

2021

Saudi Arabia

Venture Capital Report

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

MAGNiTT

الشركة السعودية للاستثمار الجريء
Saudi Venture Capital Company

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Key Stakeholders Takeaways



Nawaf Alhoshan | Acting CEO, National Technology Development Program (NTDP)

To make the Kingdom a regional hub that attracts innovation and investment in the IT sector, it is necessary to focus efforts among the various parties. As the technology sector has an impact on building wealth for countries, this sector has become increasingly a direct contributor to the Kingdom's GDP. Since entrepreneurship plays a pivotal role in this sector, we are working in the National Technology Development Program with our partners in the private and government sectors to launch products that accelerate the growth of the technology sector in the Kingdom through innovative financial solution to strengthen and develop the information technology sector and ensure its sustainability. The success of our program will not be achieved without the VC funds, as through their investments in emerging technology startups, they will contribute to the prosperity of the Kingdom's economy and make it a regional and global hub for technology by 2030.



Haifa Almoqbil | Investment Manager, SVC

2021 was an incredible year for the Venture Capital market not only in KSA, but also globally. As of Q3 2021, the global VC funding has reached a total of USD 486.8B recording an increase by almost 104% in comparison to Q3 2020, this shows the vital role of VC in driving the technological development and the economic growth post the pandemic. For the KSA market, we are witnessing the beginning of a new era with the record-breaking year in number of investments, new local and international players, first IPO of a VC-backed firm (Jahez), and new sizable later stage deals (including, Sary, Unifonic, etc.). I feel very privileged to be in a place where we work towards backing and supporting more people to be part of this incredibly dynamic ecosystem.



Qusai A. AlSaif | CEO & Managing Director, Sadu Capital

2021, despite challenges, is a record year for Saudi Arabia on all metrics, number of deals, value of deals and the growth rate of both. We close the year with 270% growth. Additionally, Jahaz IPO, Unifonic and Sary's investment rounds and many others will convince more great minds to choose entrepreneurship as their next step. What the ecosystem needs to continue to grow and create jobs and economic value is stability of regulations and increase the ease of doing business. We at Sadu Capital believe that this is just the beginning for Saudi & MENA. Therefore, we are positioning our firm and our investment funds to seize the opportunity.



Haitham Bu-Aisha | Founding Partner, Vision Ventures

The startups ecosystem witnessed an unprecedented growth in several verticals during the past 18 months (after the lockdown of 2020). Furthermore, the recent valuations of the intended IPO's of some successful startups is a clear proof of the ecosystem recovery. I personally think the sovereign funds and their partners from VC's to Angels are the main driver behind creating thousands of high quality jobs in KSA and the region. MBS once said: "the strength of our neighbors is ours". I would view the recent "local convertible notes and terms sheet" as an outstanding development this year by the Saudi Venture Capital and Private Equity Association.

Key Stakeholders Takeaways



Noor Sweid | General Partner of Global Ventures

The Kingdom is proving to be a breeding ground for some of the region's most innovative ideas, with the ultimate proof lying in the fact that the world's most prominent investors have already and eagerly invested in this market. Saudi is taking active steps toward becoming the region's most attractive destination for startups, whether it's developing superior human and technology infrastructures or advancing favorable SME regulation. At Global Ventures, we have unwavering belief in the potential of Saudi to become a major innovation hub.



Haitham Alfuraih | Partner, SEEDRA Ventures

Besides value/volume, 2021 was a banner year for Saudi Arabia's venture capital investment landscape with significant headlines, including the first venture capital-backed IPO, the region's largest ever Series-A capital raise, and the local debut of venture capital debt-funds. These and other key developments are a testament to the rapid evolution in the venture capital investment cycle. Aspiring local entrepreneurs will continue to benefit from the growing number of entrepreneurial business solutions, accelerator programs, active angel investor communities, and value-add fund-managers – these, and the recent rise in startup studios and idea labs are expected to fast-track the transformation of disruptive market trends into the next wave of successful innovative startups.



Waleed A. Alballaa | General Partner, Sukna Ventures

2021 proved to be an exciting year for the Saudi ecosystem with new notable exits, mega rounds, record funding from local and international investors, and a continued push by regulators to open up the economy to new digital engines of growth. It's now clear to talent and investors alike that the Saudi Market is becoming the center of gravity for innovation in the region and, given all the vital indicators we've seen thus far, we expect this will only accelerate going forward.



Eyad M. Albayouk | General Manager, Flat6Labs KSA

Despite significant global and regional macroeconomic headwinds, KSA witnessed a momentous and swift structural transformation over the past year, bringing inflation-adjusted GDP back to pre-Covid levels. This was made possible through the non-oil private sector's contribution to GDP, which peaked at 40% as of Q3, a level not previously seen in recorded data dating back to 2010. Arguably, the primary catalyst behind this structural shift is access to funding sources of which venture capital and early-stage investments posted unparalleled growth relative to more conventional sources. At Flat6Labs, we are thrilled to launch a dedicated fund that will be exclusively focused on accelerating the Kingdom's economic future through offering investments to early-stage Saudi founders, who ultimately are the key component of KSA's non-oil private sector.

