arabnet
BUSINESS INTELLIGENCE

In Partnership with

مؤسسة محمد بن راشد
لتنمية المشاريع الصغيرة والمتوسطة
DUBAI SME

THE STATE OF DIGITAL INVESTMENTS

IN MENA 2013-2018

4th Edition

arabnet
BUSINESS INTELLIGENCE

مؤسسة محمد بن راشد
لتنمية المشاريع الصغيرة والمتوسطة
DUBAI SME

FOREWORD

H.E. Abdul Baset Al Janahi

CEO - Dubai SME

Omar Christidis

Arabnet Founder and CEO

ArabNet, in partnership with The Mohammed Bin Rashid Establishment for SME Development (Dubai SME), is pleased to reveal its fourth edition of the "State of Digital Investments in MENA," a holistic analysis of MENA technology investors and investments.

The MENA economy - driven by concerted economic diversification efforts, government development programs, and initiatives to strengthen the entrepreneurial ecosystem and to promote SME activity - continues to grow steadily. The International Monetary Fund (IMF) projects a GCC-wide GDP growth of 3% for 2019 (slightly less than the forecasted global growth of 3.7%). According to IMF Regional Economic Outlook, the UAE's economy is forecast to achieve a 2.8% real GDP growth in 2019. The economy is projected to grow 3.3% in 2020, supported by a strong 4% non-oil growth. In terms of the regions' digital startup ecosystem, $674 million was invested in 255 deals in 2018. The UAE continues to dominate entrepreneurial activity with the highest of share of investors, number of deals, and value of deals.

Deep diving further into the regional investment scene, 2019 commenced on a high note with MENA's largest ever tech transaction – Uber's $3.1 billion acquisition of its Middle Eastern rival Careem. What repercussions does this transaction hold for the region? Hopefully, it will fashion the true definition of a knowledge economy by building value through innovation, generating wealth through a new asset class detached from traditional family wealth, and stirring unprecedented international interest in the MENA ecosystem.

An interesting 2018 development was the establishment of tech funds focused on female entrepreneurs. UAE's Mindshift Capital invests in women-led early-stage tech businesses at the post-seed stage. Another UAE based platform, Womena – aimed at supporting MENA-based female entrepreneurs – launched its accelerator program Womentum. This is an encouraging step toward more female inclusion in the ecosystem!

At a global level, 2018 reflected an exceptional year for a number of industries. Transportation and healthcare were the hottest topics of investment interest with over $23 billion invested in pharma and biotech startups. In addition, fintech-focused investments continued to grow. The MENA region mirrors global interest, where healthcare, transportation, logistics, and fintech represent 21% of all regional deals and 40% of the value of funding in the past six years.

This report aims to inform government leaders, investors, entrepreneurs, and ecosystem stakeholders on the pulse of the region's startup scene. The report would not be feasible without the cooperation of and data provided by MENA investors and startups. We welcome feedback from ecosystem stakeholders on the data or analysis to improve future editions of the report.

TABLE OF CONTENTS

INTRODUCTION

GLOBAL TECH INVESTMENT TRENDS

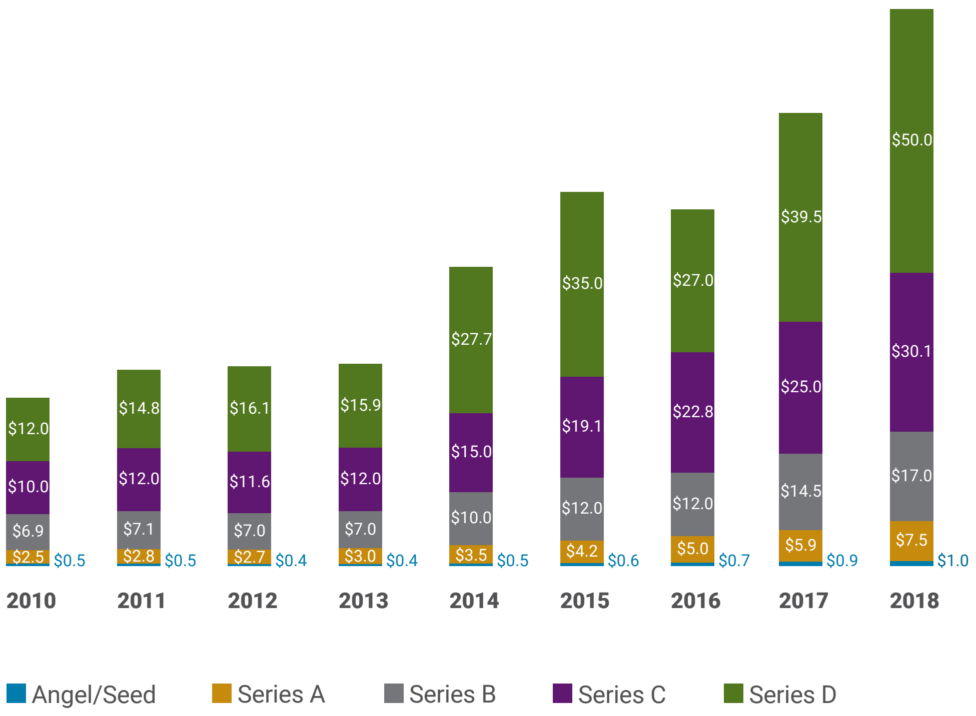
Over the past decade, the venture industry has evolved significantly. Funds have become increasingly focused on certain stages as the capital stack is now more divided, and the substantial increase in equity and venture-committed capital has also transformed market conditions, generating more players who seek more opportunities. Simultaneously, successes in early venture funds and startups, which were launched following the global financial crisis, also fostered further competition and a steady trend into slightly reduced deals overall, along with significant increases in medium-size funding and valuations. Since the beginning of 2015, there has been major contraction in the number of completed agreements in the earliest stage of venture financing. However, it seems that this decline has evened out nowadays with the latest dip, witnessed as a result of data lags. The latter suggests that the venture ecosystem has almost completed its readjustment towards a long-lasting historical environment at the early-stage. This trend could only be further delayed by macroeconomic and political shocks[1].

GLOBAL MEDIAN DEAL SIZE BY SERIES

The median funding volumes rose for several years throughout all the series, culminating in high numbers for the whole year of 2018 and spanning from angel and seed, to Series D. According to the data, angel and seed investments have increased by 100% up until 2018 while growth stage investments witnessed a monumental 216% boost with the 317% increase for Series D investments alone. Therefore, It is worth noting that the global innovation market has become more mature compared to earlier years. A conventional supply and demand phenomenon is at play: the spread of venture capital has brought about a large number of prospects for companies to invest in; on the other hand, the number of viable opportunities failing to surge in parallel has resulted in higher competition. It is interesting to see the manifestation of this phenomenon at every level; with each section of capital stack, the level of competition increases[2].

[1] Venture Pulse, Q4'18, Global Analysis of Venture Funding, KPMG Enterprise - Jan 15, 2019 report.
[2] Venture Pulse, Q4'18, Global Analysis of Venture Funding, KPMG Enterprise - Jan 15, 2019 report.

Global Median Deal Size ($M) by Series for 2010 - 2018



Source: Venture Pulse, Q4’18, Global Analysis of Venture Funding, KPMG Enterprise - Jan 15, 2019 report.

THE STUDY: SCOPE AND METHODOLOGY

This research report investigates the technology investment landscape in the Middle East and North Africa (MENA) region by analyzing investments made by MENA-based investors into MENA-based startups. The first chapter examines the investor community at a macro level, and at a micro level by market, year, and ticket size. The second chapter examines MENA investments by market, number of deals, ticket size, and business model. The third chapter examines the lifecycle of startups. The fourth chapter is dedicated to gender distribution among founders. Finally, the last chapter analyzes investments made by corporate venture funds, by year and across markets. The aim of the report is to provide a holistic picture of the digital startup ecosystem in the region while identifying trends and challenges.

The analysis is based on data collected directly from 59 investors and accelerators across the MENA region, specifically in the United Arab Emirates, Saudi Arabia, Lebanon, Kuwait, Jordan, Oman, Egypt, Bahrain, Morocco, Tunisia, Palestine, and Yemen. ArabNet is grateful for the participation of all investors. The report also aggregates information from publicly available sources such as Crunchbase, MenaBytes, Wamda, and Magnitt among others. Finally, the report analyzes 1,423 regional investments.

Where investment values were undisclosed by either investor or startup, ArabNet has estimated the values based on the historical behavior of involved investors, the average investment range of investors, the age of the company, and the investment stage.

Many times investments are publicly announced in the media during Q1. However, through information shared by the investors, the actual deal may have occurred during Q4 of the previous year. The data in this report is continuously and annually adjusted based on the information dates shared by the investors.

All investments analyzed in the report represent equity-based investments only; therefore, institutions that provide grant / non-equity based funding have been excluded from the analysis.

LIST OF THE MENA INVESTORS INCLUDED IN THE STUDY

1. 1864 Accelerator
2. 500 Startups
   - 500 Falcons Fund
3. 9/10ths Startup Accelerator
4. A15
5. AccelerAsia Middle East
6. Accelero Capital
7. Afkar.me
8. Agility
9. Al Ahli Holding Group
10. Al Khabeer Capital
11. Al Raffd Fund
12. Al Sanie Group
13. Al Tamimi Investments
14. Al Tayyar Group
15. Alabbar Enterprises
16. Alexandria Angels
17. **Algebra Ventures**
18. Almawarid Bank
19. Angels Lebanon
20. Arab Angel Fund
21. Arabreneur's Investment Fund (MENA Apps)
22. **Aramco - Waed**
23. Aramex
24. **Arzan Venture Capital**
25. Azure/The Luxury Fund Management
26. **B&Y Venture Partners**
27. Bakery.vc
28. Bank al Etihad
29. **BECO Capital**
30. Beirut Angels
31. Berytech Agrytech
32. Berytech Fund I
33. BLC Invest
34. BlueVine Ventures
35. Boost.tn
36. Booster06
37. Boson Venture
38. **Brilliant Lab**
39. C5 Accelerate
40. **Cairo Angels**
41. Capitalease Seed Fund I
42. Capitalease Seed Fund II
43. Social Business Fund
44. Casbah Business Angels
45. **Cedar Mundi Capital**
46. CedarBridge Partners
47. Greenhouse
48. **Choueiri Group**
49. **Crescent Enterprises Ventures**
50. **DASH Ventures**
51. Delta Partners Capital
52. DHx (Dubai Holding)
53. Digital Spring Ventures
54. du
55. Dubai 100
56. **Dubai Angel Network | Dubai Angel Investors**
57. Dubai Future Accelerators
58. **Dubai Technology Entrepreneurship Centre (DTEC)**
59. Dunamis Ventures
60. EdVentures (Nahdet Misr Publishing Group)
61. Egypt Ventures
62. Eiréné 4 Impact
63. Emaar Industries & Investments (EII)
64. Emerge Ventures
65. Enabling Future
66. Endure Capital
67. **EquiTrust**
68. **Faith Capital**
69. FasterCapital
70. FastForward
71. Financial Horizon Group
72. Fikra Labs
73. **Flat6Labs Abu Dhabi**
74. **Flat6Labs Bahrain**
75. **Flat6Labs Beirut**
76. **Flat6Labs Cairo**
77. **Flat6Labs Jeddah**
78. **Flat6Labs Tunis**
79. Fransabank
80. G Squared
81. GINCO Investments
82. Glint Consulting
83. Glow Innovations Accelerator
84. Glowfish Capital
85. Gulf Capital
86. **Hala Ventures**
87. Hatcher
88. **Hikma Ventures**
89. HIMangel
90. Humanitarian Accelerators
91. **Ibtikar Fund**
92. Ideavelopers
93. Idein Ventures
94. **Iliad Partners**
95. IM Capital
96. iMENA Group
97. **Impulse Kuwait**
98. Innoventures | Startup Reactor
99. **Inspire Ventures**
100. InspireU
101. IntilaQ For Growth Fund
102. InvOrOut
103. Jabbar Internet Group
104. JISR Venture Partners
105. Jo Angels
106. JuiceLabs
107. Kafalat iSME Programme
108. Kamelizer
109. **KAUST Innovation Fund (KIF)**
110. KI Angels
111. **KISP Ventures**
112. **Leap Ventures**
113. Lebanese Women Angel Fund
114. Lebanon Seed fund
115. Luminus Ventures
116. **Majid Al Futtaim Ventures**
117. Makkah Accelerator
118. Malaz Capital
119. MBC Ventures
120. **MIC Ventures**
121. **Middle East Venture Partners (MEVP)**
122. Mindshift Capital
123. Miqlaa Ventures
124. Misk Booster Fund
125. **MNF**
126. **MNF Angels**
127. Mobily Ventures
128. Modus Capital
129. Myrisoph Capital
130. Namaa Ventures
131. NUMA Accelerator
132. Numu Capital
133. **Oasis500**
134. **Oman Investment Fund | Ibtikar Development Oman Fund (IDO)**
135. **Oman Technology Fund - otf Wadi Accelerator**
136. **Oman Technology Fund - otf Techween**
137. **Oman Technology Fund - otf Jasoor Ventures**
138. Ooredoo (tStart)

139. OQAL Angel Investors Network
140. Outlierz
141. Payfort
142. Phoenician Fund
143. Precinct Partners
144. Propeller
145. Qatar Business Incubation Center (QBIC)
146. Qatar Science & Technology Park (QSTP) Accelerator
147. QatarSportsTech
148. Qotuf AlRiyadah
149. QSTP XLR8
150. Ra'ed Ventures
151. Raz Holding Group
152. Riyad Taqnia Fund
153. Riyada Enterprise Development (RED)
154. Sada Partners
155. Sadara Ventures
156. Samena Capital
157. Sandan Development
158. Saned Equity Partners
159. Savour (Massilah Ventures)
160. Sawari Ventures
161. Seed Equity Venture Partners
162. Seed Startup
163. Seeds Partners
164. SeedStartup Venture Fund
165. SEQ Capital Partners
166. Sharq Ventures
167. Sheraa Accelerator
168. Shorooq Investments
169. Silicon Badia
170. Siraj Palestine Fund
171. SIRB Angel Investors Network
172. Sirdab Lab
173. Société Générale de Banque au Liban (SGBL)
174. Souq.com
175. Speed@BDD
176. StartAD | NYUAD
177. Startup Factory Seed Fund
178. Startupbootcamp Smart Cities Dubai
179. STC Ventures (Iris capital)
180. STVentures
181. Saudi Venture Capital Company
182. Sylabs
183. Synthesis Venture Fund Partners
184. Tamkeen Capital
185. Taqadam
186. TechInvest Corporation
187. Techstars
188. The Abraaj Group
189. The Bahrain Business Angels Holding Company - Tenmou
190. The Forge
191. The SmartStart Fund
192. The Venture Chivas
193. Thomson Reuters Accelerate
SME
194. TURN8 Innovation Fund
195. twofour54
196. UGFS (United Gulf Financial Services-North Africa)
197. Capital Act
198. UK Lebanon Tech Hub - The Nucleus
199. University Venture Fund (UVF)
200. Upgrade
201. Valour Ventures
202. VentureSouq
203. Verso Incubator
204. Vision Ventures
205. Vodafone Ventures Egypt
206. Wadi Makkah
207. WAIN - Women's Angel Investor Network
208. Wamda Capital (MENA Ventures)
209. Wilbe
210. Womena
211. Womentum by Womena
212. Y Venture Partners
213. Y+ Ventures
214. Yemen Angel Group
215. Kuwait Life Sciences Company
216. MenaGurus
217. Egyptian American Enterprise Fund (EAEF)
218. 138 Pyramids
219. Falak Startups
220. Averroes Ventures
221. Brinc Accelerator
222. F.A. Holding
223. Athaal (Angel Investors Group)
224. Business Incubators and Accelerators Company - BIAC
225. Zain
226. KBBO Group
227. ShamalStart
228. Pmaestro
229. Seedstars Cairo
230. AdamTech
231. Springboard Investment Management (SPBD)
232. Abaxx Tech
233. Gulf Islamic Investments
234. InQvest Partners
235. Riyad Valley Company (RVC)
236. Krypto Labs
237. AUC Angels
238. ISSF (Innovative Startups And SMEs Fund)
239. Seed Fuel-Rowad
240. Al Turki Group
241. Horizon Light Investments
242. Phase Ventures

