

H1 2019

Saudi Arabia

Venture Capital

Snapshot

MAGNITT report sponsored by **Saudi Venture Capital Company (SVC)**



1. Report Foreword



Engr. Saleh bin Ibrahim Al-Rasheed

Chairman at Saudi Venture Capital Company (SVC)

The venture capital scene in the Kingdom of Saudi Arabia is rapidly evolving, due to the many governmental initiatives launched towards achieving the Saudi Vision 2030. We are seeing more such initiatives to foster entrepreneurship than ever before. They have stimulated venture investments in startups, especially Saudi Arabia-based startups. Key governmental players in these initiatives are Ministry of Commerce and Investment (MCI), Small and Medium Enterprises General Authority (Monsha'at), Capital Market Authority (CMA), Saudi Arabian General Authority (SAGIA), and Public Investment Fund (PIF).

The government venture capital initiative launched by Monsha'at was established in 2018 as Saudi Venture Capital Company (SVC), part of the Private Sector Stimulus Plan (PSSP). This is to minimize current equity funding gaps for startups. The allocated fund size is \$750 Million (SAR 2.8 Billion) to be deployed through two main programs: co-investment in startups and investment in funds.



Dr. Nabeel Koshak

CEO at Saudi Venture Capital Company (SVC)

Saudi Arabia is currently witnessing an increase of the quality and quantity in the deal flow of startups, as well as more professional angel investors and venture capital funds are arising. We are thrilled by the distinguished entrepreneurs that are creating fast-growth and scalable startups.

At the Saudi Venture Capital (SVC), we believe that the core to the development of any ecosystem is transparency of information, data and success. SVC is excited to bring to you a bi-annual report by MAGNiTT highlighting the developments of the local venture ecosystem, who the key protagonists are and developments across the Kingdom in the startup investment scene. This H1 2019 report is our kick-off report, which we look to build on to year-end and beyond. We hope that you find this data-driven report useful to get a better understanding of the overall Saudi Arabia landscape.

1. Report Foreword



Abdulrahman Tarabzouni

Founding Chairman at the SAVCPEA

We are currently undergoing what will likely be considered the tipping point of venture capital activity in Saudi Arabia. VC investments in the Kingdom are growing rapidly, and our optimism for the future of Saudi Arabia's overall economic and entrepreneurship ecosystems is growing with it. Many factors propelled this growth: sizable regional exits for companies primarily driven by Saudi Arabian demand validated the venture capital model as a viable investment vehicle. Increasing demand for digital solutions across industries is matched with an impressive rate of adoption by both the public and private sectors. Saudi Arabia's internet users, typically seen as mostly consumers, are now becoming active contributors to the digital economy and creating economic value using technology.

As the Saudi Arabia Venture Capital and Private Equity Association (SAVCPEA), we have no doubt that this is only the beginning and are committed to enabling an ecosystem to promote and drive even more investments and entrepreneurship activity in the Kingdom. Opportunities are abundant and there's a blue ocean of industries and whitespaces that are ripe for disruption, innovation, and digitization — all areas that are being fueled by venture capital and will have a significant impact on the country. As our stakeholders continue injecting not only capital but also time and resources to build the country's talent pool, streamline its laws, think and execute big driven by an ambitious national vision and transformation plan, all these soft and hard investments will keep compounding for generations to come.



Philip Bahoshy

Founder & CEO at MAGNITT

Core to MAGNITT's vision is transparency and information sharing. We are very excited to work together with Saudi Venture Capital Company (SVC) to highlight the funding trends and key highlights of the startup ecosystem in Saudi Arabia, which is quickly developing into a leading ecosystem across the MENA Region.

Using our proprietary data, we look to engage and encourage all stakeholders in the Kingdom to report information that can be shared — not only with the Kingdom, but across the region and beyond. This information will act as a catalyst to further growth and development while providing a road map to investors and inspiration to founders on the opportunities of the startup ecosystem across the region.

