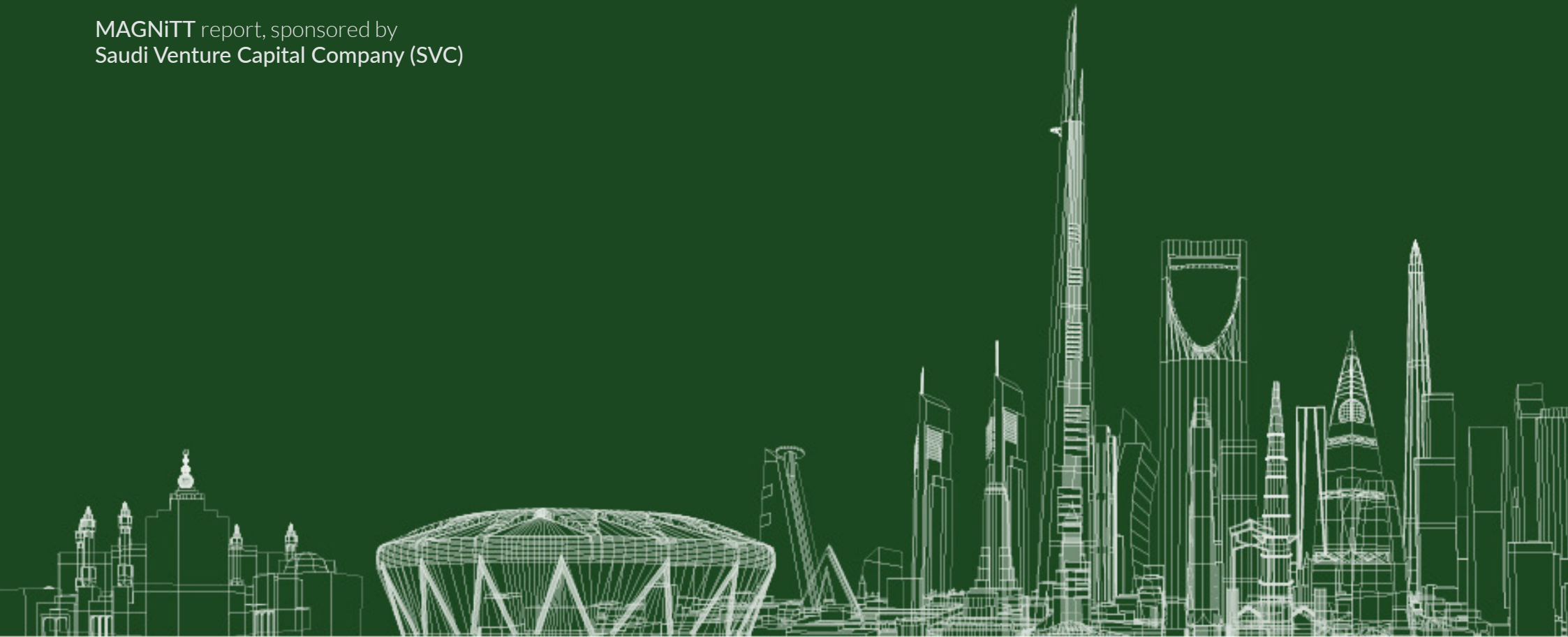


MAGNiTT report, sponsored by  
Saudi Venture Capital Company (SVC)



2020

# Saudi Arabia

## Venture Capital Report

**MAGNiTT**



الشركة السعودية للاستثمار الجريء  
Saudi Venture Capital Company

# Key Stakeholders Takeaways



## Abdulrahman Al-Modaimeegh | Partner, Impact46 Venture Capital

The entrepreneurial ecosystem has been rapidly growing in the past years, marking that Saudi Arabia is expanding regionally to back tech startups. Despite the exceptional circumstances experienced by the startup ecosystem during the course of this year, the government's initiatives in supporting the regulatory and legal aspects to expand SME's operations and the means of funding are shaping Saudi as the hub of innovation. Impact46 portfolio companies have played a key role during the pandemic, as we saw the need for tech services that contribute to the development of digital transformation in the Kingdom.



## Abdulrahman Bin Mutrib | Founding Partner and Chairman of Merak Capital

Despite its difficulty, 2020 witnessed the continued success of the VC and the entrepreneurial ecosystem in the Kingdom, with a significant increase in the number and amount of investment rounds for Saudi startups, in addition to the issuance of the new companies' laws. This growth is due to the collective efforts of the whole ecosystem and the leadership of the Saudi Venture Capital Company, the "Jada" Fund of Funds, and private VC funds. Accordingly, the Kingdom has ranked 12th in the Venture Capital Availability Index, issued by the Global Competitiveness Center. We expect in 2021 greater success and maturity for the VC industry. This year will be the beginning of reaping the fruits of these efforts by the potential exit of VC-backed Saudi startups. This will in turn contribute to an increase in the size and number of investment rounds, and the number of new investors. This will also stimulate more young Saudi men and women to work in this vital sector of the economy.



## Osamah Alamri | Executive Director of Strategy, SVC

The Saudi venture capital (VC) ecosystem has maintained its rapid growth in the past three years. The recent growth and the record VC funding of \$152M in 2020, despite the slowdown of COVID-19, is a result of government stimulation initiatives as well as the emerging of more active investors and innovative entrepreneurs. The Saudi Venture Capital Company (SVC) plays a crucial part in stimulating the private VC investment to sustain and foster the rapid growth of the VC ecosystem in the kingdom. To achieve that, SVC's strategy was developed meticulously based on regional and global working models of government VC funds. Due to the dynamic evolution of the Saudi VC ecosystem, SVC's strategy is reviewed quarterly to ensure that existing equity funding gaps are minimized, and the private investors are properly stimulated.