SPECIAL THANKS
TO COLLABORATING INVESTORS

INSPIRE VENTURES

KISP VENTURES

LEAP VENTURES

MiC VENTURES

ME VP

MAROC NUMERIC FUND

OASIS500

IDO INVESTMENTS

عقال OQAL

otf Jasoor Ventures

otf
الصندوق العماني للتكنولوجيا
Oman Technology Fund

otf Techween

otf Wadi Accelerator

PHOENICIAN FUNDS

PRECINCT | PARTNERS

propeller

RA'ED VENTURES

الرياض المالية
riyad capital

Saned

الشركة السعودية للاستثمار الجريء
Saudi Venture Capital Company

SAVOUR

Silicon Badia

SPEED @BDD

STARTAD powered by TAMKEEN تمكين

Startupbootcamp

STV

Tenmou
THE BAHRAINI BUSINESS ANGELS COMPANY

UGFS North Africa
الخليج المتحد للخدمات المالية إفريقيا الشمالية
United Gulf Financial Services North Africa

VENTURESOUQ

wamda capital

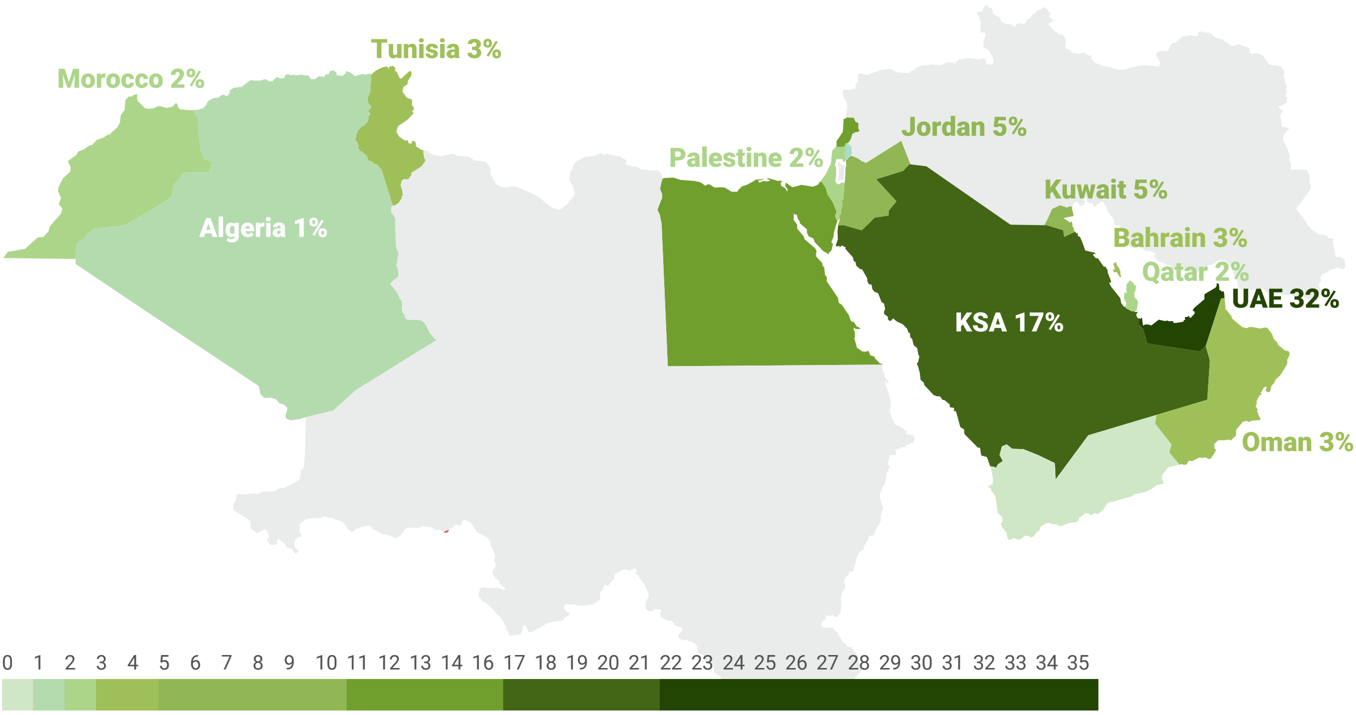
womena®

aqarmap

INVESTORS IN MENA

MAP OF INVESTORS BY GEOGRAPHY

This map shows the concentration of investors in MENA according to their geographic location. The UAE and Saudi Arabia dominate in the GCC region, Lebanon in the Levant, and Egypt in North Africa.



Percent number of investors compared to the MENA region

FIGURE 1: NUMBER OF INVESTORS BY YEAR

The number of tech investors in MENA continues to grow steadily, with a compound growth rate of 25% for the period between 2012 and 2018. The ecosystem witnessed a 75% increase in the number of new investors from the year 2014 to 2015. In the past two years there has been a lull in the number of new funds launched - this could be attributed to the lack of clarity in terms of macro economic and political outlook.

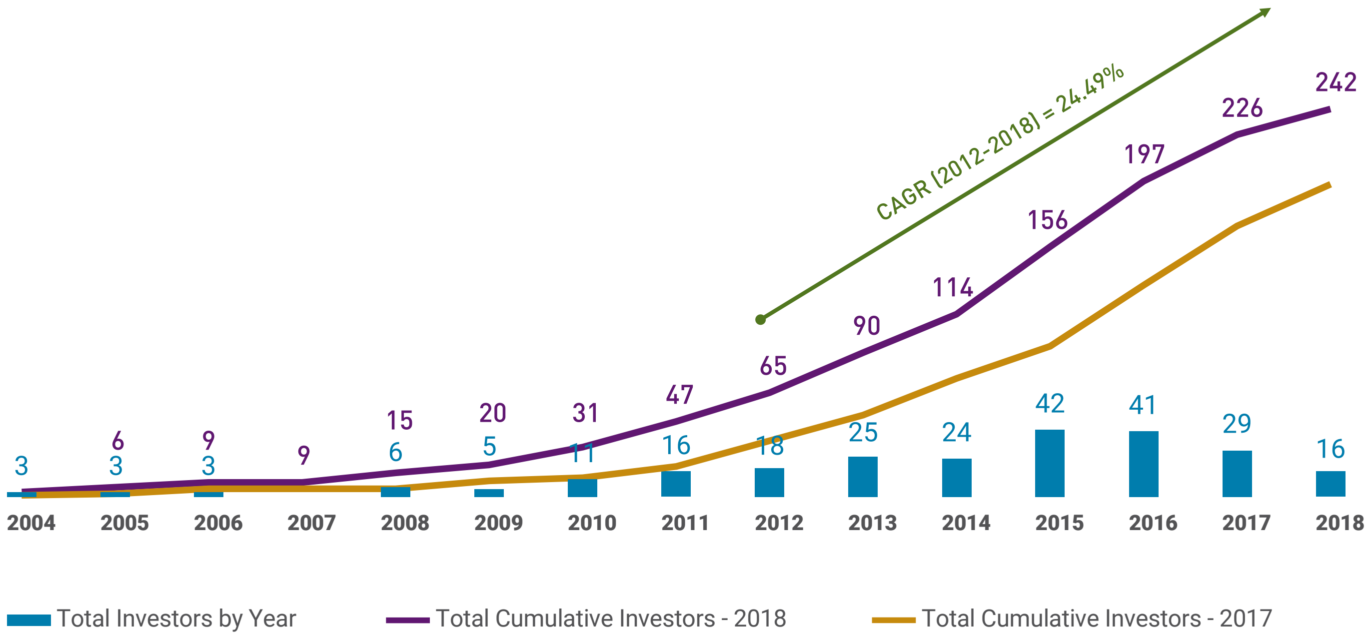
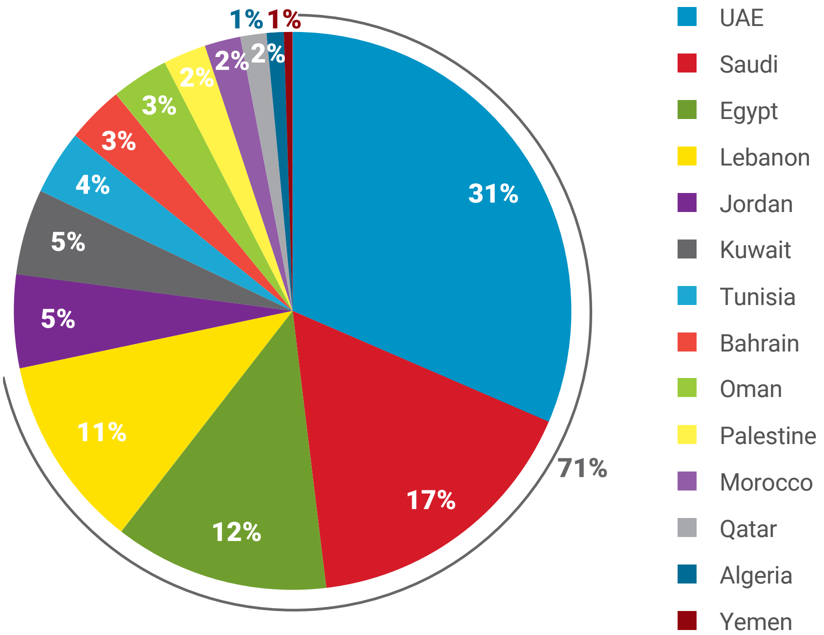


FIGURE 2.1: INVESTORS BY GEOGRAPHY

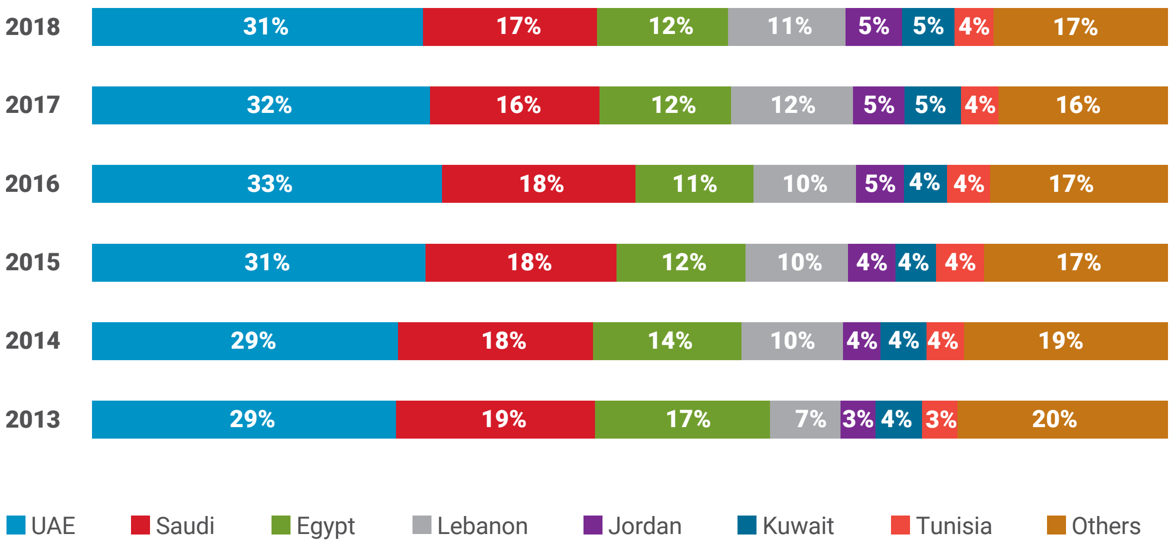
The investor community continues to be concentrated in four main countries that contribute to 71% of the investor pie. The UAE hosts the largest proportion of all MENA investors (31%), while Saudi Arabia, Lebanon, and Egypt combined account for 40%. In recent years, Egypt's investment scene has aggressively moved forward, driven by the private sector; not to dismiss the public sector's vital role in the development and growth of the ecosystem. The Egyptian Ministry of Investment and International Cooperation has set clear goals for 2030 in order to achieve targeted economic growth by fostering private investments.



Cumulative years: 2004-2018.
Base: 242

FIGURE 2.2: CUMULATIVE INVESTORS BY GEOGRAPHY BY YEAR

The figure below highlights that the UAE continues to lead in the number of investors. The respective proportions of both top two investor countries - UAE (31%) and Saudi Arabia (17%) - remain steady over the years, while maintaining the largest segments among other markets. Next in line in the investor community is Lebanon, which has slowly grown its overall share from 7% in 2013 to 11% in 2018. Saudi Arabia and Egypt face competition, whereas other players such as Jordan and Lebanon grow stronger.

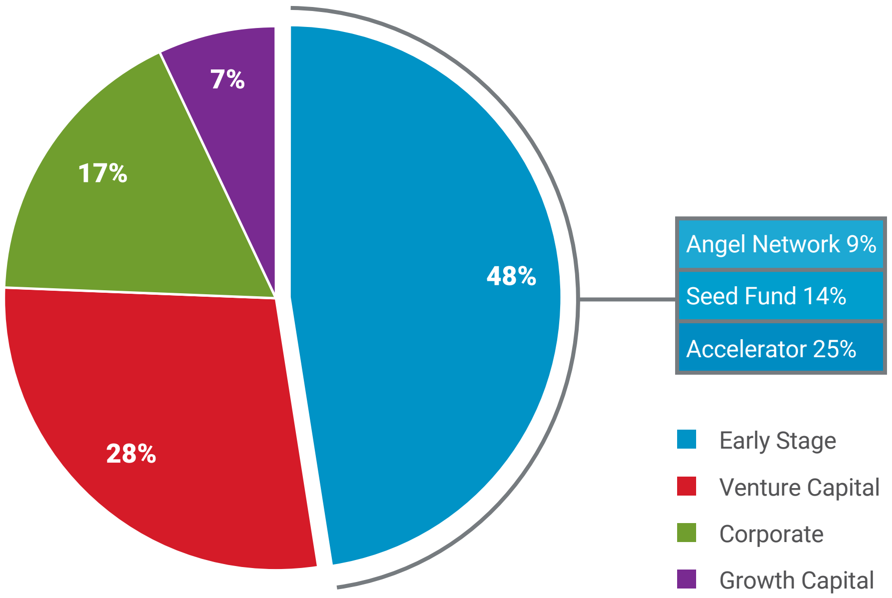


Others: Bahrain, Oman, Palestine, Morocco, Qatar, Algeria, Yemen.

INVESTORS IN MENA BY TICKET SIZE

FIGURE 3.1: INVESTORS BY TICKET SIZE

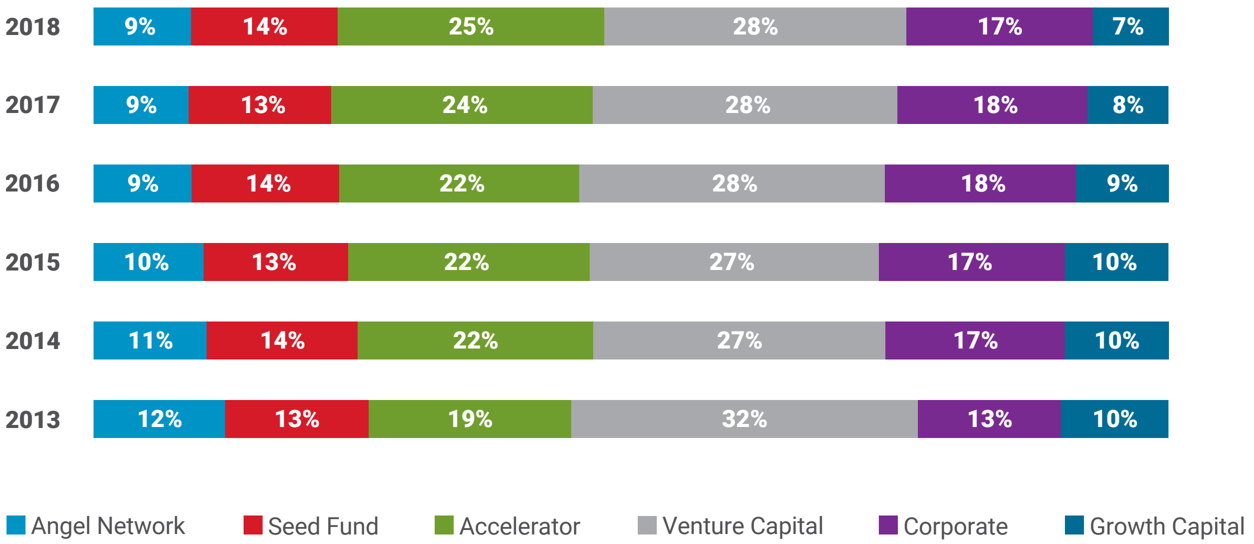
Early stage funds represent around half (48%) of the investor community, whereas growth funds have witnessed a huge decrease (around 50%) since 2017. When looking deeper into early stage funds, we find that accelerators are at the forefront, representing the largest portion of investors in that ticket size.



Cumulative years: 2004 to 2018.
Base: 242

FIGURE 3.2: INVESTORS BY TICKET SIZE BY CUMULATIVE YEAR

The fastest growing segment of the investor community over the past five years represents accelerators, displaying an increase of 32% from 2013 to 2018. On the other hand, growth capital has witnessed a respective drop of 30% and 12.5% over the past six years, which could be interpreted as a possible market opportunity.