SVC, along with many other key stakeholders in the Kingdom, provide a platform for startups to engage and develop their companies. Our hope is that these bi-annual reports will help continue to drive developments in this space by highlighting success stories, opportunities and government initiatives to spur on the development and scalability of companies within the Kingdom, as well as the scaling of foreign startups and investors into the Kingdom. Scale is the name of the game, and Saudi Arabia is a key part of that.

We hope you enjoy this report and I openly invite you to provide feedback and information to ensure we comprehensively capture the activity within the Saudi Arabia.

2. Executive Summary

The startup ecosystem in Saudi Arabia is growing quickly, with an increase in deals, funding, number of investors and government initiatives, among other things. The first half of the year saw a flurry of activity, which is highlighted in this report.



\$40M invested in Saudi-based startups in H1 2019

The first half of 2019 saw \$40M invested in Saudi-based startups, which is a record amount of total funding in any first half of the year. Notable investments include the ones in Noon Academy, the EdTech startup that raised its \$8.6M Series A round, as well as Nana, the grocery delivery company that raised \$6.6M in its Series A round.



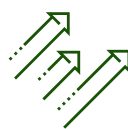
Total funding increased by 82% in H1 2019

Not only was H1 2019 a record first half of the year, total funding increased by 82% from H1 2018 to H1 2019, indicating increased appetite from local and international investors in Saudi-based startups, as well as startups beginning to graduate to later stages of development.



26 deals took place in Saudi Arabia in H1 2019

In total, there were 26 investment deals in Saudi-based startups in H1 2019. Similar to total funding, this was a record number compared to any first half of the year previously, with notable new investors such as Saudi Venture Capital Company (SVC) and MiSK 500 MENA Accelerator emerging onto the scene.



Number of deals increased by 44% in H1 2019

With 26 investment deals, H1 2019 saw an increase of 44% compared to H1 2018, as more startups are set up, going through accelerator programs, and receiving investment from venture capital (VC) firms and other institutional investors. This number is expected to increase in H2 2019, as more institutions come in and are set up.



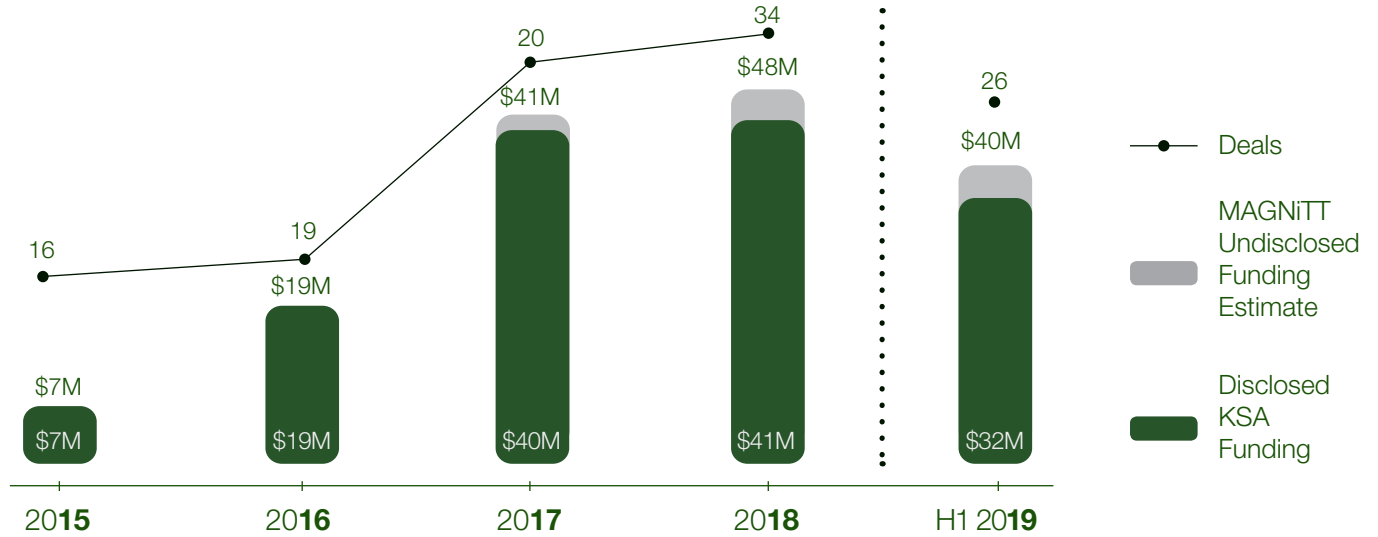
30 institutions invested in Saudi-based startups in H1 2019

