

MAGNiTT | SVC

H1 2023

SAUDI ARABIA

VENTURE CAPITAL REPORT

MAGNiTT report, sponsored by SVC

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Key Stakeholders Takeaways

Abdulrahman M. Mansour

Acting CEO,
SME Bank



Today, we are reaping the fruits of the tireless efforts that SVC has undertaken since its inception in 2018, by achieving many outstanding achievements that have placed the Kingdom of Saudi Arabia in advanced ranks in terms of stimulating financing and venture investment for startups and SMEs, as an extension of the continuous support from the government of the Custodian of The Two Holy Mosques, and His Highness the Crown Prince - may God protect them -. Within the efforts made by the SME Bank group, SVC was able to maintain the Kingdom's leadership position in MENA, with a total VC funding exceeding \$1Bn in 2022, in order to achieve the grand goal of increasing SMEs' contribution to GDP to 35% by 2030, according to the Kingdom's Vision 2030. SVC works, in alignment with the SME Bank, to develop the private capital ecosystem by providing required financing products to keep pace with the high demand for financing, as the VC funding annual growth rate in the Kingdom surpassed 70% in 2022, which was achieved in partnership with private local and international investors. As an extension to its role in stimulating investment in funds to fill the financing gaps for startups and SMEs, SVC helped the growth of investment in fintech startups to more than SAR 800 million during 2022. Moreover, the Kingdom recorded a 30% increase in the number of investors in startups in 2022, as a result of the advanced regulations and legislation by the Saudi Central Bank and the Capital Market Authority, to implement the best sustainable business models in accordance with best international practices and standards.

Nezar A. Alhaidar

Director,
Fintech Saudi



FinTech in Saudi continues to be a sector of focus for the venture capital industry. Over the last two years, there has been a consistently high level of investment in FinTech companies with SAR 1.3Bn invested in 2020 / 2021 and SAR 1.5Bn invested in 2021 / 2022. We are also pleased to see the availability of capital from pre-seed stage to series A and above, which helps Saudi FinTech companies throughout their lifecycle. In the last year, we have also witnessed more interest from international investors to support Saudi FinTech companies and an increase in exit activity, with buy-outs and local listings, providing FinTech entrepreneurs the ability to exit and investors the ability to realize a return on their investment.

Khaled A. Alsultan

Vice President of Investment,
SVC



We continue to witness Saudi Arabia taking a leading role in MENA's Venture Capital ecosystem. During H1 2023, Saudi Arabia ranked the highest in MENA for capital invested in startups, led by government tremendous support of the VC ecosystem, founders with disruptive and scalable business models, and the availability of patient capital with high-risk appetite. We are also witnessing international investors investing in Saudi based startups as well as other startups in MENA which is mainly driven by the strong prospect that the region has. At SVC, we will continue to back Fund managers with different stage focus, ranging from acceleration and early-stage Funds to pre-IPO and growth-stage Funds to further support in advancing our ecosystem.

Key Stakeholders Takeaways

Musaab Al-Muhaidib

Chairman,
SEEDRA Venture



We hold an optimistic perspective on the Saudi VC ecosystem. The government's Vision 2030 plans and initiatives have created a fertile ground for entrepreneurship and attracted foreign investments. The growth of the startup scene, supported by SVC, JADA among others, is encouraging. The participation of private VC funds, both local and international, brings diverse expertise, networks, talent and capital, which is fueling the expansion of founders and startups. Collaborations between local and international VC funds facilitate knowledge sharing and market access. The Saudi VC ecosystem holds immense potential to become a thriving hub for innovation and investment in the region. This is yet to be supported by corporates and family businesses who will embark into co-investment and M&A activities into these innovative companies.

Sonia Gokhale

Co-Founder and General Partner,
VentureSouq



VentureSouq has been actively involved in the KSA venture capital ecosystem for years and we will continue to back the best emerging technology companies in the Kingdom. There are a lot of reasons to be excited about the opportunity set in Saudi Arabia: (1) Saudi Arabia is MENA region's largest economy with one of the highest GDP-per-capita countries in the world; (2) the government's strong support of the startup economy and its stakeholders through Vision 2030 and related initiatives; (3) continued regulatory developments; and (4) the growing number of dynamic founders building category-defining companies. The best part is that it is still very early days, and the future has never been brighter for the Saudi startup ecosystem.

Stephanie Nour Prince

Partner,
Nuwa Capital



The strong funding activity in 2022 and into the first half of 2023 is a demonstration of the coming-of-age of Saudi Arabia's startup ecosystem. As long-term investors in the Kingdom, we see this as a significant inflection point. The Kingdom's robust entrepreneurship ecosystem, coupled with its strong fiscal position and investments in sectors like tourism, technology infrastructure, and renewable energy, position Saudi Arabia as a key player in the global economy and contribute to its long-term stability and growth. Saudi has notably made it more accessible for startups to go public and unlock value for their shareholders, and in addition to traditional businesses becoming more in tune with the technology sector, we are looking at evolving market dynamics and more exit opportunities. The confluence of the above will make the Saudi VC ecosystem an unstoppable force, fueling innovation and driving transformative growth in the region.

Tambi Jalouqa

Managing Partner,
Propeller



At Propeller we are extremely excited about the future of the Kingdom of Saudi Arabia. We are witnessing a new Saudi where founders are aiming high, building global products for a global audience. As an investor that focuses on software products, this is the time to invest in Saudi founders! We are seeing an impressive level of engineering, design, marketing and company building. This helps position Saudi Arabia as a go-to destination for regional and global investors to bet on these teams and make substantial returns. If we have to choose which area excites us the most, it would be the Saudi talent, whether it's the founders, fellow investors or leaders in government.

