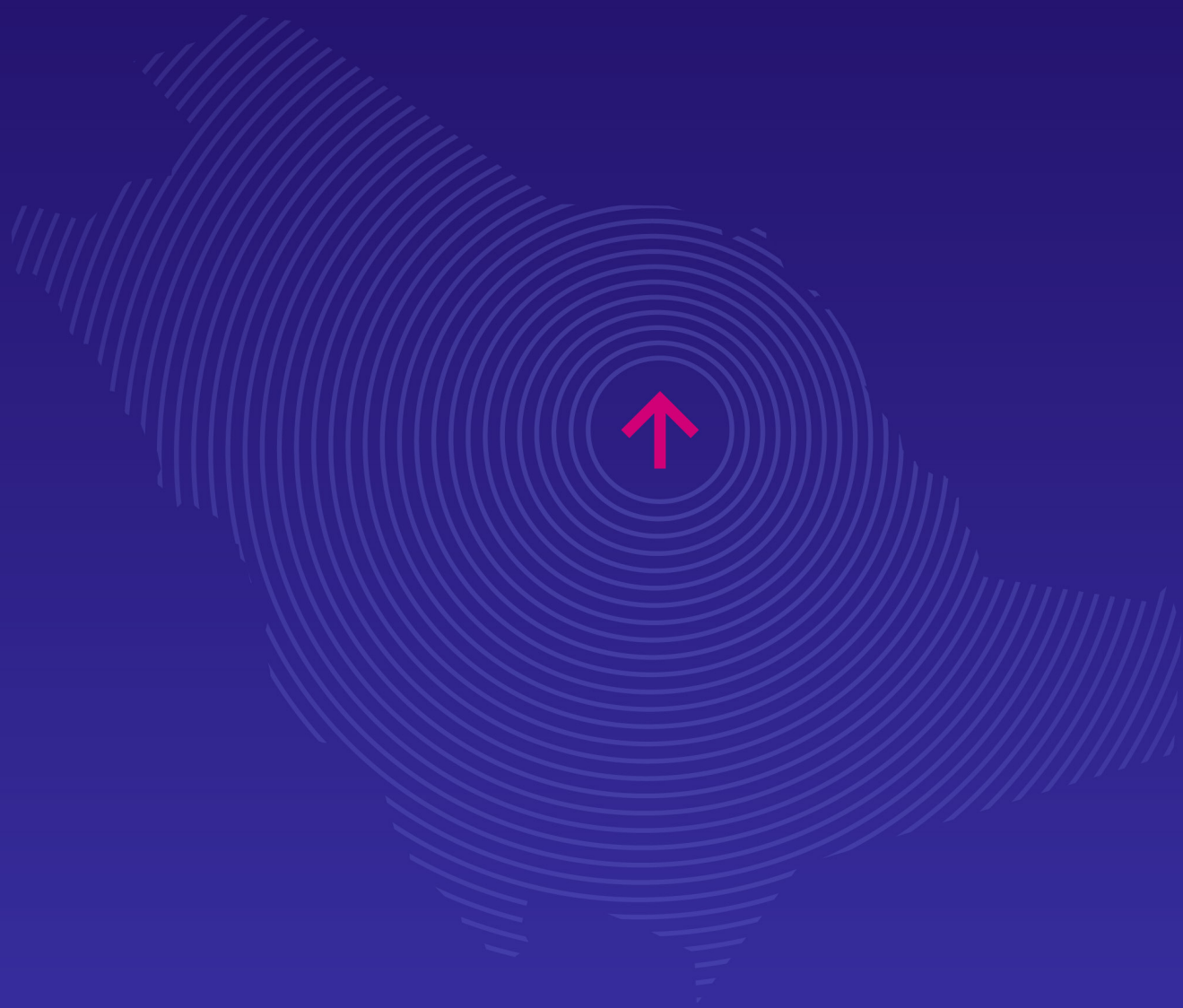


Territory Guide:

The Rise of Private Debt Funds in Saudi Arabia 2024



Executive summary

Private debt is emerging as a key asset class in Saudi Arabia, driven by the Kingdom's Vision 2030 and its ambition to diversify the economy beyond oil. This surge is attracting significant attention from both regional and global investors as Saudi Arabia's capital markets continue to mature.

In 2024, Saudi Arabia's private debt market remains in its early stages, but its growth trajectory is undeniable. Over the past two decades, the market has experienced exponential growth, with a substantial rise in the total capital raised by private debt funds. Recent years have seen a notable surge, reflecting heightened investor interest and the increasing role of alternative financing options. Additionally, there are now multiple active funds targeting significant capital inflows, underscoring the rising demand for private debt in the Kingdom. This points to private debt becoming a key asset class as Saudi Arabia's capital markets continue to expand and evolve.

