

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

MAGNiTT



H1 2021



Saudi Arabia

Venture Capital Report

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Key Stakeholders Takeaways



Nejouh Saleh AlMulaik | Director, Fintech Saudi

The venture capital (VC) industry is essential in supporting the growth of the Saudi fintech industry. The first half of 2021 has seen a monumental shift in VC investment with over \$150m invested into 11 fintech deals. We are also pleased to see investments taking place at different stages with pre-seed and seed VC investments giving early stage fintech companies the bandwidth to prove their solutions, and series A and above VC investments supporting more developed fintech companies to accelerate their growth. VC investment in fintech also has a strong multiplier effect as investment into areas such as equity crowdfunding and lending platforms enables these solutions to support startups and SMEs throughout the Kingdom.



Rayan Sindi | Investment Director, SVC

During the pandemic, technology startups proved their ability to grow and meet the needs of their clients. This reflected positively on the venture capital sector in Saudi Arabia, as we witnessed many local and regional investors now joining the market and having venture investments as a key component of their investment portfolios. International investors are also trying to benefit from the promising opportunities and accelerated growth of Saudi entrepreneurs and the kingdom's economy. Through its current programs, SVC has been acting as a strong catalyst in this process, and it will continue to encourage investors to support Saudi entrepreneurs by developing its programs to closing the funding gaps.



Mazin Alshanbari | Director of Venture Capital, Jada

There has never been a better time to be an entrepreneur in Saudi Arabia. The rapid acceleration of our technological capabilities & infrastructure is allowing us the freedom to think in completely new ways in order to solve age-old and novel problems. I strongly urge everyone who has previously thought they had the next billion-dollar idea but didn't act on it, to rekindle that fire by taking even the smallest of steps towards market validation. Nowadays, a traction generating founder has a plethora of funding options at their disposal, and can pick & choose who to partner with in their exciting journey. We're at Jada are extremely honored, proud and humbled to play a role in fueling this entrepreneurial revolution.

Key Stakeholders Takeaways



Courtney Powell | Chief Operating Officer, 500 Startups

As one of the most active investors in Saudi Arabia, we have seen the country's startup ecosystem flourish over the past five years, culminating in a record year in 2020, and our decision to establish headquarters in Riyadh earlier this year. In particular, we've witnessed an increase not only in the quantity, but also in the quality of deals. Our portfolio companies continued to shine, including those mentioned in this report, such as Salasa, Foodics and Gathern. Technology has played a key role in this pandemic, accelerating several sectors, namely E-commerce, enterprise services and IT solutions in Saudi Arabia. There's no turning back. And while COVID-19 has disrupted in-person events, forcing us to transition our demo days online, we have received a record number of applications to our Sanabil 500 MENA Seed Accelerator program, denoting continued and promising growth.



Mahmoud Adi | Co-Founder, Shorooq Partners

Innovation and transformation are fundamental to Saudi's vision 2030. The exponential growth of the venture capital industry in the Kingdom from under 10 VCs in 2015 to over 30 today is a testament to the efforts of the Saudi ecosystem in implementing this vision. This growth is not without merit, as we have seen a rise in both Saudi startups and acceleration of funding rounds in terms of speed and size. New ideas are continuously emerging in a country that is not only strategically positioned but also welcoming of change. I am confident that the recent explosion of the startup ecosystem is indicative of the dawn of a new era, not only for Saudi Arabia but also for the wider region and beyond.



Rakan Alrashed | Co-Founder, Access Bridge Ventures

It has never been a more exciting time to be in the entrepreneurial ecosystem in Saudi more than today. Thanks to the unprecedented government support, Saudi is on the fast track to truly become the center of the MENA entrepreneurial revolution. Historically the Kingdom has always been considered as a strong market for regional startups to grow into, it is now becoming a market where startups are homegrown and scaling outside thereafter. We are seeing the strong talent that is looking to solve hyper-local problems that are mimicable in other markets. Thanks to the local support we are getting, we are truly excited to be part of this vibrant and growing ecosystem.