02 Executive Summary





Saudi Arabia became the top-funded country and secures the second-highest transactions in the MENA region during H1 2023.

Despite a 27% drop in capital deployed compared to last year, Saudi Arabia still amassed \$446M in H1 2023. This accounted for 42% of total funding in the MENA region, securing the Kingdom's second-place ranking in terms of funding, just behind the record-breaking H1 2022.



Saudi Arabia captured 28% of total deals in the MENA region in the first half of 2023.

Deals in the Kingdom posted their second half yearly decline to stand at 54. On a yearly basis, deals retreated by 44% compared to H1 2022 to stand at their lowest since the second half of 2020.



The first half of 2023 broke the record of the Kingdom's MEGA deal funding which stood at \$289M.

The two Series "C" deals closed by Floward and Nana captured 65% of the country's total funding and were the main propeller behind uplifting the Kingdom's capital deployed in the covered period.



E-Commerce/Retail was the industry of choice for investors in the Kingdom's VC space by funding and by deals in H1 2023.

Interest in E-Commerce/Retail was on the rise in the Kingdom in the first half of 2023, with the industry accounting for 83% of total funding with \$368M aggregated across 11 deals.



The Kingdom surpassed Egypt and UAE in funding with the gap in funding between the Kingdom and the UAE exceeding \$200M in the covered half.

At the level of stages, early stage was the star in Saudi Arabia, the proportion of early-stage deals in the Kingdom was comparable to that of the entire MENA region and the UAE.



Investors backing Saudi-based startups retreated by 41% YoY to stand at 54 investors in H1 2023.

While Flat6Labs topped investors in Saudi VC space, four of the top ten investors by number of deals were for Saudi-based investors.

03 Funding Evolution

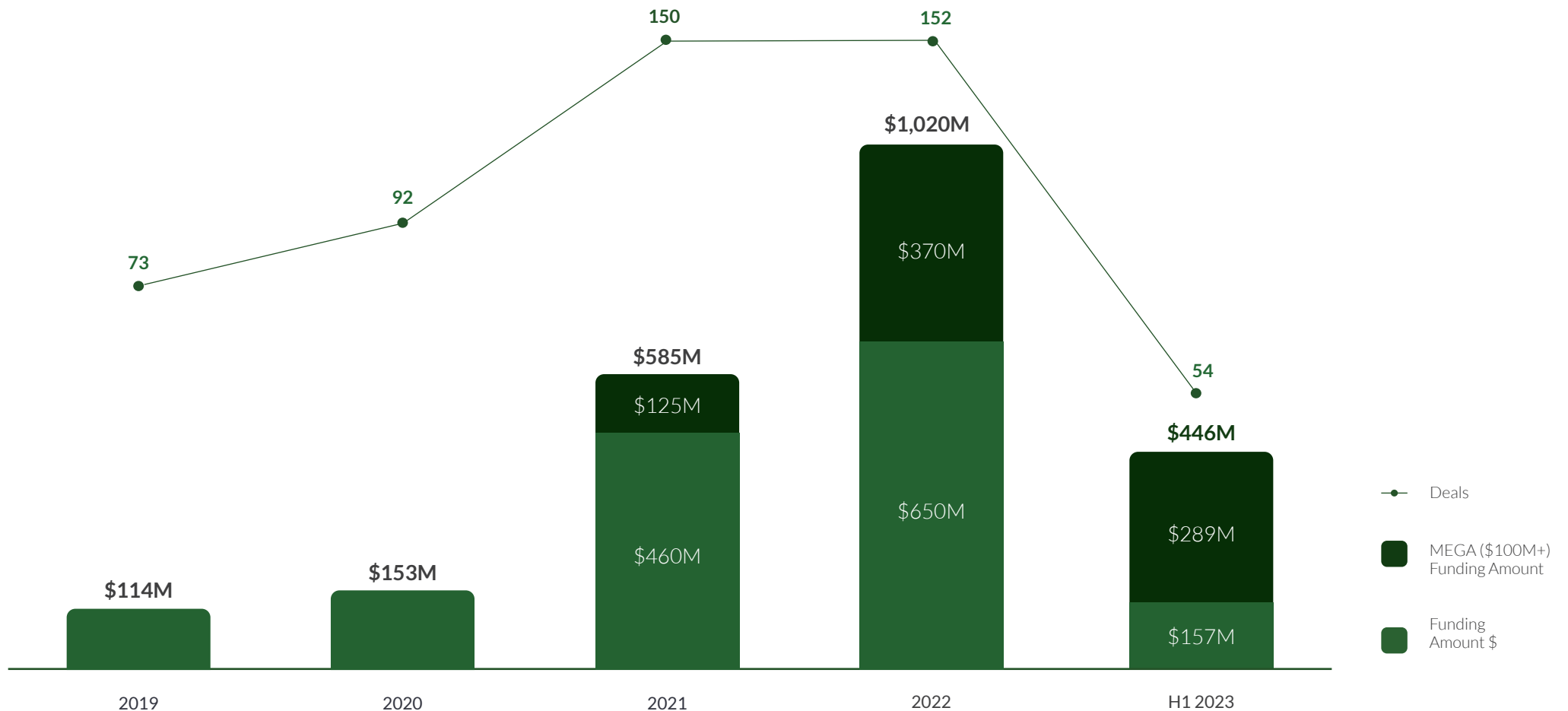


Yearly Funding Evolution | 2019 - H1 2023

The Saudi VC space started 2023 strong with the announcement of two MEGA deals worth \$289M in February pushing funding up to \$446M in H1 2023.