Executive Summary



2021 proved to be a record year of venture activity in Saudi Arabia, with an all-time high \$548M raised across 139 deals

The funding deployed into Saudi Arabian startups in 2021 grew by 270% versus 2020, while the number of VC deals rose by 54% year-over-year. The second half of 2021, in particular, saw more deals closed and funding raised than in any previous half-year period.



Saudi Arabia overtook Egypt to rank second by funding in MENA, driven by a 270% increase in capital year-over-year

Startups in Saudi Arabia raised 21% of the \$2.5B invested in venture capital across the MENA region in 2021, up from a share of 15% in 2020. The growth in funding in Saudi Arabia between 2020 and 2021 was the largest noted amongst the three most active MENA countries.



The \$125M round closed by Enterprise Software startup Unifonic marked the first ever mega-deal (\$100M+) recorded in Saudi Arabia

This \$125M transaction alone accounted for almost a fourth (23%) of the total venture capital deployed in Saudi Arabia in 2021. The five largest deals closed in the country in 2021 together raised 50% of the total capital invested in Saudi-based startups in 2021.



Fintech led deal activity while E-commerce startups raised the most capital in Saudi Arabia in 2021

While Fintech startups accounted for 19% of all transactions registered in Saudi Arabia in 2021, E-commerce startups accounted for 31% of capital deployed in the country in the year. However, 62% of the \$170M deployed into E-commerce was raised by just one startup Sary.



A record-high 76 investors participated in deals closed by Saudi-based startups in 2021

The number of investors that financed Saudi-based startups increased by 52% since 2020, to hit a record-high of 76 in 2021. The participation of non-MENA investors, too, reached an all-time-high as they made up 25% of all investors that financed Saudi-based startups.