## Athary Almubarak | Director of Strategy, Jada

With a 55% year-on-year increase in funding for Saudi-based startups in 2020, Saudi's venture capital (VC) sector's contribution to its socioeconomic diversification is clear to see. Jada has been at the heart of this exceptional uptick in an exceptional year. Throughout 2020, we supported promising Saudi entrepreneurs by catalyzing the Saudi's VC sector with astute and timely injections of capital. The investments Jada have made into eight VC funds attracted new investors to this market and provided key unlocks in high-potential opportunities. We've been thrilled to see more local Saudi VC talent establishing themselves, which our Emerging Fund Manager Programs have fostered. Moving ahead, as we continue to identify high-potential opportunities, Jada remains committed to upskilling more professionals in 2021.

# Key Stakeholders Takeaways



**Amal Dokhan | CEO, GEN Saudi**

Startups are becoming an important player in the Saudi market with many talented entrepreneurs that are pushing the boundaries with their innovations to serving their customers, and in order for these startups to grow and lead here comes the role of the VCs that are backing these startups not just with cash but also with knowledge and strong means to access new markets. This seriousness in the Saudi and MENA markets has incentivized many VCs to deploy more investments and encouraged Angels to start actively playing a huge role at the early stage of the startup journey. In order to increase the pipeline for VCs, we are aspiring to bring more accelerators that are VC backed for a higher quality deal-flow creation.



**Talal Alasmari | Founding Partner, Raed Ventures**

During the pandemic that hit the world in 2020, it became clear that traditional companies are not as safe as they thought. Many global economies were unable to withstand the economic blow. The silver lining to this is that technology is the main focus of modern-day companies. The pandemic has proven that companies that have quickly adopted technology were more able to adjust or develop their business models to keep pace with expeditious growth. Technically lagging companies continued to face the struggle for survival. Amidst this global crisis, I can seemingly visualize that the Kingdom of Saudi Arabia will have growth in embracing new technologies. I believe that the recent fast-paced development in technology, will continue to place the Kingdom among countries that adopt modern technologies, which will change all sectors in it permanently.



**Maan Eshgi | Partner, Venturesouq**

The main trend we are paying attention to is the increasing focus of GCC governments and major private sector operators on inbound investment. It took time for the strategy of leveraging capital to catalyze regional investment to play out, but it seems to be happening now, and we expect it to continue in a significant way in 2021. We have two levels here: (1) Regional SWFs & Fund of Funds are backing regional VCs on the promise that the VCs will focus on regional early-stage technology deals. (2) Big investments by big tech firms are starting to happen, such as the Google & Aramco's cloud storage deal, Alibaba's announced partnership with STC to invest up to \$500M into high-performance public cloud service in the Kingdom, and Netflix's continued investment into KSA content through its partnerships with Telfaz11 and Myrkott.



**Adwa AlDakheel | Founder and CEO, Falak Investment Hub**

In less than 2 years, Saudi Arabia has witnessed an evolution of the entrepreneurial ecosystem that other ecosystems need 5+ years to witness. As Falak Investment Hub has witnessed firsthand, the increase in quality of deal flows, the increase of innovation triggered to solve local opportunities, and the increase in talent pool has enabled this tremendous shift in our ecosystem. With over 16 early and growth stage investments done from Falak in the past 2 years, we are lucky to be on the front-lines of our VC and entrepreneurial ecosystem at this timing is specific, and we are lucky to be making history on the go.

# Executive Summary



## 2020 saw \$152M invested in Saudi-based startups, a record amount of total funding

Against the backdrop of COVID-19, the KSA startup ecosystem was the fastest growing of the top three leading hubs in MENA. In H1 2020, \$111M was raised with notable funding rounds including the \$36.5M and \$18M raised by food and grocery delivery startups Jahez and Nana, respectively.



## In a reverse of a decline in deals across MENA, Saudi deal flow was 35% up, compared to 2019

2020 saw 88 investments take place in Saudi Arabia, with 67% of deals closed in H1 2020. Among the most active investors were OQAL Angel Investors, SVC, as well as 500 Startups, Impact46, KAUST and Saudi Aramco.



## More international investors were active in Saudi Arabia in 2020 than in 2019

Although the number of the venture capital institutions remained the same in 2020 (47), 17% of them were based outside of the Kingdom, an 11% increase from 2019.



## 2020 positively impacted digital adoption in E-Commerce, FinTech, Transport and Education

E-Commerce and FinTech, witnessing an unprecedented spike in demand in 2020, continued to grow in terms of funding rounds to represent 20% and 10% of all deals in Saudi Arabia, respectively. Moreover, E-Commerce startups raised 45% of total funding in 2020, followed by Transport (10%) and Education (9%).



## COVID-19's impact was translated in the drop in accelerator deals

As a result of COVID-19, accelerator programs encountered the challenge of shifting online, which was translated into a drop of accelerated deals by 16% in Saudi Arabia to only 7% of total deals in 2020.