The rise of private debt in Saudi Arabia is driven by three key trends. First, regulatory advancements have played a crucial role in creating a favorable environment for private credit. Saudi Arabia's Capital Market Authority (CMA) has introduced measures to enhance governance and transparency, while the Saudi Central Bank (SAMA) has implemented Rules for Engaging in Debt-Based solutions, further bolstering investor confidence in the market. These reforms, combined with increased ease of doing business and the broader Vision 2030 economic diversification goals, are helping to modernize the financial system, making it easier for businesses to access capital outside traditional banking channels.

Second, regional, and global investors are showing increased confidence in Saudi Arabia's private debt market. Financial institutions across the Middle East are increasingly optimistic about opportunities in the Kingdom, with surveys indicating that a vast majority of investors view Saudi Arabia as the most promising market in the region. As a result, foreign direct investment (FDI) into Saudi Arabia has accelerated, with more international capital flowing into the private credit sector. This influx of investment is helping bridge financing gaps and fueling key growth areas for the Kingdom, reinforcing the private debt market's growth trajectory.

Third, investor demand for diversification is driving interest in private credit as a less volatile alternative to public equities. With its lower correlation to broader market fluctuations, private debt offers more stable returns, making it an attractive proposition for investors navigating a challenging global economic environment.

As Saudi Arabia's private debt market continues to expand, underpinned by regulatory reforms, growing investor confidence, and rising foreign direct investment, it is set to become a significant asset class in the Kingdom's capital markets. In line with Vision 2030's objectives, private debt will play an increasingly vital role in supporting the growth of small and medium-sized enterprises (SMEs) and driving economic diversification.



Athary Fahad Almubarak

Chief Strategy Officer
SVC

Why private debt is on the rise in Saudi Arabia

Private debt is emerging as an increasingly attractive asset class in Saudi Arabia, supported by the Kingdom's plans to accelerate investment and transform its oil-reliant economy.

Private debt in Saudi Arabia is at an early stage of development.

- Since 2016, when the Saudi government launched its Vision 2030 plan to transform the economy, nine private debt funds investing in Saudi Arabia have reached final close, raising **\$1.18bn** (Fig. 2). Fund headquarters are roughly split between the Middle East, the US, and Europe.
- The total amount raised at final close by private debt funds investing in Saudi Arabia hit a record high of **\$335mn** in 2022, when two funds announced their final close.
 - That is a significant milestone given that two decades ago, in 2003, just \$32mn was raised in total, by one fund.
- By Q3 2024, two private debt deals were completed in Saudi Arabia, a modest amount given that the asset class is still emerging across the region.
- Currently there are eight funds in market investing in Saudi Arabia, targeting more than **\$1.77bn** (Fig. 1).

Fig. 1: In market: private debt funds with Saudi Arabia exposure*

Fund name	Vintage/ inception	Strategy	Fund manager	Fund manager HQ	Target size (\$mn)
GII Debt Fund-I	2023	Venture debt	Gulf Islamic Investments	United Arab Emirates	100
Liquidity-Vault Venture Debt Investment Fund	2024	Venture debt	Vault Investments	United Arab Emirates	100
Nahda Fund II	2024	Venture debt	Shorooq Partners	United Arab Emirates	100
Ruya Private Capital I	2023	Direct lending	Ruya Partners	United Arab Emirates	250
STV NICE Fund I	2024	Venture debt	STV	Saudi Arabia	75
Salica Growth Debt MENA Fund	2024	Venture debt	Salica Investments	UK	50
ZCG Direct Finance Partners	2024	Direct lending	ZCG	US	1,000
Amplify Growth Fund I	2024	Venture debt	Ajeej Capital	United Arab Emirates	100

*Funds in market are currently fundraising towards the target amount

Source: Preqin Pro

Fig. 2: Private debt funds with Saudi Arabia exposure closed between 2016 and Q3 2024, by fund type*