- Capital deployed in the Kingdom in the first half of this year stood at 44% of the total reported in the record-breaking 2022 and was backed by 65% by \$100M+ deals.
- While the MEGA deals paced up funding, the number of transactions reflected the overall slowdown taking over the VC market globally and in the region with deals at 54, representing 36% of the total reported in 2022.

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



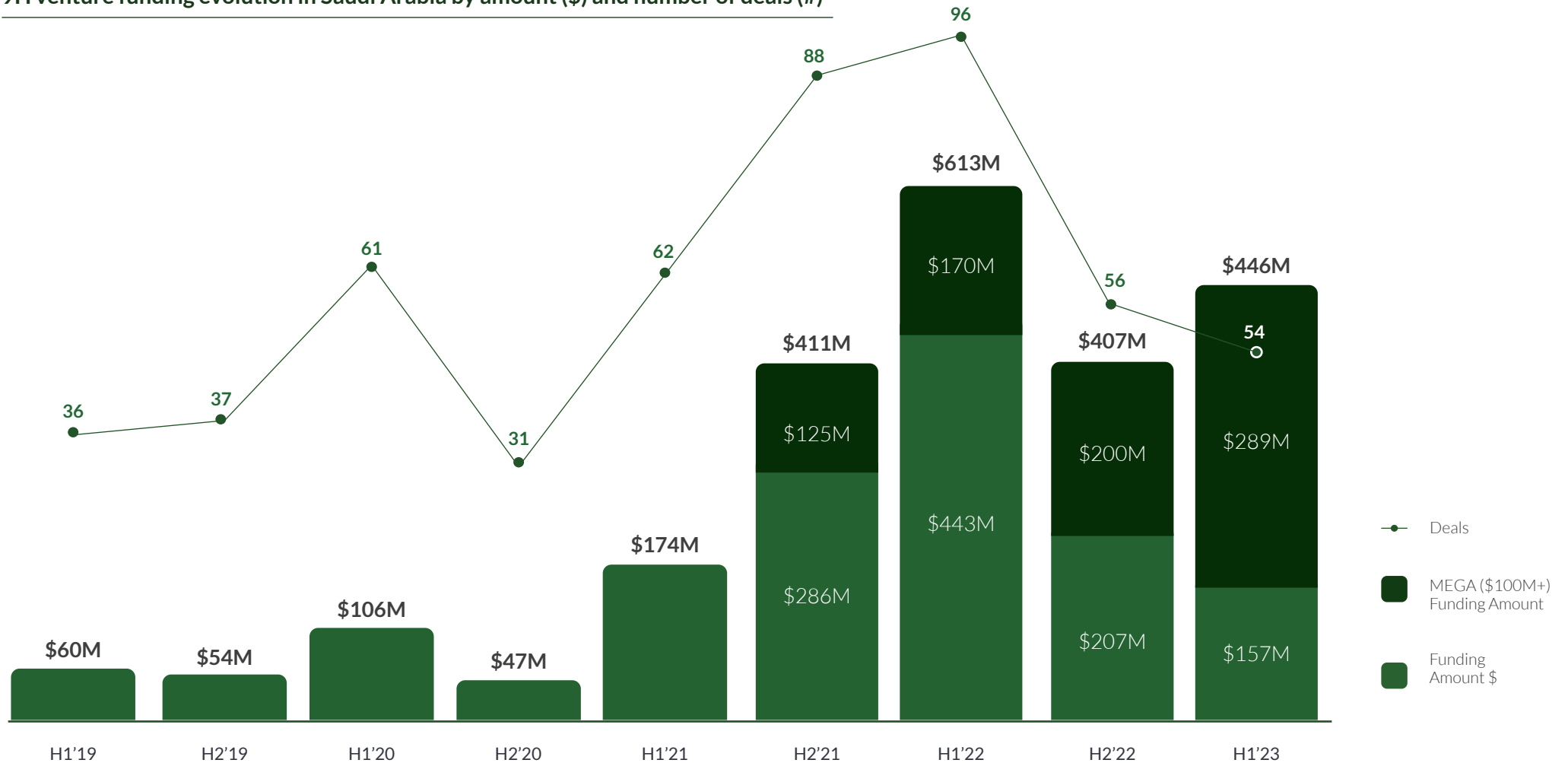
Half Yearly Funding Evolution | H1 2019- H1 2023

H1 2023 saw the second consecutive half yearly decline in both deals and non-MEGA deal funding in the Kingdom.

- Capital deployed in deals of less than \$100M posted a 65% YoY retreat in H1 2023 and stood at \$157M, the lowest since H2 2020, the midst of the pandemic period.

- While the number of deals saw a steeper half yearly decline in H2 2022 with a 42% drop when compared to H1 2022, another 4% half yearly decrease was recorded in H1 2023.