Abdullah Alaraj | Managing Partner, Nama Ventures and Chairman of the Board, Riyadh Angel Investors

Saudi Arabia is witnessing a major development and a golden age in entrepreneurship and VC investment, accompanied by a real leap in the quantity and quality of technology startups. Recently, we have also seen remarkable excellence in business models. Furthermore, entrepreneurs showed that they realize the importance of setting up teams with diversified experiences and roles. Both individual and family investors have been investing in technology startups as angel investors or through investment in VC funds. We expect to see rewarding exits from local technology startups in the near future, whether through IPO's or acquisitions by local and international companies. We also expect more global VC funds to invest in local technology startups. We in Nama Ventures are very pleased to be a major player in the VC and entrepreneurship ecosystem in Saudi Arabia, as we are specialists in both pre-seed and seed investments.

Executive Summary



Saudi Arabian VC ecosystem grew by 65% YoY to hit its highest half-yearly funding amount in H1 2021

Despite a 7% drop in deals YoY, Saudi-based startups received \$168M in venture funding in H1 2021. This was the equivalent of 94% of the capital deployed in Saudi Arabia in FY 2020, putting the ecosystem on track for a record-breaking year of VC funding.



Saudi Arabia climbed a rank since H1 2020 to secure the second largest share of funding across MENA in H1 2021

Contributing to 14% of capital invested into MENA ventures, Saudi-based startups held the second largest share of MENA's total funding, only behind the UAE. This was driven by a 77% increase in the average round size YoY.



Fintech startups raised 1700% more capital YoY while funding into E-commerce declined by 54%

Alongside being a leading industry across MENA, Fintech startups accounted for one-fourth of all transactions and capital deployed in Saudi Arabia in H1 2021. Meanwhile, E-commerce dropped its share of total deals (-19%) and funding (-46%) YoY.



The concentration of capital in Saudi Arabia's top five deals in H1 2021 reduced by 34 percentage points YoY

The distribution of funds in Saudi Arabia improved in uniformity as the top five deals accounted for 47% of total capital deployed in the country- falling from 81% in H1 2020. With this, Saudi Arabia moved closer to capital allocation trend across MENA where the five biggest deals contributed to 45% of all funding.



Accelerated deals in Saudi Arabia did not return to pre-pandemic levels, further contributing to the decline in deals

Only one accelerated deal was registered in Saudi Arabia in H1 2021, while 13% of MENA's deals resulted from accelerator programs. The decrease in startups graduating from accelerator programs began in 2020, when respective deals dropped from 22% to 5% YoY.

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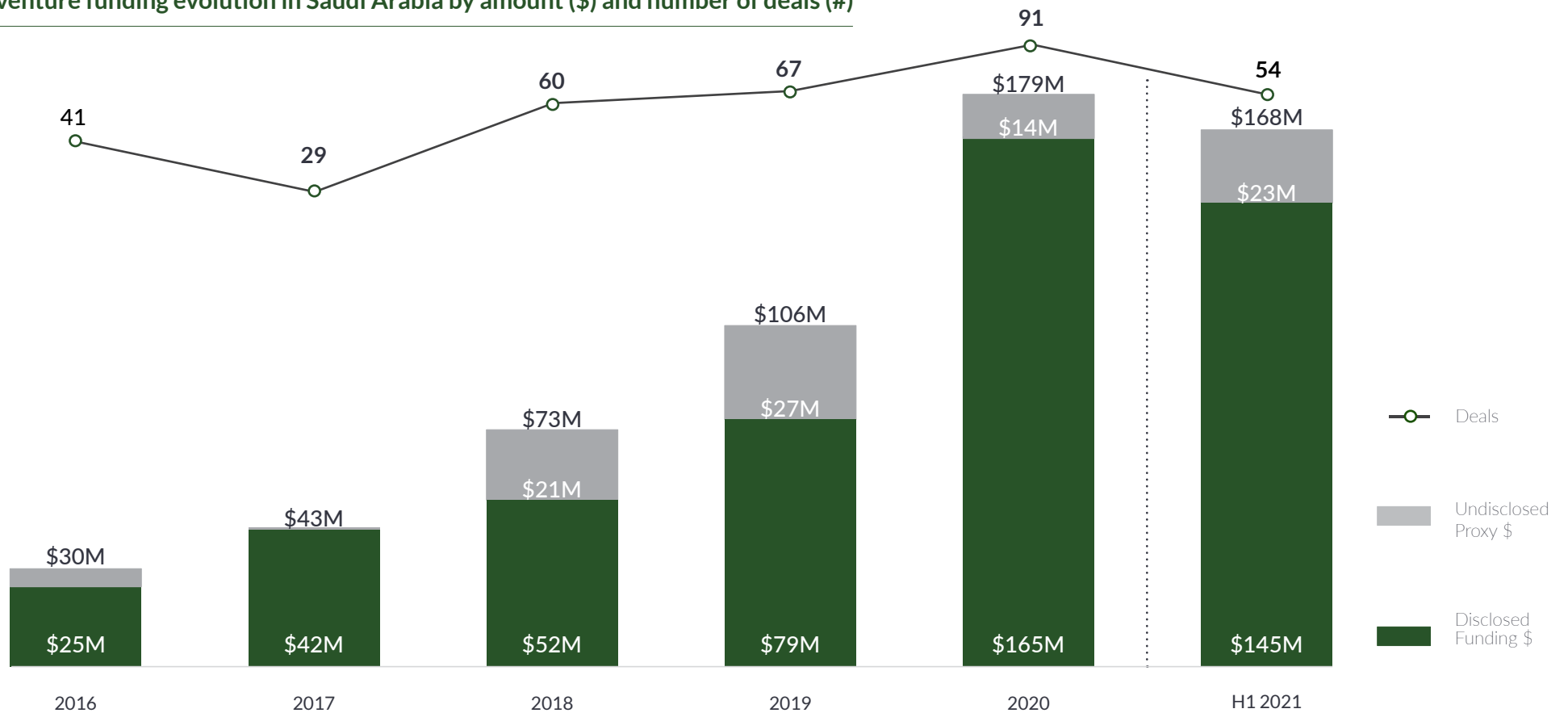
FUNDING EVOLUTION