# 01

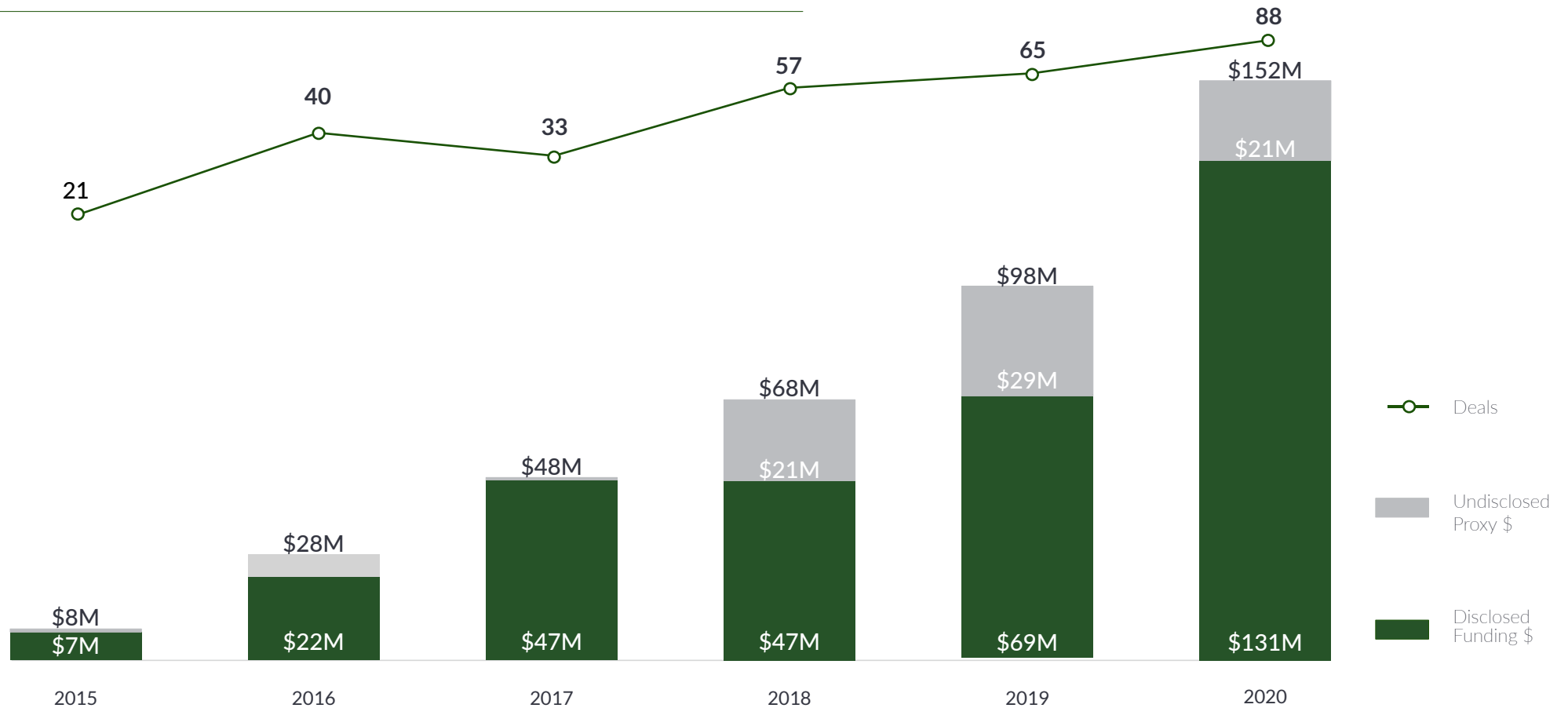
# FUNDING EVOLUTION

# Saudi Arabia Yearly Funding Evolution

In 2020 the Kingdom registered a 55% increase in total funding deployed to Saudi startups, reversing the slow down trend seen across the rest of MENA

- Saudi startups raised a record \$152M in VC funding, with a CAGR of 40% for the past 5 years
- The number of deals grew 35% in 2020 compared to 2019, to a total of 88 deals in 2020

5YR venture funding evolution in Saudi Arabia by amount (\$) and number of deals (#)

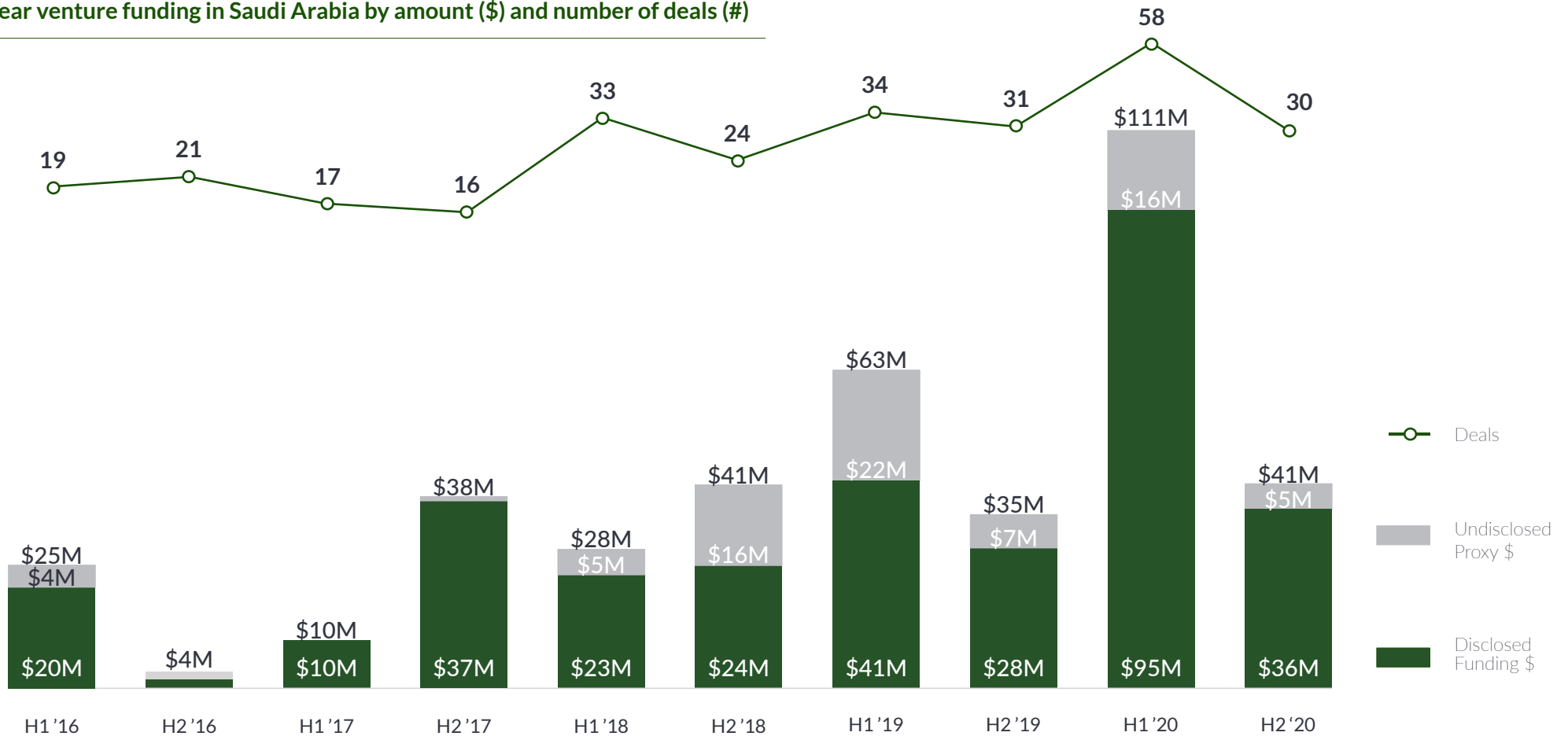


# Saudi Arabia Half-year Funding Evolution

Similar to the wider MENA region, the success of 2020 was mostly driven by a record high H1, both in capital raised and number of deals