9H venture funding evolution in Saudi Arabia by amount (\$) and number of deals (#)



04 Country Breakdown



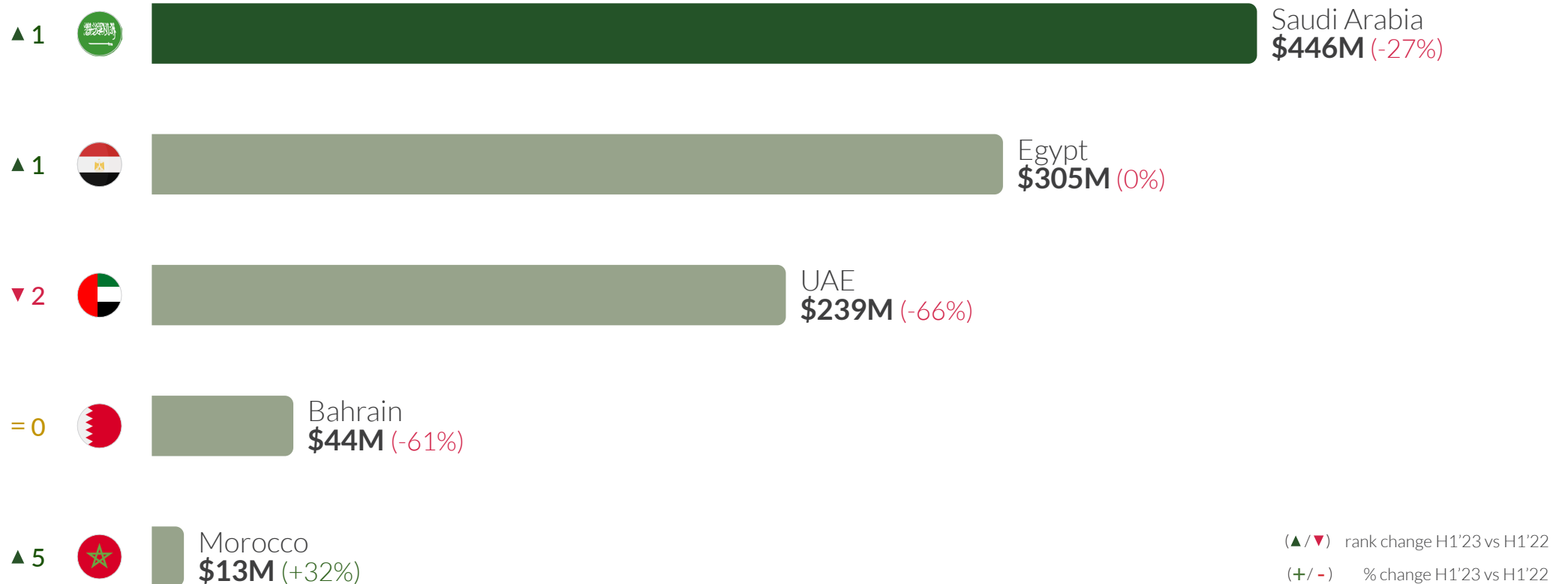
H1 2023 - MENA Country Comparison | By Funding

Saudi Arabia was the most funded country in the MENA region followed by Egypt which came second and UAE which landed third.

- The Kingdom captured an impactful share of 42% of total funding in the MENA region in the first half of 2023.

- Saudi Arabia took the funding gap difference with the UAE to \$207M in its favor in H1 2023, compared to \$85M for the UAE in H1 2022.

Top countries by total funding (\$) in MENA in H1 2023



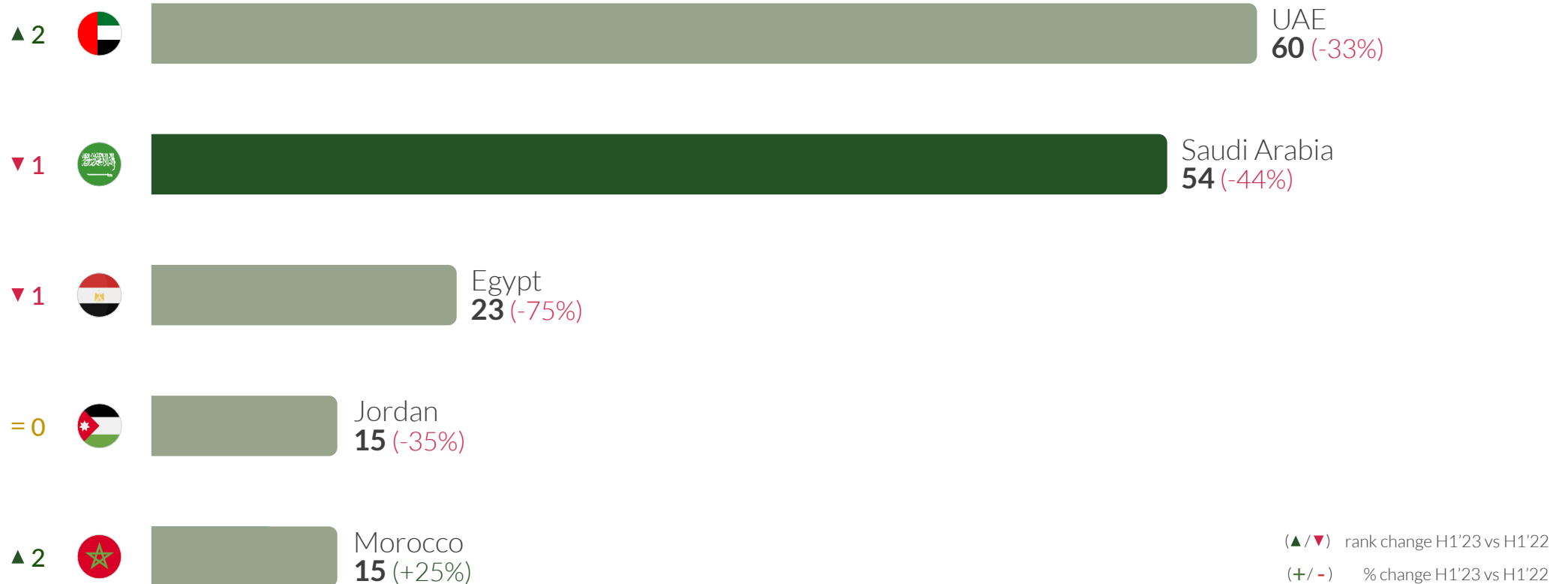
H1 2023 - MENA Country Comparison | By Deals

The Kingdom landed as the second most transacted country in the MENA region, accounting for 28% of the total deals closed.