Yearly Funding Evolution | 2016 - H1 2021

The Saudi Arabian VC ecosystem is headed towards a record-breaking year as capital deployed in H1 2021 was equivalent to 94% of that deployed in FY 2020

- To put the ecosystem's rise in perspective, venture capital in Saudi Arabia grew at a half-yearly CAGR of 33% between H1 2018 and H1 2021
- Early-stage funding accounted for 82% of the 54 transactions closed in H1 2021, while later-stage deals rose by 7pp* YoY

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



Source: MAGNiTT

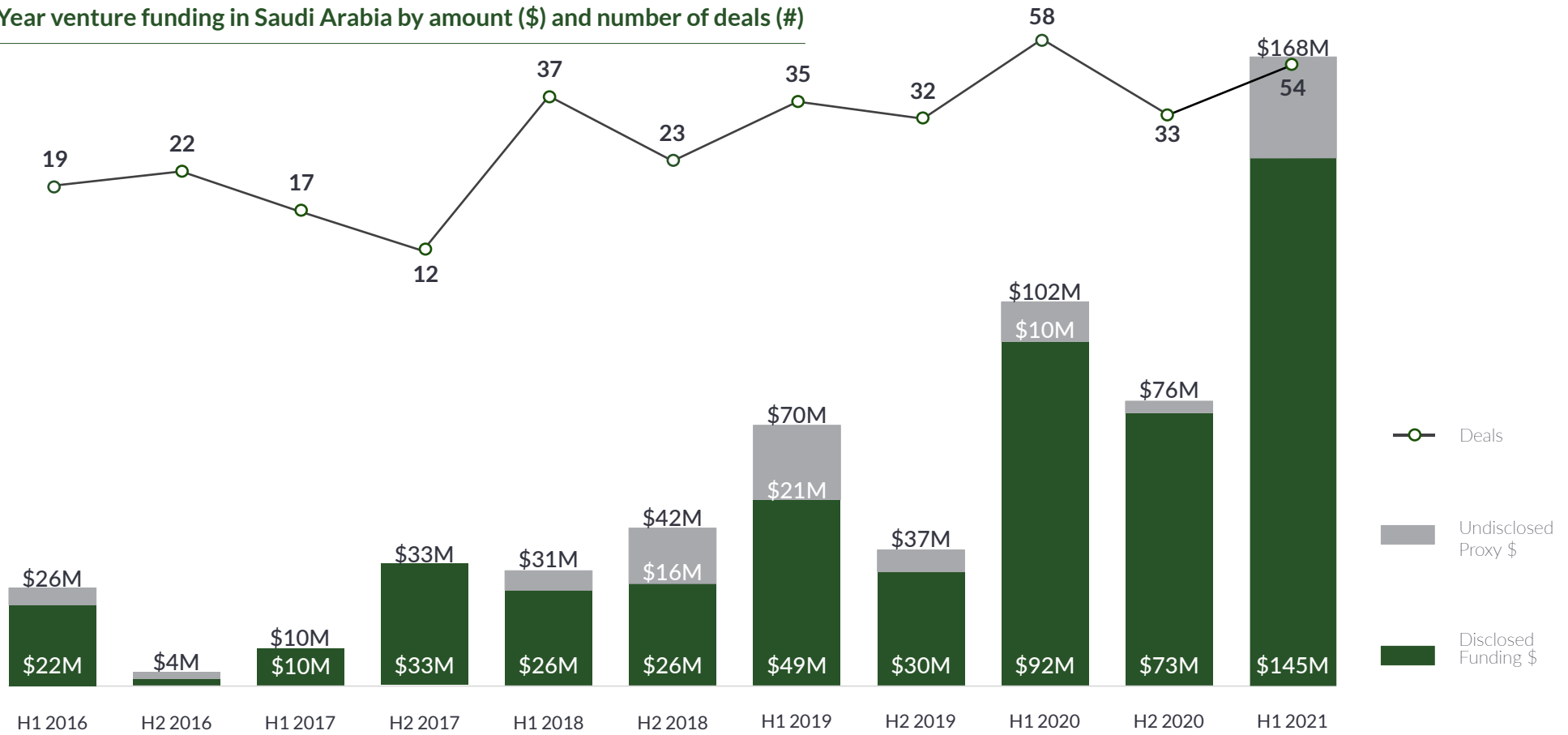
*pp: percentage point

Half-Year Funding Evolution | H1 2016 - H1 2021

With \$168M invested, half-yearly venture funding reached an all-time high in H1 2021, growing 65% from H1 2020