01

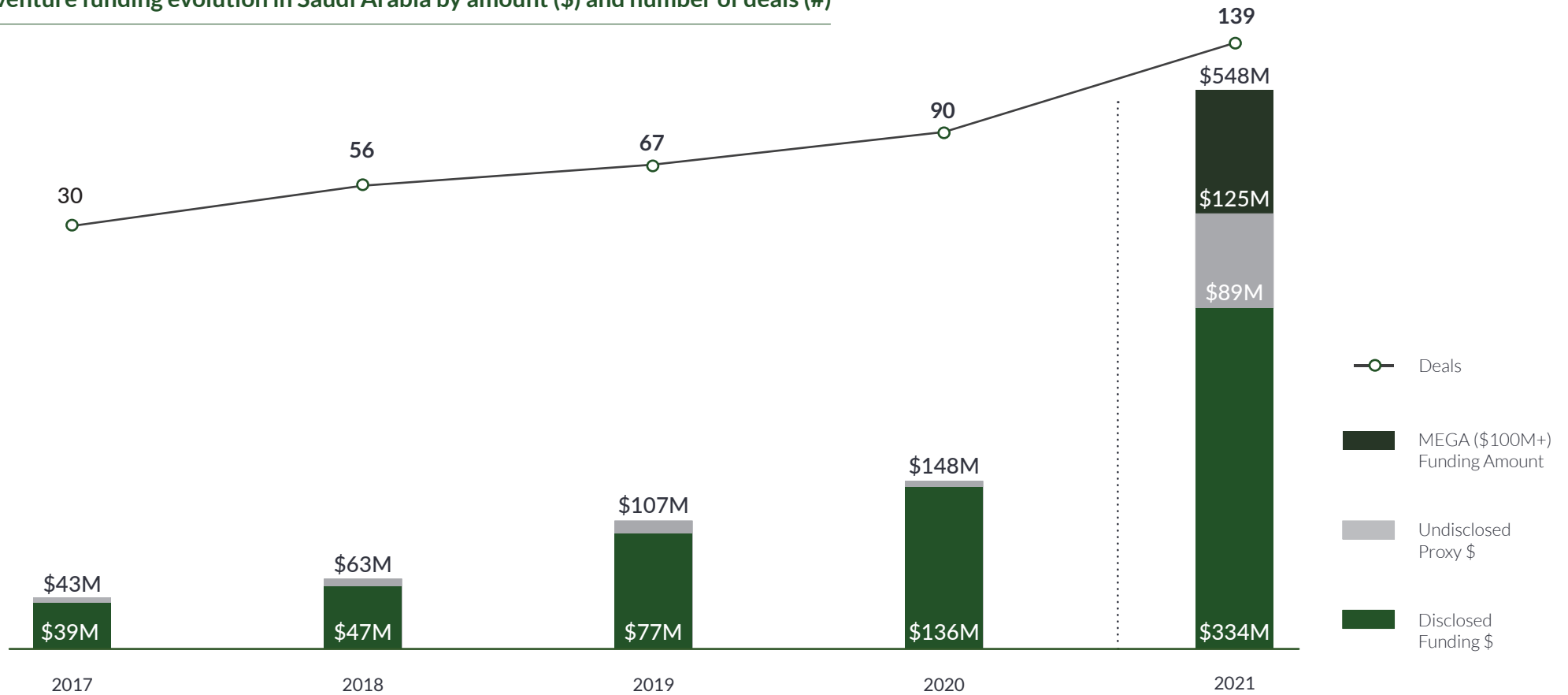
FUNDING EVOLUTION

Yearly Funding Evolution | 2017 - 2021

2021 saw record-high VC activity in Saudi Arabia as funding increased by 270% and transactions rose by 54% when compared to 2020

- This reflected the growth trajectory noted across MENA in 2021 where VC funding grew by 138% and deals increased by 10% year-over-year
- The VC ecosystem in Saudi Arabia also recorded its first mega-deal (\$100M+) in 2021 when Unifonic closed a \$125M round in September

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



02

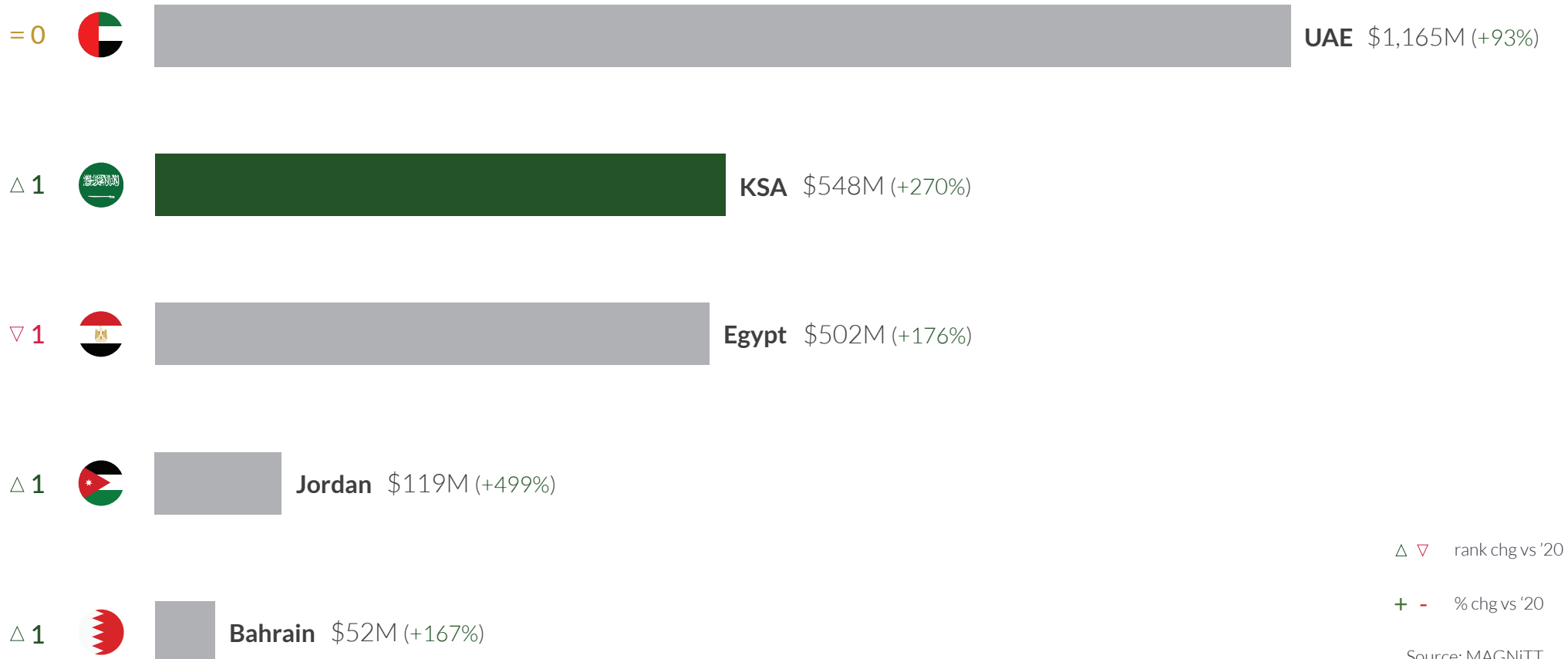
COUNTRY BREAKDOWN

2021 MENA Country Comparison - By Funding

Saudi Arabia overtook Egypt by funding after registering the largest growth in capital between 2020 and 2021 amongst the three most active MENA countries