Cumulative years 2004 - 2018
Base 242

FIGURE 4.1: COUNT OF INVESTORS BY TICKET SIZE BY GEOGRAPHY

The UAE, Saudi Arabia, Lebanon, and Jordan encompass all types of investors by ticket size. The most prevalent types of investors across markets are accelerators, corporate, and venture capital. Over the past three years, the ecosystem has witnessed a proliferation of accelerators. With initiatives such as the World Bank's $200 million investment project aimed at supporting Egyptian SMEs - with $50 million reserved for VCs, accelerators, and angel groups - and with the American seed accelerator Techstars, consolidating its operations in Dubai, clear market opportunities present themselves to build robust tech startup ecosystems. Increased corporate appetite and interest are evident with the rise in the number of corporate investors over the past two years. Corporate investors have a stake in supporting tech-focused solutions to advance their digitization process. The UAE's Chalhoub Group for instance, has realized that encouraging tech-driven solutions geared towards fast retail startups is an opportunity to support their own digital transformation. The increase in venture capital funds reflects a maturing ecosystem. Driven by the private sector, markets such as Jordan with its Innovation Startups and Small and Medium Enterprises Fund ($98 million fund size), are witnessing an influx of venture capital funding. Kuwait displays healthy growth stage funding, yet it continues to lack early stage funds. Markets such as Qatar, Tunis, Yemen, and Algeria - with developing ecosystems - continue to display gaps.

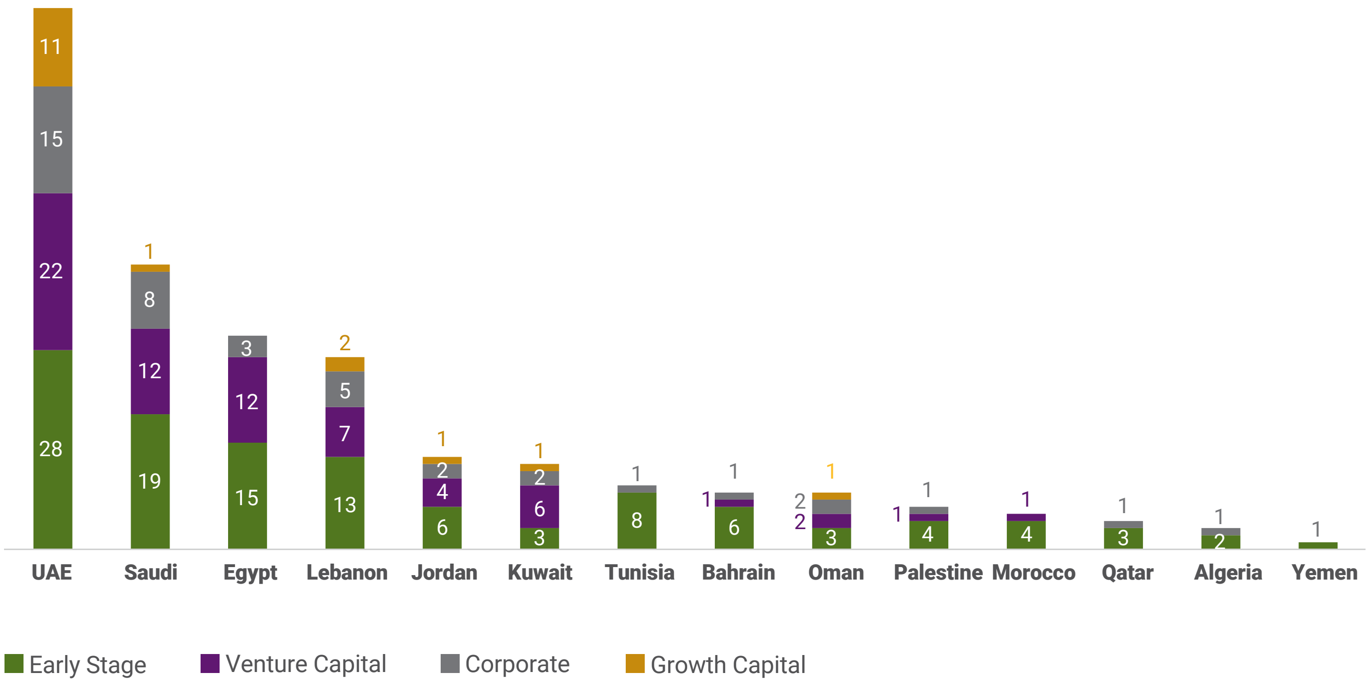
	UAE	KSA	EGY	LEB	JOR	KWT	TUN	BHR	OMN	PSE	MAR	QAT	DZA	YEM	Count
Angel Network	5	3	5	4	1			1			1		1	1	**9**
Seed Fund	7	7	4	3	2		6		1	2	1				**9**
Accelerator	16	9	6	6	3	3	2	5	2	2	2	3	1		**13**
Venture Capital	22	12	12	7	4	6		1	2	1	1				**10**
Corporate	15	8	3	5	2	2	1	1	2	1		1	1		**12**
Growth Capital	11	1		2	1	1			1						**6**
Count	**6**	**6**	**5**	**6**	**6**	**4**	**3**	**4**	**5**	**4**	**4**	**2**	**3**	**1**	

Legend	UAE	KSA	EGY	LEB	JOR	KWT	TUN	BHR	OMN	PSE	MAR	QAT	DZA	YEM
	UAE	KSA	Egypt	Lebanon	Jordan	Kuwait	Tunisia	Bahrain	Oman	Palestine	Morocco	Qatar	Algeria	Yemen

Cumulative years: 2004-2018.
Base: 242

FIGURE 4.2: NUMBER OF INVESTORS BY TICKET SIZE BY GEOGRAPHY

The distribution of investors by ticket size across markets mirrors the level of maturity of the investor community per country. While early stage funding is the most prevalent across countries - the exception is Kuwait, which reveals a higher number of venture capital investors. When looking at the top five countries - the UAE, Saudi Arabia, Egypt, Lebanon and Jordan - we can see that the number of venture capital investors has witnessed an increase compared to the total number of investors.



Cumulative years: 2004-2018.

INVESTMENTS IN MENA

INVESTMENTS IN MENA AND BY MENA INVESTORS

INVESTMENTS IN MENA

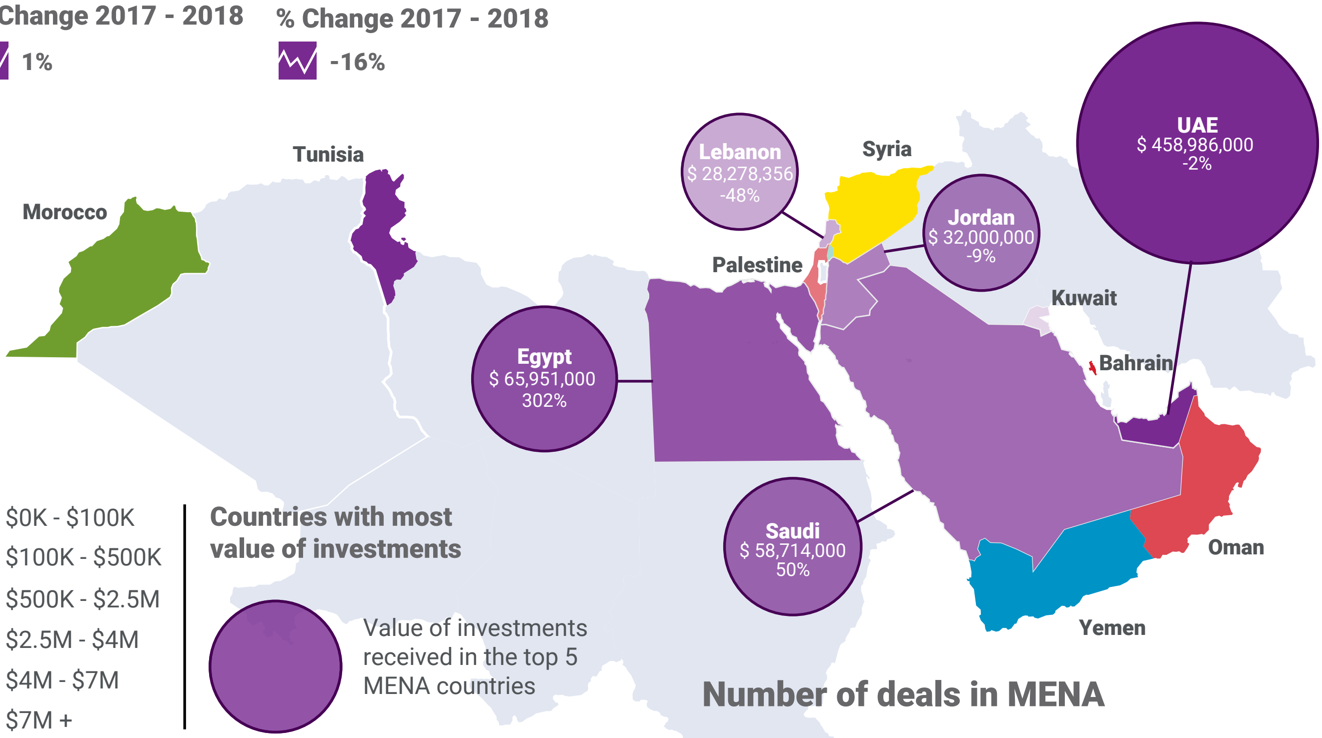
This map is a snapshot of the value and number of deals across the MENA region. The heat map creates a visual contrast between value versus number of deals across markets. The map also compares data from 2017 and 2018.

Value of Deals in 2018
$ 673,519,071

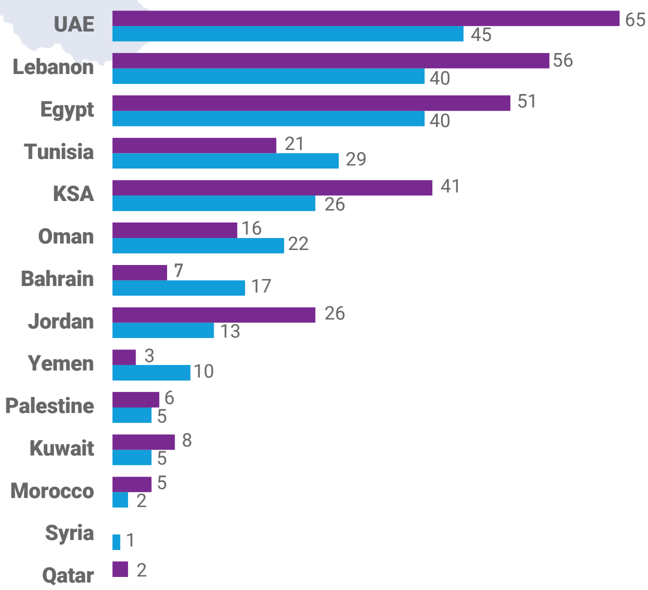
% Change 2017 - 2018
1%

Number of Deals in 2018
255

% Change 2017 - 2018
-16%



Number of deals in MENA



Number of deals in top 5 MENA countries

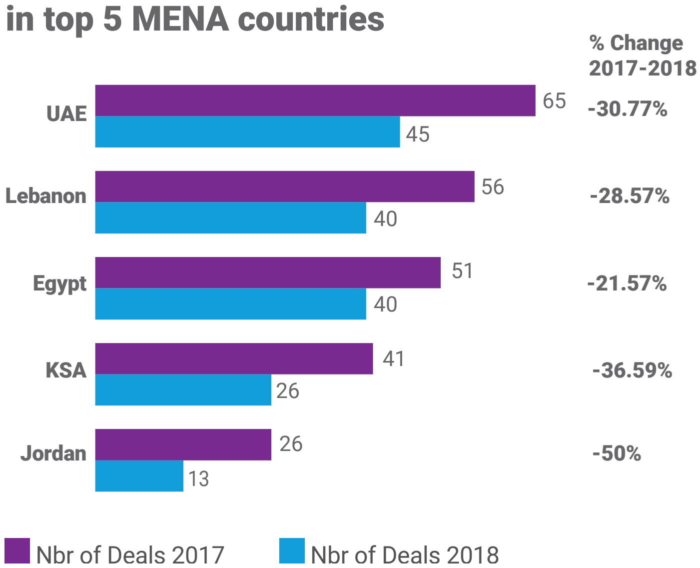


FIGURE 5: NUMBER OF INVESTMENTS BY GEOGRAPHY

Examining the number of deals per country over the last six years, the UAE (348) features almost double the number of deals in Egypt and Lebanon. The next set of countries with the highest number of deals includes Egypt, Lebanon, Saudi Arabia, and Jordan, with an approximate average of 200 deals per country. While the UAE still has the largest number of deals in 2018, Tunisia, Bahrain, Oman, Yemen and Syria all had higher growth rates year on year than the UAE. Oman and Yemen witnessed the biggest percentage change from last year (129% and 250% respectively); these figures are over-amplified due to the minimal number of deals conducted in 2017, within both countries. On the other hand, the UAE displays the greatest absolute change with an increase of 45 deals from 2017. Egypt and Lebanon both witness the second largest absolute change since 2017, with an equal increase of 40 deals. Tunisia also had a remarkable performance with respect to both percentage and absolute change of the number of investments, positioning itself as one of the top five countries in the MENA region.

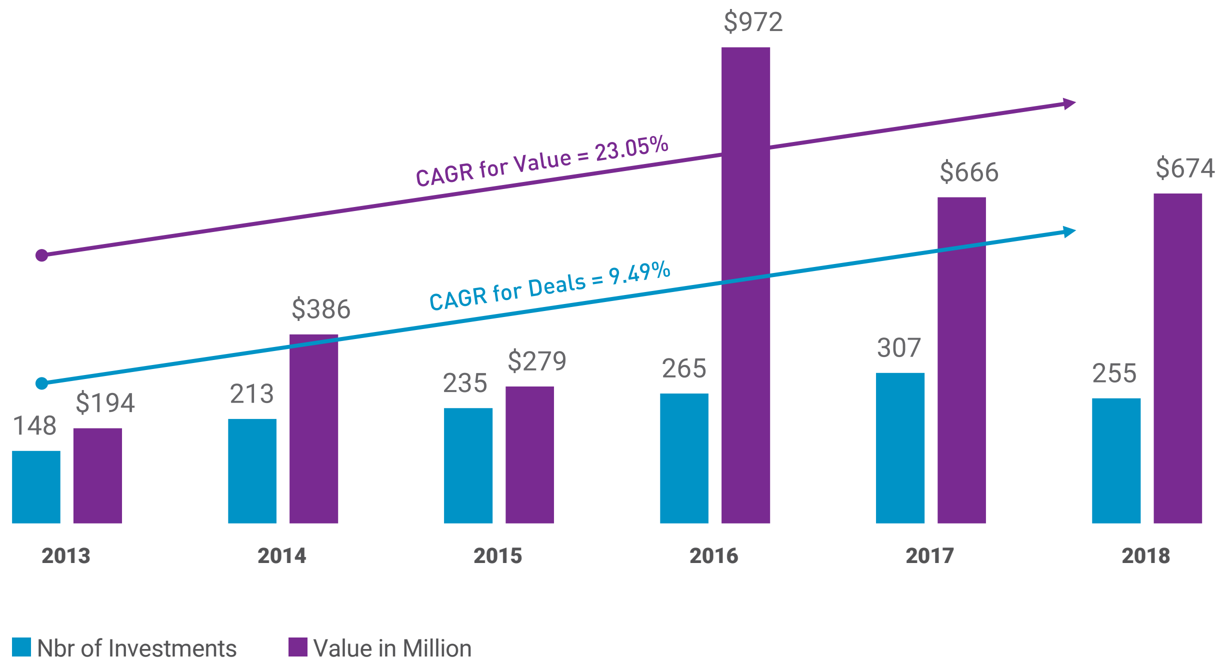
	2013 - 2018	2013 - 2017	% Change	2018
UAE	348	303	15%	**45**
Egypt	214	174	23%	**40**
Lebanon	213	173	23%	**40**
KSA	180	154	17%	26
Jordan	171	158	8%	13
Tunisia	89	60	**48%**	29
Palestine	53	48	10%	5
Bahrain	43	26	**65%**	17
Oman	39	17	**129%**	22
Morocco	25	23	9%	2
Kuwait	22	17	29%	5
Yemen	14	4	**250%**	10
Algeria	5	5	0%	0
Syria	4	3	**33%**	1
Qatar	3	3	0%	0

Cumulative years: 2013, 2014, 2015, 2016, 2017, 2018.
Note: No data was shared by Qatari investors.