- UAE topped MENA countries with 60 deals, coming ahead of the Kingdom with a six deal difference.

- Egypt followed Saudi Arabia in ranking with a remarkable gap of 31 deals in H1 2023, compared to a five deal difference in the same period of last year.

Top countries by number of deals (#) in MENA in H1 2023



05 Industry Breakdown

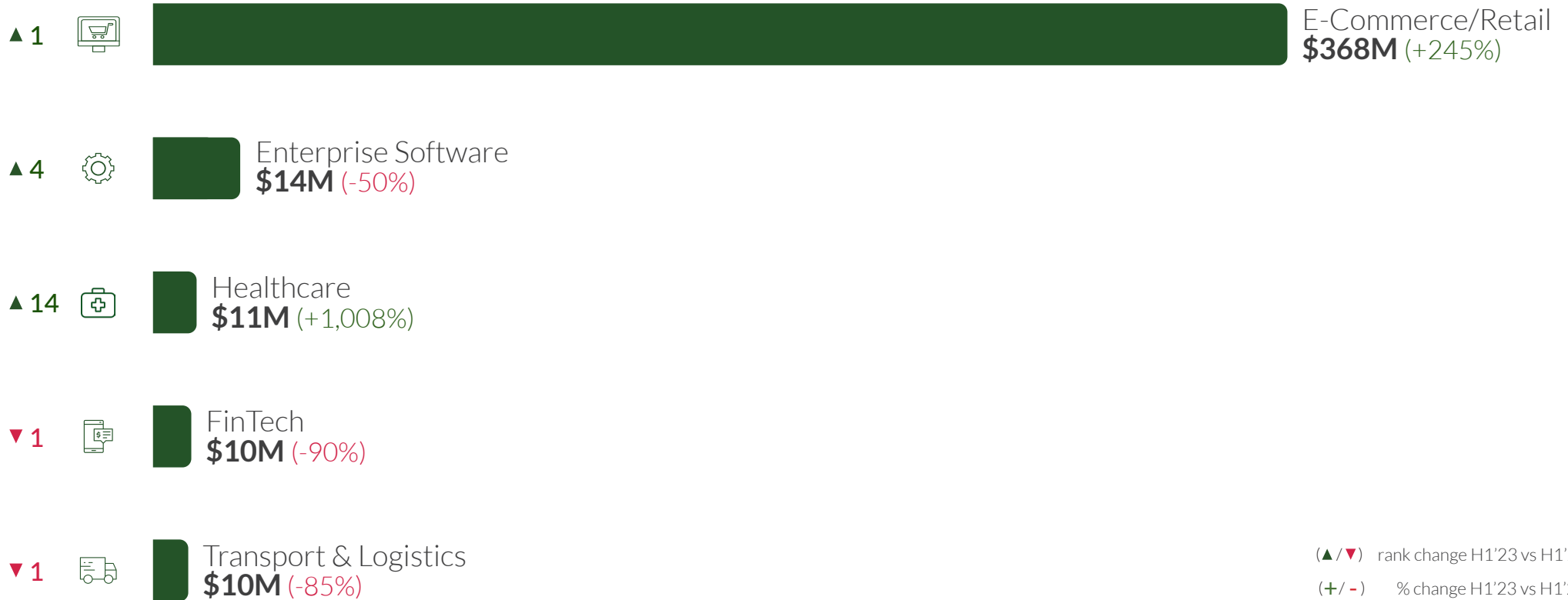


H1 2023 - Saudi Arabia Industry Comparison | By Funding

E-Commerce/Retail was the rising star of industries in the Kingdom in 2023 with a 245% YoY expansion in funding mainly due to the two MEGA deals.

- E-Commerce/Retail captured a heavy share of 83% of total funding reported in Saudi Arabia in H1 2023, supported by \$156M and \$133M reported by Floward and Nana.
- MENA's industry of choice FinTech slowed its funding pace in the Kingdom and landed fourth with an 90% YoY drop in funding. However, SVC's recent launch of the "Investment in FinTech VC Funds" product with an allocation of \$80M promises a more prosperous picture for the industry.