- Venture capital deployed in Saudi Arabia accounted for 21% of the \$2.5B raised by startups across the MENA region in 2021, compared to a share of 15% in 2020
- Mega-deals were responsible for 23% of capital deployed in Saudi Arabia in 2021, while they contributed to 36% of the capital raised in the UAE

Top countries by total funding (\$) in MENA in 2021

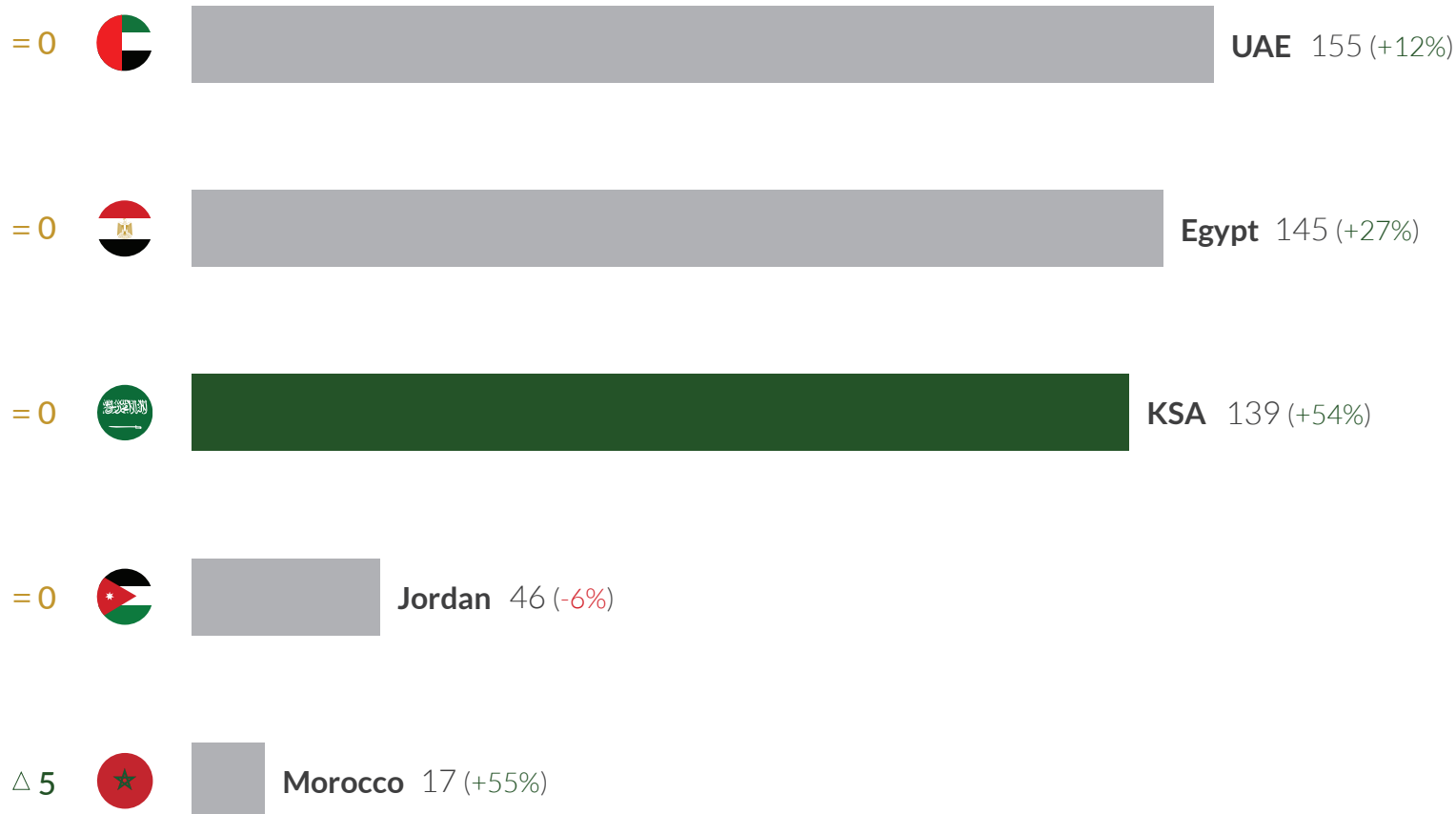


2021 MENA Country Comparison - By Deals

Saudi Arabia noted the highest year-over-year increase in the number of VC transactions in 2021 amongst the three most active MENA countries

- Saudi-based startups accounted for 23% of the 590 VC transactions registered across the MENA region in 2021, up from 18% in 2020
- The difference in transactions closed in the UAE and Saudi Arabia dropped from 40 in 2020 to 16 in 2021