- H2 2020 saw a drop of 63% in funding and 48% in deals when compared to H1 2020, highlighting the impact of COVID-19
- However, when comparing H2 2020 to H2 2019, KSA investment saw growth of 17% in total funding

Half-Year venture funding in Saudi Arabia by amount (\$) and number of deals (#)



02

# COUNTRY BREAKDOWN

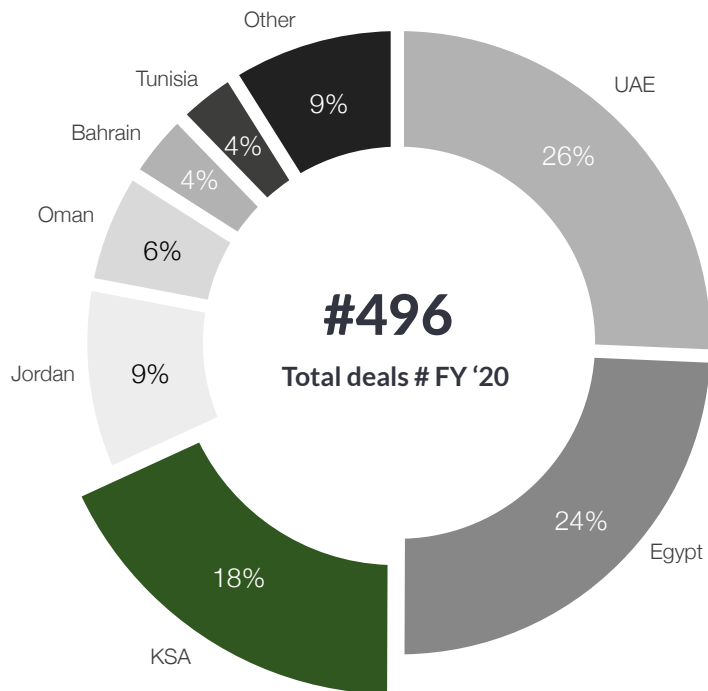


# 2020 MENA Country Comparison - By Deals








Although Saudi Arabia maintained its 3rd ranking in the number of deals, the country’s startup deal flow growth rate was the biggest across MENA

- Accounting for 18% of total deals registered in MENA, the number of closed transactions in Saudi rounds grew by a solid 35% in 2020
- This increase was driven by the activity in H1 2020, when 66% of all deals were registered

## Top countries by number of deals (#) in MENA in 2020



## Country deal comparison 2020 vs 2019

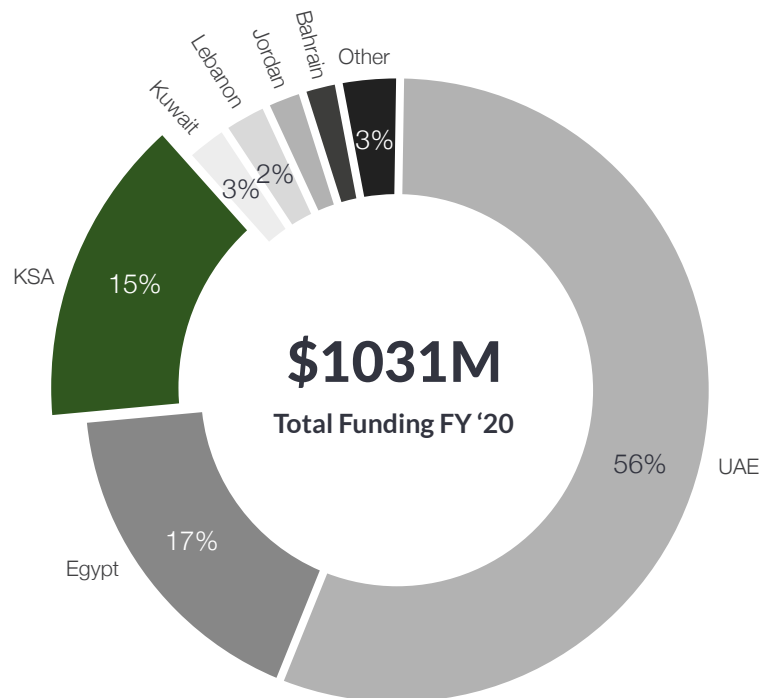
Rank	Rank change	Country	Absolute YoY change	% Deal Share change
1.	= 0	 UAE	-17%	-1%
2.	= 0	 Egypt	-10%	+1%
3.	= 0	 KSA	+35%	+6%
4.	Δ 1	 Jordan	+18%	+2%
5.	Δ 3	 Oman	+23%	+2%
6.	Δ 1	 Bahrain	-33%	-1%
7.	▽ 1	 Tunisia	-47%	-2%

# 2020 MENA Country Comparison - By Funding








**KSA closed the gap significantly on Egypt in 2020, accounting for 15% of total MENA funding**

- The 55% growth rate of funding in Saudi-based startups was the second highest in MENA, behind the 200% increase in Bahrain
- This growth was driven not only by larger deals, but also by a 35% increase in transactions as the country strengthened its startup ecosystem in 2020

## Top countries by total funding (\$) in MENA in 2020



## Country funding comparison 2020 vs 2019

Rank	Rank change	Country	Absolute YoY change	% Funding Share change
1.	= 0	 UAE	+5%	-4%
2.	= 0	 Egypt	+31%	+2%
3.	= 0	 KSA	+55%	+4%
4.	Δ 2	 Kuwait	-14%	-1%
5.	▽ 1	 Lebanon	-34%	-2%
6.	▽ 1	 Jordan	-38%	-2%
7.	Δ 1	 Bahrain	+200%	+1%