A total of 30 institutions invested in Saudi-based startups in H1 2019, with both local Saudi venture capital firms, accelerators and other institutions, as well as international investors participating in funding rounds. Active local investors include Ra'ed Ventures, Wa'ed Ventures, Riyadh Taqnia Fund (RTF), Saudi Venture Capital Company (SVC), and STV, among others.

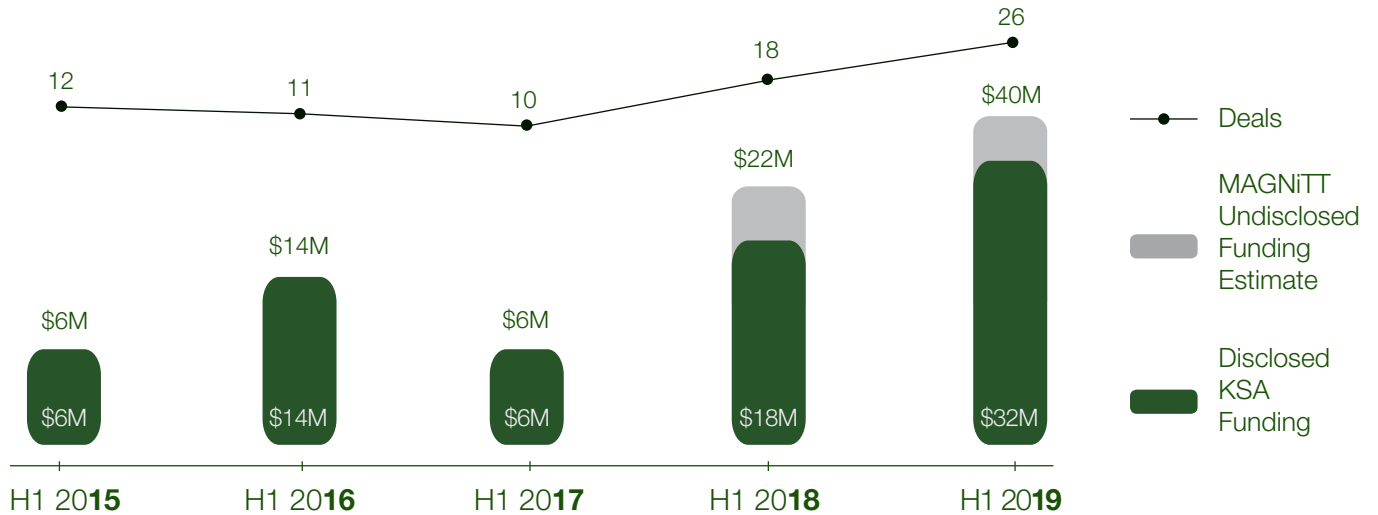
3. Saudi Arabia Funding Evolution

The startup funding landscape in Saudi Arabia has accelerated over the past years, with H1 2019 being a record first half of the year in both total funding (\$40M) and number of deals (26) in the Kingdom.