Top countries by number of deals (#) in MENA in 2021



△ ▽ rank chg vs '20

+ - % chg vs '20

Source: MAGNiTT

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INDUSTRY BREAKDOWN

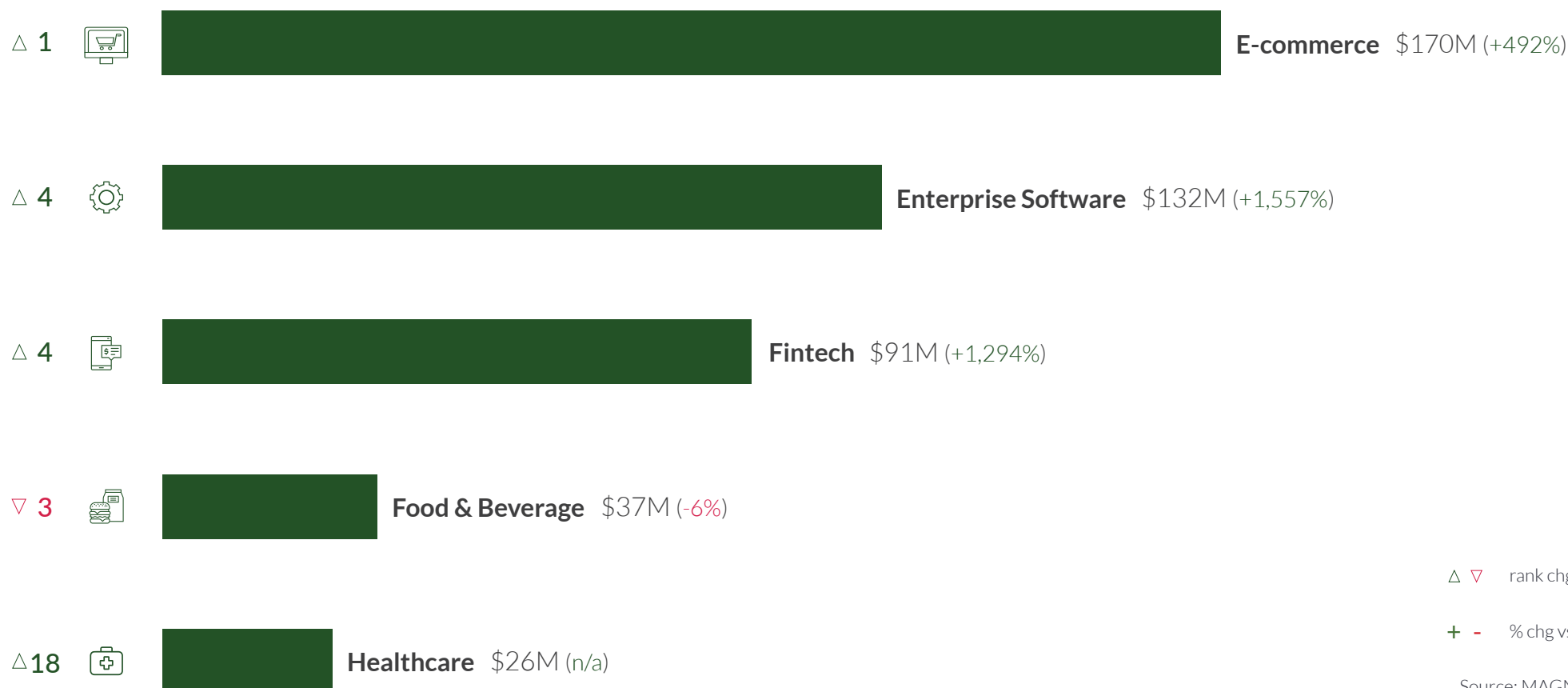
2021 Saudi Arabia Industry Comparison - By Funding

E-commerce accounted for 31% of all venture capital raised in Saudi Arabia in 2021, down from a share of 45% of total capital deployed in 2020

- The \$125M Unifonic round raised 95% of funding deployed into Enterprise Software, while Sary's \$75M deal raised 44% of that deployed into E-commerce

- On the other hand, the largest Fintech deal closed in Saudi Arabia accounted for 26% of capital raised by Saudi Arabian Fintech startups in 2021

