

H1 2020 Saudi Arabia Venture Capital Snapshot

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

MAGNiTT



الشركة السعودية للاستثمار الرأسمالي
Saudi Venture Capital Company



1. Key Stakeholders Takeaways



Faris AlRashed

Founder and Chairman, Derayah Venture Fund

“ In the past few years, the entrepreneurship ecosystem in Saudi Arabia has grown at an accelerated pace. We saw top technical talents emerge and leave high-paying jobs to start or join startups in their earliest stages. We are seeing huge interest from investors to tap into the VC asset class, especially after COVID-19. We also saw the tremendous support provided by different government agencies, led by Monsha'at, towards entrepreneurs and startups. The Saudi stock market has now become a viable exit option to tech startups. All key players in the ecosystem started to be active and exert all efforts needed to create a strong ecosystem that is based on collaboration.



Abdulaziz Alomran

Partner, Impact46

“ In the wake of COVID-19 pandemic, the pace of digital transformation accelerated at an unprecedented pace. Investments made by SVC-backed funds played a pivotal role in smoothening this transformational journey. Looking ahead we, as fund managers, will have to expand our investment frontiers to include cutting edge technologies. The team at Impact46 hopes that our investments play a role in introducing technological advancements to our beloved Kingdom.



Mohammed Almeshekah

Founding Partner, Outliers Venture Capital

“ It is great to see the Saudi entrepreneurial ecosystem evolving at such a fast pace. With all the uncertainty in the world, there is no doubt that technology will continue to be a major force of innovation to many parts of the economy. Saudi Arabia and MENA are entering a new phase of technology ventures. Founders are expecting their investors to truly back them, with a clear added value, beyond simple capital injection. We are starting the age of value-differentiation by founders and investors.



Anwaar Alshammari

Legal Director, SVC

“ The venture capital market has witnessed rapid developments locally and regionally on the regulatory and legal fronts, particularly in terms of the evolving standards applied in transactional documents related to investments. The Saudi Venture Capital Company (SVC) is proud to be participating in driving the development of market standards in the common interests of the continued development of the Kingdom's economy, entrepreneurs, investors and investment fund managers. We look forward at SVC to further developments this year on all venture capital fronts in the Kingdom.

1. Key Stakeholders Takeaways



Ali Abussaud

Founding Managing Partner, Hala Ventures

“ The significant improvement of the Kingdom’s entrepreneurial ecosystem and the accelerated growth in funding avenues, validate the potential of the Saudi market as well as the interest of MENA VC funds in the Saudi market. All of which are an outcome of the Kingdom’s initiative programs, such as the Saudi Venture Capital Company “SVC”, “Jada” the Fund of Funds of Public Investment Fund “PIF”, and other programs, which combinedly had a positive impact on both infrastructure development, and the liquidity position of funds given the expanded array of funding means.



Deemah AlYahya

Founder & Chief, WomenSpark

“ The women of Saudi Arabia have a major part to play in the country’s economic and social transformation. We at WomenSpark aim to be an active contributor to the growth of the digital economy by building a conducive ecosystem of women talents redefining the future and lead a new generation of digital economy game changers. With female graduates outnumbering their male counterparts in science, Saudi Arabia needs to tap into this growing pool of talent and capitalize on its potential in creating advanced digital ventures. Moreover, the spending power of women and the amount of wealth they control is on the rise, proving that women investors play a critical and growing factor for success in the wealth management industry. When it comes to investing, women want their money to be invested in a way that matches their values, and purpose, beyond just financial returns.



Latifa BaNasr

CEO, OQAL Angel Investors Network

“ As the world abruptly shifts with COVID-19, the need for startups and a stronger infrastructure arises. During the 1st half of 2020, we witnessed the strength of the Saudi ICT infrastructure and its positive impact on the ecosystem, catalyzing a noticeable increment in the volume of funding of startups in critical sectors such as logistics and EduTech. From angels’ perspective, we have seen a movement of approximately 65% of re-investment to support portfolio companies, a minority is looking at potential M&A deals. Moreover, with the immense government support, we are expecting KSA to unravel an elevated standard of exemplary founders and investors post the pandemic.