INVESTMENTS IN MENA BY YEAR

FIGURE 6: NUMBER AND VALUE OF INVESTMENTS BY YEAR

The total number of deals (2013-2018) has grown at a cumulative annual growth rate (CAGR) of 9.5%, while the total value growing much faster, at a CAGR of 23%. This signals a maturing ecosystem where the average value per deal has essentially doubled. 2016 was an anomaly of sorts, where the two mega-rounds raised by Careem ($350 million) and Souq.com ($275 million) drove total value up when compared to the considerably smaller deal values of 2017 and 2018.



INVESTMENTS IN MENA BY GEOGRAPHY

FIGURE 7.1a: MARKETS RANKED BY NUMBER OF INVESTMENTS

As exhibited in Figure 5, the gap in the total number of deals among Egypt, Lebanon, Saudi Arabia, and Jordan is diminishing. In terms of number of deals for 2018, Egypt and Tunisia have jumped in rank compared to 2017, holding second and third place respectively. Meanwhile, the UAE, Lebanon, and Saudi Arabia have maintained their 2017 ranking. While Egypt and Lebanon hold the same ranking, they also share the same number of deals (40) for 2018, and are only five deals away from the UAE. Oman has moved up two places since 2017, currently ranking fifth; this is a clear reflection of the investment prowess of the Oman Technology Fund. The largest shift in ranking is Yemen's jump of four positions, followed by Tunisia, Bahrain, and Syria all displaying an increase of three positions. This is mostly attributed to the activity of funds such as the Yemeni Angel Group, Flat6Labs Tunisia, and Flat6Labs Bahrain.

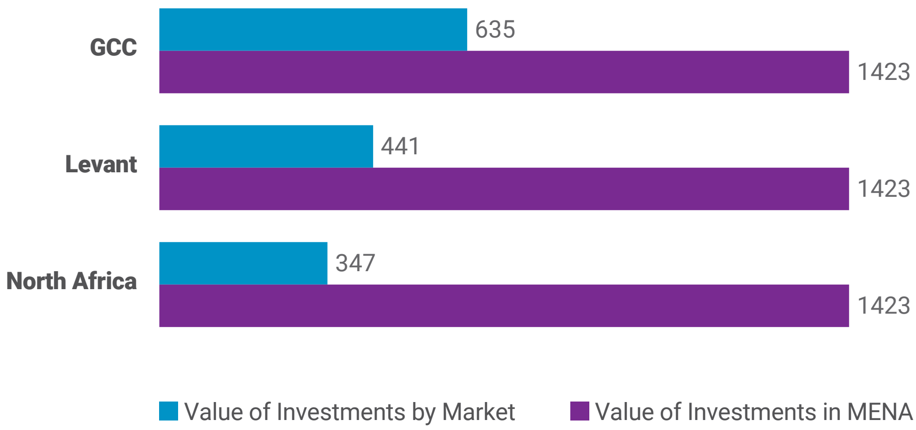
	Number of Deals						Ranking					
	2013	2014	2015	2016	2017	2018	2013	2014	2015	2016	2017	2018
UAE	31	53	76	78	65	45	1	1 —	1 —	1 —	1 —	1 —
Egypt	31	32	20	40	51	40	1	3 ↓	5 ↓	3 ↑	3 —	2 ↑
Lebanon	11	23	34	49	56	40	4	5 ↓	3 ↑	2 ↑	2 —	2 —
Tunisia	3	12	11	13	21	29	7	6 ↑	7 ↓	6 ↑	6 —	3 ↑
KSA	24	28	24	37	41	26	3	4 ↓	4 —	4 —	4 —	4 —
Oman	1	0	0	0	16	22	9	11 ↓	11 —	12 ↓	7 ↑	5 ↑
Bahrain	6	3	4	6	7	17	5	8 ↓	9 ↓	8 ↑	9 ↓	6 ↑
Jordan	29	41	39	23	26	13	2	2 —	2 —	5 ↓	5 —	7 ↓
Yemen	0	0	1	0	3	10	10	11 ↓	10 ↑	12 ↓	12 —	8 ↑
Kuwait	0	1	5	3	8	5	10	10 —	8 ↑	10 ↓	8 ↑	9 ↓
Palestine	5	12	15	10	6	5	6	6 —	6 —	7 ↓	10 ↓	9 ↑
Morocco	3	5	5	5	5	2	7	7 —	8 ↓	9 ↓	11 ↓	10 ↑
Syria	1	1	0	1	0	1	9	10 ↓	11 ↓	11 —	14 ↓	11 ↑
Qatar	1	0	0	0	2	0	9	11 ↓	11 —	12 ↓	13 ↓	12 ↑
Algeria	2	2	1	0	0	0	8	9 ↓	10 ↓	12 ↓	14 ↓	12 ↑

Note: No data was shared by Qatari Investors

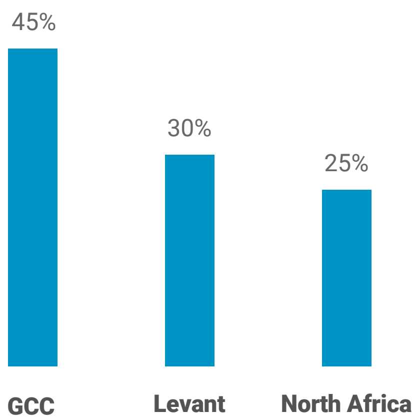
FIGURE 7.1b: TOTAL NUMBER OF INVESTMENTS BY REGION

Slightly less than half (45%) of the MENA region's investment deals were conducted in the GCC, emphasizing greater investment activity than both the Levant and North Africa regions. The Levant and North Africa have an almost equal distribution of deals - 25% and 30% respectively.

MENA vs. MARKETS



MARKET % OF MENA



GCC: UAE, KSA, Oman, Qatar, Bahrain, Kuwait
North Africa: Yemen, Morocco, Algeria, Tunisia, Egypt
Levant: Lebanon, Jordan, Palestine, Syria

FIGURE 7.2a: MARKETS RANKED BY VALUE OF INVESTMENTS

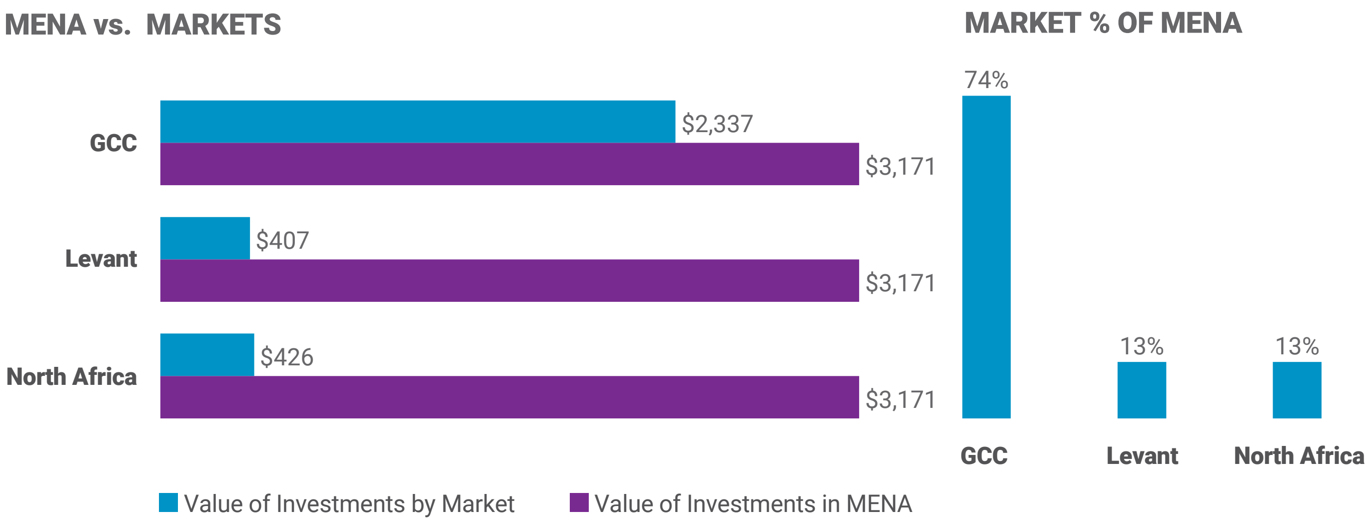
In terms of the number of deals, the gap between the UAE and other markets is gradually diminishing. However, the UAE is a frontrunner - considerably - regarding the value of deals which amounts to 6 times the value of deals in the second highest market, Egypt. Among the top five markets, the UAE and Saudi Arabia hold the same ranking as 2017. Egypt exhibits the highest ranking improvement vis-à-vis its value of investments – mainly driven by two significant investments (Swvl at $30 million and Vezeeta at $12 million). Although Lebanon maintains its number two rank with its number of deals, it has dropped three positions with respect to deal value, indicating a decrease in dollars invested per deal. Similarly, Tunisia displays an increase in the number of deals accompanied by a decrease in the value of deals, also revealing a lower dollar value per deal.

	Value of Deals in Million						Ranking					
	2013	2014	2015	2016	2017	2018	2013	2014	2015	2016	2017	2018
UAE	$ 36	$ 116	$ 165	$ 828	$ 471	$ 459	2	2 ---	1 ↑	1 ---	1 ---	1 ---
Egypt	$ 77	$ 157	$ 16	$ 13	$ 16	$ 66	1	1 ---	5 ↓	5 ---	6 ↓	2 ↑
KSA	$ 34	$ 58	$ 19	$ 9	$ 39	$ 59	3	3 ---	4 ↓	7 ↓	3 ↑	3 ---
Jordan	$ 33	$ 17	$ 29	$ 15	$ 35	$ 32	4	5 ↓	3 ↑	3 ---	4 ↓	4 ---
Lebanon	$ 7	$ 28	$ 35	$ 72	$ 54	$ 28	5	4 ↑	2 ↑	2 ---	2 ---	5 ↓
Kuwait	-	$ 0.2	$ 3	$ 3	$ 13	$ 12	13	11 ↑	7 ↑	9 ↓	7 ↑	6 ↑
Tunisia	$ 0.1	$ 2	$ 1	$ 10	$ 20	$ 10	11	7 ↑	10 ↓	6 ↑	5 ↑	7 ↓
Yemen	-	-	$ 1	-	$ 2	$ 3	13	12 ↑	11 ↑	11 ---	10 ↑	8 ↑
Bahrain	$ 0.4	$ 1	$ 1	$ 1	$ 6	$ 2	9	10 ↓	12 ↓	10 ↑	9 ↑	9 ---
Oman	$ 0.01	-	-	-	$ 1	$ 1	13	12 ↑	12 ---	11 ↑	11 ---	10 ↑
Palestine	$ 2	$ 4	$ 6	$ 7	$ 1	$ 1	8	6 ↑	6 ---	8 ↓	12 ↓	11 ↑
Morocco	$ 2	$ 1	$ 2	$ 15	$ 6	$ 0.3	7	8 ↓	9 ↓	4 ↑	8 ↓	12 ↓
Syria	$ 0.05	$ 0.01	-	$ 0.1	-	$ 0.1	12	12 ---	12 ---	11 ↑	13 ↓	13 ---
Qatar	$ 0.2	-	-	-	$ 1	-	10	12 ↓	12 ---	11 ↑	13 ↓	13 ---
Algeria	$ 2	$ 1	$ 3	-	-	-	6	9 ↓	8 ↑	11 ↓	13 ↓	13 ---

Note: No data was shared by Qatari Investors

FIGURE 7.2b: VALUE OF INVESTMENTS BY REGION

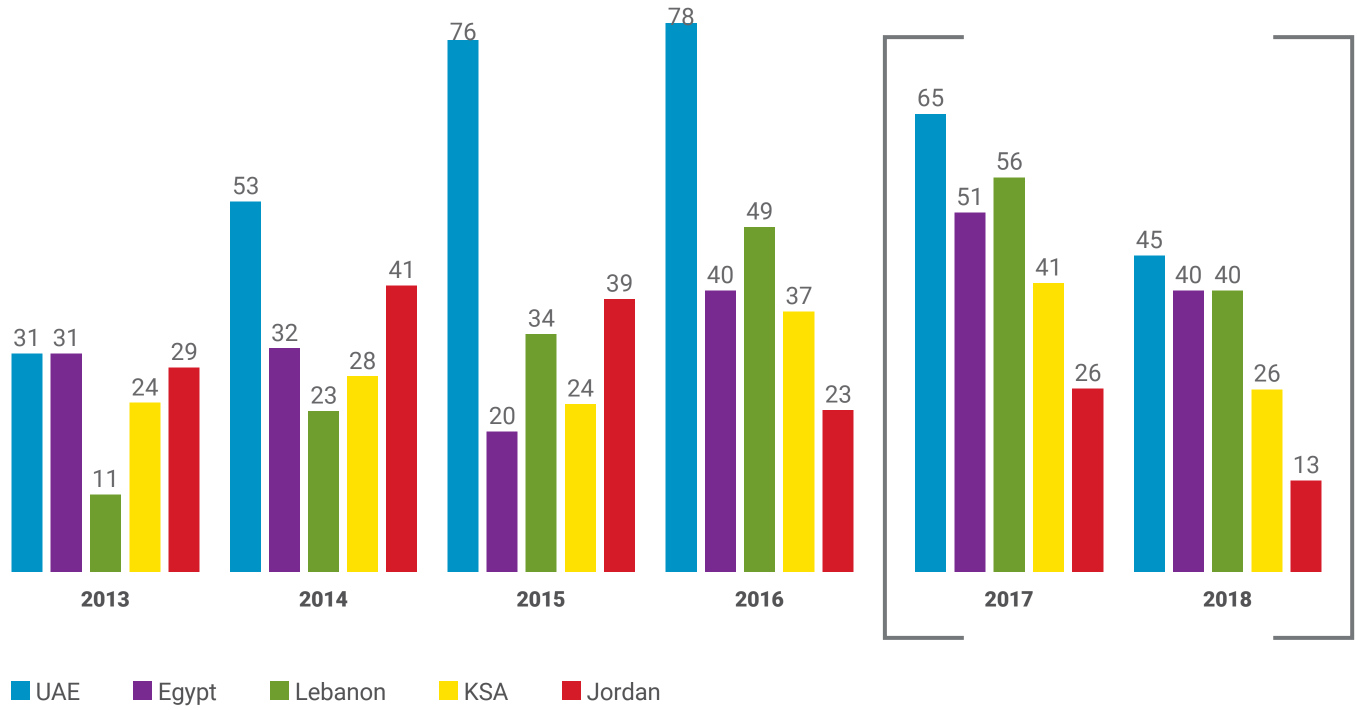
Around three quarters of total MENA investment value is concentrated in the GCC, revealing a huge gap with respect to the rest of the Arab world; the investment value of both the Levant and North African regions combined represents only one fourth of MENA's investment value. This indicates that the flow of dollars is not equally spread, as opposed to the number of deals.



GCC: UAE, KSA, Oman, Qatar, Bahrain, Kuwait
North Africa: Yemen, Morocco, Algeria, Tunisia, Egypt
Levant: Lebanon, Jordan, Palestine, Syria

FIGURE 8.1a: INVESTMENTS IN THE TOP 5 COUNTRIES

Over the years, the UAE has consistently boasted the highest proportion of deals among the top five countries. This chart highlights how the distribution of deals across the top three markets (the UAE, Egypt, and Lebanon) is smoothing out, with a notably marginal gap. However, across the top 5 markets, there is a significant percentage decrease in the number of deals. Although Saudi Arabia displays a 37% decrease in the number of deals, the dollar value of deals has increased compared to 2017 – mainly due to the significant investment in Unifonic ($21 million). Similarly, Egypt reveals a 22% decrease in the number of deals, yet as observed in Figure 7.2a, two noteworthy investments (Swvl - $30 million and Vezeeta - $12 million) have considerably increased the value of investments.