03

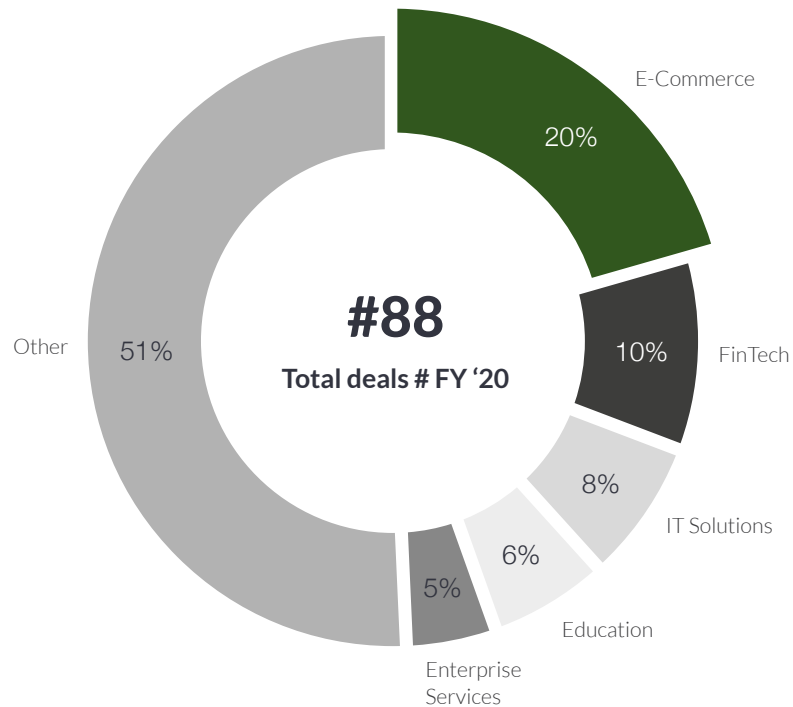
# INDUSTRY BREAKDOWN

# 2020 KSA Industry Comparison - By Deals






Investment in 2020 was focused on the industries that saw increased demand during COVID-19 with a skew towards E-Commerce, FinTech and Education.

- Together, the top two industries by deals, E-Commerce and FinTech, represented 30% of total transactions in KSA
- Education also saw a 25% increase when compared to FY 2019

## Top Industries by number of deals (#) in KSA in 2020



## Industry deal comparison 2020 vs 2019

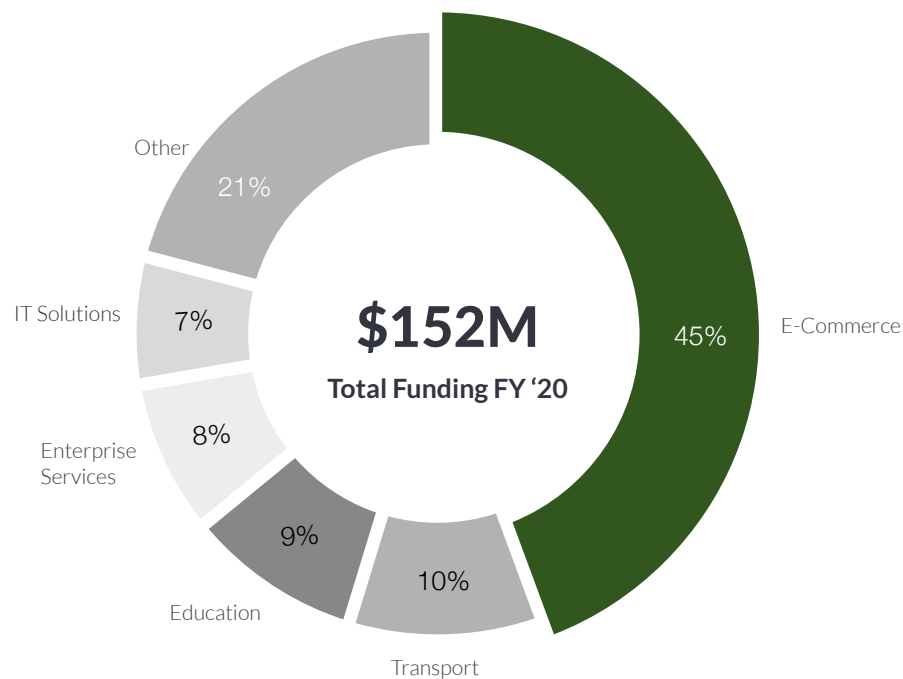
Rank	Rank change	Industry	Absolute YoY change	% Deal Share change
1.	= 0	 E-Commerce	+6%	-6%
2.	= 0	 FinTech	+13%	-2%
3.	= 0	 IT Solutions	+75%	+2%
4.	= 0	 Education	+25%	=0%
5.	Δ 5	 Enterprise Services	+100%	+1%

# 2020 KSA Industry Comparison - By Funding

**Funding in KSA startups has been driven by later stage investments in E-Commerce, with the sector accounting for 45% of all investment**

- Having raised 45% of total venture capital funding, E-Commerce startups in Saudi outperformed their peers across MENA (16%)
- Transport saw the largest increase by rank, up 13 spots, as well as in funding share, up 10%

## Top industries by funding (\$) in KSA in 2020



## Industry funding comparison 2020 vs 2019

Rank	Rank change	Industry	Absolute YoY change	% Funding Share change
1.	= 0	E-Commerce	+68%	+4%
2.	Δ13	Transport	+2,748%	+10%
3.	= 0	Education	+34%	-1%
4.	Δ12	Enterprise Services	+3,021%	+8%
5.	= 0	IT Solutions	+92%	+1%

04




















# TOP FUNDING ROUNDS

# Top 5 Disclosed Funding Rounds in Saudi Startups in 2020

Top 5 deals together were accountable for 56% of total funding in Saudi startups in 2020, with 3 of them being raised in H1 2020

- For comparison, the top 5 deals in MENA accounted for only 31% of all funding

- The top 5 deals by industry highlighted a shift in the Kingdom towards increased digital adoption in E-Commerce, Education and Transport

