CONSONANCE INVESTMENT MANAGERS

A Strategic Note for Africa's Tech Ecosystem

Fund Managers, Founders, and Board Directors

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The Signal You Cannot Ignore

Public markets are executing the most brutal repricing in software history and most African tech companies haven't noticed it's about them.

Since January 2024, seat-based SaaS companies have been destroyed while data-infrastructure companies have surged. Zendesk, Smartsheet, Qualtrics, and Medallia were taken private at compressed multiples. In 2025 alone:

Company	Category	Change	Signal
Palantir	Data Infrastructure	**+142%**	AI-required data layer
Snowflake	Data Infrastructure	**+47%**	AI-required data layer
Shopify	Commerce OS	**+51%**	Transaction system of record
HubSpot	Horizontal SaaS CRM	**-51%**	Seat-based workflow tool
Monday.com	Horizontal SaaS	**-36%**	Seat-based workflow tool
Atlassian	Horizontal SaaS	**-34%**	Seat-based workflow tool
Freshworks	Horizontal SaaS	**52-week low**	Seat-based workflow tool

> **This is not a correction. It is a permanent repricing driven by a structural insight that cannot be ignored.**

The Core Logic: Why This Repricing Is Permanent

The repricing follows a precise causal chain.

Step 1: AI agents replace users of software. A support agent uses Zendesk to resolve tickets. An AI agent resolves them directly without Zendesk, or with fewer human seats. Salesforce's Agentforce is already cannibalizing its own seat revenue. Gokul Rajaram's formulation: "Instead of paying for 50 Zendesk seats, pay for 20 and have 30 AI agents sitting next to Zendesk."

Step 2: If AI replaces users, seat-based pricing collapses. Per-seat pricing assumes humans use software. Fewer humans means fewer seats. Revenue declines even as the software functions. IDC projects 70% of software vendors will abandon seat-based pricing by 2028 not by choice, but by necessity.

Step 3: AI agents cannot replace the data those users generated. An AI agent can resolve a support ticket. It cannot fabricate ten years of customer interaction history, transaction records, or compliance documentation. That data is irreplaceable. The critical asymmetry: AI threatens the tool layer but strengthens the data layer.

Step 4: Therefore, systems of record become more valuable, not less. AI agents need data. They read from and write to systems of record: ERP, accounting ledgers, payroll databases, identity registries, transaction histories. Companies that own these data layers become essential AI infrastructure. Oracle, SAP, Intuit, ADP, Workday, Veeva, FICO, Equifax not disrupted by AI. They are what AI requires.

Step 5: The market re-sorts every software company into two buckets.

Bucket A - Workflow Tools	Bucket B - Systems of Record
AI replaces human users	AI needs the data
Valuation compresses	**Valuation expands**

Gokul's original insight: "Public markets do not distinguish between these two types of companies." They are starting to, violently.

The Boundaries of the Repricing Logic

The causal chain above is deliberately stark. Intellectual honesty requires stating where it simplifies, so the reader can assess both its force and its limits. Six boundaries deserve scrutiny.

First, AI may expand total software demand even as it compresses per-seat pricing. Seat compression per task does not automatically equal total seat contraction. AI may expand output per employee, generating more workflows, more data, more integrations, and more software surface area. The risk is concentrated in headcount-linked monetization of low-value workflows, not universal seat collapse. In every major technology shift, the market initially rewards narrative and punishes uncertainty. Durable value will accrue to companies with strong fundamentals and the discipline to proactively reinvent themselves in response to the structural change.

Second, distilled intelligence weakens static data moats. Model distillation allows smaller models to replicate knowledge patterns without owning the original dataset. If a company's moat is simply "we trained on our data," AI erodes that moat over time. This sharpens rather than refutes Step 3: the defensible data moats are those where data is continuously generated, transactional, regulatory, or physically grounded - not static historical corpora that can be distilled once and replicated indefinitely. The question for every African company claiming a data moat is whether its data compounds in real time or sits as an extractable training set.