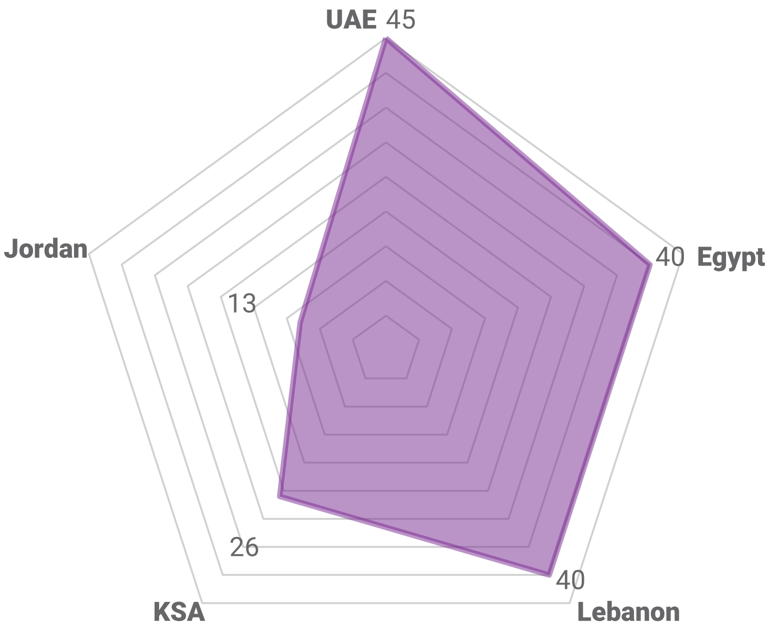
Base 2013 - 2018: 1126

% Change 2017 -2018

UAE = -31%
Egypt = -22%
Lebanon = -29%
KSA = -37%
Jordan = -50%

FIGURE 8.1b: INVESTMENTS IN THE TOP 5 COUNTRIES

The below figure highlights the fact that among the top five countries, deals are almost equally distributed between the UAE, Egypt and Lebanon. Lebanon comes out as the leader with respect to the number of deals per capita and per GDP, while Egypt and Saudi Arabia rank lowest in the number of deals per capita and per GDP respectively.

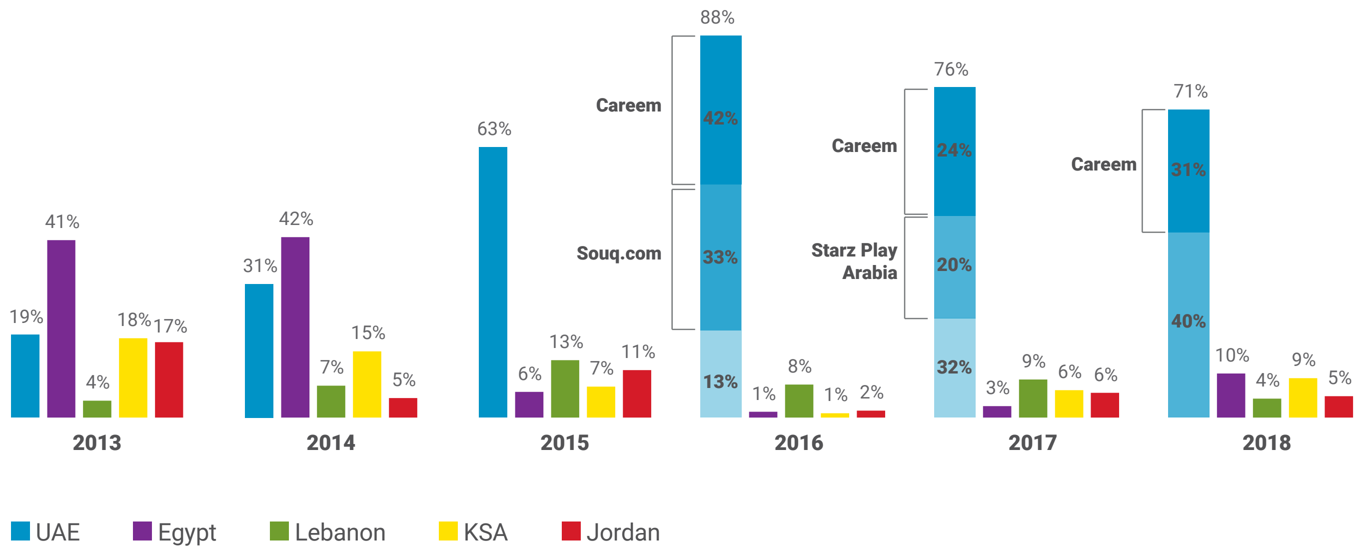


	Number of Deals - 2018	Capita Per Country (Million)	Number of Deals Per Million People	Rank	GDP Per Market (Billion USD)	Value of Deals Per 100 Billion GDP	Rank
UAE	45	9	5.00	2	$ 383	12	4
Egypt	40	98	0.41	5	$ 235	17	3
Lebanon	40	6	6.67	1	$ 52	77	1
KSA	26	33	0.79	4	$ 684	4	5
Jordan	13	10	1.30	3	$ 40	33	2

Base 2013-2018: 1126

FIGURE 8.2a: PERCENT VALUE OF INVESTMENTS IN THE TOP 5 COUNTRIES

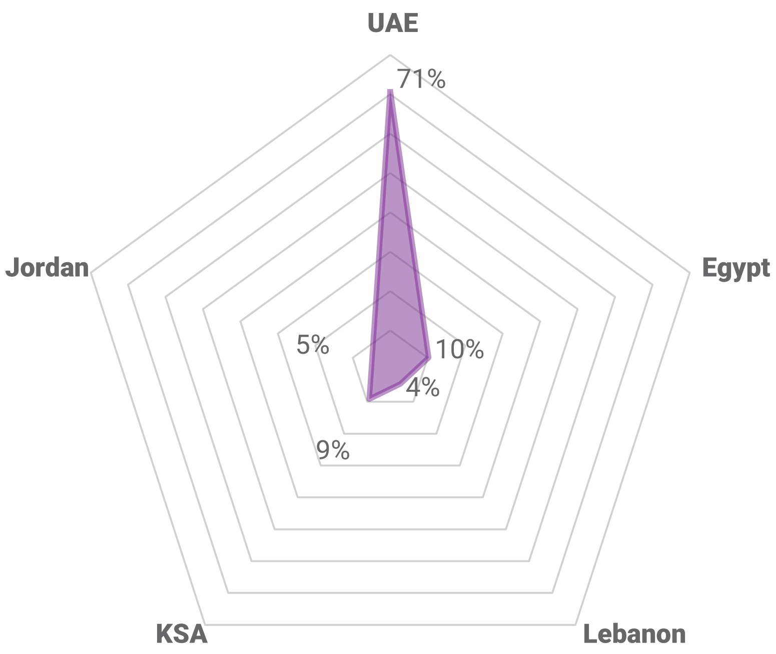
The data reveals that the UAE continues to capture around three fourths (71%) of total dollars invested among the top five markets. Over the past three years, Careem has been the driving force in boosting the UAE's value of investments. 2018 is no exception; Careem captured 40% of all dollars invested in the UAE and about a third (31%) of the total deal value in the top five markets. Both Egypt and Saudi Arabia have gained traction over the past two years; the Egyptian deals, Swvl ($30 million) and Vezeeta ($12 million), and the Saudi Arabian deal, Unifonic ($21 million), have had a visible impact.



Base 2013-2018: $3,022,647,843

FIGURE 8.2b: VALUE OF INVESTMENTS IN THE TOP 5 COUNTRIES

This chart highlights that the majority of the MENA region's investment money is concentrated in the UAE. Lebanon and Jordan rank second and third respectively in the value of deals per million people, and third and second respectively per GDP. While Egypt and Saudi Arabia rank lowest in the value of deals per million people and per GDP respectively, reflecting similar rankings as the number of deals in Figure 8.2a.

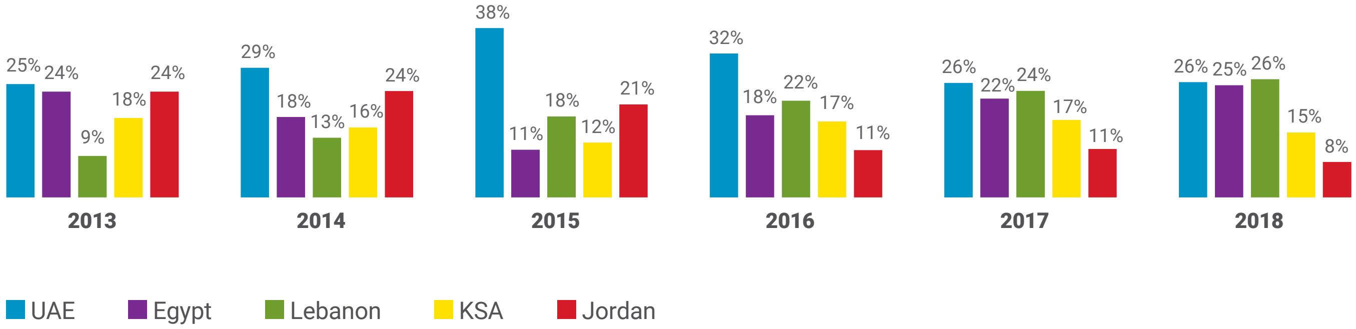


	Value of Investment (in millions) -2018	Capita Per Country (Million)	Value of Deals Per Million People	Rank	GDP Per Market (Billion USD)	Value of Deals Per 100 Billion GDP	Rank
UAE	$ 459	9	$ 51.00	1	$ 383	$ 120	1
Egypt	$ 66	98	$ 0.67	5	$ 235	$ 28	4
Lebanon	$ 28	6	$ 4.71	2	$ 52	$ 54	3
KSA	$ 59	33	$ 1.78	4	$ 684	$ 9	5
Jordan	$ 32	10	$ 3.20	3	$ 40	$ 80	2

Base 2013-2018: $3,022,647,843

FIGURE 8.3: VALUE OF INVESTMENTS IN THE TOP 5 COUNTRIES WITHOUT GROWTH

When analyzing investment values less growth capital, the top three markets - the UAE, Egypt, and Lebanon - display similar and stable shares of total dollars invested. This indicates a steady and consistent share of deals in the early stage investments.



Base 2013-2018: $763,047,843

INVESTMENTS IN MENA BY TICKET SIZE

FIGURE 9.1: NUMBER OF INVESTMENTS BY TICKET SIZE

The below figure highlights the fact that the share of early stage investments (52%) and late stage investments (48% - venture capital at 43% and growth stage at 5%) are nearly on par. Later stage investments – VC and growth stage – display sizeable growth over the past year, increasing from 38% to 48% of all deals. Early stage investments have witnessed a decrease in share over the years - indicative of a maturing ecosystem.

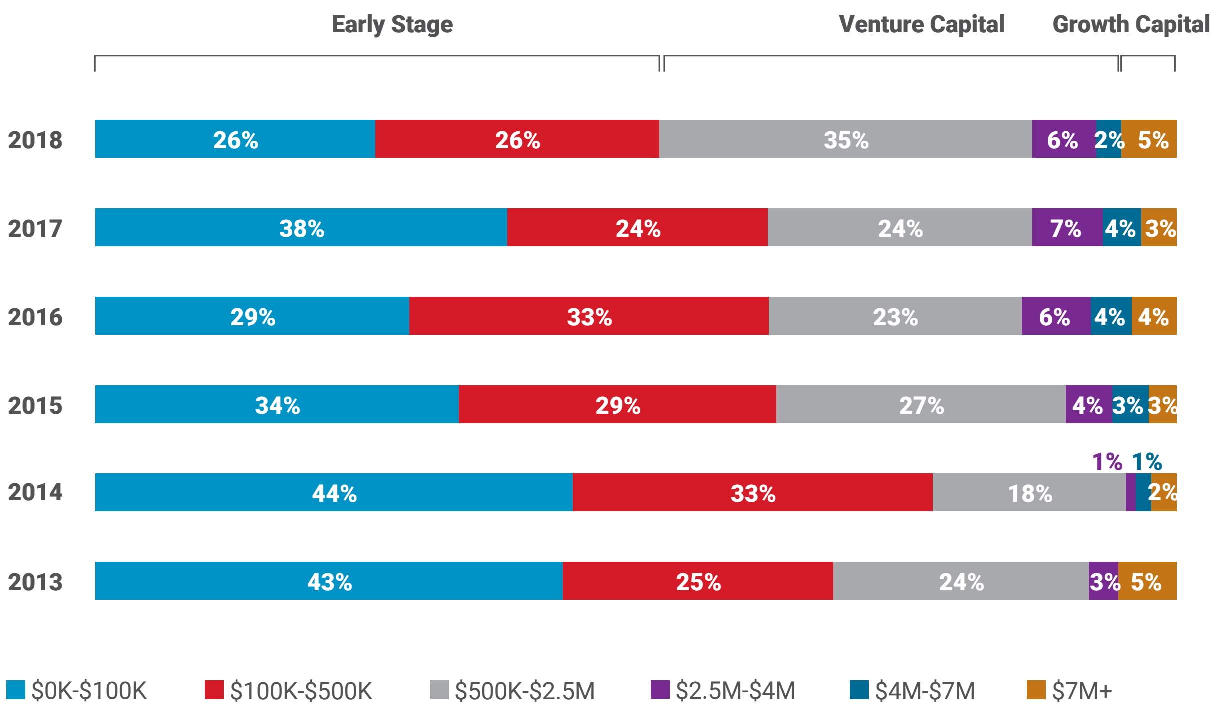
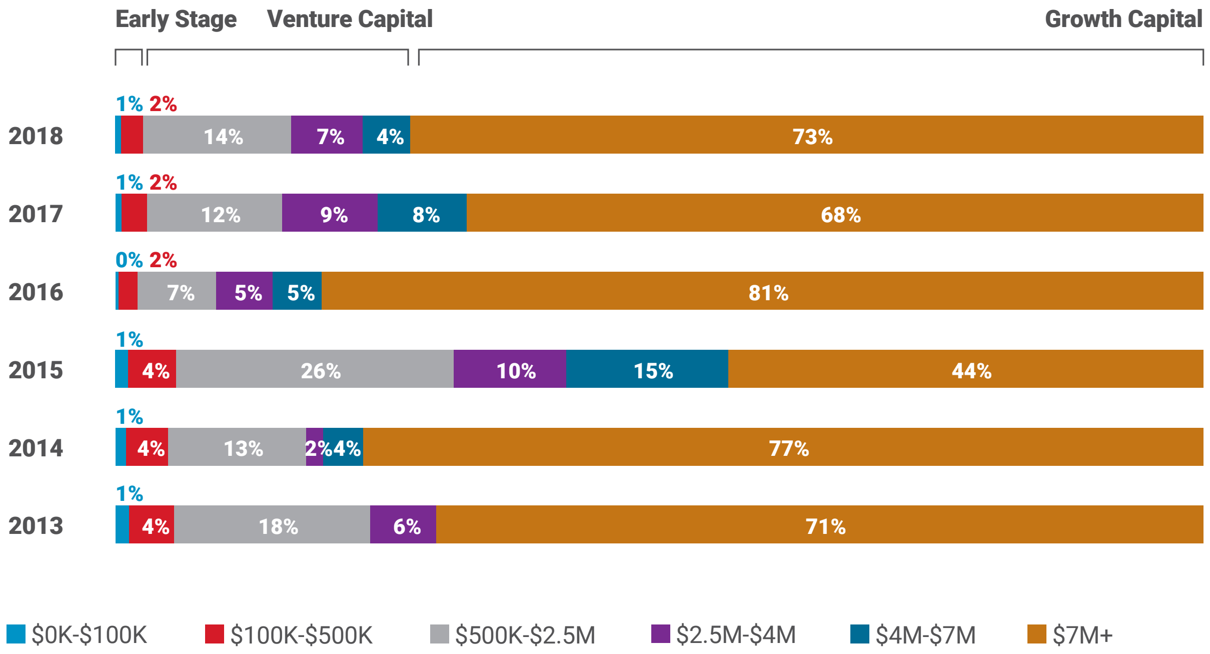


FIGURE 9.2: VALUE OF INVESTMENTS BY TICKET SIZE

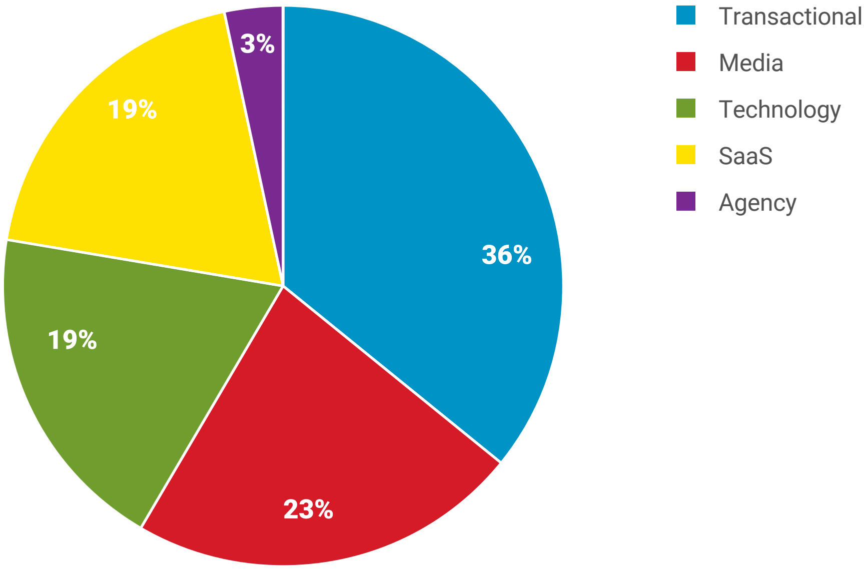
In Figure 9.1, early stage investments garner slightly over half of all deals (52%), yet these investments amass the lowest in dollar value (3%) as seen below. Total investment value in 2018 is driven by growth stage investment - Careem ($200 million). Later stage deals continue to capture most dollars invested – approximately three fourths of total value of investments.



