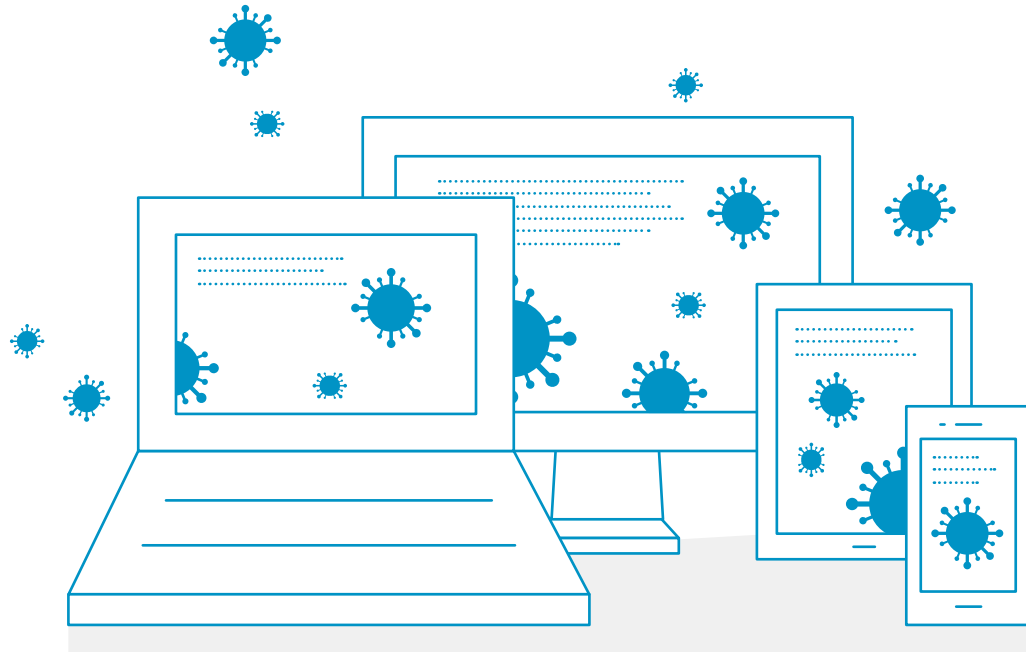


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THE IMPACT OF THE COVID-19 OUTBREAK ON THE ENTREPRENEURSHIP ECOSYSTEM

2020

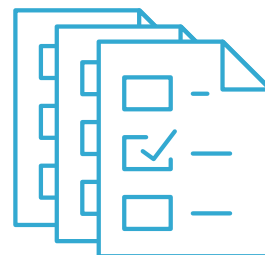
INTRODUCTION



The Covid-19 pandemic has wreaked havoc on the global economy, bringing entire sectors, industries, and cities to a standstill.

In the Middle East and North Africa (Mena) region, the economic doom has been compounded by an unstable oil price, simmering unrest in Lebanon with close to 70% of the population at risk of [falling below the poverty line](#), price hikes in Egypt and a rise in VAT in Saudi Arabia. The ongoing lockdown measures have overwhelmed traditional sectors, forcing many to embrace the digital economy to survive. For startups in the region, the situation has either been a disaster or the catalyst for growth.