- A corresponding 7% dip in deals between H1 2020 and H1 2021 increased average round size by 77%
- The drop in deals may have been driven by a decline in the number of accelerator programs. Accelerated deals in H1 2021 fell by 18pp* YoY

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



Source: MAGNiTT

*pp: percentage point

02

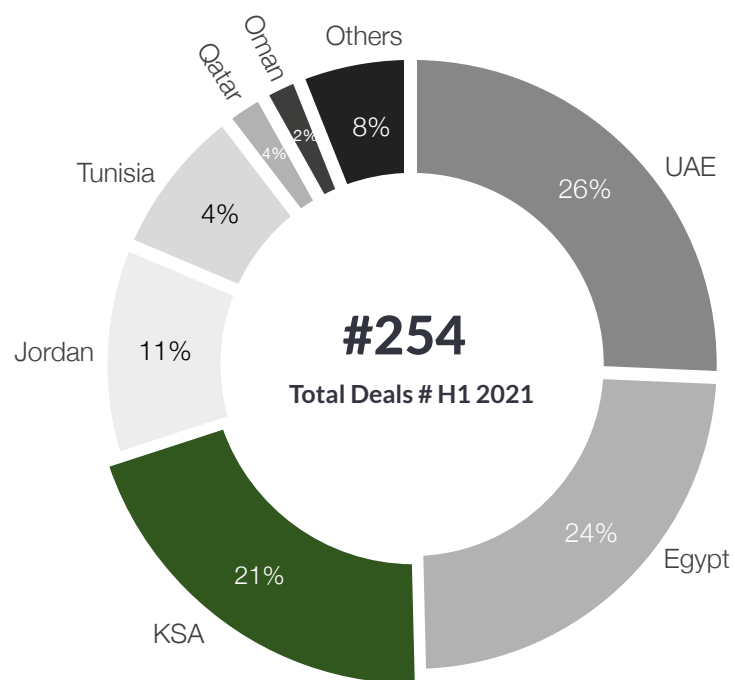
COUNTRY BREAKDOWN

H1 2021 MENA Country Comparison - By Deals








Startups headquartered in Saudi Arabia closed one in every five transactions registered across the MENA region

- Saudi-based startups increased their share of total MENA deals by 2pp*, standing only slightly below UAE and Egypt
- Tunisia and Egypt were the only two of MENA's top seven countries to close more deals YoY between H1 2020 and H1 2021