Mazin Aldawood

CEO, Osool & Bakheet Investment Company

“ Osool and Bakheet Investment Company are proud to be part of the financial and investment sector in Saudi Arabia, which plays an essential role in achieving the goals of the Kingdom’s Vision 2030. We look forward to being part of the movement that develops and grows the venture capital ecosystem in the Kingdom by participating in the creation of funds specialized in venture capital. We believe that it’s important to have this type of investment programs, as it plays a vital role in establishing a base for understanding the VC market that can be further developed later. Based on the current data, we expect there will continue to be a strong investment environment in the near future, capable of competing and attracting innovative entrepreneurs from all over the world. The Kingdom of Saudi Arabia will become a center for innovation and technology.

2. Executive Summary

The elephant in the room, before diving into the numbers, is COVID-19. In the first part of the report, several government initiatives and startup success stories will be highlighted, which have helped startups and consumers in Saudi Arabia. Despite the on-going health crisis, H1 2020 saw more funding than any previous year – \$95M was invested in 45 deals, increasing by 102% and 29% compared to H1 2019, respectively.



\$95M was invested in Saudi-based startups in H1 2020, up 102% from H1 2019

H1 2020 saw \$95M invested in Saudi-based startups, a record amount of total funding that already surpassed full-year 2019. Notable funding rounds include the \$36.5M and \$18M raised by food and grocery delivery startups Jahez and Nana, respectively.



45 venture deals took place in Saudi Arabia in H1 2020, up 29% from H1 2019

H1 2020 saw 45 investments take place in Saudi Arabia, an increase compared to H1 2019. Among the most active investors were the Misk 500 MENA Accelerator, as well as other investors and angel groups 500 Startups, Impact46, KAUST, OQAL, and SVC.



32 institutions invested in Saudi-based startups in H1 2020, up 7% from H1 2019

A total of 32 institutions made investments in Saudi-based startups in H1 2020, an increase of 7% compared to H1 2019. 59% of these investors are based in Saudi Arabia, whereas 41% of them are based outside of the Kingdom – mainly in the United Arab Emirates and United States.



E-commerce remains the top industry in Saudi Arabia, grocery e-commerce soars

E-commerce has been among the top invested industries in Saudi Arabia and the entire MENA region historically. A specific segment within e-commerce that has seen the majority of this funding is grocery e-commerce, with Jahez and Nana both raising significant funding rounds.



Many government agencies have launched responses to COVID-19's challenges

While total funding and number of deals have increased compared to H1 2019, the effects of COVID-19 are still felt by many Saudi startups and SMEs. In response, many government agencies, including Monsha'at, the Ministry of Finance, SAMA, and GOSI, launched support measures to alleviate the burden on the country's small companies.

3. The Role of VC-Backed Startups during COVID-19

While COVID-19 has had a significant impact on the everyday lives of Saudi citizens, certain startups have seen a significant increase in traction and have helped ease the everyday life of Saudi consumers.

“Had this pandemic happened 20, 10, or even 5 years ago, we would have had a really big problem. We are in a better position. The use of technology is helping us, definitely.”

- H.E. Yasir Al-Rumayyan

Governor, Public Investment Fund (PIF)

E-commerce



While e-commerce startups have seen increased traction due to consumers turning to online shopping, many e-commerce platforms have pivoted specifically to cater to consumers' demands amidst COVID-19.

Delivery & Logistics



The transportation sector has been hit significantly by COVID-19, with many people staying home. However, the delivery & logistics sector saw an increase in demand due to an increase in last-mile deliveries.

FinTech



With increased activity in the e-commerce and online education space, FinTech startups – particularly payment gateways and e-wallets – have seen a spike in usage over the past few months.

Education



With many schools turning to online education, as well as working professionals looking to upskill themselves, education startups have capitalised on the boom in demand for high-quality online education.

4. Saudi Arabia Government COVID-19 Initiatives



SAMA launched 5 initiatives to support SMEs, including deferred payments, loan guarantees, funding for lending, support for e-commerce and POS fees, and exemption of all fees for e-banking facilities.