Yearly funding evolution (# & \$) in the Saudi Arabia



Half-yearly funding evolution (# & \$) in the Saudi Arabia



Key Takeaways



Total funding in Saudi Arabia increased by 88% from H1 2018 to H1 2019



The number of deals in Saudi Arabia increased by 44% from H1 2018 to H1 2019

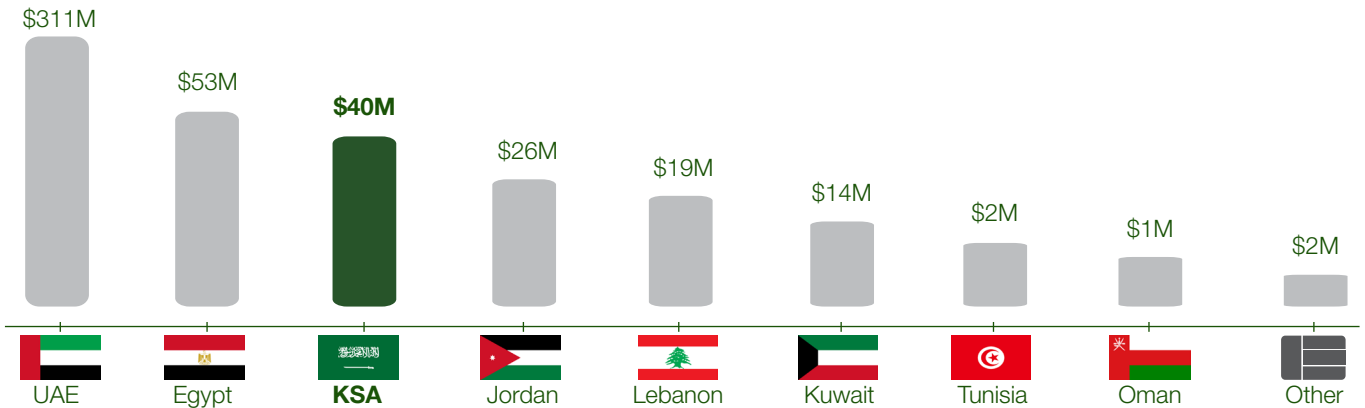


With new investment institutions, accelerator programs and other initiatives being set up in the Kingdom, 2019 is expected to surpass 2018 in terms of number of deals and total funding

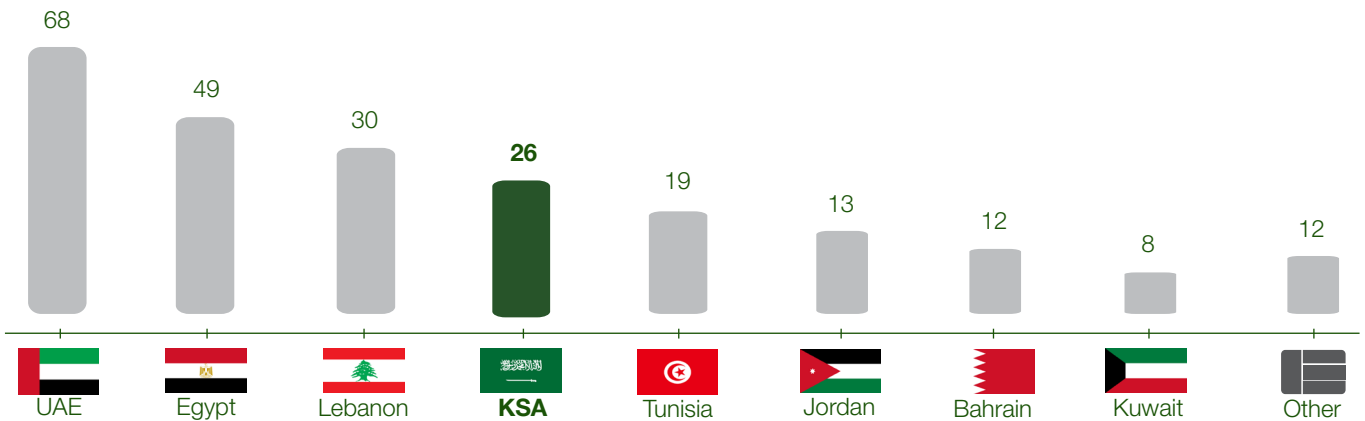
4. Country Comparison

The Saudi Arabia ranks among the top Middle Eastern and North African (MENA) countries in terms of total funding and number of deals, taking the third spot in total funding and fourth spot in number of deals in H1 2019.