Top countries by number of deals (#) in MENA in H1 2021



Country deal comparison H1 2021 vs H1 2020

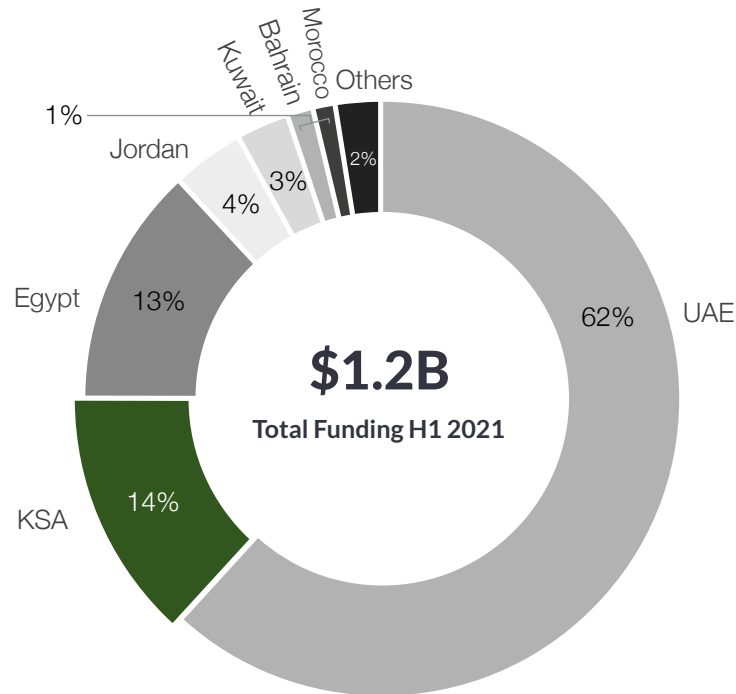
Rank	Rank change	Country	Absolute YoY change	% Deal Share change
1.	= 0	 UAE	-17%	+1%
2.	= 0	 Egypt	+3%	+6%
3.	= 0	 KSA	-7%	+2%
4.	= 0	 Jordan	-15%	=0%
5.	Δ 4	 Tunisia	+83%	+2%
6.	= 0	 Qatar	-44%	-2%
7.	▽ 1	 Oman	-80%	+2%

H1 2021 MENA Country Comparison - By Funding





In H1 2021, Saudi Arabia surpassed Egypt in VC funding to climb a rank and finish second across MENA

- Despite most closing fewer deals YoY, all of MENA's top markets saw a surge in funding in H1 2021, including a 65% increase in Saudi Arabia
- With the smallest rise in capital YoY amongst MENA's top countries, Egypt lost a 5pp* share in total funding raised in the region

Top countries by total funding (\$) in MENA in H1 2021



Country funding comparison H1 2021 vs H1 2020

Rank	Rank change	Country	Absolute YoY change	% Funding Share change
1.	= 0	 UAE	+72%	+3%
2.	Δ 1	 KSA	+65%	+0
3.	▽ 1	 Egypt	+28%	-5%
4.	= 0	 Jordan	+205%	+2%
5.	Δ 1	 Kuwait	+248%	+2%
6.	Δ 1	 Bahrain	+45%	=0
7.	Δ 2	 Morocco	+70%	=0