Top industries by total funding (\$) in Saudi Arabia in H1 2023

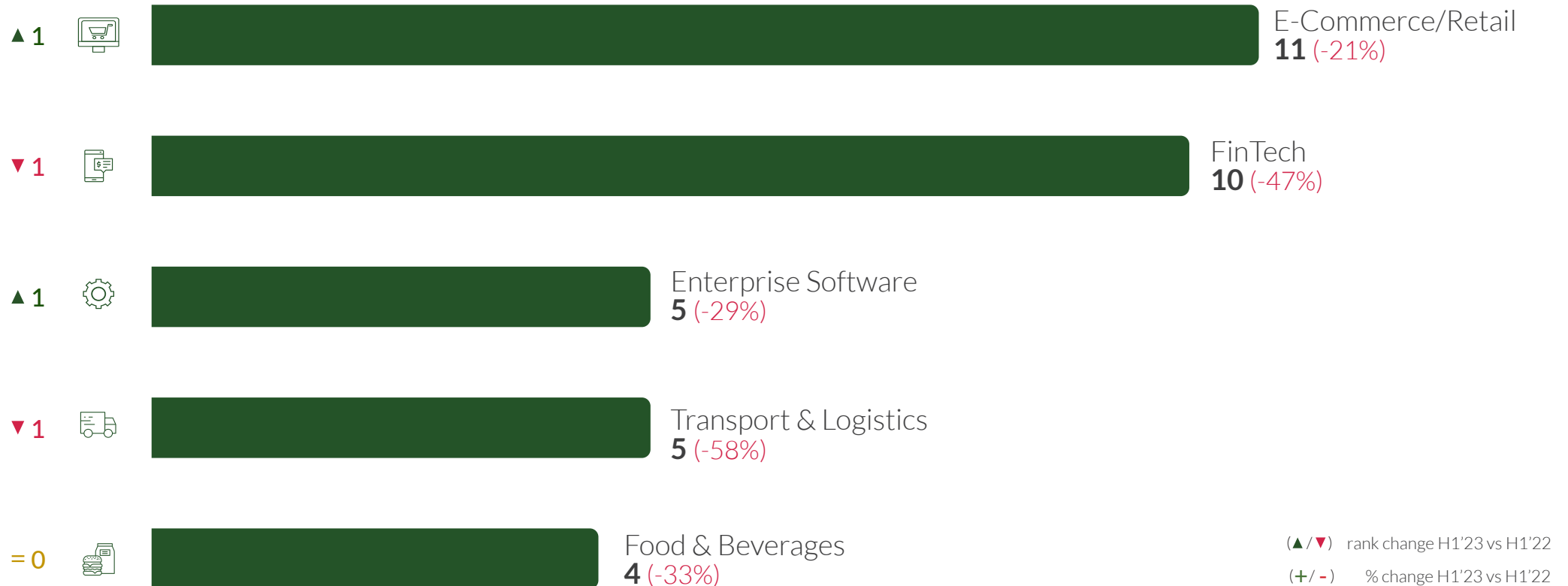


H1 2023 - Saudi Arabia Industry Comparison | By Deals

E-Commerce/Retail topped industries by deals in Saudi Arabia's VC space in H1 2023 accounting for 20% of the total transactions registered.

- FinTech lost its position as the country's most transacted industry in favor of E-Commerce/Retail with a single deal difference.
- Decline in the number of deals clearly impacted the top five industries in the Kingdom, which all posted a YoY retreat in transactions closed.

Top industries by number of deals (#) in Saudi Arabia in H1 2023



A green-tinted background image of a city skyline, featuring several tall skyscrapers. The most prominent one is a very tall, slender tower with a distinctive top section. Other buildings of varying heights and architectural styles are visible in the background.

















06 Investment Analysis

H1 2023 - Disclosed Funding Rounds in Saudi-based Startups | Top 5 Deals

Top five deals closed in Saudi Arabia in H1 2023 captured 79% of capital deployed in the country, with E-Commerce/Retail reigning over the top three.

- The Kingdom came ahead of the overall MENA region (61%) and UAE (62%) in the share of top five deals of total funding.

- Saudi's Flowward & Nana's Series "C" MEGA rounds along with Sary's \$50M funding round were among the top five funding rounds in the MENA region.

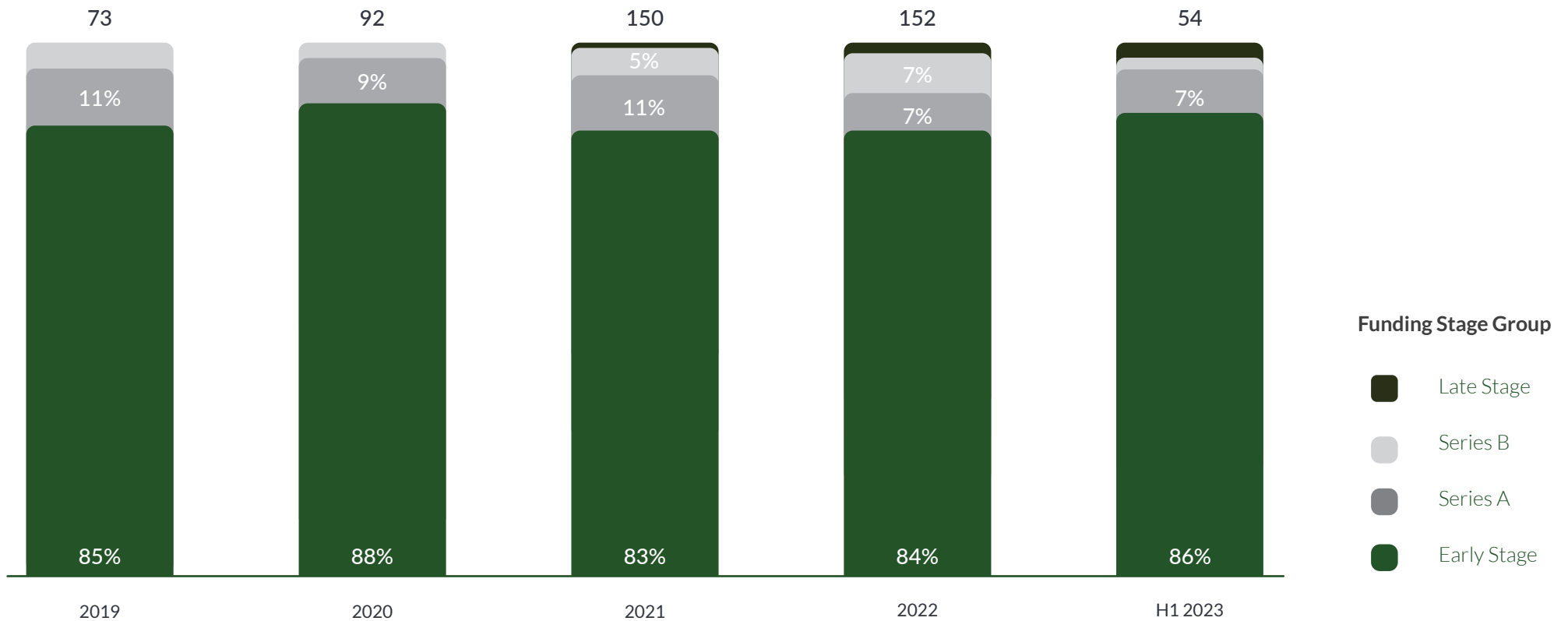
		Amount Raised	Funding Stage	Month	Industry	Investors
1		\$156M	Series C	Feb	E-Commerce/Retail	STV 
2		\$133M	Series C	Feb	E-Commerce/Retail	    
3		\$50M	Undisclosed	Jan	E-Commerce/Retail	
4		\$8M	SEED	March	Travel & Tourism	Undisclosed
5		\$7M	Pre-Series A	March	Healthcare	   