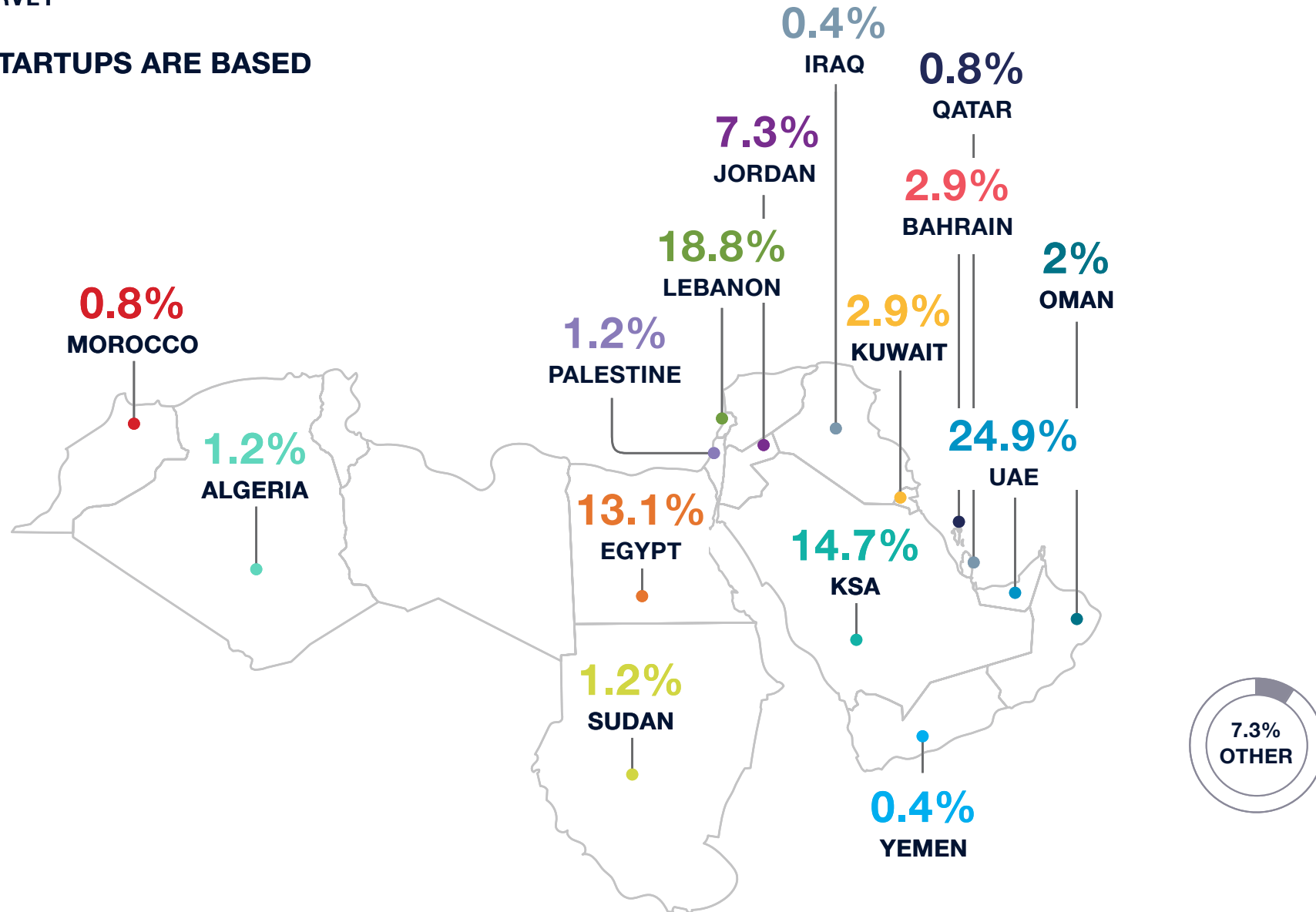
This report, developed by Wamda and Arabnet aims to identify the extent of the impact of Covid-19 on the region's entrepreneurship sector and the measures that can be taken to alleviate the financial stress on startups.



Data to develop this report was collated
from **247 startups** in MENA

WHO DID THE SURVEY

WHERE THE STARTUPS ARE BASED



WHO DID THE SURVEY

SECTORS OF THE STARTUPS

LAST-MILE



GAMING / ENTERTAINMENT



E-GROCERY / FOODTECH



ENERGY



LOGISTICS



FINTECH



TRAVEL



HEALTHTECH / MEDTECH



E-COMMERCE



MOBILITY



EDTECH



SOFTWARE / SAAS



CONSTRUCTION / REAL ESTATE



ON-DEMAND SERVICE

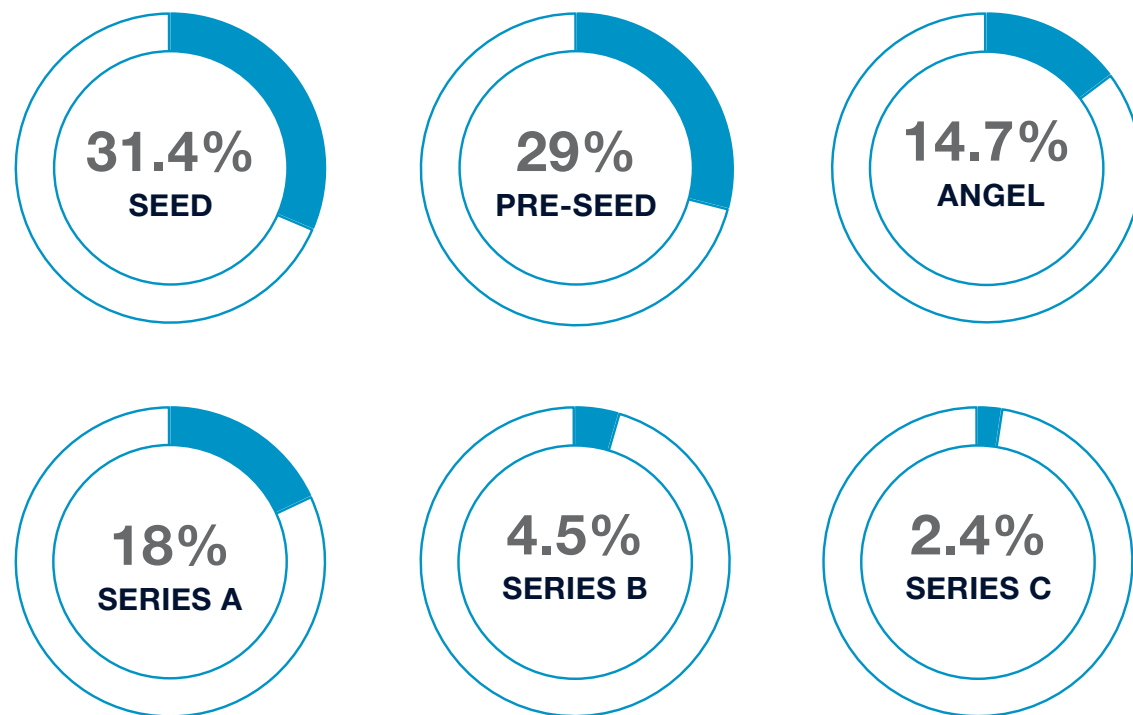


OTHER



WHO DID THE SURVEY

STARTUP DEVELOPMENT STAGE



Impact of pandemic on startups

IMPACT OF PANDEMIC ON STARTUPS

The ripple effect of the pandemic began in Mena even before the first case was recorded in the region.