03

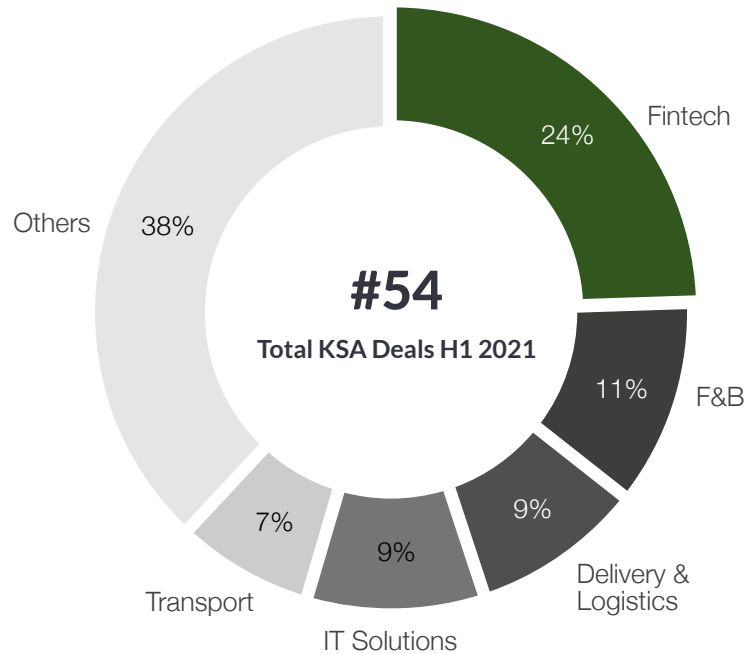
INDUSTRY BREAKDOWN

H1 2021 Saudi Arabia Industry Comparison - By Deals






With 13 deals closed in H1 2021, Fintech’s share of total transactions jumped by 15pp* to account for every fourth deal in Saudi Arabia

- E-commerce dropped by 5 ranks, as its share of deals went from 23% in H1 2020 to 4% in H1 2021
- Saudi Arabia’s three best-performing industries, Fintech, Food & Beverage and Delivery & Logistics, also featured in the top five industries across MENA

Top industries by number of deals (#) in Saudi Arabia in H1 2021



Industry deal comparison H1 2021 vs H1 2020

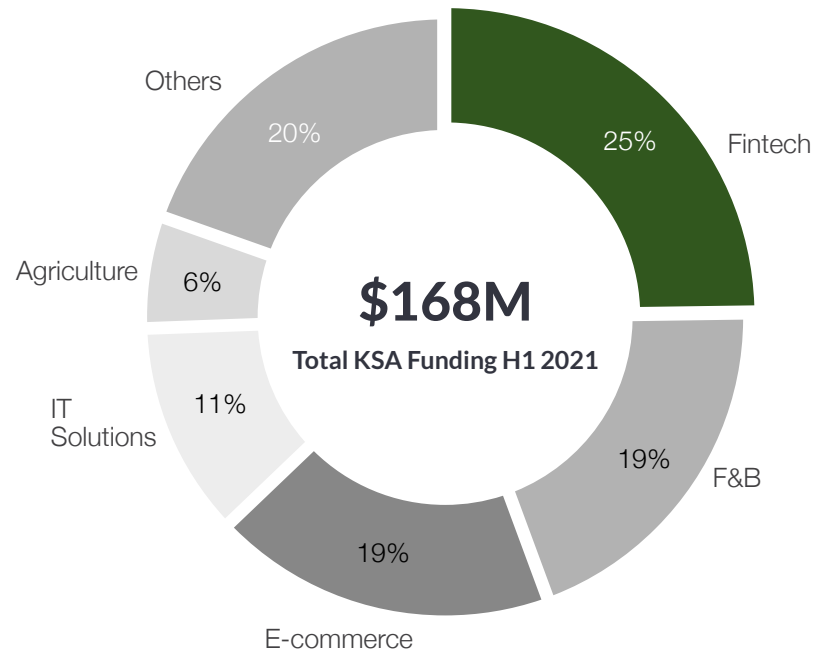
Rank	Rank change	Industry	Absolute YoY change	% Deal Share change
1.	Δ 1	 Fintech	+160%	+15%
2.	Δ 6	 F&B	+200%	+8%
3.	Δ 6	 Delivery & Logistics	+150%	+6%
4.	▽ 1	 IT Solutions	+25%	+2%
5.	Δ 9	 Transport	+300%	+6%

H1 2021 Saudi Arabia Industry Comparison - By Funding

Four of Saudi Arabia’s top five industries raised more funding YoY with Fintech startups contributing to one-fourth of capital invested

- As E-commerce lost share in funding, Fintech and Food & Beverage startups together accounted for 44% of capital deployed
- The IT Solutions sector climbed eight places in ranking after marking the largest YoY growth in funding, driven by Azom’s \$10M round

Top industries by funding (\$) in Saudi Arabia in H1 2021



Industry funding comparison H1 2021 vs H1 2020

Rank	Rank change	Industry	Absolute YoY change	% Funding Share change
1.	△ 6	Fintech	+1,738%	+23%
2.	△ 4	F&B	+1,041%	+17%
3.	▽ 2	E-commerce	-54%	-46%
4.	△ 8	IT Solutions	+1,841%	+10%
5.	△ 4	Agriculture	+762%	+5%