Top countries by total funding (\$) in MENA in H1 2019



Top countries by number of deals (#) in MENA in H1 2019



Key Takeaways



Saudi Arabia accounted for 11% of number of deals in MENA in H1 2019, up 1% from H1 2018



The Kingdom also accounted for 9% of total MENA funding in H1 2019, up 1% from H1 2018

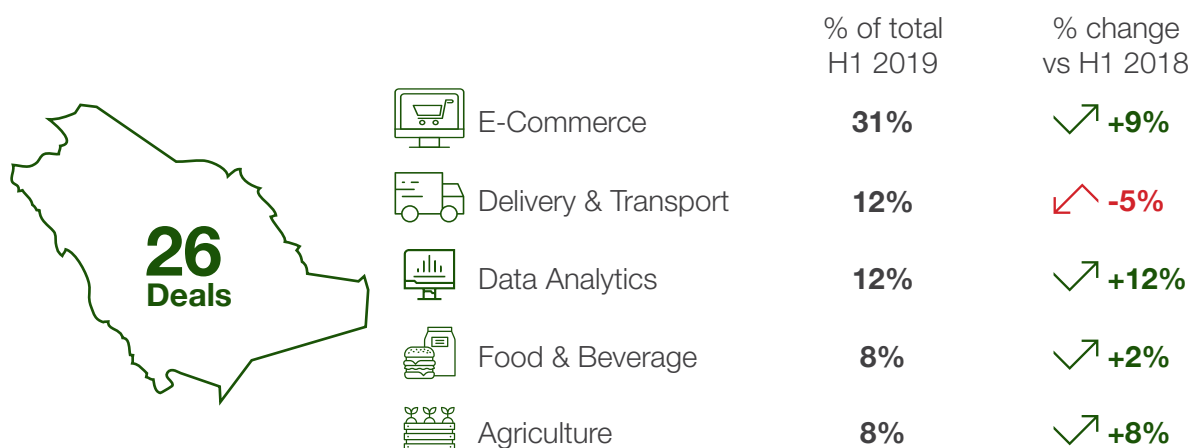


Through strategic initiatives on multiple fronts, Saudi Arabia aims to become the entrepreneurship hub in the region

5. Industry Comparison

Similar to other countries in the MENA region, e-commerce and delivery & transport are among the largest industries in Saudi Arabia by total funding and number of deals. Other industries, such as Agriculture, Data Analytics, Education, and Food & Beverage also make the top 5 by total funding and/or number of deals.