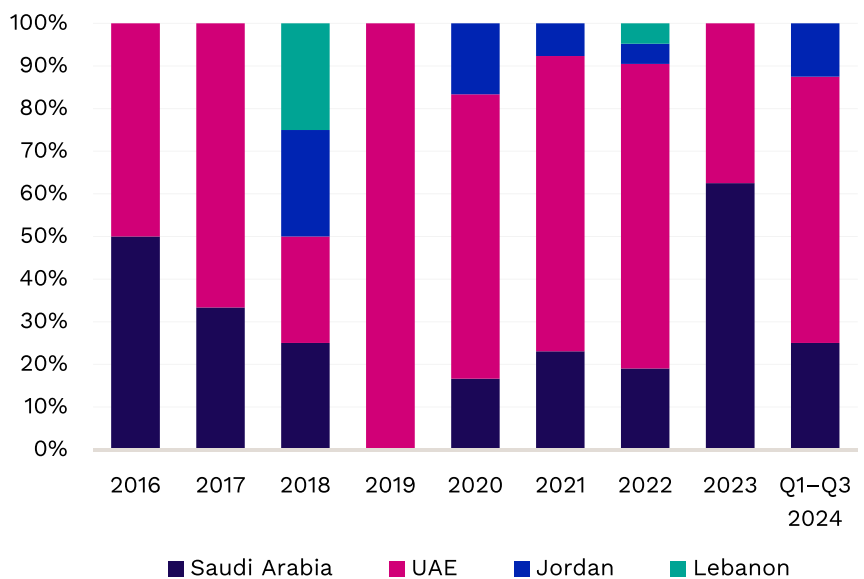
Fund name	Strategy	Fund manager	Fund manager HQ
Saudi SME Fund (Afaq)	Mezzanine	Malaz Capital	Saudi Arabia
Gulf Credit Opportunities Fund II	Mezzanine	Gulf Capital	United Arab Emirates
NBK Capital Partners Mezzanine Fund II	Mezzanine	NBK Capital Partners	United Arab Emirates
MEFIC Private Equity Opportunities Fund 2	Mezzanine	MEFIC Capital	Saudi Arabia
Shuaa Financing Opportunities Fund	Mezzanine	Shuaa	United Arab Emirates
Riyad Finance Fund I	Direct lending	Riyad Capital	Saudi Arabia
Riyad Finance Fund II	Direct lending	Riyad Capital	Saudi Arabia
Shari'ah Credit Opportunities	Direct lending	NBK Capital Partners	United Arab Emirates
Partners for Growth VII	Venture debt	Partners for Growth	US

*Closed funds have ceased fundraising to make and manage investments

Source: Preqin Pro

- 2022 was a record year for the Middle East, with a high of 21 Middle East-focused private debt deals secured, up from 13 the year before.
- As Fig. 3 shows, Saudi Arabia has captured a substantial share of Middle East private debt deals. More than a quarter (27.5%) of deals since 2016 when Vision 2030 was launched were based in Saudi Arabia.

Fig. 3: Middle East-focused private debt deals by country, 2016 – Q3 2024



Source: Preqin Pro

‘By analyzing insights from market players in this report, we highlight our commitment to enhancing transparency in Saudi Arabia’s private capital markets. This report examines the key trends driving the growth of the expanding private debt asset class, showcasing its increasing potential in supporting the growth of small and medium-sized enterprises (SMEs) and driving economic diversification.’

**Athary Fahad Almubarak, Chief Strategy Officer
SVC**

‘In 2024 the global economy, and particularly the US economy, has continued to perform against the market consensus expectations. The yield curve inversion has been widely interpreted as a sign of impending recession, which so far has not manifested.

At the time of writing, there is increasing consensus among policymakers that inflation is easing, based on improving data, and so there is a decreasing probability of further rate hikes. Evidence of this was seen over the second quarter when the 2s10s spread (the difference between the 10-year yield and the 2-year yield) narrowed substantially, finally closing to 0 basis points in August for the first time since July 2022.

Against this backdrop, fundraising for private debt globally has slowed over the last couple of years. In H1 2024, fundraising was 74% of the amount raised in the first half of 2023, indicating that fundraising headwinds are persisting in the short term.’

**RJ Joshua, CFA, Research Insights
Future of Alternatives 2029**

Private debt is becoming an increasingly attractive asset class in Saudi Arabia and is expected to grow as the Kingdom’s private capital market matures, fund managers interviewed by Preqin said.

Since private debt tends to do well in an environment where interest rates are higher, more investors are looking to the asset class for attractive returns. Compared with private equity, private debt offers a fixed return with lower volatility and – given the seniority of its positioning among capital providers – lower risk.

Three key trends highlight why private debt’s star is on the rise in the Kingdom, which we will explore in the pages to follow. To summarize, the three trends are:

1. Regional investors.

- Middle East-based financial institutions are increasingly bullish on regional private debt, and on opportunities in Saudi Arabia in particular, Preqin survey data shows.
- These investors plan to commit more capital to private debt in the region in the next 12 months. Over the last 12 months, the sentiment toward private debt from investors in the region is largely positive.
- The positive sentiment is underpinned by private debt’s improving performance, regional investors said.
- However, some investors have cited concerns over data availability, the quality of assets, and the recovery regime in case of default.

2. Global sources of capital.

- Global investors on the hunt for yield are increasingly drawn to private debt funds investing in Saudi Arabia.
- By serving as an anchor investor in regional private debt funds, Saudi Arabia’s Public Investment Fund (PIF) – the Kingdom’s \$925bn sovereign wealth fund – plays a vital role in attracting capital from outside the country, GPs interviewed by Preqin said.