Third, ecosystem orchestrators can command durable value without being classical systems of record. Shopify is not a sovereign record layer like a bank ledger, yet it commands enormous value because it controls distribution, orchestrates a multi-sided ecosystem, and embeds payments, logistics, and applications. The two-bucket framework in Step 5 is useful but incomplete. The spectrum runs from pure workflow tools (most exposed) through ecosystem orchestrators (conditionally defensible) to sovereign data infrastructure (most defensible). Companies that evolve

from workflow tools into ecosystem platforms coordinating distribution, embedding financial services, and generating network effects can retain defensibility even without classical data custody. For African companies, this opens an additional survival path: becoming the orchestration layer that AI agents themselves depend on to coordinate across fragmented markets.

Fourth, AI may increase dependence on workflow integration and orchestration. AI agents do not operate in isolation. They require orchestration across multiple systems, APIs, databases, and compliance checks. This may increase the need for integration platforms rather than eliminate them. Companies that position themselves as the connective tissue between AI agents and fragmented African enterprise systems - handling authentication, data routing, regulatory compliance, and exception management - may find their value proposition strengthened rather than undermined by AI adoption.

Fifth, seat pricing can evolve rather than collapse. Seat-based pricing pressure need not equal business model extinction. Vendors can migrate to outcome-based pricing, usage-based pricing, agent-based pricing, or hybrid subscription models. The strategic imperative is pricing migration, not pricing capitulation. The vendors most at risk are those that cling to per-seat monetization of low-value workflows; those that proactively transition their pricing architecture to reflect AI-augmented value delivery can preserve and potentially expand margins.

Sixth, governance and accountability become new sources of workflow demand. As AI agents act autonomously, enterprises will require audit layers, policy enforcement, exception management, and AI supervision dashboards. AI may reduce execution workflows but simultaneously create governance workflows that did not previously exist. For African companies operating in heavily regulated financial and telecommunications sectors, this governance demand is amplified by fragmented, jurisdiction-specific regulatory requirements. The companies that build AI governance infrastructure may discover an entirely new category of defensible value.

> These boundaries refine the thesis without overturning it. The repricing is real. But the precise formulation is: AI compresses shallow, headcount-linked monetization and reallocates value toward institutional memory, governance, distribution, ecosystem gravity, and orchestration. The survivors will migrate layers rather than remain static. The remainder of this paper, “examining the acceleration mechanism, the African-specific threat, the archetypes, and the strategic responses” should be read through this refined lens.

The Acceleration: From SaaS to Service as Software (SaS)

The disruption is accelerating. Derek Watson's "Service as Software" (SaS) framework identifies a deeper shift compounding the threat to workflow tools.

- The SaaS model: Software provides tools. Humans use the tools to produce outcomes.
- The SaS model: Software delivers outcomes directly. AI agents complete entire tasks autonomously.

SaaS sells access to a scheduling tool; SaS schedules the meeting, sends confirmations, handles rescheduling, and follows up autonomously. SaaS sells access to a helpdesk; SaS resolves the ticket end-to-end.

> The market implication is enormous: SaS unlocks not the $200 billion software market but the $4.6 trillion global services market. AI agents replace not just software users but the services those users performed.

For African software companies, this compounds the threat. A Nigeria-specific CRM was defensible when the moat was regional customisation. If an AI agent can localise for any market autonomously - adapting language, payment methods, and compliance on the fly the acquisition premium disappears.

Why This Is Existential for African Tech

The African startup ecosystem faces a compounding problem.

Premise 1: African startups depend on exits for liquidity. Funding collapsed from $6.5 billion (2022) to $3.2 billion (2024). Only $0.13 returned per $1 deployed. 84% of exits are trade sales, not IPOs. The NASDAQ threshold ($90 million revenue, $500 million valuation) exceeds what most African startups can achieve. Without exits, the ecosystem cannot recycle capital.

Premise 2: Trade sale exits require strategic acquirers. With 84% of exits as trade sales, exit value depends entirely on what strategic acquirers will pay. When their priorities shift, valuations shift.

Premise 3: Strategic acquirers are repricing software through an AI lens. US and European strategics are buying data layers and AI-native architectures, not regional customisation. A Salesforce or HubSpot will not acquire a Nigeria-specific CRM when its AI can localise automatically. They will acquire data assets, regulatory licences, and infrastructure moats.