As the virus began to spread beyond China, people became wary of hosting international events and so the first sectors that saw an impact were travel and mobility. A third of the mobility startups in the region suspended their operations and have seen their revenues decrease by 76-100%. Out of the travel startups, 25% have completely shut down and 50% have currently suspended operations.



25%
OF TRAVEL STARTUPS
SHUT DOWN

Beyond travel restrictions, lockdown measures to curb the spread of the virus and the economic uncertainty have **resulted in a negative impact on 71% of the startups**, of which 22% have suspended operations, and 21% are witnessing a high decrease in demand resulting in significant losses.

Since the outbreak of Covid-19 in the region, these startups have either pivoted to maintain business or scaled back their operations to survive.

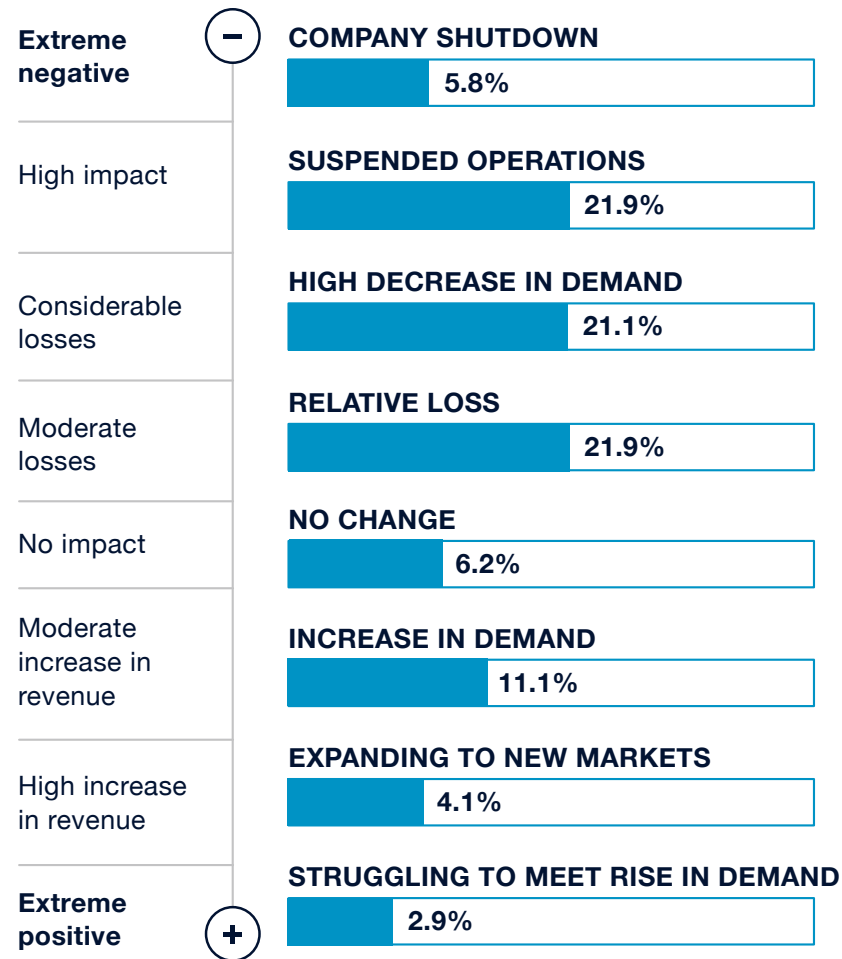
On the other hand, most startups in e-grocery, edtech and fintech saw an increase in demand, which reflected in positive revenues. Specifically in e-grocery, 16.7% saw their revenues double since the outbreak of the pandemic while 47% of edtech startups saw a positive impact on their revenues.