INVESTMENTS BY STARTUP BUSINESS MODEL

FIGURE 10.1: NUMBER OF INVESTMENTS BY STARTUP BUSINESS MODEL

Exploring investments by business model over the past six years, transactional-based startups still reign (36% of investments), followed by media-based startups representing around one fourth of total investment. Technology and SaaS business models capture an equal percentage of deals, constituting around one fifth each.



Cumulative years: 2013, 2014, 2015, 2016, 2017, 2018.

FIGURE 10.2: VALUE OF INVESTMENTS BY STARTUP BUSINESS MODEL

Not only do transactional business model deals capture the largest number of investments (36%), but they also bag the largest value of investments (71%). Careem ($200 million), Swvl ($30 million), Wadi ($30 million), and Mumzworld ($20 million) lead transactional investment values. Media (11%) and technology (10%) are the second largest in value of deals, among which Mawdoo3 - a media business - raised a round worth $13.5 million.

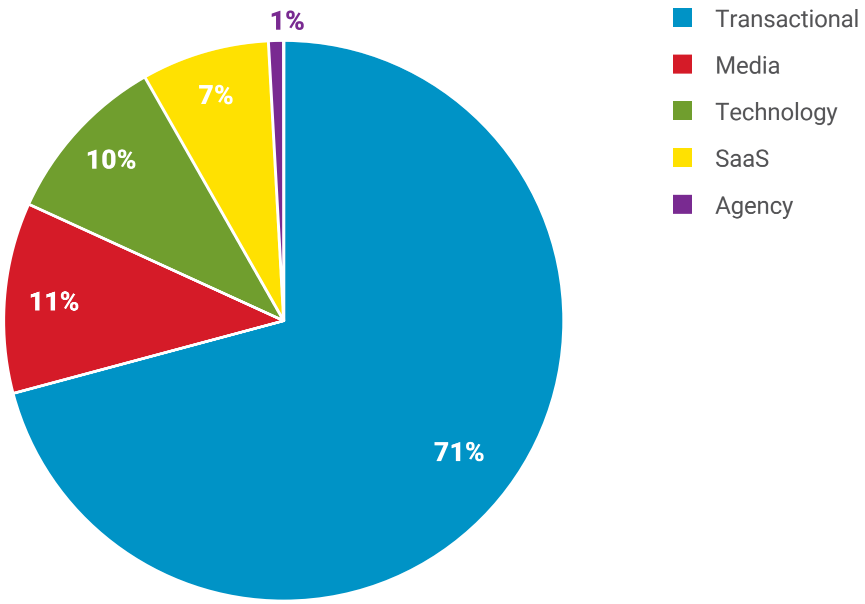
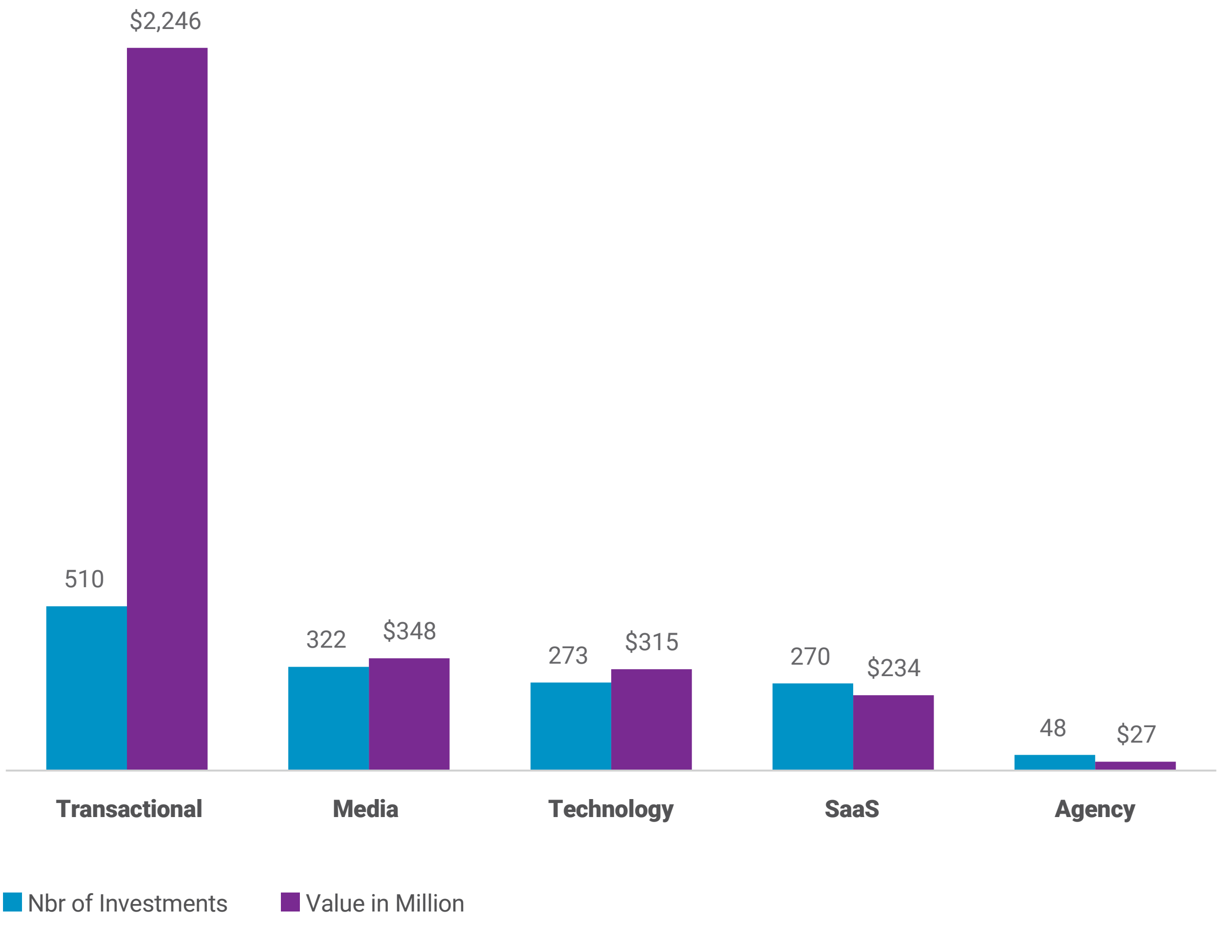


FIGURE 10.3: NUMBER AND VALUE OF INVESTMENTS BY STARTUP BUSINESS MODEL

Over the years, transactional business investments dominate deal value. Less of a discrepancy is visible between investment values and the number of deals among other business models. When analyzing the data by value per deal, transactional business deals average around $4.4 million per investment. Media, technology, and SaaS business models hover around $1 million per investment. It is important to note that these approximations are only directional; the bulk of investor dollars are mainly concentrated in very few large transactional business model deals.



Cumulative years: 2013-2018

FIGURE 10.4: NUMBER OF INVESTMENTS BY STARTUP BUSINESS MODEL BY YEAR

Transactional startups continue to dominate the investment landscape, representing about 31% of investments in 2018 - a notable decrease from previous years. Transactional businesses are faced with rising contenders - mainly media, technology, and SaaS businesses. Over the past six years, the gap in the number of investments between transactional, media, technology, and SaaS based startups is steadily shrinking. In recent years, media-based models and SaaS-based models (education, security, F&B, enterprise solutions, and recruitment) have steadily gained traction. In 2018, media and SaaS based businesses have witnessed a spurt in the number of investments, with a respective increase of 44% and 54% from 2017 to 2018.

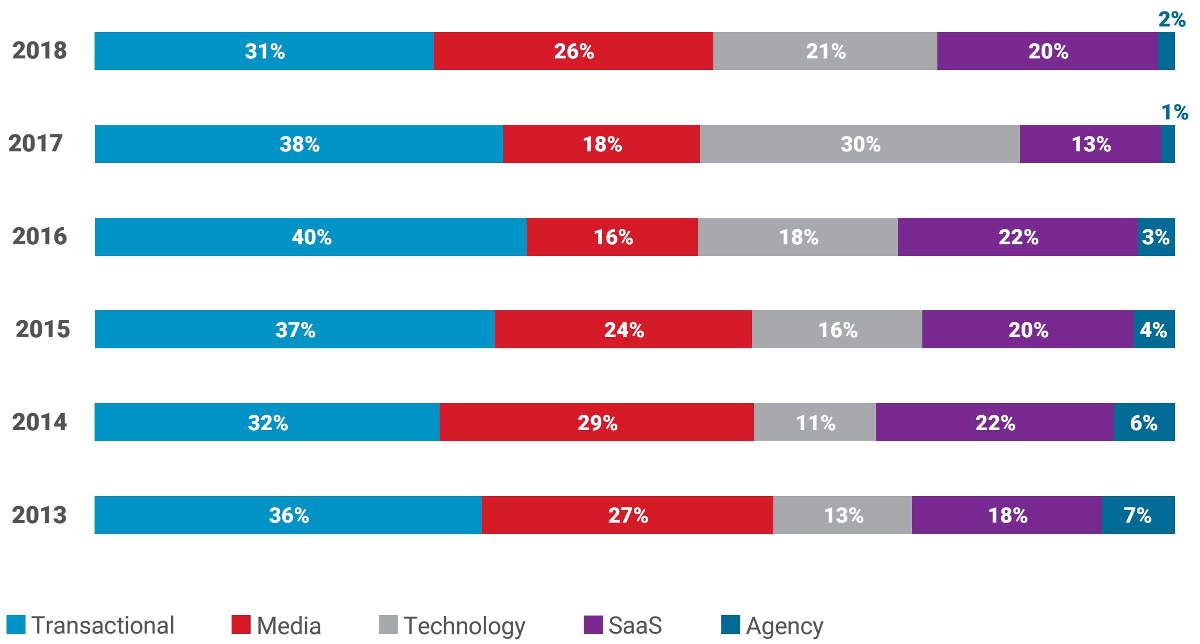


FIGURE 10.5: VALUE OF INVESTMENTS BY STARTUP BUSINESS MODEL BY YEAR

When assessing the value of investments by business model, transactional deals still capture the largest proportion of dollars invested (74%). 2016 data reveals a unique year for transactional investment values due to Careem ($350 million) and Souq.com ($275 million) rounds. In 2018, again the value of transactional businesses is augmented due to rounds raised by Careem ($200 million), Swvl ($30 million), Wadi ($30 million), and Mumzworld ($20 million). Conversely, while the number of media deals has increased (see previous chart), the value of these media deals has decreased, indicative of lower than average deal sizes for media-focused startups. The value of investments for the SaaS business model has witnessed an increase due to two major deals, Unifonic ($21 million) and Qordoba ($11.5 million).

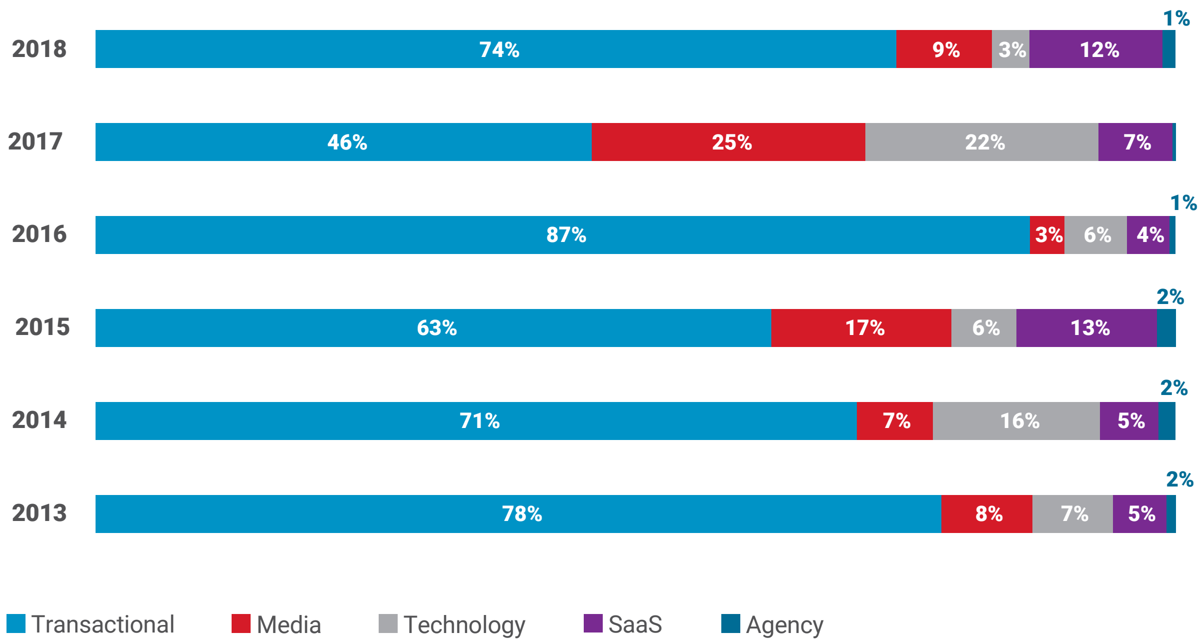
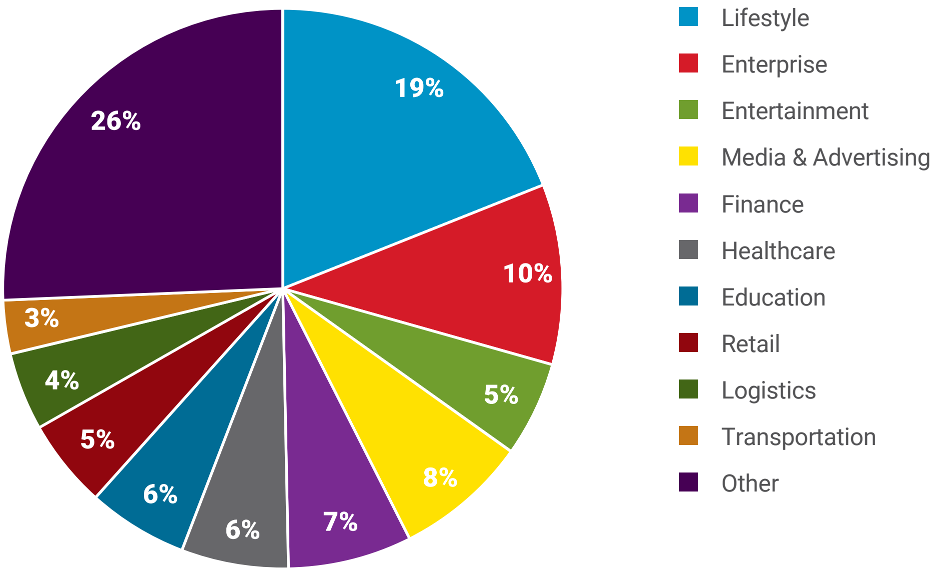


FIGURE 10.6: NUMBER OF INVESTMENTS BY STARTUP INDUSTRY

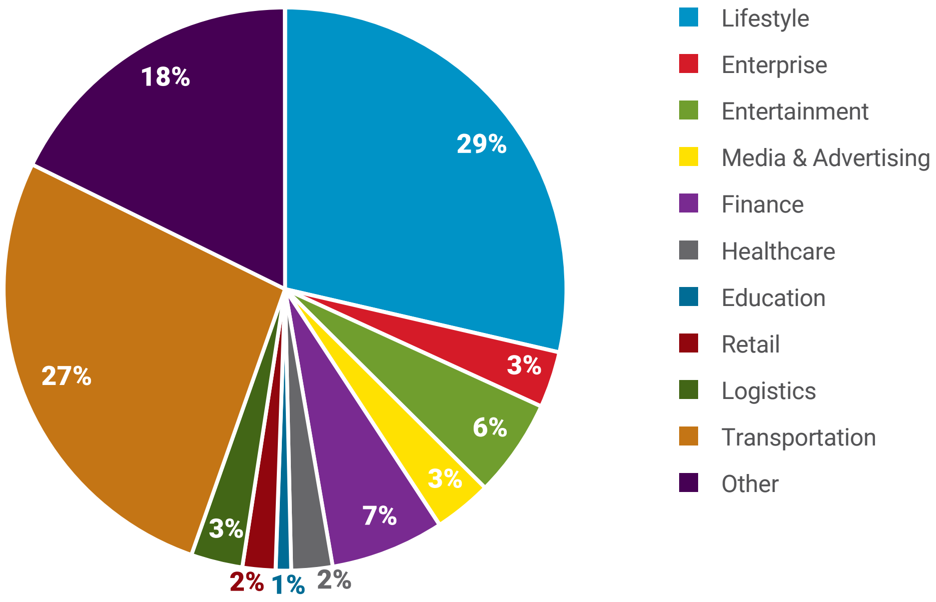
Lifestyle (19%), enterprise (10%), and media and advertising (8%) focused businesses encompass the biggest number of deals. Finance, healthcare, and education deals have started to gain traction and now represent 7%, 6%, and 6% of all deals respectively, with an expectation of continued growth in these industries.