> **Conclusion:** The implicit playbook has broken. Many African software companies followed an implicit thesis: build a horizontal tool localized for African markets → achieve scale → get acquired by a global player seeking regional access. That playbook assumed regional customization was a moat. AI has dissolved it. The acquirers who were supposed to provide exits now reprice every target through an AI-disruption lens.

The Consonance Lens: Trust, Collaboration, and Innovation Infrastructure

At Consonance, our thesis-driven approach has always prioritized infrastructure over workflows. As our Investment Principal Jadesola Campbell articulated in her TechCrunch article: "Context beats capital. Our bottom-up research helps formulate systems maps. It helps us underwrite better, source earlier, and avoid unforced errors as a result of selecting the wrong business model or product fit in Africa." Hence our early focus on foundational systems like digital infrastructure including our investment in Medallion, since acquired by Digital Realty.

That thinking now has urgent, market-wide application. When global acquirers reprice every software company through an AI-disruption lens, the firms that survive and command premium exits are those whose founders turned bottlenecks into platforms, not those that built prettier interfaces on commoditizing workflows.

To build a technology-led, large-scale enterprise in Africa, you need what we term trust, collaboration, and innovation infrastructure. In the AI era, that formulation becomes predictive:

Infrastructure Type	What It Includes	AI Impact
Trust Infrastructure	Regulatory licensing, identity verification, compliance data	AI enhances, cannot replicate a licence or decade of compliance history
Collaboration Infrastructure	Network effects, marketplace liquidity, physical agent networks	AI enhances, no AI can fabricate a 13,000-agent network or 260-bus fleet
Innovation Infrastructure	Better workflow tools, improved interfaces, feature development	AI commoditises workflow improvements replicated at near-zero cost

> **The prediction: Companies that embedded all three elements into their business models are the ones that AI enhances rather than disrupts. Companies that relied primarily on innovation now find themselves exposed.**

The Five Archetypes: Where African Companies Sit

Every African software company built in the last 5–7 years maps to one of five archetypes on the AI/SaS disruption spectrum.

Archetype 1: Sovereign Data Infrastructure

HIGHLY DEFENSIBLE

Definition: Companies between government identity or financial databases and the private sector, operating under regulatory licences.

What they hold: Sovereign data sources national identity numbers, BVNs, driver's licences, credit records plus physical agent networks and compliance frameworks built over years.

Why AI enhances rather than threatens:

- AI improves their core product (facial recognition, liveness detection, automated document verification)
- No AI can replicate a regulatory licence
- No AI can fabricate a government data-access agreement
- No AI can instantiate a 10,000+ agent verification network built over a decade

Global equivalents: Equifax, FICO, TransUnion - identity and trust infrastructure that becomes more valuable over time.

African examples: VerifyMe (NIMC-licensed, sovereign ID database access, 13,000 agents), Youverify, and the emerging credit bureau infrastructure across African markets.

Archetype 2: Physical-World Operating Systems

MODERATELY DEFENSIBLE

Definition: Companies using technology to coordinate physical assets - buses, trucks, warehouses, shipping containers across fragmented African markets.

Why defensibility lies in the physical, not the digital:

- Physical assets (260 buses, hundreds of routes) cannot be replicated from a screen
- B2B contracts with corporate clients create lock-in
- Operational data (customs patterns, carrier performance, trade-corridor intelligence) compounds over time
- AI strengthens these businesses through demand prediction, dynamic routing, and fleet optimisation

> ***The critical question:*** *Is the company building a true operating system - where data compounds and lock-in deepens - or merely a booking interface on top of physical assets it doesn't control?*

African examples: Shuttlers (260+ buses, 300 routes, corporate mobility data), OnePort 365 (cross-border freight OS, customs and trade-flow data), and similar logistics platforms where the data layer creates lock-in.

Archetype 3: Regulated Financial Infrastructure

DEFENSIBLE WITH CONDITIONS

Definition: Payment processors, banking-as-a-service platforms, and financial data layers deeply embedded in regulated financial rails.

Why defensible: Same dynamics as Fiserv, FIS, and Jack Henry. Once embedded as the core processing layer, switching costs are enormous and regulatory barriers protect position.