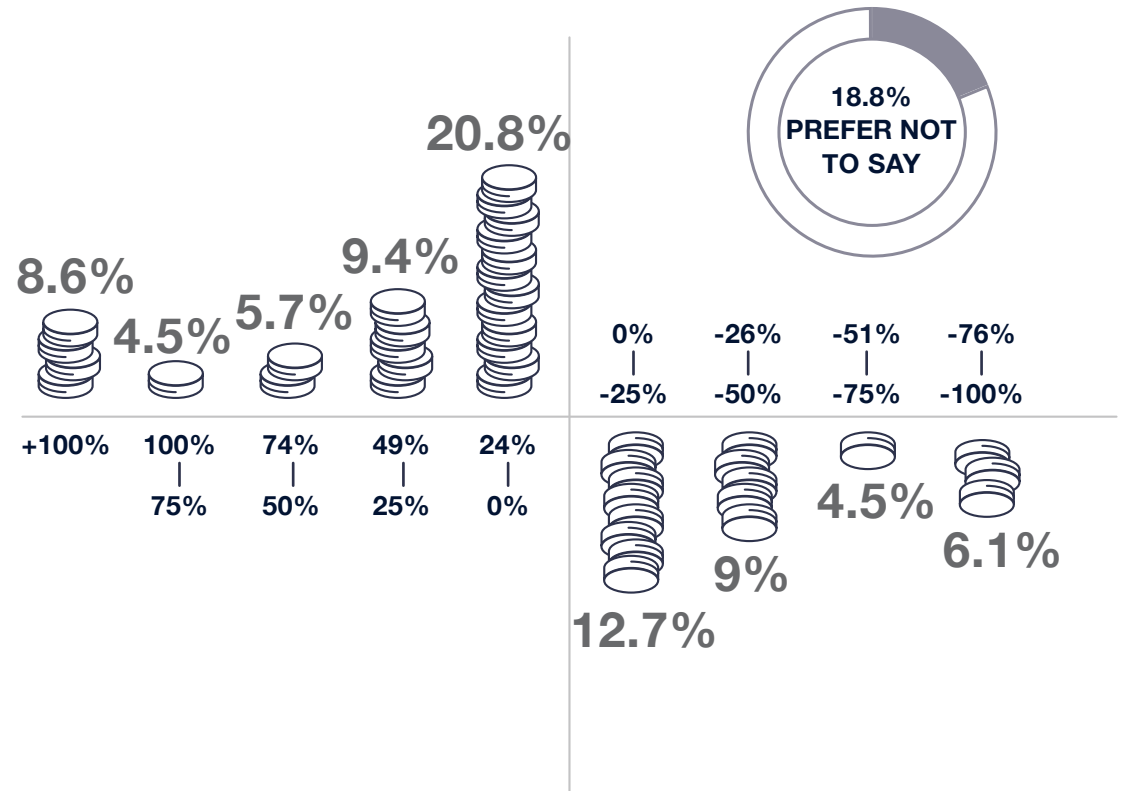
16.7%
E-GROCERY STARTUPS
REVENUE DOUBLED

IMPACT OF PANDEMIC ON STARTUPS

HOW WOULD YOU DESCRIBE THE IMPACT OF THE PANDEMIC ON YOUR STARTUP?

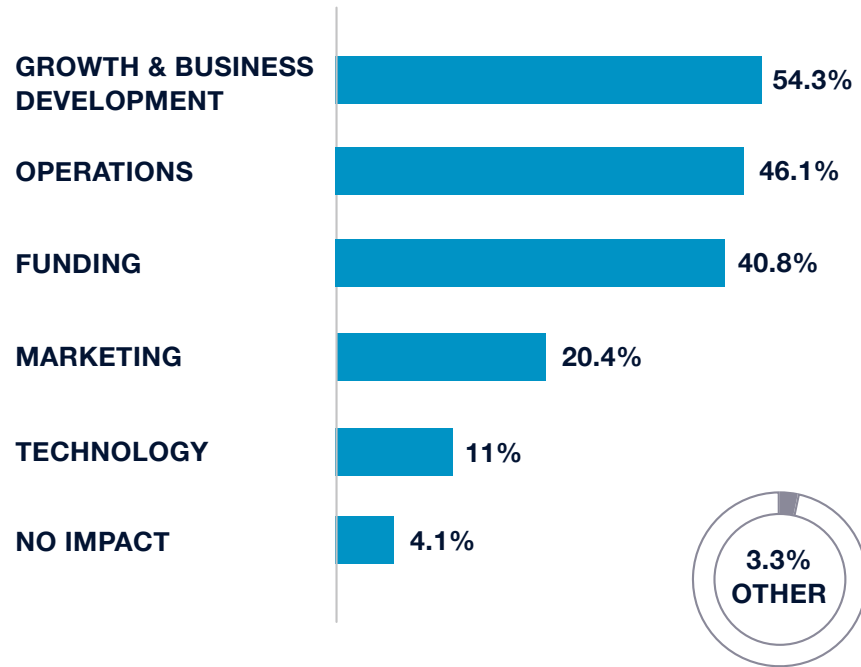


HAS YOUR STARTUP SEEN AN INCREASE OR DECREASE IN REVENUES IN THE LAST 3 MONTHS?



IMPACT OF PANDEMIC ON STARTUPS

AREAS OF THE BUSINESS THAT WITNESSED THE MOST IMPACT



IMPACT ON THE STARTUP'S GROWTH

MANAGING TEAMS ACROSS MULTIPLE MARKETS



OPTIMISING CUSTOMER EXPERIENCE WHILE RETAINING HEALTHY UNIT ECONOMICS



FULFILLMENT MODELS



SHIFT IN BUSINESS MODEL



HIRING



SCALABILITY



BUSINESS DEVELOPMENT



OTHER



IMPACT OF PANDEMIC ON STARTUPS

IMPACT ON THE STARTUP'S OPERATIONS

WAREHOUSING

6.5%

PAYMENT COLLECTION FROM CLIENTS

23.7%

SHIPPING CROSS BORDER

11%

TRAVEL RESTRICTIONS**

28.2%

SERVICE RESTRUCTURING*

14.7%

SUPPLIERS

36.3%

SERVICE QUALITY/CUSTOMER SERVICE

17.1%

OTHER

22%

DELIVERY AND LAST MILE/SHIPPING

17.6%

FULFILLMENT

19.2%

*Adding new steps/services, like contactless delivery etc

**Travel restrictions impact on partnerships/community

IMPACT ON THE STARTUP'S TECHNOLOGY

FRONTEND

15.6%

BUSINESS INTELLIGENCE

17.7%

BACKEND

18.1%

PAYMENTS

25.9%

NEW ONLINE SERVICES

28.8%

OTHER

34.6%



Funding

FUNDING

The availability of finance has seen a dip, putting most startups at risk of running out of cash.