Cumulative years: 2013-2018

FIGURE 10.7: VALUE OF INVESTMENTS BY STARTUP INDUSTRY

Lifestyle startups not only capture the biggest proportion of deals (19%) but also the largest share of investments (29%). The biggest investments in lifestyle-focused companies include Wadi ($30 million) and Mumzworld ($20 million). Value by industry continues to be swayed by growth-stage deals; thus, while transportation businesses only make up 3% of all deals, Careem's $200 million and Swvl's $30 million rounds mean that the transportation sector consistently captures the second largest proportion of dollars invested (27%).

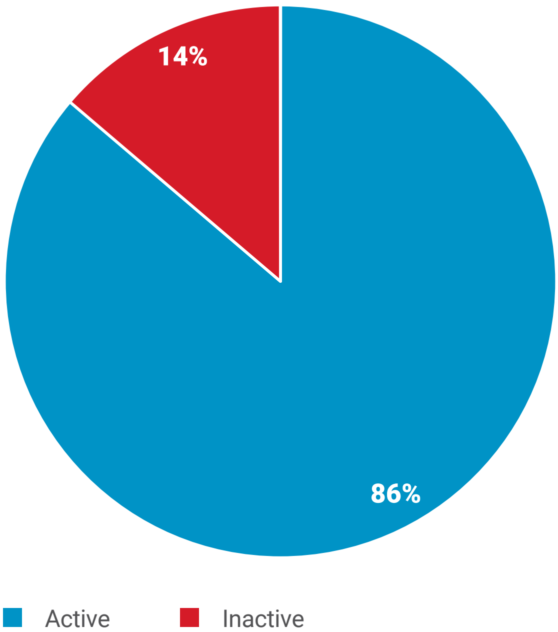


Cumulative years: 2013-2018

VALLEY OF DEATH

FIGURE 11.1: NUMBER OF OPERATING VS. CLOSED FUNDED STARTUPS IN MENA

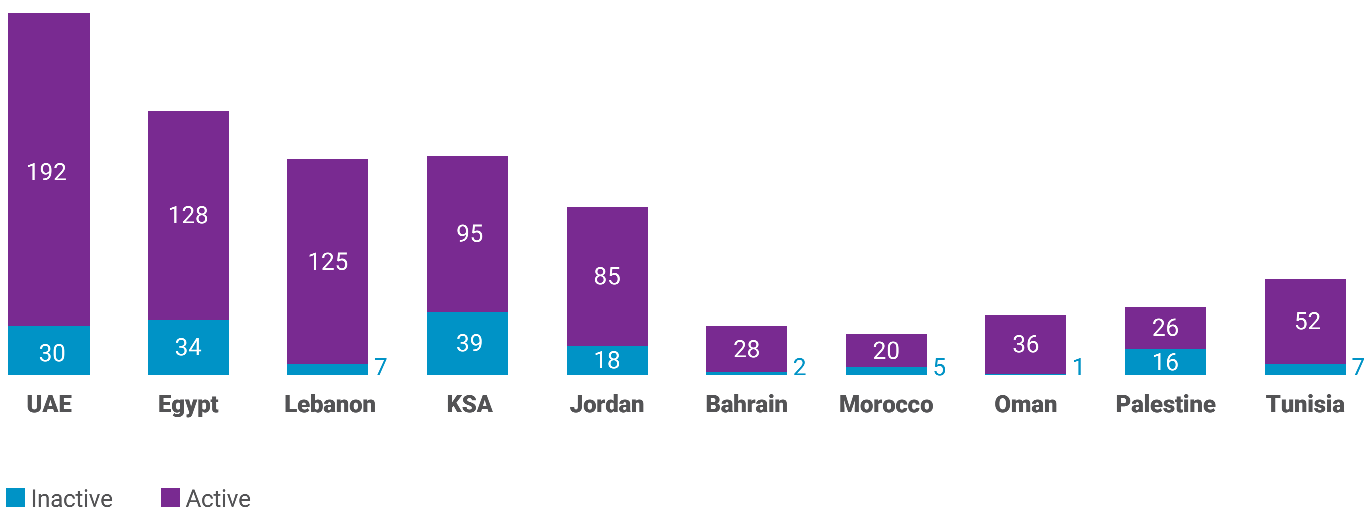
The basis for assessing a startup's operational status includes its platform activity (app or website), social media activity, funding announcements, and announcements from founders or investors. Based on the aforementioned factors, only 14% of all MENA startups funded in the past six years have shuttered. This low failure rate is attributed to several factors: the continued proliferation of private- and public-sector initiatives that support and fund startups; the reluctance of investors to discontinue support of portfolio companies; and the cultural stigma associated with failure. Finally, another crucial factor is the nascent nature of the ecosystem, with the volume of deals being higher in 2015, 2016, and 2017, as opposed to the period prior to that. Thus, recently funded startups have a lower chance to run the course of their life cycle.



Cumulative years: 2013-2018..
Base: 1423

FIGURE 11.2: OPERATING VS. CLOSED FUNDED STARTUPS IN MENA BY GEOGRAPHY

The UAE has the largest number of operational startups (192). Interestingly, Oman displays an exception revealing a minimal number of closed digital startups. This could be attributed to its nascent ecosystem and the sudden influx of capital brought about by the OTF – where the bulk of investments in Oman took place in 2017. Looking at the proportion of closed startups, Palestine exhibits the highest figure (38%) - which seems overamplified given the small number of total deals made in the country. On the other hand, Saudi Arabia follows Palestine as the second country with the largest proportion of closed startups (29%) while Lebanon presents the lowest proportion (5.3%) compared to all other countries in the MENA region.



Cumulative years: 2013-2018

FIGURE 12.1: ANALYSIS OF STARTUPS FOUNDED IN 2013

When analyzing the life cycle of MENA digital startups since inception, out of the 127 funded startups founded in 2013, 40% (51) of them went to raise a second round of funding. Those who received a second round of funding 41% (21) went on to raise a third round, while 29% (6) raised a fourth round. When examining the failure rates of 2013 founded businesses, around a quarter (35) became inactive. Businesses who received a second round of funding around 20% failed. Observing startups who received three rounds of funding or more, the failure rate decreases to zero; this demonstrates that once a startup has hit its stride and reached the growth stage, the chances of failure drop significantly. These companies may yet fail, but shall probably require 7 to 10 years of continued life cycle before reaching either exit or closure.

Analyzing startups that remained active post the first round of funding, one third (41) did not receive any further rounds. Of the startups that received a second round of funding, 40% (21) did not receive any further rounds of funding. The percent of active startups who do not receive rounds of funding after the third round and onward increases. Again, this exemplifies that as a business reaches its growth stage, the chances of requiring further investment decrease.

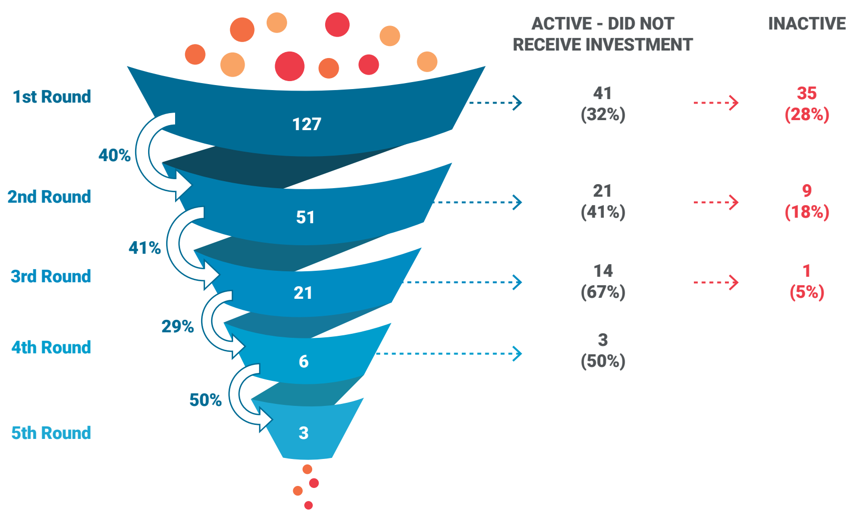


FIGURE 12.2: ANALYSIS OF STARTUPS FOUNDED IN 2014

Applying the same analysis to startups founded in 2014, the data shows that of the 160 businesses around one third (48) go on to raise a second round. On the other hand, around 39 companies closed after their first round of funding - similar to the 2013 cohort. This indicates that closure rates post first round of funding hover between 20% to 30%. By examining the figures at round two, another trend emerges: closure rates hover around 20% and 10%. Post round three and onward, startup closure rate drops to zero. As hypothesized in Figure 12.1, this result may be a repercussion of a startup's life cycle.

Analyzing startups that remained active post the first round of funding, slightly under half (73) did not receive any further rounds. Of the startups that received a second round of funding, 58% (28) did not receive any more funding. The proportion of active startups, who do not receive rounds of funding after the third round and onward, increases - indicative of higher survival rates and less need for further investment as a startup enters growth stage.

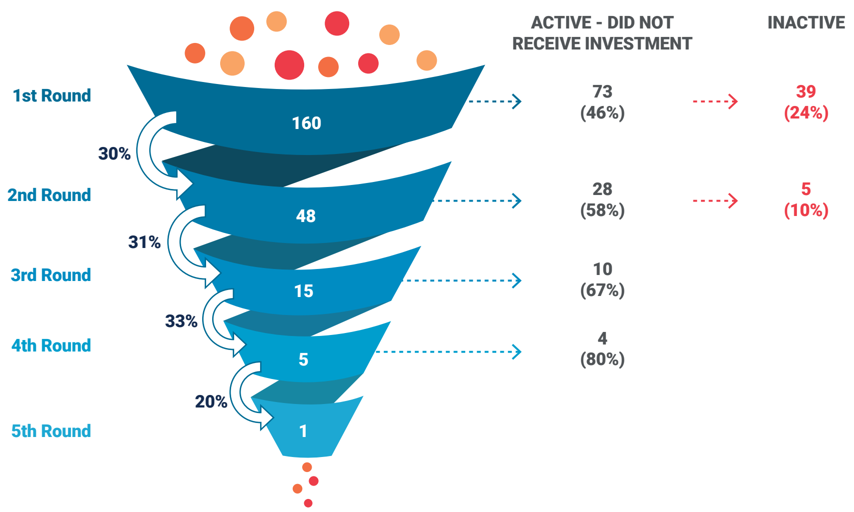


FIGURE 12.3: ANALYSIS OF STARTUPS FOUNDED IN 2015

When applying the same analysis to startups founded in 2015, it is evident that some startups are able to reach new growth levels, achieving six rounds of funding - which reflects increased maturity. The research highlights that the failure rate decreased to zero at post round two and on. Out of all 152 startups that received first-round funding, 11% (16) closed after the first round and only 2 closed after the second.

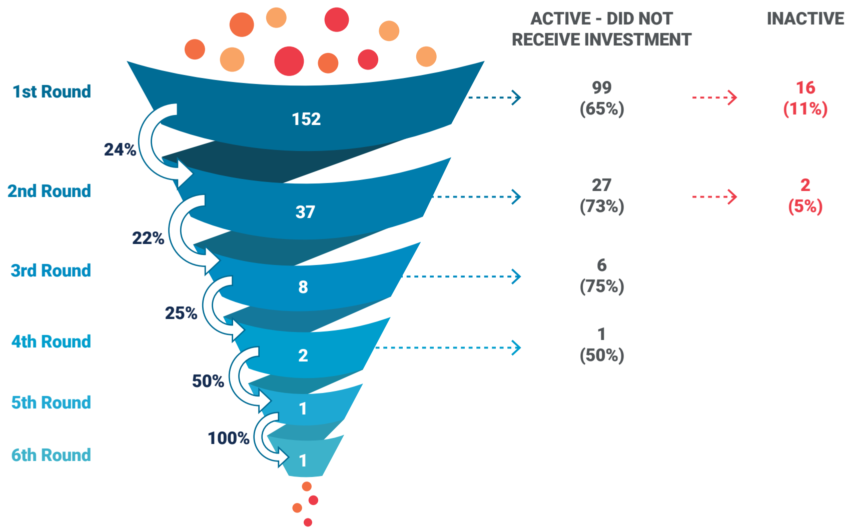


FIGURE 12.4: ANALYSIS OF STARTUPS FOUNDED IN 2016

The below funnel reveals that around a quarter of startups are able to secure second and third rounds (similar to Figure 12.3). Zero startups were able to raise funding post the second round, confirming that the startups founded that year are still at their early stages.

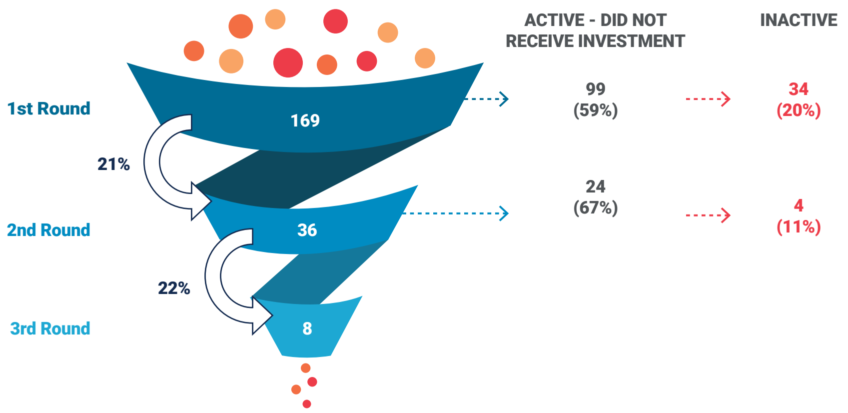
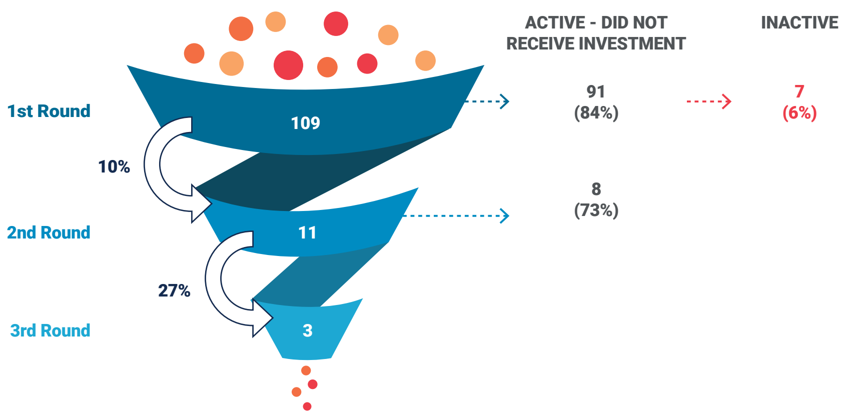


FIGURE 12.5: ANALYSIS OF STARTUPS FOUNDED IN 2017

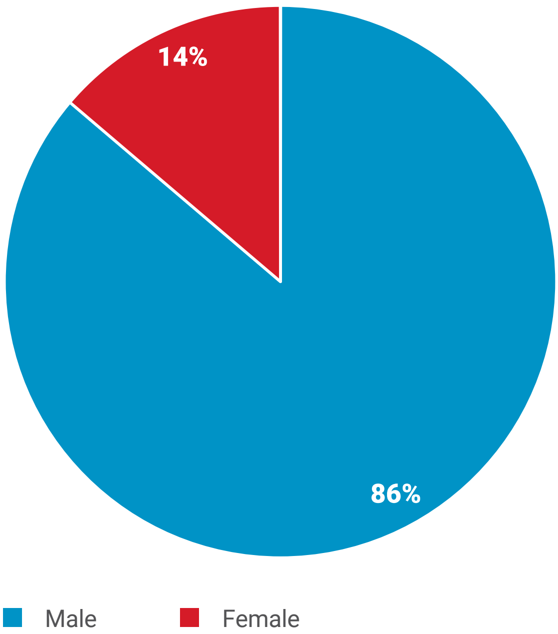
Only 11 of the 2017 founded startups were able to raise a second round of funding while very few (3) were able to raise a third round.