		AMOUNT RAISED	FUNDING STAGE	SELECT INVESTORS
1.		\$36.5M	Series A	
2.		\$18M	Series B	     
3.		\$13M	Bridge	  
4.		\$9.14M	Series B	
5.		\$8.6M	Series A	  

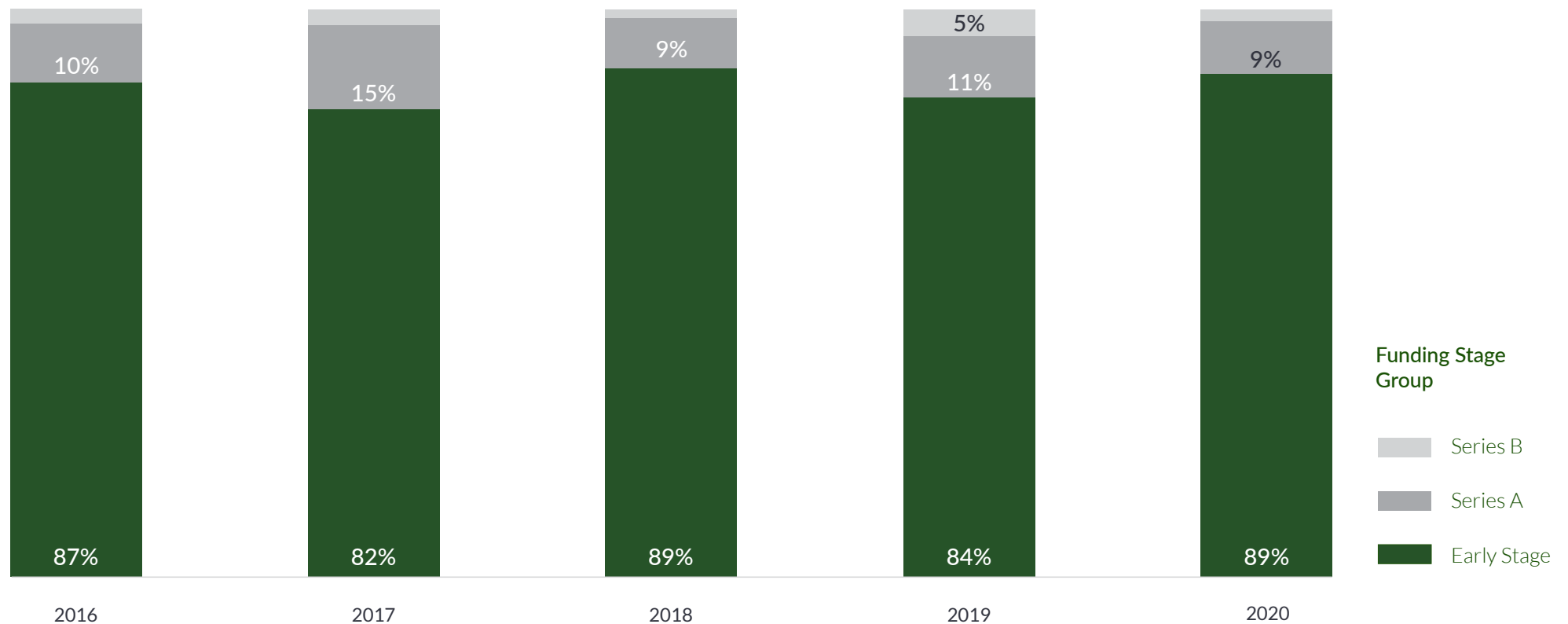


# 2020 Saudi VC Deals Split by Stage

Although MENA startup ecosystem saw an increase in later stage investment rounds in 2020, in Saudi early stage transactions trended up

- The share of early stage deals went up 5pp to 89% of all funding rounds registered over the year
- This uptick was counter-balanced by Series A & B transactions slightly losing their share to 9% and 2% of all deals in 2020, respectively