The Ministry of Finance provided expedited payments, discounted electricity bills, waived expat fees, delayed collection of customs duties, as well as postponed VAT and Accrued Selective Tax payments.



The NDF offered deferrals (e.g. SIDF), working-capital loans, employment program support (e.g. Hadaf), financing of portfolios support, and extension of grace periods (Social Development Bank).



The Local Content and Government Procurement Authority gave preference to local content and SMEs.



GOSI launched SANED, offering paid vacation for three months (with 60% of salaries) for 70% of Saudi workers. The offer is valid for small firms with 5 Saudi workers or less, the vacation includes all Saudi workers.



Monsha'at's e-commerce program enabled SMEs to transform their activities to e-commerce, in order to expand their activity and increase their contribution to the national economy.



The ECZA postponed payments of investment permits & real estate services, and renewed investment permits automatically.



The Ministry of Municipal and Rural Affairs postponed the payments of municipal services for 90 days.



The Ministry of Hajj and Umrah established a business clinical unit to assist firms with navigating through the crisis.

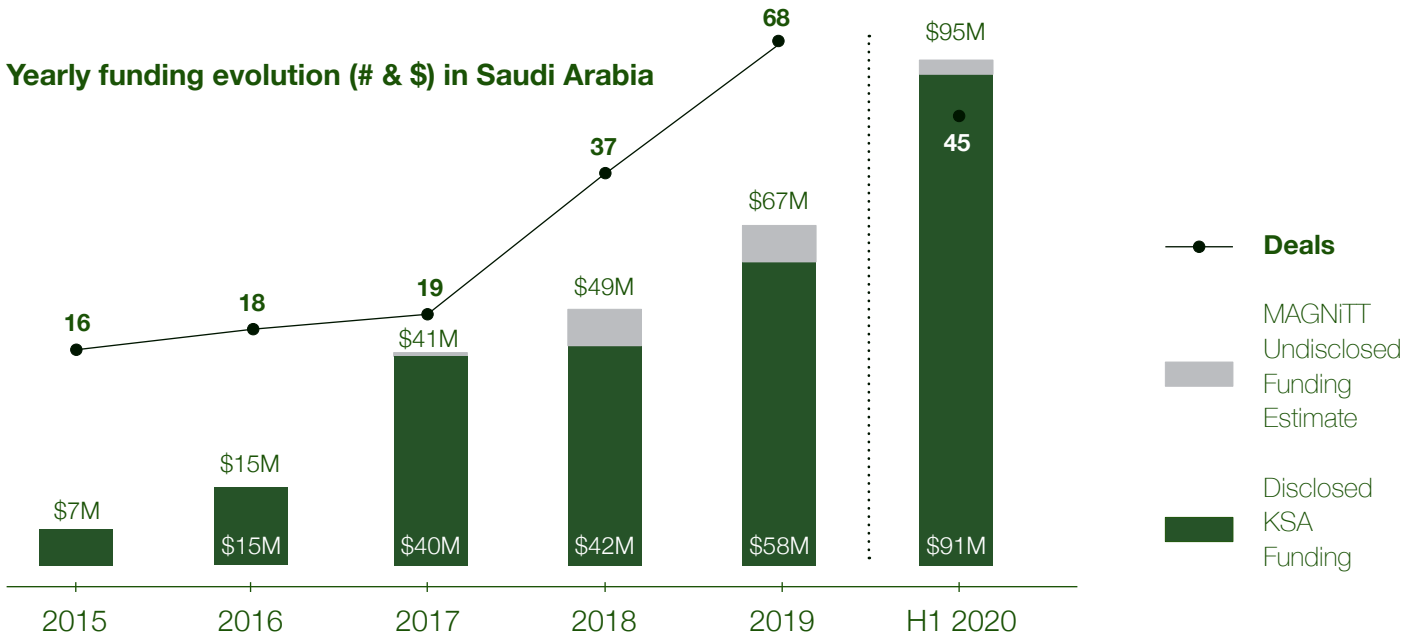


Modon provided 25% discounts on services and rents to beneficiaries, as well as postponed the payment of rents for 90 days.