Evidence from Africa's most successful exits:

- Paystack acquired by Stripe for its payment infrastructure
- DPO Group acquired by Network International for its merchant network
- Interswitch Visa invested $200 million for 20% of its transaction data moat
- Flutterwave's acquisition of Mono an open banking API powering many Nigerian digital lenders

The condition: Financial infrastructure sitting purely at the distribution layer connecting products to end users without accumulating proprietary risk data or transaction intelligence faces disintermediation risk. An insurtech API functioning as a pipe between underwriters and platforms must transition toward accumulating claims data, risk-pricing intelligence, and actuarial insight or be routed around as AI/SaS commoditises distribution.The critical question for insurance platforms: Are you building an insurance data asset or an insurance distribution pipe?

Archetype 4: Compliance-Embedded Vertical SaaS

MODERATELY DEFENSIBLE

Definition: Companies with software deeply integrated into mandatory regulatory workflows payroll tax, pension remittances, labour law, insurance filings, agricultural commodity certifications.

Why defensible: Defensibility comes not from the interface (which AI can replicate) but from country-specific compliance logic. African payroll platforms processing hundreds of millions across 20+ countries, each with distinct tax codes and filing requirements, benefit from regulation-heavy functionality AI struggles to commoditise.

The logic: Regulators change rules locally and unpredictably. The moat is in the compliance data, not the dashboard. Regulatory complexity is the one moat that AI makes harder to cross, not easier.

The risk: *This archetype trends toward horizontal compliance (generic HR tools) rather than vertical compliance (insurance-specific, agriculture-specific, banking-specific). The deeper the vertical, the stronger the moat.*

African examples: Pan-African payroll compliance, agricultural commodity certification platforms, health-sector compliance tools integrated with national pharmaceutical regulators.

Archetype 5: Horizontal Workflow Tools

HIGHLY EXPOSED

This is where the pain concentrates.

Definition: African CRM platforms, customer support tools, marketing automation products, project management solutions, social media management dashboards, and general-purpose productivity software.

Why exposed - the precise logic:

- The core value proposition was workflow improvement, not data accumulation
- Workflow improvement is what AI/SaS commoditises
- AI agents can sit next to the software and perform the same tasks as human users
- The regional customisation that was the moat (local language, offline functionality, local payment integration) is itself being automated

Global evidence: The companies most devastated by the AI rerating HubSpot (-51% YTD), Monday.com (-36%), Atlassian (-34%), Freshworks (at 52-week lows), Five9, LivePerson are all horizontal workflow tools. Andreessen Horowitz noted the shift: "When AI can handle ticket resolution, the natural pricing metric becomes successful outcomes" not per-seat licences, and certainly not regional customisation.

> **The compounded threat for African companies:** Not only is the workflow layer being commoditised, but the regional customisation that was supposed to make them attractive acquisition targets is itself being automated. An AI agent that can localise for any market makes the Nigeria-specific or Kenya-specific CRM less strategically valuable to a global acquirer.

I deliberately avoid naming specific companies in this category. The point is the archetype, not the individual company. Fund managers and founders should conduct their own honest assessment.

Seven Strategic Moves for Companies in the Exposed Archetypes

For founders and fund managers on the wrong side of this divide, the time to act is now - not after global acquirers have passed.

1. Pivot from Utility to System of Record

The single most important strategic shift.

The test: If a customer wanted to leave your platform, how many years of data would they need to migrate?

- If the answer is "none" you are a utility. You are exposed.
- If the answer is "five to ten years" you are a system of record. You are defensible.

The action: Reposition as the repository of data that accumulates over time. Every interaction, transaction, and document processed becomes part of an irreplaceable dataset. Stop selling "features." Start selling "history."

2. Embed Deeper in Regulatory Compliance

> **Africa's regulatory complexity is not a bug; it is your most powerful moat.**

The logic: Regulatory complexity is the one moat AI makes harder to cross. Regulators change rules locally and unpredictably. An AI trained on global patterns cannot anticipate a CBN circular issued next Tuesday.

The action: Build deep integrations with local regulatory requirements: CBN compliance in Nigeria, KRA tax filing in Kenya, SARS in South Africa, ETA in Egypt. The deeper the embedding in mandatory compliance workflows, the higher the switching cost.

3. Pursue Strategic Combination; Now, Not Later

The era of standalone horizontal tools is ending.