3. Vision 2030 reforms.

- Growth in investor confidence has been strengthened by the Saudi Government’s initiatives to improve the regulatory environment and professionalize its industries.
- In January 2024 Jamil Hallak, Chief Investment Officer at the family office of Al Othaim told Preqin, ‘Since the start of the structural transformation in Saudi Arabia, the region’s burgeoning entrepreneurial spirit has increasingly attracted interest worldwide, fostering partnerships with GPs globally.’
 — [The Rise of Private Capital in Saudi Arabia 2024: Preqin Territory Guide.](#)

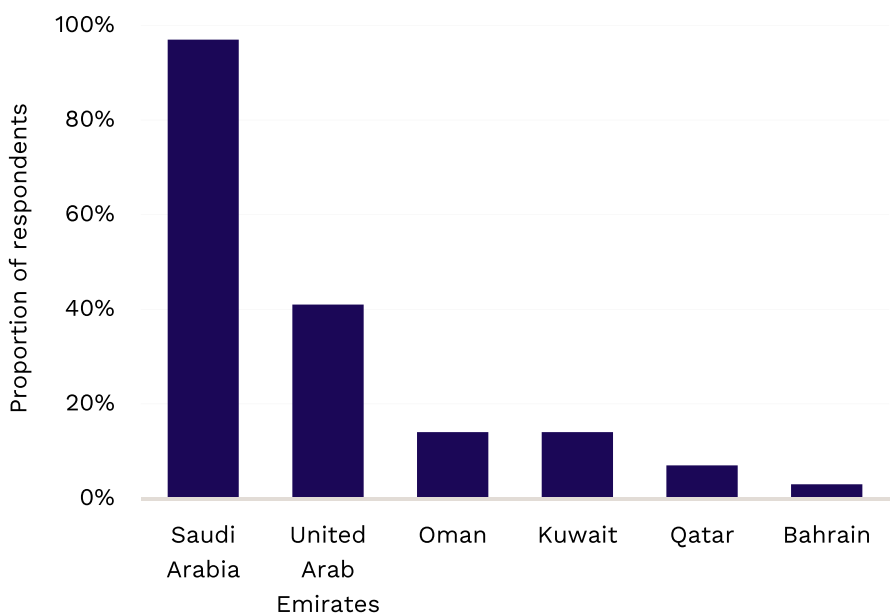
Deep dive: what are the three drivers of the rise of private debt in Saudi Arabia?

1. Growing interest from regional investors

Regional investors are increasingly bullish on private debt, and on opportunities in Saudi Arabia in particular.

- In February 2024, the vast majority (97%) of Middle East-based institutional investors – the main source of capital in the region – said that Saudi Arabia offers the best opportunities in the next 12 months (Fig. 4), up from 82% in 2023, Preqin survey data shows.

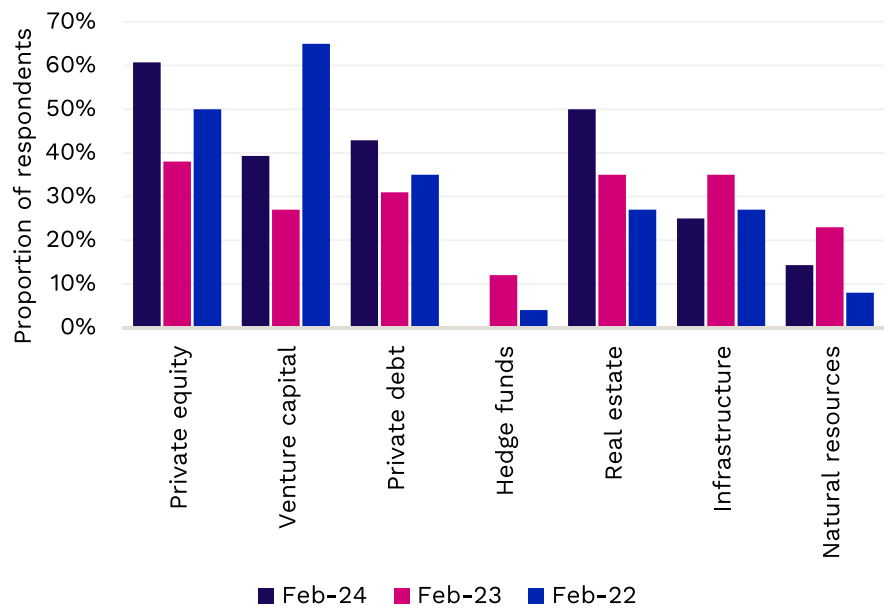
Fig. 4: Respondents were asked: ‘Which markets in the Middle East do you see presenting the best opportunities in the next 12 months?’