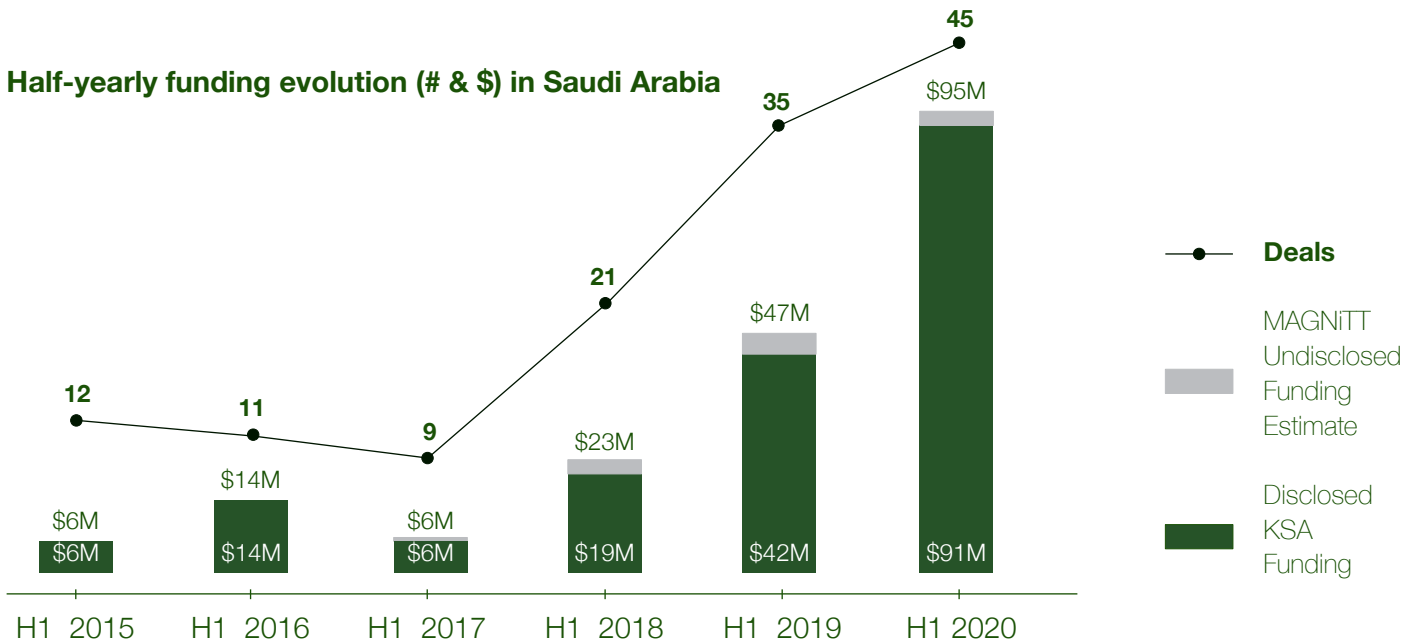
5 Saudi Arabia Funding Evolution

The Kingdom witnessed a significant increase in funding over the last 5 years, with H1 2020 already surpassing the entire year of 2019 due to some sizeable funding rounds.

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



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



KEY TAKEAWAYS



Total funding in H1 2020 has already surpassed the entire year of 2019, despite COVID-19



Total funding in Saudi Arabia increased by 102% from H1 2019 to H1 2020, a record high