H1 2023 - Saudi Arabia VC Funding | By Stage

Early Stage (Pre-SEED to Pre-Series "A") deals continued to capture the lion's share of 86% of the total 54 deals closed in H1 2023.

- The concentration of the Kingdom's deals in Early stage was similar to that of the overall MENA region and UAE which saw 89% and 90% of the deals in Early stage.
- Interestingly, the share of late stage rounds stood at 5% in H1 2023, the highest it has ever reached.

Yearly VC deals in Saudi Arabia by stage (%)



H1 2023 - Saudi-Based Funded Startups

<p> E-Commerce/Retail 11 Deals</p>	<p> FinTech 10 Deals</p>	<p> Media & Entertainment 3 Deals</p>	<p> Travel & Tourism 2 Deals</p>
<p> Enterprise Software 5 Deals</p>	<p> Transport & Logistics 5 Deals</p>	<p> Home Services 1 Deal</p>	<p> Legal 2 Deals</p>
<p> Healthcare 4 Deals</p>	<p> Food & Beverage 4 Deals</p>	<p> Advertising & Marketing 2 Deals</p>	<p> Real Estate 1 Deal</p>
		<p> Manufacturing 1 Deal</p>	<p> IT Solutions 1 Deal</p>
		<p> Architecture & Design 1 Deal</p>	<p> Fashion & Lifestyle 1 Deal</p>

H1 2023 - Active Investors | By # of Investments

The ongoing global distress reflected at the level of investors in the Kingdom's VC space which retreated from 91 in H1 2022 to 54 in H1 2023.

- The interest of local investors was elevated with Saudi-based investors capturing a dominant share of 67% in the first half of 2023, the highest it has been since 2020.
- The participation of international investors decreased by 3PP YoY to account for 15% in H1 2023.

Investors by number of investments in Saudi-based startups in H1 2023



H1 2023 - Highlights



Ministry of Finance, Saudi Central Bank, Capital Market Authority, Financial Sector Development Program

The 2nd Edition of the Financial Sector Conference (FSC 2023) was organized by the Financial Sector Development Program partners (Ministry of Finance, Saudi Central Bank, and Capital Market Authority). FSC discussed the mechanism for building a clear road map to achieve growth and prosperity for the financial sector by enabling technology, diversifying investment, and strengthening international cooperation for a green economy.



MCIT, Misk Foundation, NTDP

MCIT, Misk Foundation and NTDP launched the first batch of the “Saudi Unicorns” program with 35 high-growth startups. The program aims to integrate efforts between the non-profit and government sectors to enable and support high-growth startups to access global markets, and to increase the number of Saudi unicorns in the Kingdom, which contributes to enhancing the domestic product and job creation.



MCIT, Saudi Federation for Cybersecurity, Programming and Drones

MCIT, Saudi Federation for Cybersecurity, Programming and Drones (SAFCSPP) and Tahaluf organized the 2nd edition of the International Technology Conference “LEAP23”. 172,000 visitors attended LEAP23 making it the largest global gathering for technology in terms of turnout. LEAP aims to contribute to enhancing the Kingdom’s pioneering status as the largest digital economy in the MENA region.



The Financial Academy, FinTech Saudi

The Financial Academy, in partnership with Fintech Saudi, launched the “Fintech Bootcamp”. to build national cadres specialized in fintech, with the aim of making the Kingdom a global fintech hub in line with the Vision 2030 Financial Sector Development Program. The “Fintech Bootcamp” aims to provide a stimulating environment for preparing and developing the next generation fintech entrepreneurs in the Kingdom.