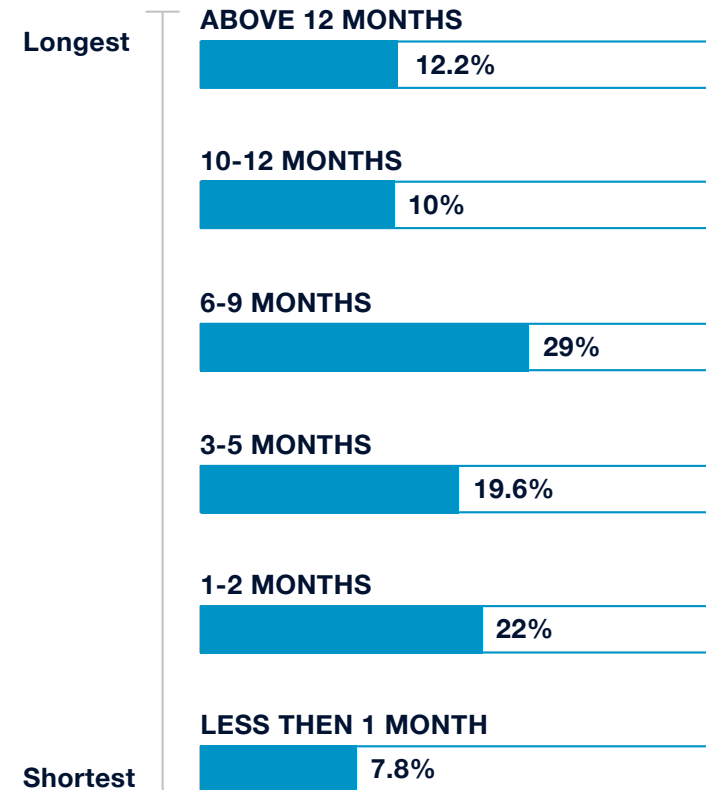
Almost half of the startups surveyed stated they have less than six months' runway left.

The economic uncertainty and drop in oil price has resulted in a sense of hesitancy among the investment community with half of the startups witnessing an impact on their latest funding round. Without adequate financial support, the ecosystem is at risk of shrinking further over the coming months.



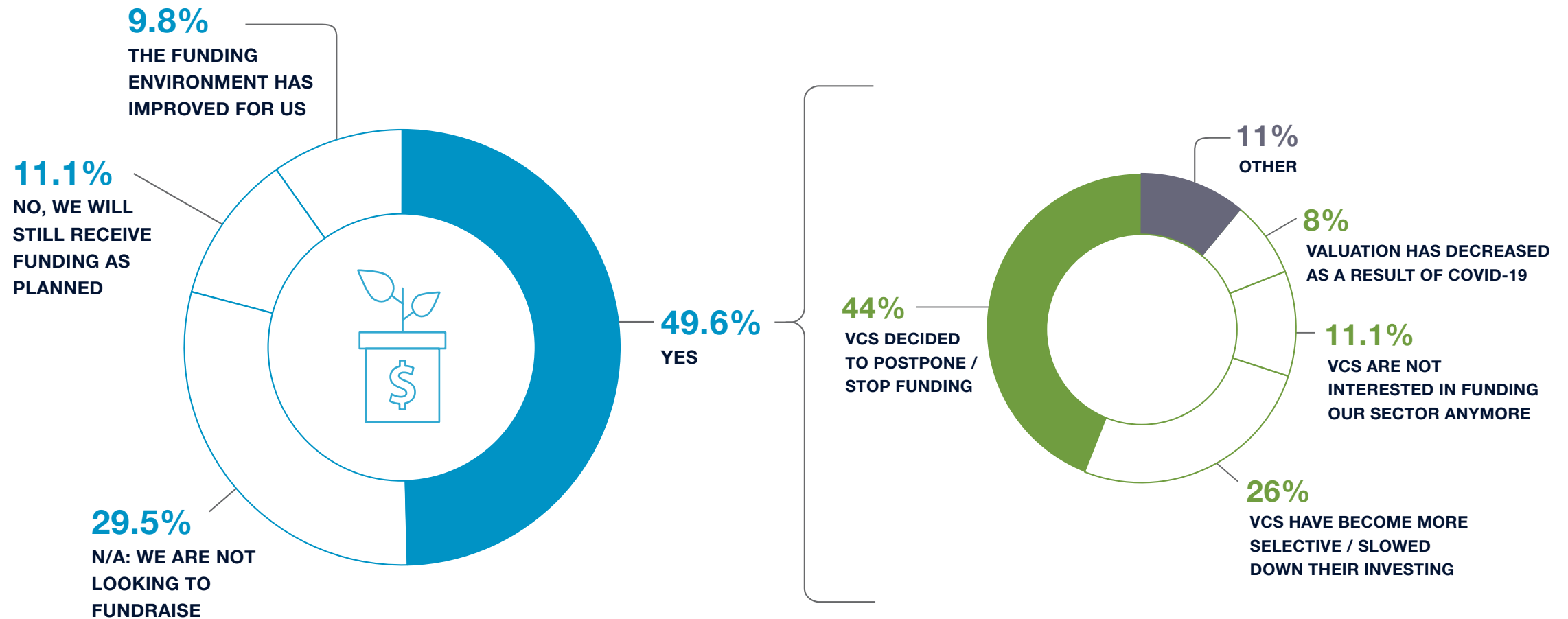
49.4%
OF STARTUPS HAVE
LESS THAN 6 MONTHS'
RUNWAY LEFT