## Yearly VC deals in Saudi Arabia by stage (%)





# H1 2020 - Saudi-based Startups That Received Funding



Scimagine



Trysl



Modus



MONH MARKET

Mosero



PeroLED



Wethaq



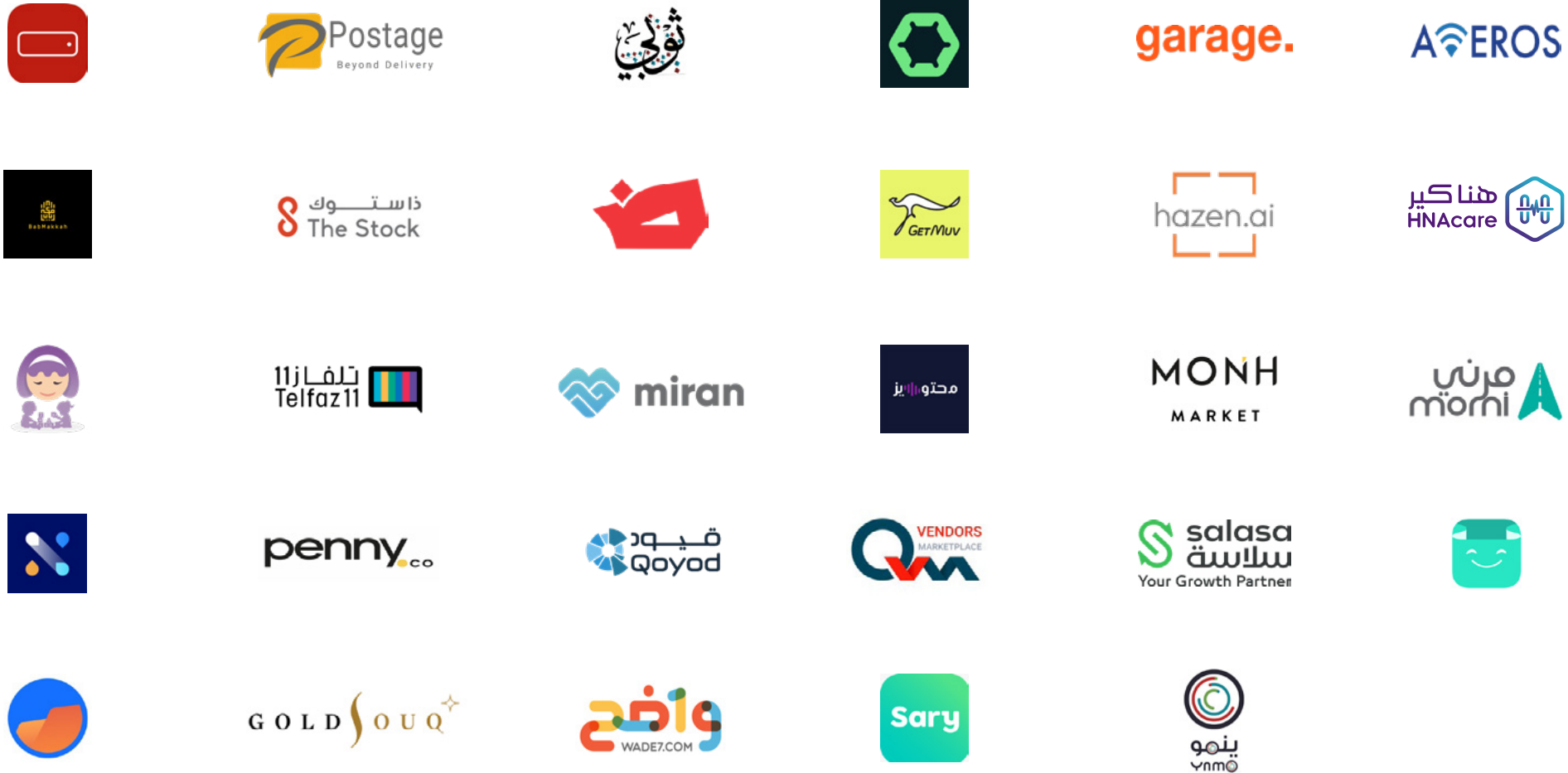
سّيارة

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ترتيب

# H2 2020 - Saudi-based Startups That Received Funding



# 2020 Active Investors

**OQAL, SVC, 500 Startups, Impact46 & KAUST** accounted for the highest number of deals, while **62%** of all active investors participated in only **1** deal

- The number of investors in Saudi-based startups remained the same in 2020 (47) as in 2019
- However, 17% of them were international investors who were based outside of the Kingdom, an 11% increase from 2019

## Investors by number of investments in Saudi-based startups in 2020

**5+**  
DEALS



**2-4**  
DEALS



**1**  
DEAL



[CLICK THE TABLE FOR MORE DATA](#)



# 2020 Highlights



## CMA

The Capital Market Authority published the draft amendments to Investment Funds Regulations and Real Estate Investment Funds Regulations for public consultation.



## Misk Foundation

Misk announced the graduation of the third batch of the Misk500 Accelerator Program.



## Jada

Jada launched the second training program for emerging fund managers of private equity and venture capital funds, in cooperation with Professor Florin Vasari of the London Business School.



## National Development Fund

The Tourism Development Fund (TDF) was established in order to enable and support development in the tourism sector, attract investments and create an attractive ecosystem for them. TDF is supervised by the National Development Fund, which aims to enhance the economic impact in this promising sector.



## Ministry of Commerce

The Kingdom ranked first in the World Index for Business Environment Reforms. The Ministry of Commerce and the Capital Market Authority published the new Companies Law for public consultation.



## MCIT

The Kingdom is ranked first in Digital Competitiveness among the G20 countries. The Kingdom also launched the digital economy policy to increase competitiveness and expand sustainable development and economic diversification.



## Saudi Central Bank

The Saudi Central Bank issued rules for practicing debt crowdfunding activities. It also announced the issuance of the “Open Banking Policy”, which articulates the main objectives of implementing Open Banking in the Kingdom and its positive effects on the financial sector.



## FinTech Saudi

Fintech Saudi, in cooperation with Flat6Labs, launched the Fintech Accelerator Program, which aims to support innovation, empower entrepreneurs and increase investment opportunities, as an extension of the efforts made to support and empower the financial technology sector in Saudi Arabia. Fintech Saudi also launched the “Fintech Tour 20”.



## Monshaat, GEN Saudi and SVC

Monsha'at, Global Entrepreneurship Network (GEN) Saudi Arabia and Saudi Venture Capital Company (SVC) organized the first Angel Investing Forum in Saudi Arabia. The forum included renowned international speakers with active participation by local and regional entrepreneurs and investors.

05

# ABOUT SVC

# About SVC



Saudi Venture Capital Company (SVC) is a Government VC established in 2018 by Monshaat as part of the Private Sector Stimulus Program (PSS) to stimulate venture investments in funds as well as co-investing with angel groups for the primary goal of minimizing equity financing gaps for startups by investing SAR 2.8 Billion (\$750 Million).

## Principles



Balance economic impact and financial success



Sector agnostic and gap oriented approach to develop the overall VC ecosystem



Prioritize national mandate and focus on local investments



Minority stake in startups as per VC best-practices

## Investment in Funds

Investment in VC funds and Growth Capital funds to catalyze venture investments and minimize the fund-raising entry barriers for fund managers who are looking to operate in the VC and Growth Capital markets. This is done through a GP/LP structure, where SVC would be Limited Partner (LP).

### VC Funds



### Growth Capital Funds



## Angel Co-Investment in Startups

Co-investing in startups along with angel investors through approved angel groups.



## Institutional Co-Investment in Startups

Co-investing in startups along with institutional investors, when there is an equity financing gap.

Learn more about Saudi Venture Capital Company (SVC) at [svc.com.sa](https://svc.com.sa)

06

# ABOUT MAGNiTT

# ABOUT MAGNiTT

**“Passion Provides Purpose,  
But Data Drives Decisions”**

MAGNiTT is a platform that empowers decision makers through access to the most comprehensive and accurate data on startups and venture investments across Emerging Venture Markets.