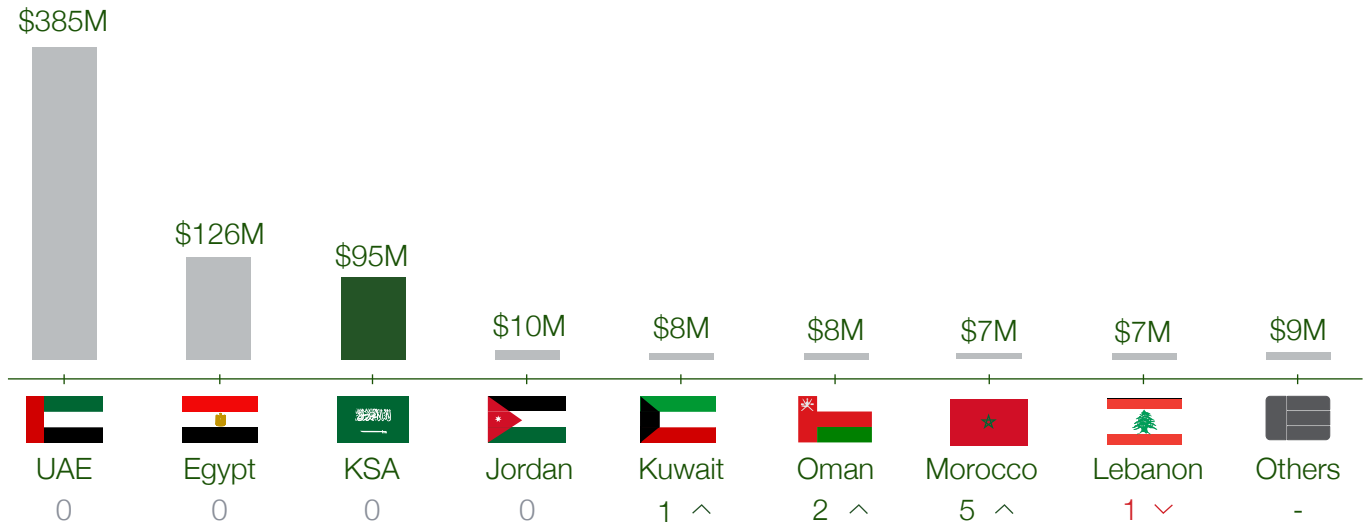


Number of VC deals in Saudi Arabia increased by 29% from H1 2019 to H1 2020

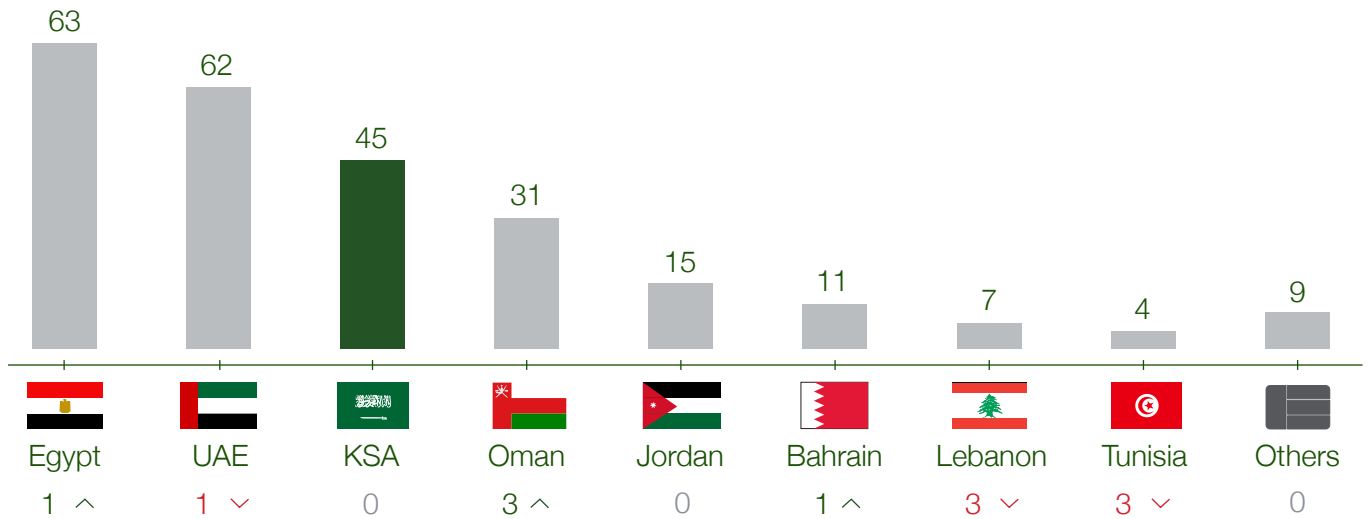
6. Country Comparison

Similar to 2019, Saudi Arabia ranks third by both number of deals and total funding, with \$95M invested in 45 deals.