Saudi Arabia's top 5 industries by number of deals in H1 2019



Saudi Arabia's top 5 industries by total funding in H1 2019



Key Takeaways

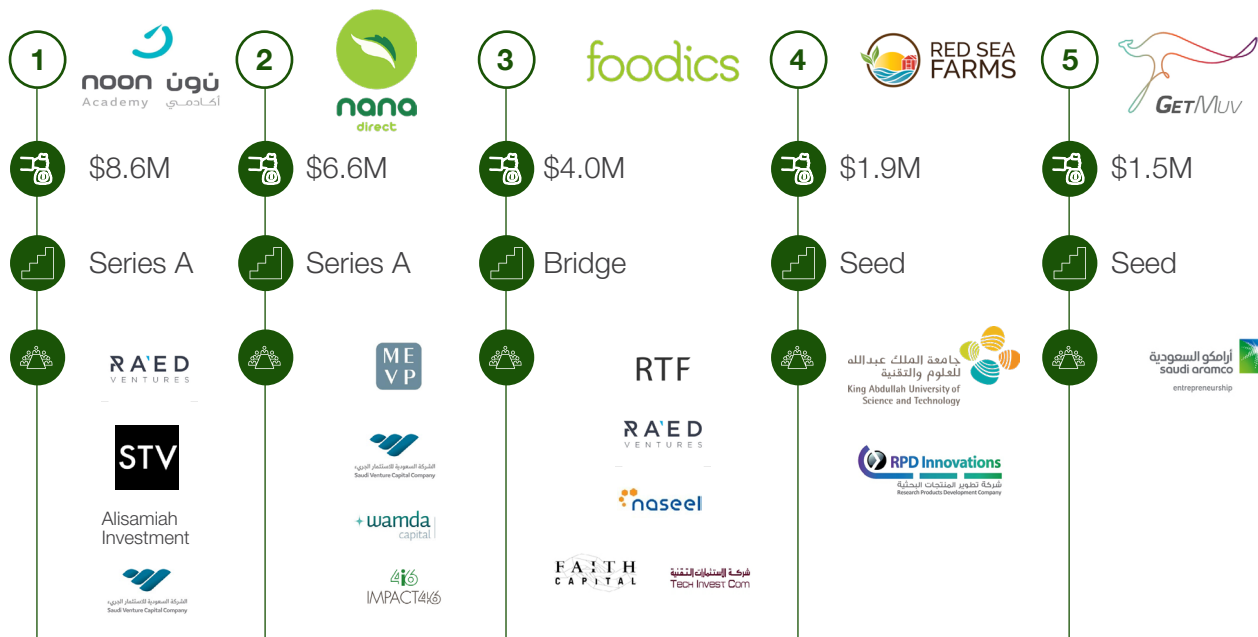
- E-commerce has historically been among the highest funded industries in the MENA region
- Food and grocery delivery startups saw an influx of capital in H1 2019
- Education ranked 3rd in total funding, mainly due to Noon Academy's \$8.6M funding round

6. H1 2019 Deals

Noon Academy, the Riyadh-based EdTech startup, raised the highest disclosed funding round in Saudi Arabia in H1 2019, raising \$8.6M from Saudi-based investors STV, Ra'ed Ventures, and Alisamiah Investment.

The top 5 funding rounds is completed by Nana Direct, a grocery delivery startup; Foodics, a POS system startup that offers food order management solutions; Red Sea Farms, the AgriTech startup that spun out of KAUST and develops saltwater-tolerant crops and greenhouses; and GetMuv, a fitness education and facilitation app.

Highest disclosed funding rounds in Saudi Arabia in H1 2019



Other Saudi-based startups that have received funding in H1 2019



Key Takeaways

- Newly formed and existing accelerator programs play a key role in supporting the growth of early-stage startups
- Red Sea Farms' \$1.9M seed funding round is among the highest seed funding rounds in Saudi Arabia
- Ra'ed Ventures invested in 2 out of the top 5 funding rounds

7. Active Investors

30 entities invested in Saudi-based startups in H1 2019, among which both local and international venture capital firms, accelerators, corporations, and other entities. Active local (corporate) venture capital firms include Ra'ed Ventures, Wa'ed Ventures, Riyadh Taqnia Fund (RTF), Saudi Venture Capital Company (SVC) and STV, among others.