National Development Fund, SME Bank

The SME Bank, a development bank affiliated with the National Development Fund, announced the allocation of SAR 10.5 billion to support the startups and SMEs sector, through existing and new financing products offered by the Bank, including direct and indirect lending products, financing guarantee, and investment products during the next three years.



Ministry of Commerce

The e-commerce industry in the Kingdom of Saudi Arabia has shown remarkable growth, with an annual increase of over 32% in Q1 of 2023 according to the Ministry of Commerce’s business bulletin. The growth of the e-commerce ecosystem is one of the objectives of the National Transformation Program, which supports the realization of Saudi Vision 2030 due to the importance of e-commerce in enhancing the national economy.



Monsha'at

Monsha'at organized “Biban 23” forum, which was attended by more than 145,000 visitors. “Biban” brings together all enabling and supporting entities from around the world to motivate them to provide their specialized services in promoting the growth of the SMEs and startups sector. It also brings together investors and financing institutions under one roof to facilitate access to appropriate financing for SMEs and startups.



Venture Capital & Private Equity Association

The Saudi Venture Capital & Private Equity Association launched the “Mergers and Acquisitions” program, which is led by a group of experts in mergers and acquisitions deals. The program provided valuable insights into opportunities of the field and the process of evaluating, negotiating and closing deals.

07 About SVC



About SVC

SVC is a government investment company (\$1.6 billion AUM) established in 2018 and is a subsidiary of the SME Bank, one the development banks affiliated to the National Development Fund. SVC aims to stimulate and sustain financing for startups and SMEs from pre-Seed to pre-IPO through investment in funds and co-investment in startups and SMEs.

Since inception, SVC has backed 34 Private Capital (Venture Capital, Private Equity, Venture Debt, Private Debt) Funds that supported 674 Startups and SMEs.

1 Investment in Funds

1.1 - VC Funds



1.1.1 - Accelerator and Startup Studio Funds



1.2 - Venture Debt Funds



1.3 - Private Equity Funds



1.4 - Private Debt Funds



2 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.

Learn more about SVC at svc.com.sa

08

About
MAGNiTT



About MAGNiTT

The number one platform for verified venture capital data in the Middle East, Africa, Pakistan, and Turkey

MAGNiTT, an enterprise **SaaS solution provider** headquartered in the Dubai International Financial Centre (DIFC), is the number one source of verified investor, start-up, and funding data in the Middle East, Africa, Pakistan, and Turkey (MEAPT)



MAGNiTT's software helps its subscribers identify the right investment opportunities through its 32,000-strong database, allowing you to conduct market research, identify leads, and create impactful data-led presentations.



MAGNiTT aids decision-making by providing real-time dashboards allowing subscribers to generate in-depth reports, track and monitor trends, and identify business critical insights within the venture capital industry.



MAGNiTT has become the region's largest source of venture capital data and analytics and is the reference for worldwide media, including The Wall Street Journal, Bloomberg, World Economic Forum, The Financial Times, Al Arabiya, and The National.



Organisations including big tech, investors, governments, and consulting firms rely on MAGNiTT every day to inform their venture capital decisions and increase their competitive advantage.

[Contact Us](#) get access to more insights and speak to our team for a demo

MAGNiTT 's Data

27,000
Startups

9,000
Investment Firms

12,500
Funding Rounds

7,000
Founders

600
Exits

2,000
Investors

We Are The Reference For

العربية
alarabiya

Gulf Business

Bloomberg

CNN

Entrepreneur

crunchbase news

The National

Khaleej Times

+wamda

WORLD
ECONOMIC
FORUM

ARAB NEWS

TC
TechCrunch

TECHINASIA

THE WALL STREET JOURNAL
WSJ

FT
FINANCIAL
TIMES

MAGNiTT Methodology | Equity

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 process for inclusion in its analytic reports.

Data is the foundation of thriving entrepreneurship ecosystems.

Proprietary

Startups and institutions list their proprietary information on their funding amount, stage, date, and investors directly onto the MAGNiTT platform. All funding data is validated through a rigorous process. To ensure comprehensiveness in the data, on a quarterly basis a follow-up with verified funding institutions on MAGNiTT occurs, requesting details on all their investments, including stage, amount, date, and other co-investors. This includes, and is not limited to, VCs, CVCs, angel groups, accelerators, university funds and family offices for MAGNiTT's focus geographies.

Public

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

Engineering Data

Where information is incomplete or undisclosed, 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.

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, accelerator programmes, or Angel investors. Where disclosed Angel investments are made at early stages these deals are included once verified.

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

Exits: M&A and IPOs are treated as exits: excluded from funding data, but included in exit data. Exit types that are excluded from this report are buyouts and secondary rounds.

Transaction date: Where provided the date of the transaction is based on the closing date of the round. Where this is unavailable, it is recorded as the announced date per public record.

Data lags: The data contained in this report comes directly from MAGNiTT, reported as of **July 3rd 2023**. 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 from the funding institution 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 it has none of the above 3rd party reference

Country HQ: In each of our venture reports, the location for which the data is analysed is based on the startup's HQ as chosen and verified by the startup 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

Primary Industry: In each of our venture reports, the industry by which the data is analysed is based on the startup's Primary Industry (main operational focus) as chosen and verified by the startup and reflected on the MAGNiTT platform. When analysing a particular industry, our research does not include:

- Startups whose secondary focus is that industry

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. For more info please visit magnitt.com or contact support@magnitt.com

▶ If you feel your firm has been underrepresented, please send an email to data@magnitt.com and we can work together to ensure your firm's investment data is up-to-date

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