Top countries by total funding (\$) in MENA in H1 2020



Top countries by number of deals (#) in MENA in H1 2020



^ ∨ Change in Rank from H1 2019 to H1 2020

KEY TAKEAWAYS



Saudi Arabia ranked 3rd by total funding regionally, maintaining its position in 2019



The country's rank by number of deals also remained the same, ranking 3rd in MENA

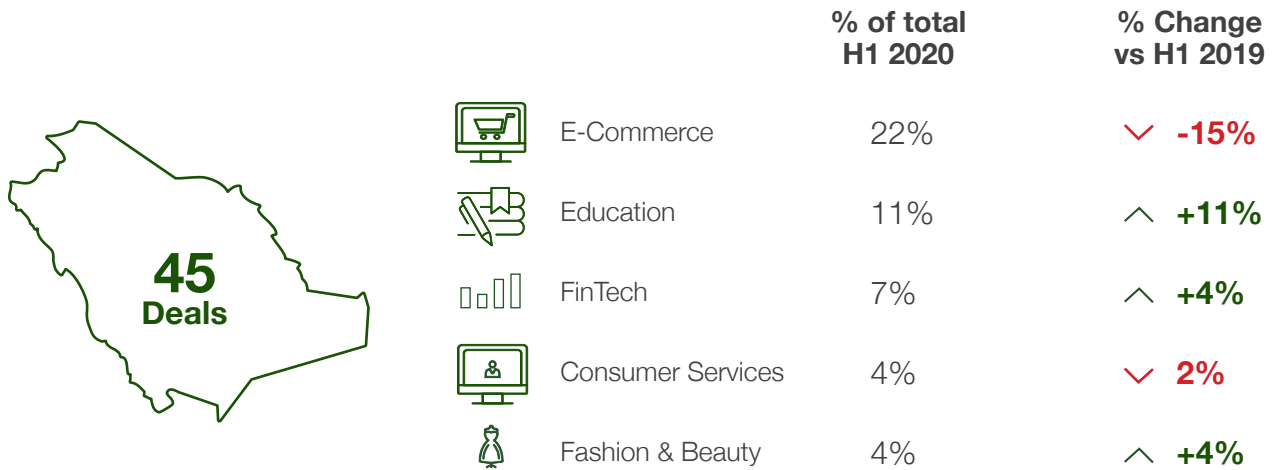


With these rankings, Saudi Arabia accounted for 15% of total funding and 18% of deals in MENA in H1 2020