Active Saudi Arabian and international investors in Saudi-based startups in H1 2019



Key Takeaways

- Misk Innovation launched its new accelerator in H1 2019 with San Francisco-based venture capital firm 500 Startups, called the Misk 500 MENA Accelerator
- 500 Startups invested both through the newly established Misk 500 MENA accelerator and its 500 Falcons fund
- Saudi Venture Capital Company (SVC) invested both directly and indirectly, as an LP in local VC funds, in local Saudi Arabian startups

8. H1 2019 Highlights

Saudi Arabia plans launch of bank for SMEs



Saudi Arabia plans to launch a bank for small and medium enterprises (SMEs), said Minister of Commerce and Investment Dr. Majid bin Abdullah al-Qasabi. In his remarks during the ninth ministerial conference in Dammam, Qasabi pointed out that approval has been issued on studying the plan to establish the bank, adding that it will be prepared in cooperation with the World Bank.

Misk Innovation launches two accelerator programs



500 Startups and Misk Innovation have launched their flagship early-stage accelerator program for the Middle East and North Africa region (MENA), a 16-week program that will focus on bringing growth hacking techniques and Silicon Valley expertise to emerging companies in the region. Moreover, Misk Innovation launched a growth accelerator for MENA tech startups in partnership with Seedstars and Vision Ventures.

The Saudi Capital Market Authority grants 3rd equity crowdfunding license

هيئة السوق المالية
Capital Market Authority



The Capital Markets Authority (CMA) launched its Experimental FinTech Permit in 2018, with which it aims to provide a regulatory framework that is conducive for the innovation of FinTech within the Kingdom. Accordingly, the CMA issued FALCOM Financial Services a Financial Technology Experimental Permit (ExPermit) to create an equity crowdfunding platform in the Kingdom.

Saudi Arabia Venture Capital and Private Equity Association is launched



Saudi Arabia has launched its Saudi Arabia Venture Capital and Private Equity Association (SAVCPEA) to enhance the private equity and venture capital sector and spur investments by implementing partnerships. The SAVCPEA unveiled plans to boost cooperation between large private equity and venture capital firms and to enhance investors' interest in non-governmental venture capital and equity entities, as well as provides workshops, trainings, and conferences about the private equity and venture capital industry.

8. H1 2019 Highlights

SAGIA launches VENTURE platform for VC & startup licenses



الهيئة العامة للاستثمار
General Investment Authority

The Saudi Arabian General Investment Authority (SAGIA) has launched VENTURE by Invest Saudi, a new initiative aimed at attracting global venture capital firms to the Kingdom. The platform will also provide streamlined licensing procedures for both venture capital firms and venture capital portfolio companies, an 'instant license' available in under three hours.

500 Startups' VC Unlocked program came to Riyadh



500 Startups hosted its first edition of VC Unlocked: Saudi Arabia, which is a four-day training program for up-and-coming VCs and angel investors in the region who want to invest like Silicon Valley VCs. Participants worked with 500 Startups investment partners and a professor from Stanford University to design their investment theses, with SVC as one of the key sponsors.

GEN launches Saudi chapter, appoints CEO and board




The Global Entrepreneurship Network (GEN) has launched its GEN Saudi chapter, appointing Amal Dokhan as new Chief Executive Officer (CEO) in order to strengthen its presence in the Kingdom, as well as the establishment of a board. Through these appointments, GEN Saudi looks to provide ecosystem leadership by engaging and aligning the key stakeholders who lead programs and initiatives, shape policies, and allocate resources to streamline efforts.

Endeavor Saudi experienced network growth




Endeavor is leading the global high-impact entrepreneurship movement to drive long-term economic growth and build strong entrepreneurship ecosystems in growth markets by selecting, mentoring, and accelerating the best high-impact entrepreneurs. Endeavor Saudi experienced exponential growth in the number of newly on boarded entrepreneurs. By June 2019, three companies have joined the global network of high impact entrepreneurs; Salasa, NiceOne and Whites, followed by Noon Academy by the beginning of July. Total generated revenues reached 1.6B SAR annually and 5,000+ total jobs were created by Endeavor Saudi entrepreneurs. In total, Endeavor Saudi now supports 25 entrepreneurs leading 17 companies.