CURRENT RUNWAY



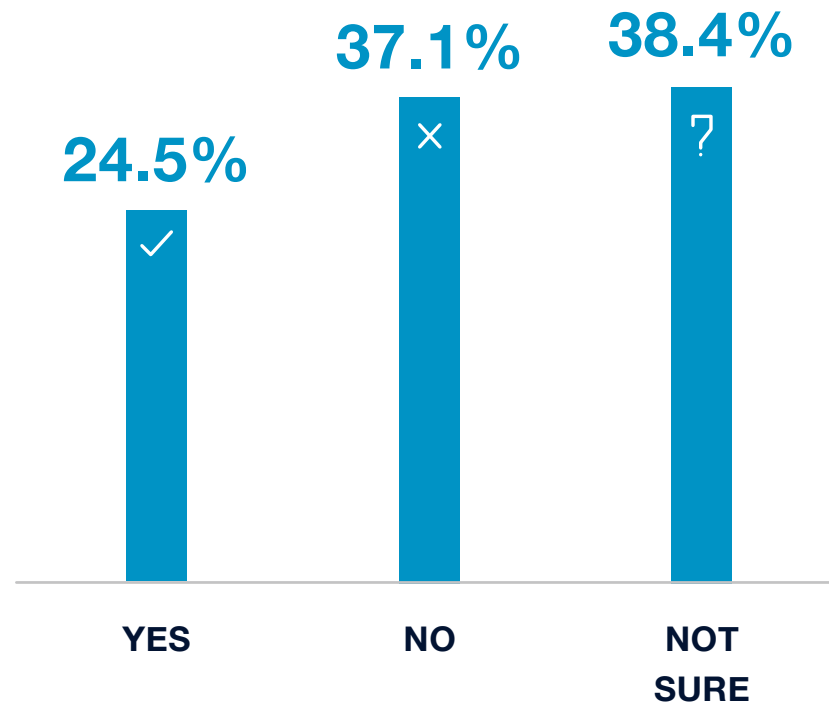
FUNDING

HAS YOUR LATEST FUNDING ROUND BEEN AFFECTED BY THE PANDEMIC?



FUNDING

ARE YOUR CURRENT INVESTORS INVOLVED WITH YOUR DAY TO DAY / HELPING YOU OUT WITH BUSINESS KNOW-HOW?