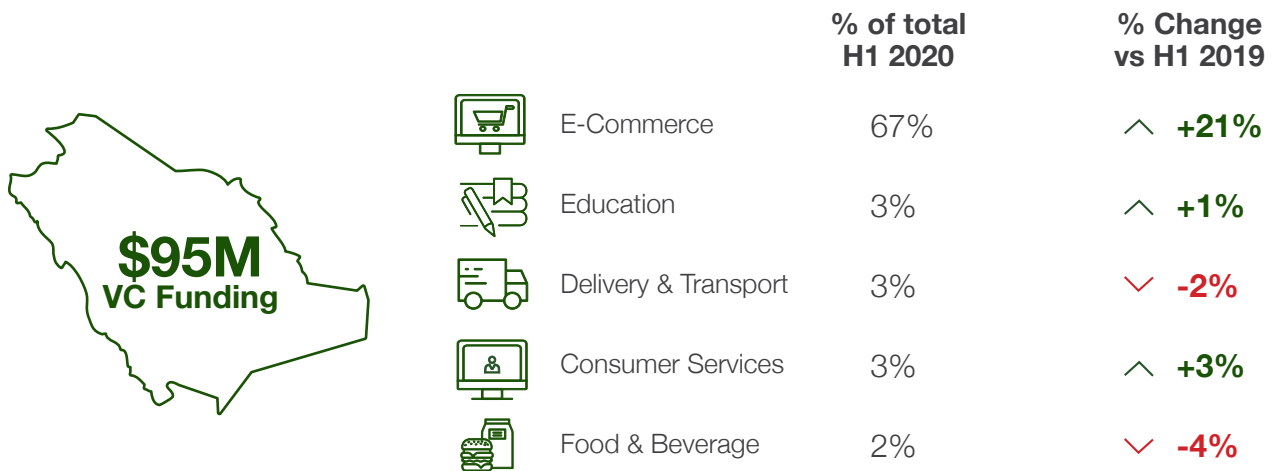
7. Industry Comparison

Similar to 2019, e-commerce maintained its dominance as the top industry by total funding and number of deals in H1 2020, accounting for 67% of total funding.

Saudi Arabia's top 5 industries by number of deals in H1 2020



Saudi Arabia's top 5 industries by total funding in H1 2020



KEY TAKEAWAYS



E-commerce has long been among the top invested industries in Saudi Arabia



Education is a rising industry in Saudi Arabia, with Noon Academy's \$13M funding round contributing significantly























Data Analytics & Business Intelligence dropped from the 2nd spot in H1 2019 to the 12th rank in H1 2020

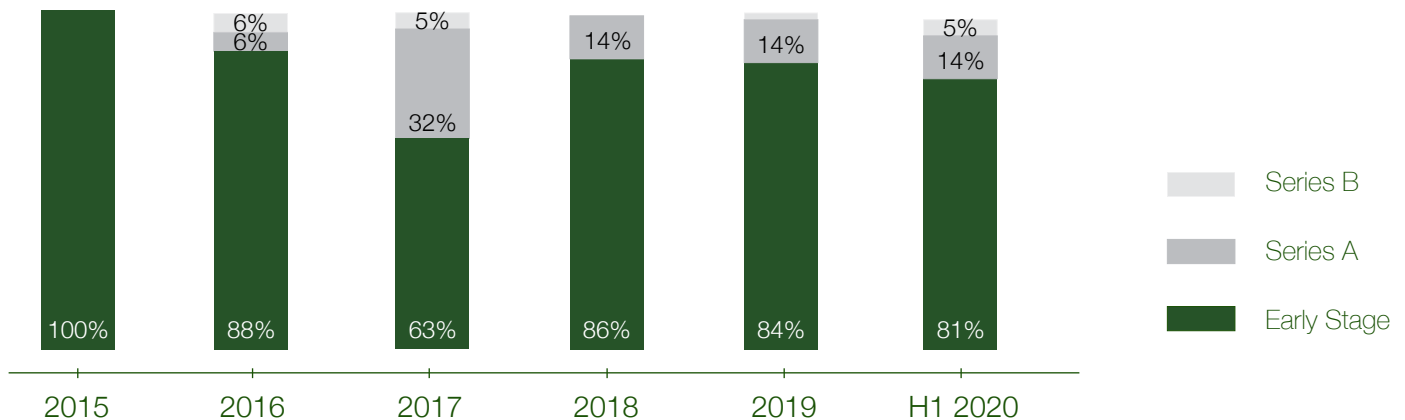
8 H1 2020 Saudi Deals

Having raised a \$36.5M Series A funding round led by Impact46, Jahez, the Riyadh-based food delivery platform, raised the highest disclosed funding round in Saudi Arabia in H1 2020. This follows Nana's sizeable raise in 2019, as food delivery heats up.

Highest disclosed funding rounds in Saudi Arabia in H1 2020

		Funding Amount	Funding Stage	Select Investors
1	 jahez	\$36.5M	Series A	
2	 نعناع	\$18.0M	Series B	    
3	 noon Academy	\$13.0M	Pre-Series B	  
4	 Sary	\$6.6M	Series A	  
5	 ساعي Sabeel	\$2.4M	Series A	  

Yearly VC funding by Funding Stage (#) in Saudi Arabia



9. All Funded Saudi Startups

All Saudi-based startups that have received funding in H1 2020



10. Active Investors

OQAL, 500 Startups, KAUST, Impact46, and the Misk500 MENA Accelerator accounted for the highest number of deals in H1 2020, investing in funding rounds such as Jahez's \$36.5M.