9. H2 2019 Upcoming Events



منشآت
monsha'at
الهيئة العامة للمنشآت الصغيرة والمتوسطة
Small & Medium Enterprises General Authority

Biban Hail 

www.monshaat.gov.sa/en/event/13741 



2 OCTOBER
2019

Biban Hail is a conference that focuses on creating the appropriate environment for existing SMEs and startups to ensure their growth and stimulate the entry of new players, among other key initiatives.



29-31 OCTOBER
2019

 Future Investment Initiative (FII) Conference

 www.futureinvestmentinitiative.com



FUTURE INVESTMENT INITIATIVE
Powered by the Public Investment Fund

The Future Investment Initiative (FII) is a platform driven by expert-led debates, discussions, and partnerships among the world's most influential leaders in business and government.



STARTUP Saudi Arabia
الملتقى السعودي للشركات الناشئة


Startup Saudi Arabia 

www.startupsaudi Arabia.org 





14-16 NOVEMBER
2019


Monsha'at will host its Startup Saudi Arabia event with strategic partner Wadi Makkah, which offers you the opportunity to participate in one of the leading forums of entrepreneurship in the Kingdom.



10-11 DECEMBER
2019

 ArabNet Riyadh

 www.arabnet.me/english/ecosystem/events/arabnet-riyadh



arabnet

In its 8th edition, Arabnet Riyadh is hosting two conferences under one roof for the 2nd year in a row: ArabNet Riyadh and Inspire Saudi, aimed at C-level executives, founders, investors, students, and others.

10. About SVC



Saudi Venture Capital Company (SVC) is a Government Venture Capital established in 2018, part of the Private Sector Stimulus Plan (PSSP). The entity aims to minimize current equity funding gaps for Startups by investing SAR 2.8 Billion (\$750 Million).

Vision



SVC aims to develop the Venture Capital Ecosystem in Saudi Arabia to support startups by co-investing along with angel investors, venture capitalists, and sophisticated investors in start-ups, as well as investing in funds.

What do we invest in?



We co-invest in innovation-driven startups with potential high and fast growth as well as funds that invest in such startups. We focus on startups that will have an impact on Saudi Economy.

Principles



Balance economic impact and financial success.



Prioritize national mandate and focus on local investments.



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



Minority stake in startups as per VC best-practices.

Co-investment in Startups

Direct co-investment along with angel investors, venture capitalists, and sophisticated investors in Startups through matching (up to 1:1). This is to stimulate seed, early stage, and growth stage investments in startups.



Investment in Funds

Investing in VC funds to catalyze venture capital investments and lower the barriers to entry for fund managers looking to operate in the VC market. This is through a GP/LP structure, where SVC would be Limited Partner (LP)



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

11. About MAGNiTT

MAGNiTT's key stats



12,500+
startups



400+
investors















40+
research reports



300+
jobs

MAGNiTT is structured around 3 core pillars

 Data	 Research	 Community
<p>Database Access</p>  <p>Empower your team by accessing MENA's most comprehensive data platform</p>	<p>Bespoke Reports</p>  <p>Get monthly and quarterly investment insights, research and analysis</p>	<p>Ecosystem News</p>  <p>Be in the know! Subscribe to our daily and insights newsletter and WhatsApp alerts</p>
<p>Start-up Sourcing</p>  <p>Discover & connect to startups that meet your objectives</p>	<p>Insights & Analytics</p>  <p>Make better investment decision! Access all MENA funding and exits from 2008 to date</p>	<p>Funding Application</p>  <p>Grow your startup. Apply for funding from MENA's most active investors.</p>
<p>Marketing Promotion</p>  <p>Get your message into the inbox of the people that matter.</p>	<p>Subscription Plans</p>  <p>Unlock the full potential of MAGNiTT to stay ahead.</p>	<p>Startup Jobs</p>  <p>Hire quality talent by posting your job for free or find your dream startup job.</p>

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