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TOP FUNDING ROUNDS

Top 5 Disclosed Funding Rounds in Saudi-Based Startups in H1 2021

In a step towards more equitable distribution of funds, concentration of capital in the top five deals in Saudi Arabia fell from 81% in H1 2020 to 47% in H1 2021

- This drop aligned capital distribution in Saudi Arabia with that across MENA where the top five deals accounted for 45% of funding in H1 2021

- Although funding into the sector declined YoY, E-commerce startup Sary closed the largest round in the country in H1 2021, constituting nearly all of the industry's capital

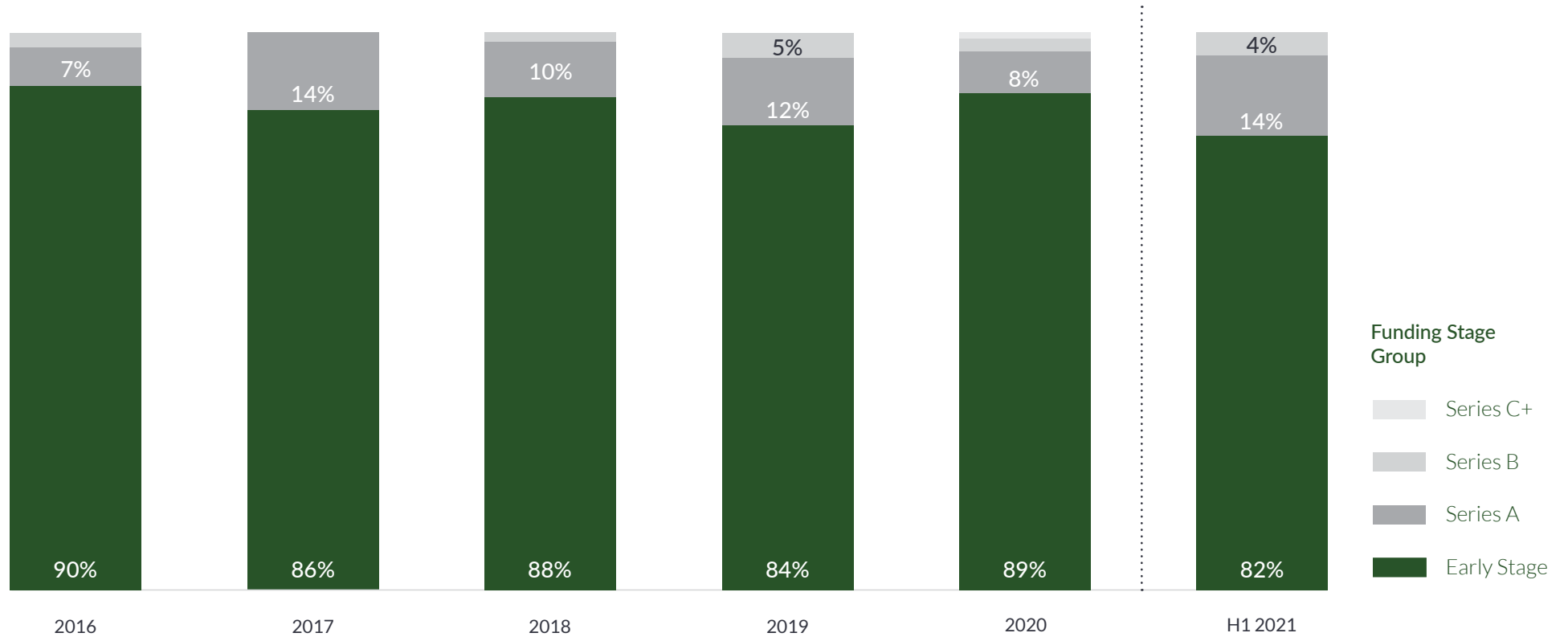
		Amount Raised	Funding Stage	Month	Industry	Selected Investors
1.		\$31M	Series B	May	E-commerce	    
2.		\$20M	Series B	January	Food & Beverage	    
3.		\$10M	Pre-Series A	June	Agriculture	  
4.		\$10M	Series A	February	IT Solutions	
5.		\$7M	Series A	March	Fintech	    

H1 2021 Saudi Arabia VC Funding By Stage

Series A and B funding rounds constituted 18% of all transactions registered in Saudi Arabia in H1 2021, 7pp* more than FY 2020