Startup response to pandemic

STARTUP RESPONSE TO PANDEMIC

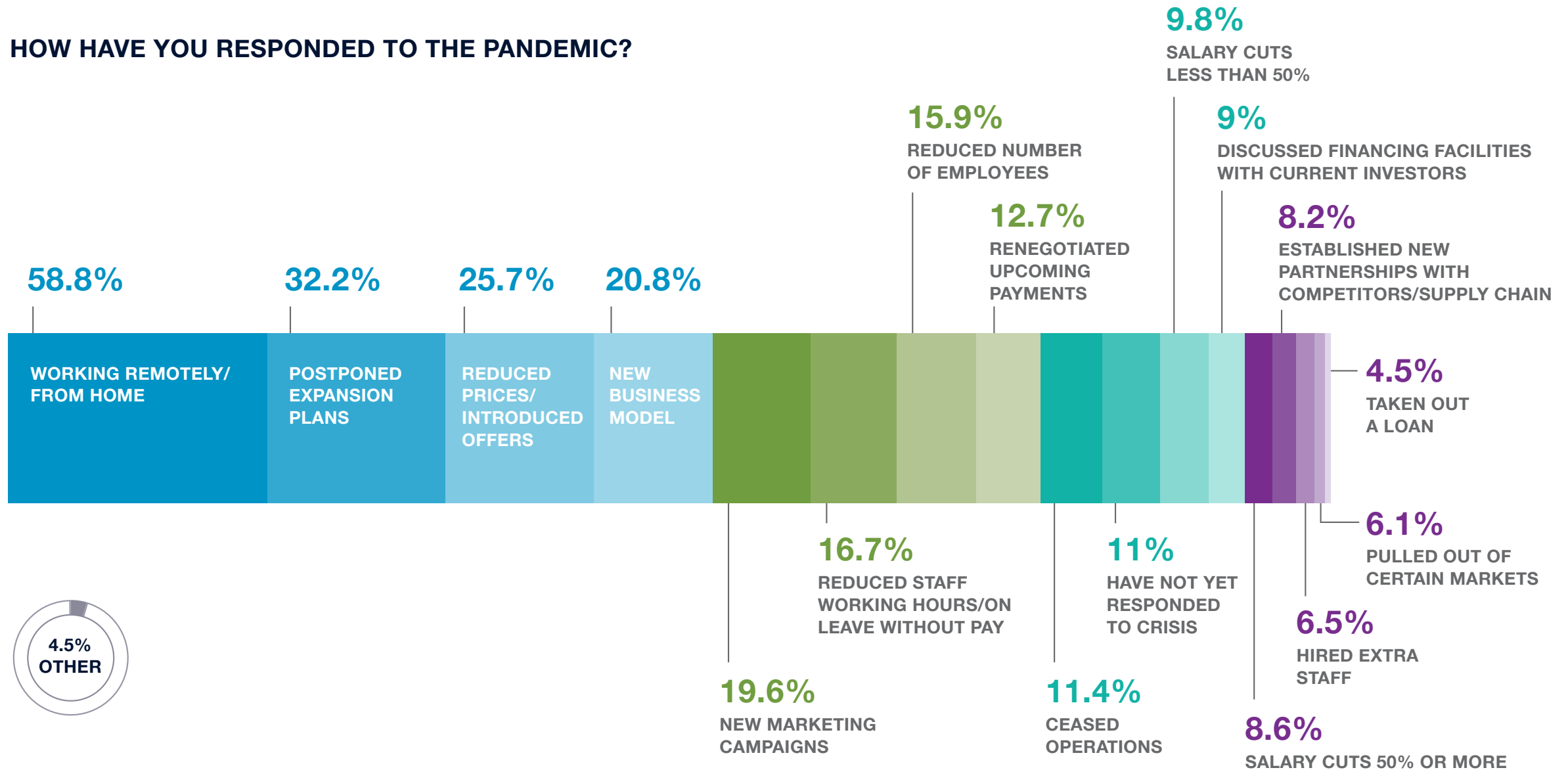
Founders have started putting aside talks of growth and expansion in favour of prioritising product development and adjusting business models to sustain operations while the pandemic persists.

Two thirds are now working remotely, with salary cuts, reduced working hours and redundancies now becoming commonplace.

The survival factor for over half of the startups in the region is getting new investment or grants. Financial aid whether in the form of investment, loans or bill waiver are necessary to support the region's startup ecosystem.

STARTUP RESPONSE TO PANDEMIC

HOW HAVE YOU RESPONDED TO THE PANDEMIC?



WHAT SORT OF SUPPORT WOULD HELP YOUR STARTUP?

EXPORT PROMOTION / MARKET ACCESS SUPPORT



SUPPORT WITH DEMAND - GOVERNMENT PURCHASES



DEFER / FORGIVE PAYMENTS OF TAXES / FEES



EASING OF REGULATIONS AND LICENSING REQUIREMENTS



LOANS



OFFICE RENT/UTILITY BILL WAIVER



SALARY REIMBURSEMENTS FOR EMPLOYEES



INVESTMENTS OR GRANTS



OTHER



Sector breakdown

SECTOR BREAKDOWN



E-COMMERCE

Most of the e-commerce startups in our survey are based in the UAE (37.5%) and Lebanon (25%). More than half of them (54.2%) have a runway of less than 6 months. Three quarters said that the biggest impact of the pandemic has been on the supply side of operations, with payments as another notable issue.



LOGISTICS

A third of logistics startups have between 1 and 2 months of runway, with 36.4% reporting a high decrease in demand. On the other hand 41.7% have seen a 50-74% increase in revenues over the past three months with 9% saying they are struggling to meet rise in demand. Payment collection, travel restrictions, and cross border shipping stood out as the most commonly cited impacts of the pandemic.



SOFTWARE AS A SERVICE

Responding SaaS startups are relatively young, with more than three quarters (76.7%) still between seed and pre-Series A stage. The economic impact has been severe for them, with 70% confirming that they have suffered losses. Travel restrictions was cited as one of the biggest impacts of the pandemic by 36.7% of SaaS startups, with half stating business development had been affected.



E-GROCERY/FOODTECH

Almost half (47%) of e-grocery and foodtech startups have seen their revenues grow during the lockdown, with 16.7% reporting 100% growth in revenues.



ON-DEMAND

More than a fifth have experienced positive repercussions from the pandemic. Startups in this sector also exhibited a high runway average, with over a third (35.7%) of them having a runway of 10 to 12+ months.

SECTOR BREAKDOWN



HEALTHTECH

With 50% currently in seed stage, 44% of healtech startups have a runway of just 1-2 months. However, 31.3% stated the funding environment had improved for them, while 33.3% have seen a rise in demand.



EDTECH

The majority of edtech startups in our survey hailed from Lebanon, Egypt, and the UAE. And while 26.7% have suspended operations, 46.7% reported experiencing a positive impact on demand, 6.7% said that they are expanding to new markets, and 6.7% are struggling to meet new demand.