Top industries by total funding (\$) in Saudi Arabia in 2021



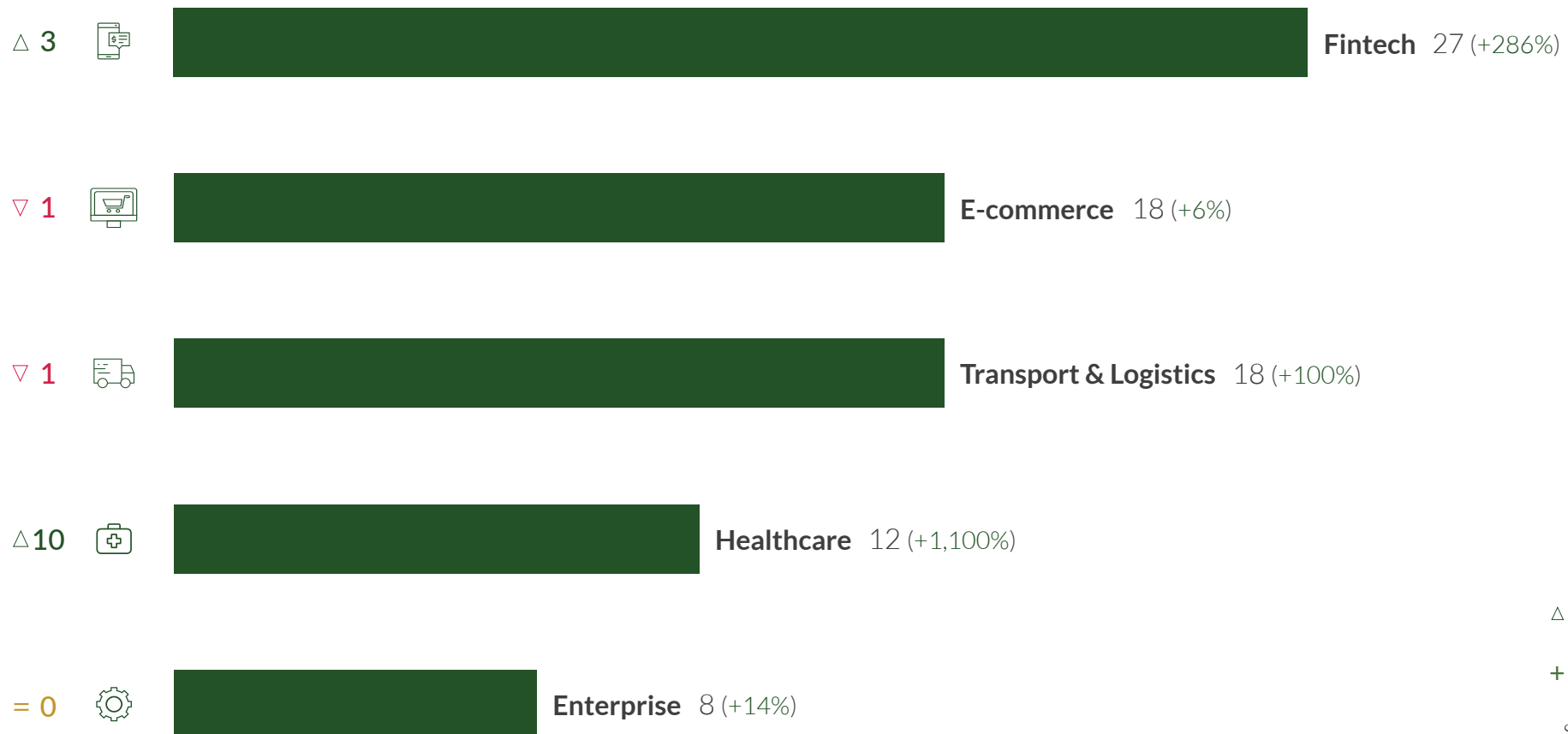
2021 Saudi Arabia Industry Comparison - By Deals

Fintech ranked first by deals in 2021 as startups within the industry accounted for 19% of all transactions registered in Saudi Arabia in the year

- Fintech was also the leading industry by deals across MENA, where the industry's startups closed 18% of total deals in 2021

- The Healthcare sector in Saudi Arabia saw a x12 increase in deals between 2020 and 2021, with a \$4M round raised by Cura being the largest

Top industries by number of deals (#) in Saudi Arabia in 2021



△ ▽ rank chg vs '20

+ - % chg vs '20

Source: MAGNiTT
































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TOP FUNDING ROUNDS

Top 5 Disclosed Funding Rounds in Saudi-Based Startups in 2021

50% of the capital deployed in Saudi Arabia in 2021 was concentrated in the year's top five deals, as opposed to 56% of the capital in 2020

- The \$125M mega-deal closed by Unifonic was responsible for 23% of the venture capital raised in the country in 2021
- The \$125M Unifonic round and the \$75M Sary round were amongst the largest five disclosed deals closed across MENA in 2021

		Amount Raised	Funding Stage	Month	Industry	Select Investors
1.		\$125M	Series B	September	Enterprise Software	     
2.		\$75M	Series C	December	E-commerce	       
3.		\$31M	Series B	May	E-commerce	     
4.		\$24M	Undisclosed	November	Fintech	
5.		\$20M	Series B	January	Food & Beverage	    