Source: Preqin Middle East Investor Survey, February 2024

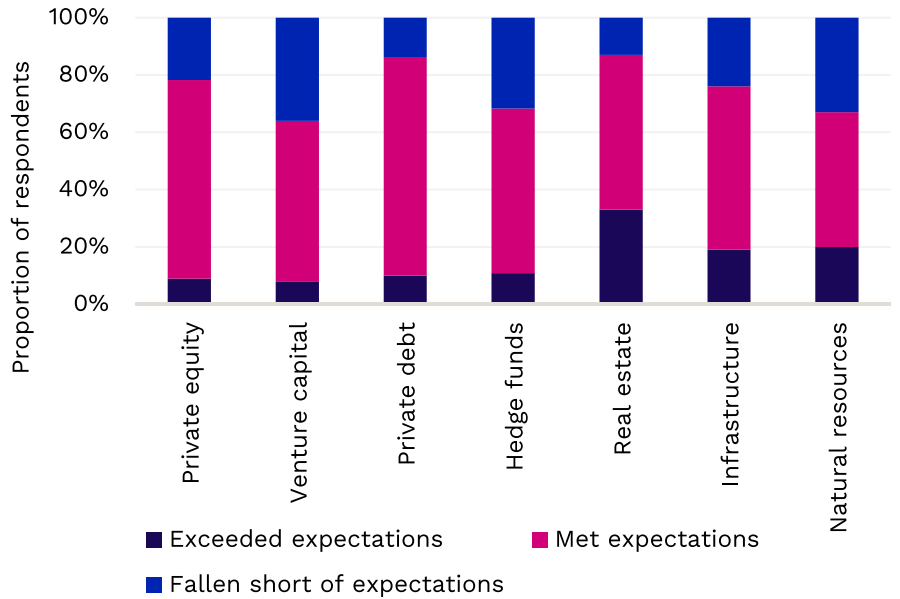
- For the second year in a row, private debt recorded the highest percentage of Middle East investors who plan to commit more capital to the asset class over the next 12 months.
 - Well over half (58%) of investors said so, up from 50% in 2023.
- Meanwhile, the percentage of investors who said they plan to commit more capital to private equity in the next 12 months fell to 38%, down from 44% in 2023, according to Preqin data.
- Private debt came third only to private equity and real estate as the asset class representing the best opportunities in the Middle East over the next 12 months, with 43% of investors choosing private debt vs 61% for private equity and 50% for real estate (Fig. 5).
- The percentage of investors who opted for private debt as the asset class presenting the best opportunities in the Middle East rose by 12 percentage points, up from 31% in 2023.

Fig. 5: Respondents were asked: ‘Which asset classes do you see presenting the best opportunities in the Middle East over the next 12 months?’



Source: Preqin Middle East Investor Survey, February 2024

Fig. 6: Respondents were asked: 'Has the performance of your Middle East portfolios in the following asset classes lived up to your expectations in the past 12 months?'



Source: Preqin Middle East Investor Survey, February 2024

These results reflect private debt’s improving performance in recent years.

- In February 2024, 86% of investors said that their private debt portfolios met or exceeded expectations (Fig. 6), up from 77% in 2023.

2. Growing interest from global sources of capital

Private debt funds investing in Saudi Arabia are attracting more capital from outside the Kingdom, fund managers interviewed by Preqin said.

- For regional fund managers, PIF has played a critical role in this development. By serving as lead investor in their funds, PIF has strengthened the credibility of regional players and enhanced investor confidence, these GPs said.

Global investment firms interviewed by Preqin said that Saudi Arabia – along with Gulf Cooperation Council (GCC) nations Bahrain, Kuwait, Oman, Qatar, and the United Arab Emirates – are drawing an increasing amount of capital from foreign investors as the region has grown and evolved.

Notable Saudi Arabia-based private debt deals

Tamara

- Fintech platform Tamara raised a total of \$400mn in venture debt from Goldman Sachs (\$150mn in March 2023 and \$250mn in November 2023).

Tabby

- Tabby, a Riyadh-based processing & payments infrastructure provider with over 40,000 retailers and 12 million users, received asset-backed venture debt from Partners for Growth in three previous rounds. This debt was then refinanced for \$700mn by JP. Morgan in December 2023, the largest asset-backed facility for a fintech company in the Middle East and North Africa (MENA) region.
- The company extended its series D round in 2023 to receive fundraising from Hassana Investment Company, a Saudi-based public pension fund; Soros Capital Management, and Saudi Venture Capital (SVC), a subsidiary of the SME Bank, which is part of the National Development Fund (NDF).