GAMING/ENTERTAINMENT

Startups in the gaming and entertainment sectors are predominantly in the pre-seed stage (57.1%). The majority of respondents were also equally split between runways 1 to 2 months and 6 to 9 months, with 42.9% for each. Only 14.3% have seen a rise in demand.



FINTECH

Three quarters of the fintech startups are at pre-seed and seed stage with 44% claiming to have a runaway of 6-9 months. Close to 20% have seen a positive impact on their revenues but 22% have suspended operations.



TRAVEL

The pandemic's impact on the travel sector has been the most dramatic with 50% suspending operations and 25% shutting down their company completely. All of the startups in the survey highlighted access to loans as a means to support them.

Country focus

COUNTRY FOCUS



In the UAE,

where the majority of responding startups operate in the e-commerce, SaaS, fintech, and on-demand services sectors, close to a quarter (23%) said that they have a runway of just 1 to 2 months; a fifth (19.7%) said that they have 3 to 5 months, and a third (31%) said that they would be able to sustain their business anywhere between 6 to 9 months in the current condition.



67.46%

OF RESPONDENTS IN THE UAE
REPORTED AN OVERALL NEGATIVE
IMPACT OF THE PANDEMIC

For most UAE-based startups, the Covid-19 crisis has had a harmful effect on their business, with 67.46% of respondents reporting an overall negative impact. Most alarming, 16.4% reported that they have suspended operations, 23% have seen considerable losses, and 28% have seen moderate losses.

On the other hand, 23% of responding startups said that they have seen a positive impact - since the outbreak in the region, 57.4% have seen a rise in income. Growth & business development, operations, and funding were the most affected areas of business.

When it comes to fundraising, close to 60% of startups said that have had their latest round impacted by the pandemic. Furthermore, 55.7% said that they would want to receive an investment or a grant, 27.9% want loans, and another 27.9% wish that regulations and licencing requirements would ease up.

COUNTRY FOCUS



Startups that are based in Saudi Arabia

are primarily SaaS and fintech providers, two thirds of which are currently between the seed to pre-Series A stage. Almost 30% have a runway of 3-5 months, a quarter have a runway between 1 and 2 months, and close to 17% have a runway shorter than one month. At the same time, the ratio of startups that have relatively long



66.7%

OF RESPONDENTS IN THE KSA
REPORTED AN OVERALL NEGATIVE
IMPACT OF THE PANDEMIC

runways - between 10 and 12 months - is just 8%. These numbers are quite telling of the urgent nature of the crisis for Saudi startups.

Similar to their UAE-based counterparts, close to two thirds of Saudi startups (66.7%) have been overall negatively affected by the pandemic - 17% have suspended operations as well. Most companies have resorted to working remotely, reducing staff hours and salaries and renegotiating upcoming payments.

When it comes to fundraising however, almost 42% said that they have had their latest round affected and close to 60% stated that their investors have offered no help related to day-to-day business know how.

The short runway average has translated is reflected in the high percentages of companies seeking monetary support: 45.8% said that they wanted loans, 66.7% wanted either investment or grants, and 54.2% would like to receive salary reimbursements.



Looking at Egypt,

where SaaS and healtech startups commanded the biggest share of respondents, the proportion of young startups is markedly high, with 87% of them currently at seed to pre-Series A stage.



83.9%

OF RESPONDENTS IN EGYPT
REPORTED AN OVERALL NEGATIVE
IMPACT OF THE PANDEMIC

The general sentiment among Egyptian entrepreneurs is bleaker than in other areas of Mena: a whopping 83.9% said that they have been negatively impacted by the pandemic. Most alarming is the fact that 29% of Egyptian startups have suspended operations.

12.9% said that their runway was shorter than a month, the answers were fairly equally split for 1 to 2 month runway (22.6%), 3 to 5 month runway (25.8%), 6 to 9 month runway (25.8%).

The most common responses to the pandemic have been a reduction in prices and introducing offers, as well as postponing expansion plans.

Entrepreneurs in Egypt seem to favour investment or grants (58.1%) over loans (35.5%) and salary reimbursements (35.5%).

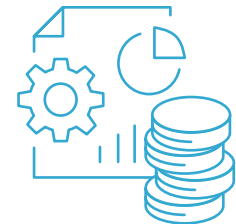
ABOUT WAMDA & ARABNET



Wamda accelerates entrepreneurship ecosystems throughout the Mena region by joining Wamda's multi-stage, sector-agnostic investment vehicle, focused on partnering with high growth technology or technology-enabled startups, as well as the leading knowledge platform offering integrated programmes including thought leadership and research, community development, Wamda's fellowship programme Wamda X, as well as corporate and government advisory services to the various stakeholders of the Mena startup ecosystem.



Arabnet is a leading event, insights, and innovation program organizer focused on tech business and innovation in the MENA region. We organize major conferences for the tech sector in Dubai, Riyadh, Kuwait and Beirut; publish news and analysis of the sector in our online news portal and produce original research and reports focused on the sector; and organize custom-tailored innovation programs for corporations and governments.



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2020