacking the Africa continental free trade area agreement (ACFTA)
2) Southern African cannabis industry analysis
3) Sub-Saharan Africa (SSA) agriculture market analysis
4) Southern African tourism industry analysis
5) South African EdTech industry analysis

2019

1) Rwandan macro-economic review
2) Tanzanian macro-economic review
3) Ethiopian macro-economic review
4) South Africa liquified petroleum gas (LPG) market analysis

2018

1) South African microfinance market analysis
2) South African fintech market analysis
3) South African craft beer market analysis

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THANK YOU

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