Buildnow

- Construction supply chain loan provider Buildnow raised \$9.4mn in seed funding in March earlier this year. The round was a mix of \$2.9mn in debt financing and \$6.4mn in equity and was led by Saudi-based firms Khwarizmi Ventures and RAED Ventures. Buildnow, which was founded in 2022, plans to use the capital to expand headcount and facilitate construction transactions in line with Vision 2030.

Retailo

- IMM Investments provided venture debt facilities for Retailo, a restocking e-commerce platform for retailers, valued at \$7mn in February 2022. This came alongside series A funding from Graphene Ventures, AgFunder, Agility Ventures, Mentor's Fund, and Abercross Holdings, as well as Saudi-based firms Shorooq Partners and Aujan Group Holding

Trukker Holding Limited

- In December 2020, Trukker Holding Limited raised \$10mn in venture debt funding from new investor Partners for Growth.

3. The positive impact of Vision 2030 reforms

Vision 2030’s framework of economic reforms establishes a firm foundation to support Saudi Arabia’s small and medium-sized businesses (SMEs) and bolster investor confidence. This matters because the Saudi Government sees accelerating investment as a key objective that sits at the very heart of the initiative.

- An overarching aim of Vision 2030 is to catapult Saudi Arabia into the ranks of the world’s top 15 economies by gross domestic product (GDP). The Kingdom’s \$1.1tn economy is currently ranked #19 in the world based on World Bank 2023 GDP data.
- Achieving this target will require tripling annual investments between 2021 and 2030 to reach a total of more than \$3.2tn (SAR 12.4tn), according to Saudi government estimates.

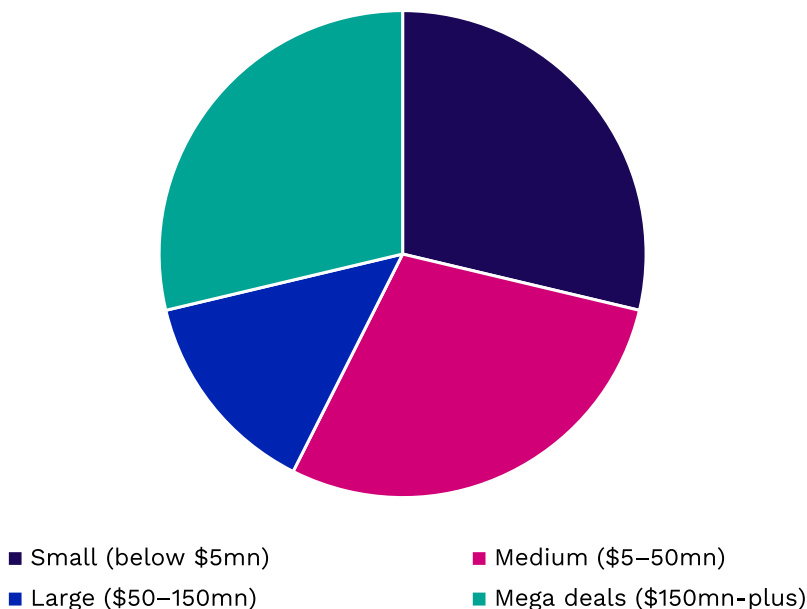
Saudi Arabia's National Investment Strategy aims to increase the quality and scale of investment in Saudi Arabia. The strategy is starting to pay off in the Kingdom’s private equity, venture capital (VC), and venture debt markets, which bodes well for the development of private debt.

For example, since Vision 2030’s launch, there has been a notable shift in the number of domestic versus foreign private equity and VC deals carried out by Saudi Arabia-based investment funds.

Across VC and venture debt, Saudi Arabia is capturing a growing number of deals with increasing value.

Fig. 7: Breakdown of Saudi Arabia private debt deal sizes, 2016 – Q3 2024

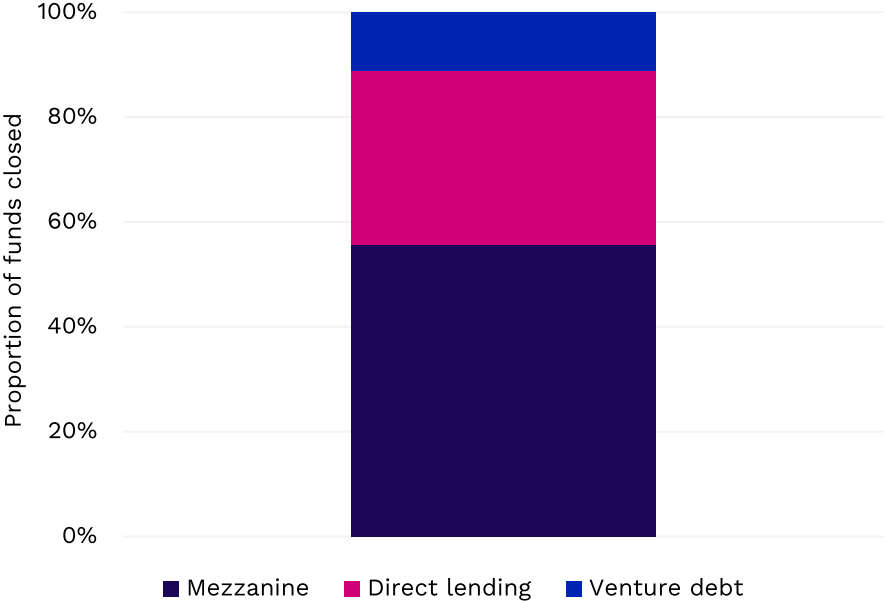
Private debt deal-making in Saudi Arabia is distributed across the size brackets