Investors by number of investments in Saudi-based startups in H1 2020



KEY TAKEAWAYS



OQAL, the Saudi angel group, invested in 10 Saudi startups in H1 2020, becoming the most active investor by number of deals



500 Startups, Impact46, and SVC were the most active (government/university) venture capital firms by number of deals in H1 2020

11. H1 2020 Highlights



Saudi Arabia increases competitiveness rank

The Kingdom of Saudi Arabia has ranked 12th in the index of Venture Capital Availability, as well as 24th in the World Competitiveness Yearbook, an increase in both rankings from 2019.



500 Startups and Misk Innovation host Digital Demo Day

San Francisco-based 500 Startups, the most active global early-stage venture capital firm, and Misk Innovation, recently hosted their first-ever Digital Demo Day to mark the conclusion of the third cohort of the Misk500 Accelerator Program for 16 startups.



CMA licenses two new VC funds

The Capital Market Authority (CMA) issued licenses to two more VC funds, namely Osool & Bakheet Investment Company and Merak Capital Company. The total number of CMA-licensed VC funds has now increased to five funds.



Jada launches VC & PE training program

Jada, the \$1.07B Fund of Funds by the Public Investment Fund (PIF), launched a training program for emerging fund managers of private equity and venture capital funds, in cooperation with professor Florin Vasari of the London Business School.

SAMA admits 9 Fintechs into Sandbox

SAMA permitted 9 more FinTech companies to operate in the Regulatory Sandbox, raising the total to 30. SAMA looks to promote the digitization of financial services in line with Vision 2030's FSDP initiatives.



Saudi Arabia offers 'instant' visas allowing entrepreneurs to set up new businesses

Saudi Arabia will grant "instant" work visas to entrepreneurs setting up businesses in the kingdom as part of government efforts to boost non-oil private sector growth and create jobs for nationals.



First phase of SME bank study complete

Monsha'at has completed the first phase of the study to establish a specialized bank to support SMEs, which was announced by His Excellency the Minister of Commerce last year, indicating that work is underway to obtain approvals from the relevant authorities.



Stimulating the Digital Innovation Ecosystem

MCIT stimulated a culture of innovation and entrepreneurship through programs and competitions in various sectors, such as IoT, AI, AR/VR, FinTech, with more than 400 entrepreneurs benefiting from such programs through 6 training cohorts and 5 accelerators. MCIT, in cooperation with the Ministry of Investment and Monsha'at, is focusing on the development of promising startups through the "Unicorn Startups Program".

12.

About SVC



Saudi Venture Capital Company (SVC) is a Government Venture Capital (GVC) established in 2018, part of the Private Sector Stimulus (PSS). SVC aims to develop the Venture Capital Ecosystem in Saudi Arabia by investing SAR 2.8 Billion (\$750 Million) in VC funds and co-investing along with angel and institutional investors to minimize current equity funding gaps and stimulate seed, early stage and growth stage investments in innovation-driven startups with fast and high growth potential.

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

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 done through a GP/LP structure, where SVC would be Limited Partner (LP).



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.

13.

About MAGNiTT



MENA'S MOST COMPREHENSIVE STARTUP DATA PLATFORM

14,000+
startups

2,000+
investors & enablers

120+
research reports

100K+
engaged audience

OUR FOUR CORE PRODUCTS



01. CONNECT

An engagement portal to connect entrepreneurship stakeholders.

- Apply to investors
- Connect with founders
- Curate deal flow



02. DATA

A directory double the size of international competitors.

- Source your next investment
- Track your competitors
- Do due diligence on your prospect investors



03. RESEARCH

The reference for governments and leading publications.

- 3 dedicated monthly research reports
- Industry experts advice on venture investments
- Industries and geographical trends



04. NEWS

A news publisher with 3 dedicated newsletters to keep stakeholders up-to-date.

- Your reference for MENA startup news
- 3 dedicated newsletters
- Curated thought leadership

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