- These later-stage rounds contributed to 62% of the capital raised in Saudi Arabia in the first half of 2021
- In Saudi Arabia, funding rounds sized \$3M or less accounted for 73% of all deals in H1 2021, comparable to 77% of total deals closed across MENA

Yearly VC deals in Saudi Arabia by stage (%)



Source: MAGNiTT

*pp: percentage point

Saudi-Based Startups That Received Funding in H1 2021



H1 2021 Active Investors

Of a total of 39 active investors in Saudi-based startups in H1 2021, 56% invested in a single deal while 13% backed more than five deals

- In evidence of the ecosystem's self-sufficiency, 69% of investors backing Saudi-based startups in H1 2021 were headquartered locally
- On the other hand, 19% of investors that backed startups in the MENA region in H1 2021 were based in Saudi Arabia

Investors by number of investments in Saudi-based startups in H1 2021



H1 2021 Highlights



Ministry of Finance, Saudi Central Bank, Financial Sector Development Program

Council of Ministers approved to license two local digital banks to keep pace with the rapid development in the Fintech sector. This will also support innovation in the financial sector to develop the digital economy and enable Fintech startups to support the growth of the private sector.



National Development Fund

Council of Ministers approved the establishment of the SME Bank as a development bank affiliated to the National Development Bank (NDF). The Bank will play a central role in the development of startups as well as small and medium enterprises through providing appropriate monetary solutions to support them and raise their contribution to the Saudi GDP.



Ministry of Commerce, Monshaat

Saudi Arabia moved up 10 positions, from 17 to 7, on the 2020 Global Entrepreneurship Index, according to the Global Entrepreneurship Monitor's report 2020/2021. The report was prepared by Babson College in cooperation with the London Business School.



Ministry of Communications and Information Technology (MCIT)

The Ministry of Communications and Information Technology launched the "Riyadh Techstars Accelerator" in partnership with the Global Techstars Accelerator and Raed Ventures Fund, with the aim of enhancing the growth of Saudi startups and accelerate their adoption of digital technologies.



Jada

The PIF fund of funds "Jada" launched the third training program for emerging fund managers of private equity and venture capital funds, in collaboration with Professor Robert Siegel of Stanford Graduate School of Business. Jada also developed several Saudi startups case studies published by Stanford Graduate School of Business.



Capital Market Authority (CMA)

The Capital Market Authority (CMA) announced the approval of amendments to the Investment Funds Regulations. The approved amendments aim to support the growth of asset management industry, diversify sources of financing, and develop the governance of investment funds in line with the international best practices and standards.



Mohammed bin Salman Foundation (MiSK)

The Mohammed bin Salman Foundation (MiSK), represented by the Misk Global Forum, has opened registration for the Saudi version of the Entrepreneurship World Cup (EWC) Competition, in its third edition in 2021, to support the youth in launching innovative and successful business ventures.



Fintech Saudi

Fintech Saudi launched "Fintech Internship 21" with a record-high of 40 partners participating this year. Fintech Saudi also launched "Fintech Coaching Program" in partnership with Accenture, which aims to support Fintech startups to scale regionally and globally.

About SVC

Saudi Venture Capital Company (SVC) is a Government VC established in 2018 by Monshaat 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



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

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 a Limited Partner (LP).

1.1 VC Funds

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



1.2 Deal Flow Creation Programs

SVC has backed the following deal flow creation programs (accelerators and startup studios) through the investment in funds program:



2. Co-Investment in Startups

2.1 Angel Co-Investment in Startups

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



2.2 Institutional Co-Investment in Startups

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

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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

18,000+

INVESTORS & ENABLERS

4,000+

FUNDING ROUNDS

6,000+

EXITS

200+

*As of May 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

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!**

The logo for Magnitt, featuring the word "MAGNITT" in a bold, black, sans-serif font. The letter "M" is stylized with three red squares at its base. The letter "I" has a red square at its top.

magnitt.com



الشركة السعودية للاستثمار الجريء
Saudi Venture Capital Company

svc.com.sa

A row of social media icons: Instagram, LinkedIn, Facebook, and Twitter, each followed by its respective handle.

[@magnitt_mena](https://www.instagram.com/magnitt_mena) [in](https://www.linkedin.com/company/magnitt) [f](https://www.facebook.com/magnitt) [@MAGNITT](https://twitter.com/MAGNITT)