Evidence: The Wasoko-MaxAB merger, Flutterwave's acquisition of Mono, and Moniepoint's acquisition of Sumac.

The logic: Two horizontal tools combined with shared data can become a vertical system of record. A CRM tool merged with a payment platform and a compliance engine becomes an operating system.

The action: Pursue a combination from strength with runway and options rather than waiting until the only deal is a distressed acqui-hire. Fund managers should facilitate strategic combinations within their portfolios rather than waiting for acquirers who may never come.

4. Reprice Before You're Forced To

Per-seat pricing is dying. Manage the transition proactively.

Evidence: Salesforce's Agentforce is already cannibalising its own seats. Several exposed SaaS companies were taken private to manage this transition away from public scrutiny.

The action: Transition to outcome-based or usage-based pricing now. Companies that manage this proactively retain pricing power; those forced into it lose margin. VC-backed African companies should have honest board conversations about whether the current pricing model has a five-year future.

5. Reorient Your Exit Strategy Toward Local and Regional Acquirers

> **The data is unambiguous: domestic acquirers now account for over 50% of African startup exits.**

The shift: Regional incumbents banks, telcos, and insurers have become primary buyers., growing visibility of Gulf and MENA buyers, these pathways are expanding.

The action: Stop building for a Salesforce or HubSpot acquisition that may never materialize. Build for the African bank that needs your data layer, the telco that needs your distribution network, the regional fintech that needs your compliance infrastructure.

6. Build Governance and Orchestration Infrastructure

AI creates new categories of workflow demand even as it compresses old ones.

The logic: As AI agents act autonomously within enterprises, organisations require audit layers, policy enforcement, exception management, and AI supervision dashboards. These governance workflows did not exist before AI and cannot be automated by AI - they exist precisely to monitor and constrain it. In African markets where regulatory environments fragment across jurisdictions, AI governance becomes doubly complex and therefore doubly defensible.

The action: Companies whose current workflow tools face AI compression should consider pivoting toward AI governance - building the compliance monitoring, audit trail, and exception management layers that enterprises will require as they deploy AI agents. The company that monitors what AI agents do within an enterprise may prove more defensible than the company whose tasks the agents replaced.

7. Invest in Ecosystem Gravity and Distribution Control

Distribution moats persist even when workflow moats dissolve.

The logic: Companies that control distribution channels, coordinate multi-sided ecosystems, and embed financial services into platform experiences command defensibility independent of data custody. AI agents still need distribution infrastructure to reach end users, process payments, and coordinate logistics. The Shopify model - controlling distribution, embedding payments, orchestrating an application ecosystem - is replicable in African markets where platform coordination of fragmented supply chains and financial services creates switching costs that transcend any individual workflow.

The action: Horizontal workflow companies should aggressively pursue ecosystem strategies - embedding payments, building developer platforms, creating marketplace dynamics, and integrating logistics or financial services - to generate multi-layered switching costs that make extraction from the platform more painful than any individual feature replacement.

The Bottom Line

The AI/SaS-driven rerating has permanently altered the exit landscape for African tech. AI compresses shallow, headcount-linked monetization and reallocates value toward institutional memory, governance, distribution, ecosystem gravity, and orchestration. Fund managers holding horizontal SaaS portfolio companies built over the last 5–7 years must reassess - honestly and urgently - whether those companies are migrating toward defensible layers or remaining static on exposed ones.

The defensible plays remain what they have always been - infrastructure layers, data assets, and regulatory-moat businesses - and now expand to include AI governance infrastructure, ecosystem orchestration, and distribution control. Paystack acquired for its payment infrastructure. DPO Group for its merchant network. Interswitch attracted Visa's investment for its transaction data. Not workflow tools - systems of record, ecosystem platforms, and governance layers.

> **For founders still building, the question has changed permanently: No longer "Does your software work?" but "Does your software accumulate irreplaceable institutional value through data custody, regulatory embedding, governance infrastructure, ecosystem gravity, or orchestration authority - in a way AI cannot replicate?"**

- If the answer is yes, you are building an enduring company.
- If the answer is no, the window to restructure, combine, reprice, or migrate layers is narrowing.

> **The best time to act was twelve months ago. The second-best time is today.**

- Mobolaji Adeoye
Managing Partner, Consonance Investment Managers