Source: Preqin Pro

Fig. 8: Private debt funds with Saudi Arabia exposure closed between 2016 and Q3 2024 by fund type

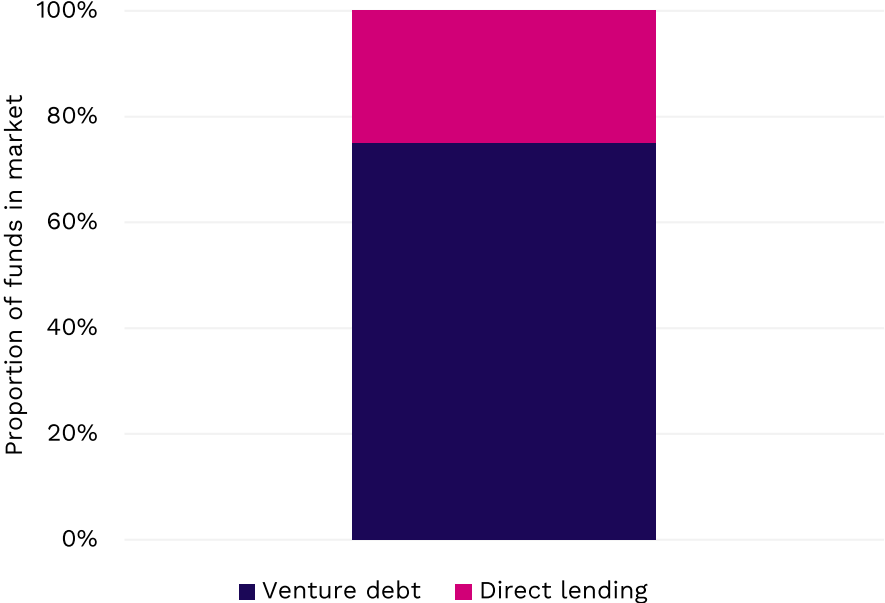
Mezzanine represents over half of Saudi Arabia exposure



Source: Preqin Pro

Fig. 9: Private debt funds in market with Saudi Arabia exposure

Support for start-ups and SMEs in Saudi Arabia is reflected



Source: Preqin Pro

Private debt – and private capital as a whole – have a key role to play in achieving Vision 2030 goals, by helping to:

- Attract more foreign direct investment (FDI).
 - FDI – including institutional capital – is targeted to provide 15% or \$0.5trn of the cumulative \$3.2trn investment Saudi Arabia requires by 2030.
 - The Public Investment Fund (PIF), the Kingdom’s \$925bn sovereign wealth fund, is targeted to contribute 42% or \$1.3trn of that \$3.2trn total.
- Develop promising local companies into regional and global leaders.
- Create jobs through start-ups, SMEs, and micro-entities.
- Grow the SME contribution to the economy.

Vision 2030 sets out the Saudi government’s plan to improve its regulatory regime. These regulatory changes aim to enhance the ease of doing business, strengthen private sector engagement, and improve transparency by:

- Adopting best-practice global investment promotion and investor protection agreements.
- Reviewing, evaluating, and amending existing legislation and regulations affecting investors.
- Establishing arbitration centers in cities and in special economic zones, four designated areas within the Kingdom which have been granted specific commercial benefits.
- Assessing the establishment of specialized investment courts.

Fund managers interviewed by Preqin said the Saudi Government’s regulatory improvements have had a significant positive impact.

Yaser Moustafa, Head of EM Private Investments, Janus Henderson (formerly NBK Capital Partners), a Dubai-based investment manager, highlighted PIF’s key role when it closed its third private credit fund at more than \$215mn in 2022.¹

In an interview with Preqin, he said:

‘When PIF became a lead investor in our fund, that changed everything for us, and for a lot of local players. It became a ‘big bang’ moment for the region. **PIF’s lead role created opportunities to attract big global investors into the region**, including Janus Henderson, (a London-based global investment firm with over \$10bn alternatives AUM) which acquired us in September 2024.