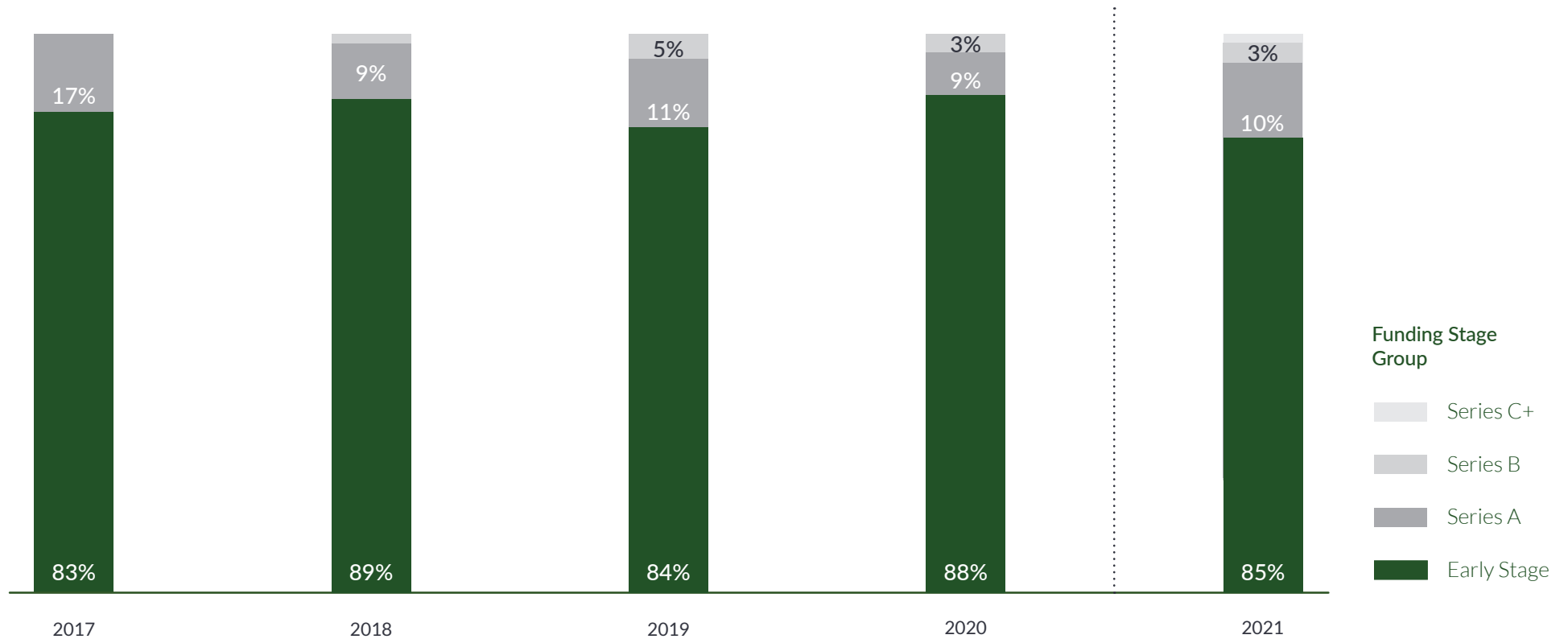
2021 Saudi Arabia VC Funding By Stage

Series A, B and C funding rounds constituted 15% of all transactions closed in Saudi Arabia in 2021, a three percentage point increase from their share in 2020

- These Series A, B and C funding rounds contributed to 74% of the total capital raised in Saudi Arabia in 2021

- Amongst early stage rounds, deals sized under \$500K fell from accounting for 50% of all transactions in 2020 to 33% of all transactions closed in 2021 in Saudi Arabia

Yearly VC deals in Saudi Arabia by stage (%)



Saudi-Based Startups That Received Funding in 2021



Saudi-Based Startups That Received Funding in 2021



2021 Active Investors

In a record year of investor participation, a total of 76 investors financed Saudi-based startups in 2021, up from 50 active investors in 2020

- 2021 also saw record-high participation from non-MENA investors, who comprised 25% of all investors that backed Saudi-based startups in 2021
- On the other hand, over half of the investors (54%) that backed startups in Saudi Arabia in 2021 were based within the country

Investors by number of investments in Saudi-based startups in 2021



2021 Highlights



Saudi Central Bank

The Saudi Central Bank (SAMA) has announced the launch of the first version of the Open Data Platform, which contains economic, financial and monetary statistics and indicators for Saudi Arabia. This step comes as part of SAMA's commitment to providing accurate and up-to-date information and data for specialists and stakeholders; via upholding highest levels of transparency and benefiting from international best practices.



Monsha'at

More than 90 fast-growth startups and SMEs are benefiting from the "Tomouh Elite" program since its launch. The program, launched by Monsha'at, aims to support the growth of fast-growing companies in the Kingdom and increase the contribution of startups and SMEs to the GDP.