## We help:

- Startups** find the right investors
- Investors** connect with founders
- Sales Managers** identify and contact leads
- Researchers** track investments and trends
- Governments** conduct market research
- Consultants** prepare their presentations
- Marketeers** reach their target audience

## Our Data\*

### STARTUPS

**16,000+**

### INVESTORS & ENABLERS

**3,200+**

### FUNDING ROUNDS

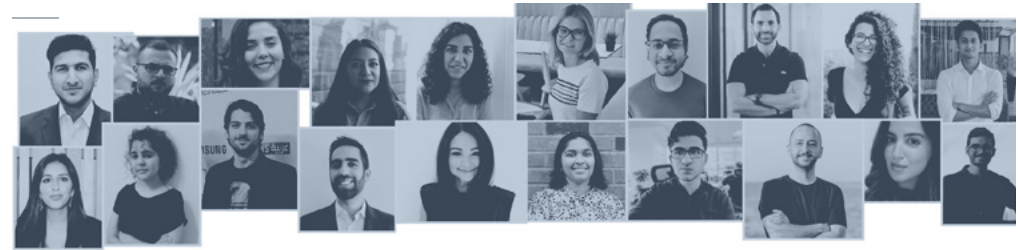
**5,500+**

### EXITS

**175+**

\*As of Dec 2020

## The Team



“Emerging Venture Markets are often under-served from a data perspective. Our solution aims to provide deep, localized, and relevant insights to our stakeholders on the markets that matter to them.”

Philip Bahoshy | MAGNiTT CEO & Founder

## Our Solutions:

### Data Access

Interested in gaining access to the latest and most comprehensive data on the Emerging Venture Market startup space? Track and identify companies, investors and funding rounds using our 4 extensive directories.

### Research Tools

Looking to identify key trends by country, sector or investment habits? Access our repository of 130+ research reports and use 20+ integrated analytics charts to export your data in real time for your presentations.

### Startup Resources

Starting a fundraise? Use our tools for your fundraising lifecycle, from scoping the competition, identifying potential investors, applying to over 100+ Investors using our investment tool and announcing your fundraise through MAGNiTT.

### Marketing Outreach

Looking to get your initiative in front of the people who matter? Access the full strength of our marketing team to support the planning, strategy and execution of your campaigns.

Choose the **right Solution** for you and unlock the **FULL power of MAGNiTT!**

**CLAIM YOUR FREE TRIAL TODAY** 



# MAGNiTT

## Methodology

MAGNiTT's proprietary database and software provides access to data from multiple sources: user-submitted data verified by MAGNiTT, aggregated public information, data engineered by MAGNiTT. All non-engineered data is verified and curated with an extensive manual process for inclusion in its analytic reports.

### PROPRIETARY

Startups and institutions list their proprietary information on funding amount, stage, date, and investors directly onto the MAGNiTT platform. All funding data is validated through a strict process. To ensure comprehensiveness in the data, on a quarterly basis a follow-up with all registered and verified funding institutions on MAGNiTT occurs, requesting details on all their investments, including stage, amount, date, and other co-investors. These include VCs, angel groups, accelerators, university funds and family offices for MAGNiTT's focus geographies

### PUBLIC

We undertake daily gathering of public announcements and press releases on the venture funding landscape across MAGNiTT's focus geographies.

### ENGINEERED DATA

Proprietary algorithms that tap into MAGNiTT's databases are used to create estimates for undisclosed data with factors including but not limited to year of funding, location of startup, stage of investment and the company's industry. This helps portray a more accurate representation of the full picture.

## Data is the foundation of thriving entrepreneurship ecosystems

MAGNiTT encourages you to review the methodology and definitions employed to better understand the numbers presented in this report. If you have any questions about the definitions or methodological principles used, reach out to MAGNiTT directly.

### Below is an outline of the approach and criteria used in MAGNiTT's research analysis

**What is included:** Equity financing into private companies. Funding rounds included must be to VC-backed companies. VC-backed companies are defined as companies that have received funding at any point from: venture capital firms, corporate venture arms, or Angel investors. Where disclosed Angel investments are made at early stage these deals are included once verified.

**Excludes:** It excludes debt or other non-equity funding, lending capital, grants and ICOs.

**Exits:** Buyouts, M&A, secondary rounds, and IPOs are treated as exits: excluded from funding data, but included in exit data.

**Data lags:** The data contained in this report comes directly from MAGNiTT, reported as of January 4th 2021. Data lags are most pronounced at the earliest stages of venture activity. The data aggregated for these rounds during the latest quarter, specifically with seed funding, increases significantly after the end of that quarter.

**Verified Rounds:** To ensure accuracy and confidence in our data, MAGNiTT undertakes a verification process for each funding round based on the following process:

- Direct confirmation with firm or investor
- Validated if there is a 3rd party source for the investment round from credible media sources or press releases.
- Various regulatory filings where applicable
- A round is not verified if added by a startup and has no 3rd party reference

**Country HQ:** In each of our venture reports, the location by which the data is analysed is based on the startup's HQ as chosen and verified by them and reflected on the MAGNiTT platform. When analysing a particular geography, our research does not include:

- Investments in startups from diaspora founders
- Funding for startups who have their main HQ outside of our coverage with only a subsidiary or branch in that country

**Historical changes:** We continue to improve historical data as we further verify our data sets and expand by geography while reaching out to new funding Institutions. Continued improvements in our technology and data operations will lead to more accurate and comprehensive data sets on the platform for our research analysis.

- ▶ All underlying data from the report is available online via [magnitt.com/funding-rounds](https://magnitt.com/funding-rounds). For more info please visit [magnitt.com](https://magnitt.com) or contact [support@magnitt.com](mailto:support@magnitt.com)
- ▶ If you feel your firm has been underrepresented, please send an email to [support@magnitt.com](mailto:support@magnitt.com) and we can work together to ensure your firm's investment is data up-to-date

The logo for Magnitt, featuring the word "MAGNITT" in a bold, white, sans-serif font. The letter "i" is lowercase and has a red dot. The letters "M", "A", and "G" have small red squares at their base.

[magnitt.com](http://magnitt.com)



الشركة السعودية للاستثمار الجريء  
Saudi Venture Capital Company

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