¹ Alongside PIF’s allocation, the NBK Capital Partners Shari’ah Credit Opportunities Fund secured cornerstone commitments from Abu Dhabi Catalyst Partners, an independent third-party investor backed by two global names: Mubadala Investment Company, Abu Dhabi’s \$302bn sovereign wealth fund, and US-based investment firm Alpha Wave Global.

Private debt funds like ours are a highly efficient way to generate FDI for Saudi Arabia.

If you look at our level of activity from Saudi now, it's never been higher. We're getting higher quality, bigger borrowers. I do think the story of Saudi going into 2030 is the story of the growth and evolution of private capital and the private debt sector.'

Armineh Baghoomian, Managing Director and Head of Europe, Middle East, and Africa, and Co-Head of Global Fintech at Partners for Growth, said:

'Since having completed the first venture debt transaction in the market nearly four years ago, we've seen a tremendous increase in the opportunity set in the Kingdom. There is significant momentum behind the ecosystem, from equity capital to regulatory environments that are deepening the market locally.

As Trukker has demonstrated, alternative sources of capital, be it venture debt or asset-backed lending, are beneficial tools to finance growth for the region's breakout companies. We were pleased to pioneer this type of capital for companies in Saudi Arabia and look forward to continuing to support dynamic entrepreneurs with flexible capital solutions as the market expands.'

David Beckett, Founding Partner of SC Lowy, said:

'We at SC Lowy are seeing a **highly compelling, diverse, and scalable investment opportunity set** in Saudi for private credit, including in the special situations space.

Particularly important to us as credit investors has been the implementation of the Saudi bankruptcy law, which has led to successful restructurings. This boosts our confidence along with the growing implementation of best practices across the sector. Our view is further supported by the rapid transformation and development of the regulatory environment and efforts to diversify the financial markets by Saudi authorities.

We see Saudi Arabia on the same path as larger markets, such as India, which have become **key allocations for international institutional investors.**'

The future of private debt in Saudi Arabia

Saudi Arabia's private debt market has the fundamentals in place to grow and thrive, global fund managers interviewed by Preqin said.

David Hayers, Head of Venture Debt at London-based investment firm Salica Investments – previously known as Hambro Perks – said:

'The dynamism in Saudi Arabia is exciting to see – it's a **very entrepreneurial nation**. If I look at our venture debt pipeline at Series A stage and beyond, the majority of companies are either based in Saudi Arabia, or are expecting significant growth from the country, due to the size of the market. There's a lot of capital and a burgeoning middle class.

If you think of venture in China, with a middle class that drove quite a transformation in the economy, that's where Saudi's economy could be in future. Or if you think about the UK, where venture financing has grown significantly over the past couple of decades.

What excites me is the potential for rapid growth in Saudi because of the market size and in the region as a whole due to the repositioning of the economies towards technology. I think we at Salica Investments can play our part in establishing a technology lending market and in the **economic transformation that is clearly happening.**

Global investment firms are not alone in closely watching the growth and evolution of Saudi Arabia's nascent private debt industry. For other developing economies in MENA and beyond, Saudi Arabia's success in this area will strengthen the impetus for improving transparency to secure the capital needed for sustainable growth in a net zero world.

New to private capital terms and definitions? Preqin has a [glossary](#).

Private debt

Direct lending

The practice of non-bank lenders extending loans to small and medium-sized businesses in return for debt securities rather than equity.

Distressed debt

Debt of companies that have filed for bankruptcy or have a significant chance of filing for bankruptcy in the near future.

Mezzanine

Investments in debt subordinate to the primary debt issuance and senior to equity positions.

Special situations

Classification covering several areas including distressed and mezzanine, where loan decision or grade is defined by something other than underlying company fundamentals.

Venture debt

A type of debt financing provided to venture capital-backed companies by a specialized financier to fund-working capital or capital expenses. Venture debt providers combine their loans with warrants or rights to purchase equity, to compensate for the higher risk of lending.

Key takeaways

- Venture debt and private debt will continue to support Saudi Arabia's burgeoning entrepreneurial class on the road to Vision 2030.
- Private debt in Saudi Arabia is at an inflection point with the liquidity available to traditional lenders often allocated elsewhere.
- Regulations introduced since 2018 have set a new standard of transparency and fairness for private debt aligned to Saudi Arabia's broader investment strategy.
- LPs are warming up to private debt across the region and see it as one of the best opportunities in the years ahead.



Saudi Venture Capital Company

SVC is an investment company established in 2018 and is a subsidiary of the SME Bank, part of the National Development Fund (NDF). SVC aims to stimulate and sustain financing for start-ups and SMEs from pre-seed to pre-IPO through investment in funds and direct investment in start-ups and SMEs.

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