Capital Market Authority (CMA)

The Capital Market Authority (CMA) announced the start of receiving applications for FinTech ExPermit for the fifth batch. This comes as a continuation to the FinTech Lab successes in its previous four batches and in continuation of the CMA's keenness to regulate and develop the Saudi financial market and make it an attractive environment for local and regional investors.



MCIT, SDAIA, Saudi Federation for Cybersecurity, Programming and Drones

As a culmination of the partnership between the MCIT, SDAIA and the Saudi Federation for Cybersecurity, Programming and Drones, KSA announced a package of initiatives and technological programs with a total value of nearly SAR4 billion, in cooperation with 10 of the world's key technology giants, aiming to enhance digital capabilities and to encourage innovation and achieve global leadership.



فنتك السعودية
FintechSaudi

FinTech Saudi

FinTech Saudi is doubling down on their commitment to support emerging fintech companies through the launch of the 2nd edition of the Fintech Accelerator Program. The program offers two tracks: a Regulation Track and a Business Track.



Mohammed bin Salman Foundation (MiSK)

The Mohammed bin Salman Foundation (MiSK), represented by the Misk Entrepreneurship, has held an inaugural Entrepreneurship Event that featured several exciting components including the 2021 Entrepreneurship World Cup (EWC) and the Misk Accelerator Demo Day.



Venture Capital & Private Equity Association

The Saudi Venture Capital & Private Equity Association launched the Model Term Sheet in partnership with STV Capital, Latham & Watkins, and Law Office of Salman Al-Sudairi to streamline fundraising in the region. This acts as a basis for fundraising negotiations and includes important and commonly used terms in the region.



SDAIA

The Saudi Data & AI Authority (SDAIA) launched a Data and AI Accelerator in cooperation with Plug and Play, which specializes in operating business accelerator. The accelerator will support local startups in expanding their business and investments as well as attracting international startups to the Kingdom to strengthen the entrepreneurship ecosystem.



National Technology Development Program (NTDP)

The National Technology Development Program (NTDP) launched the "Technology Growth Funding" initiative, as a first key initiative, in a strategic partnership with the SMEs Financing Guarantee Program "Kafalah". This product guarantees the provision of guarantees for tech startups and SMEs for a maximum limit of up to 90% of the funding amount.

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ABOUT SVC


About SVC

Saudi Venture Capital Company (SVC) is a Government VC established in 2018 by Monshaat as part of the Financial Sector Development Program (FSDP) to stimulate venture investments by investing in funds as well as co-investing with angel groups for the primary goal of minimizing financing gaps for startups and SMEs 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

 Minority stake in startups as per VC best practices

Learn more about Saudi Venture Capital Company (SVC) at svc.com.sa

1. Investment in Funds

SVC invests in the following fund types to catalyze startup financing and minimize fund-raising entry barriers for fund managers who are looking to invest in or finance high-growth startups.

1.1 VC Funds

SVC has invested in the following VC funds that invest in startups with high-growth potential:



1.2 Accelerator and Startup Studio Funds

SVC has invested in the following accelerator and startup studio funds to enhance the deal flow creation of high-growth startups:



1.3 Venture Debt Funds

SVC invests in venture debt funds that provide venture debt to high-growth startups.

1.4 Growth Capital Funds

We have invested in the following growth capital funds that invest in SMEs with growth potential.



2. Co-Investment in Startups

2.1 Angel Co-Investment in Startups

Co-investing in startups along with angel investors through the following approved angel investor groups:



2.2 Institutional Co-Investment in Startups

Co-investing in startups along with institutional investors (i.e., fund managers), when there is an equity financing gap or to catalyze later stage investments for strategic or financially-driven objectives.

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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
21,000+

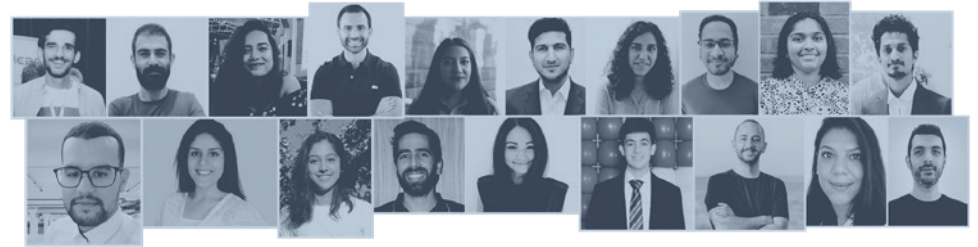
INVESTORS & ENABLERS
5,500+

FUNDING ROUNDS
7,500+

EXITS
250+

**As of December 2021*

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

Business 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.

Discover our tailored enterprise solutions

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