FEMALE FOUNDERS IN FUNDED STARTUPS

FIGURE 13.1: GENDER DISTRIBUTION AMONG FOUNDERS

While gender diversity in tech is currently a hot topic, MENA governments are pushing for increased female participation in the labor force. More funds are focused on investing in female-founded startups, yet the proportion of female founders across the region has remained consistent (and low) at 14% over the years.



Cumulative years: 2004-2018.
Base: 1,543.

FIGURE 13.2: GENDER DISTRIBUTION AMONG FOUNDERS BY YEAR

The below figure demonstrates that the ratio of gender distribution has remained relatively consistent over the years, with female founders ratio ranging from 12% to 19%.

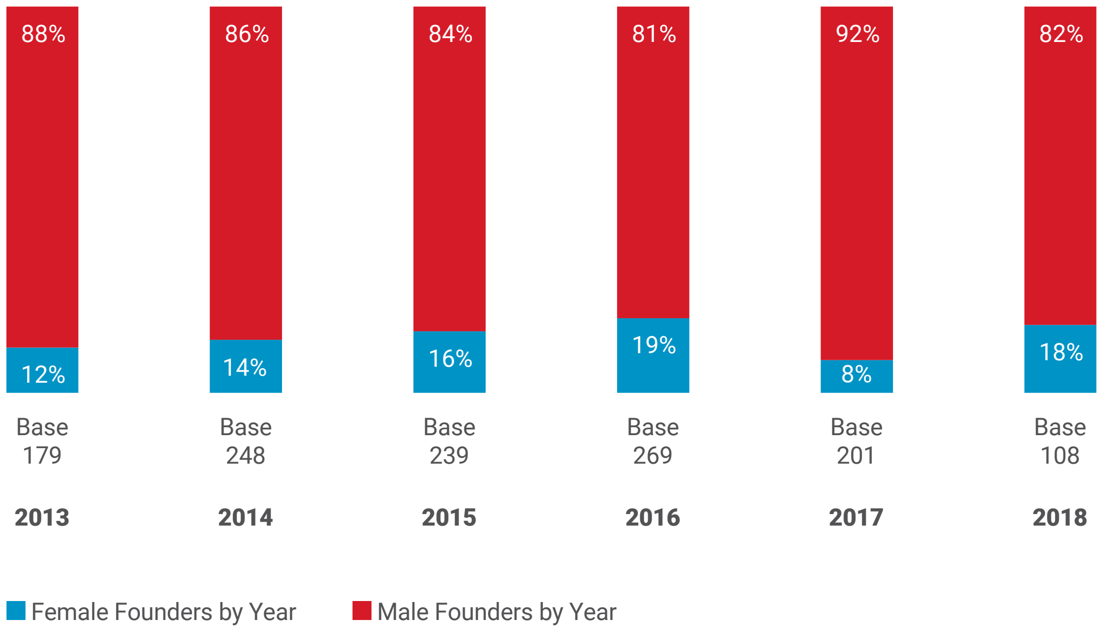
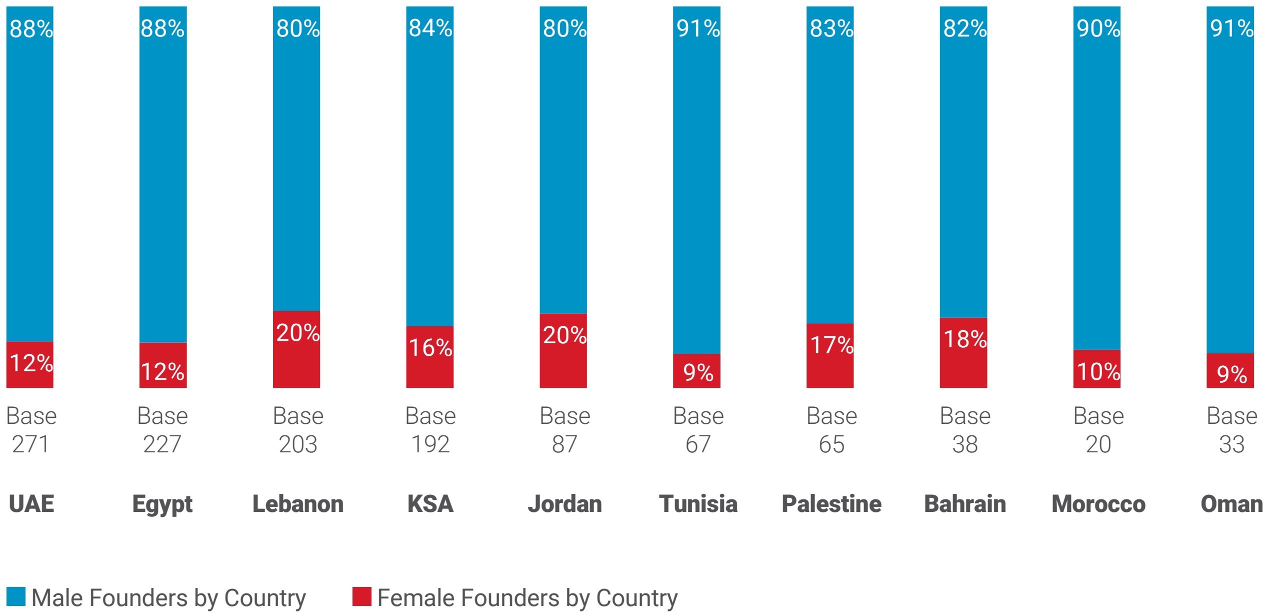


FIGURE 13.3: NUMBER OF FEMALE FOUNDERS BY GEOGRAPHY

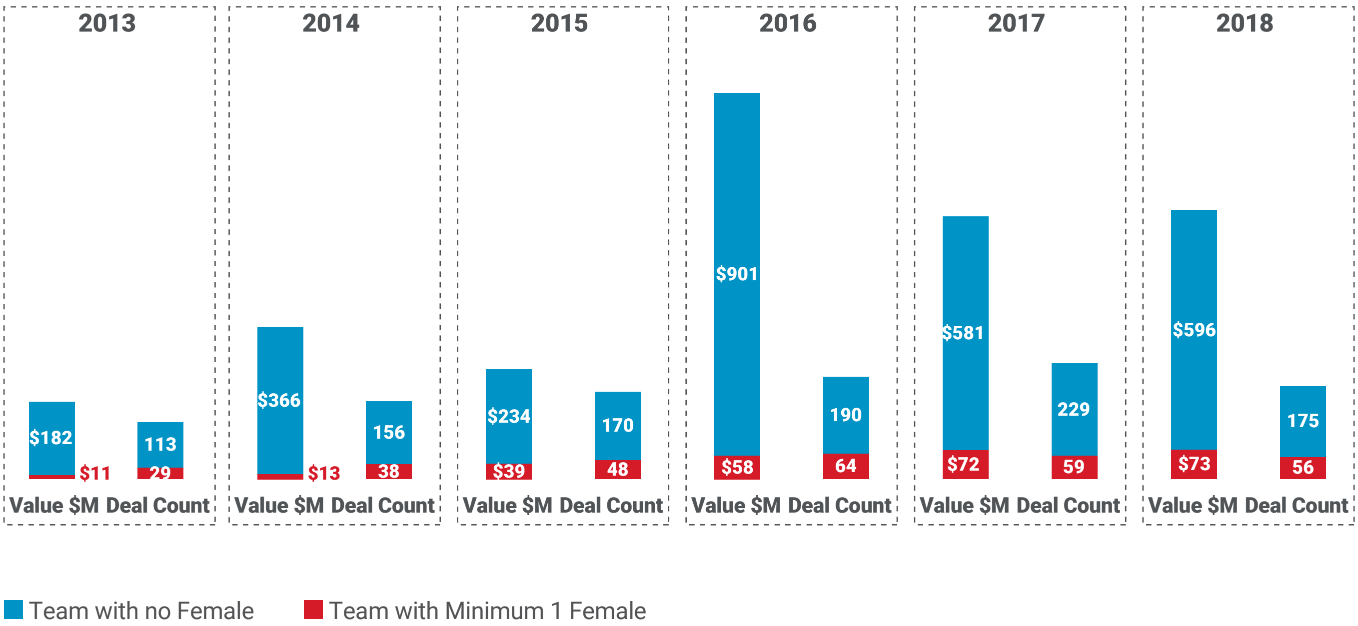
When examining the ratio of female founders by market, the data indicates that the Levant continues to exhibit the highest proportion of female founders in MENA, with Jordan and Lebanon at 20%. Tunisia and Morocco display low female to male proportions. Cultural factors seem to affect female participation in startups, such as pressure from family to find a stable job with low stress levels. Private and public sector initiatives and awareness campaigns could help boost female participation, hence decrease the disparity between male and female founders.



Cumulative years: 2013-2018.

FIGURE 13.4: NUMBER AND VALUE OF INVESTMENTS BY TEAMS WITH AT LEAST 1 FEMALE FOUNDER VS. TEAMS WITH NO FEMALE FOUNDERS

When examining the number of startup investments with at least one female founder versus teams without a female founder, the data highlights the fact that all-male teams consistently capture the majority of deals. The number of deals however, for teams with at least one female founder have almost doubled from 2013 to 2018 (from 29 deals up to 56 deals). In 2018, investments in teams with at least one female founder made up about one fourth of all deals. On the other hand in 2018, the value of investments for teams with at least one female founder continued to account for 11% of all dollars invested - as in 2017. This highlights the fact that female founders are mainly more active in early stage businesses, and that very few of the startups with female founders raise big-ticket deals.



CORPORATE INVESTORS IN MENA

FIGURE 14.1: NUMBER OF INVESTORS VS. CORPORATE INVESTORS BY YEAR

The corporate investor trend continues to grow with many companies displaying heightened interest and vying for a share of the investment scene. Corporate investment initiatives (standalone funds or opportunistic investments) contribute to 17% of all investors, with most of them concentrated in the UAE and Saudi Arabia.

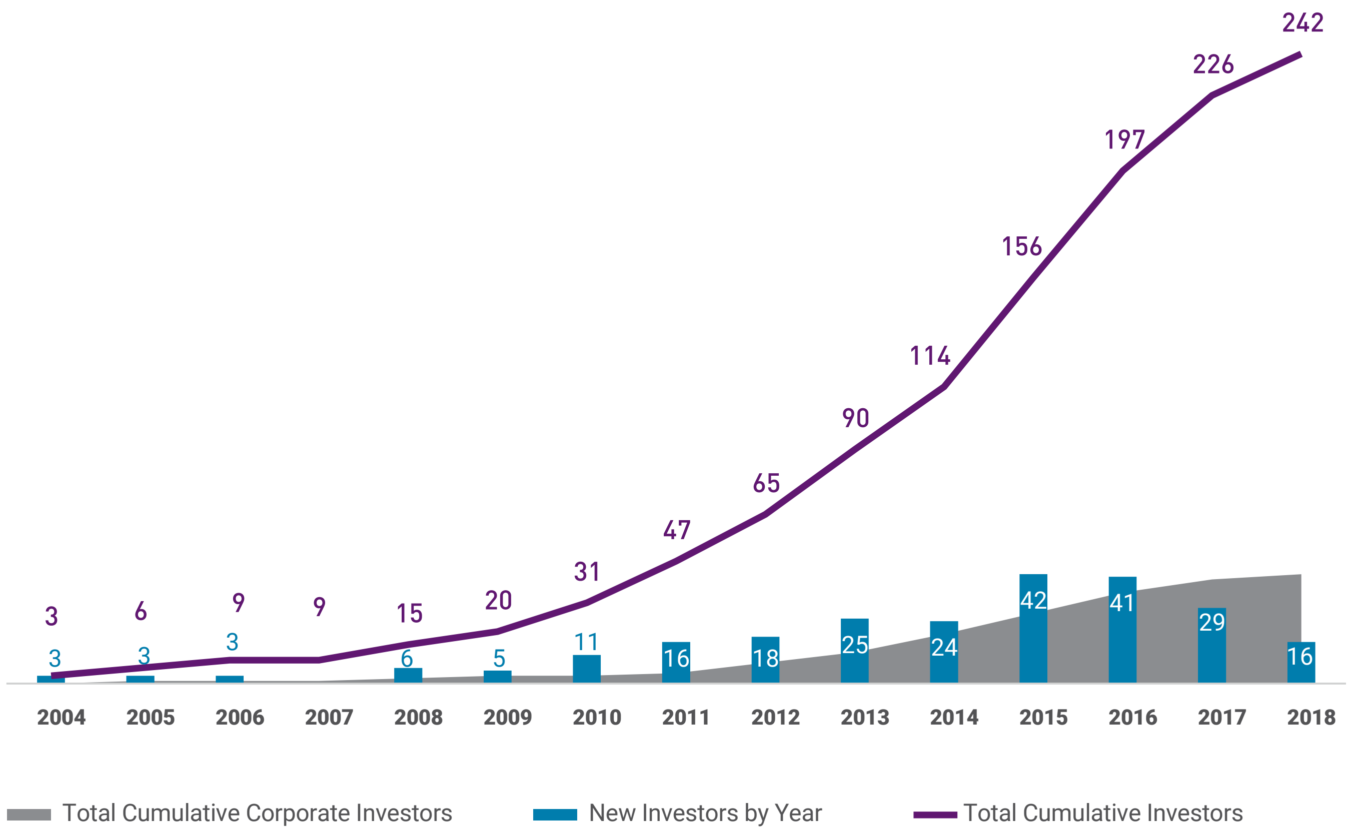


FIGURE 14.2: NUMBER OF CORPORATE INVESTORS BY YEAR

The number of corporates attracted by a piece of the investment pie is on a steady rise. The number of corporate investors witnessed a 27% increase since 2012 - higher than the annual 25% growth rate for all investors in Figure 1. As the MENA ecosystem continues to grow and mature, the corporate investment community is expected to realize a further upsurge.

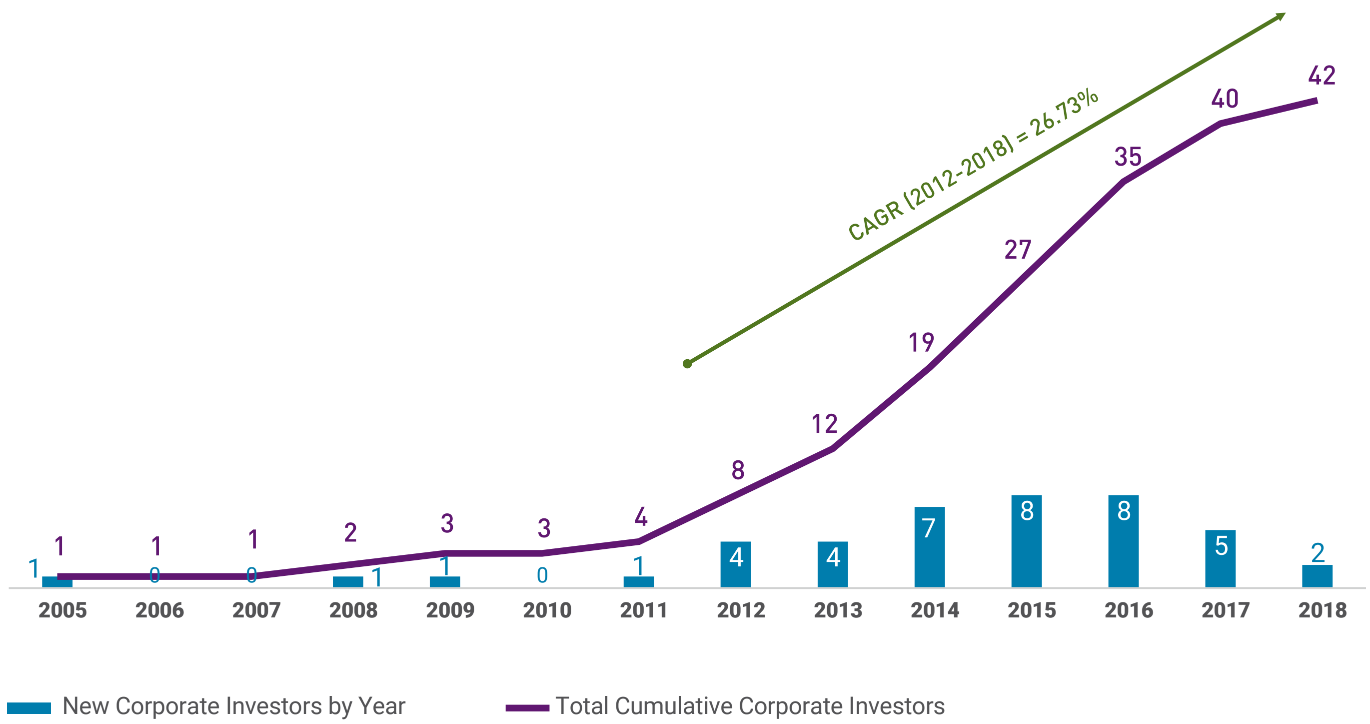
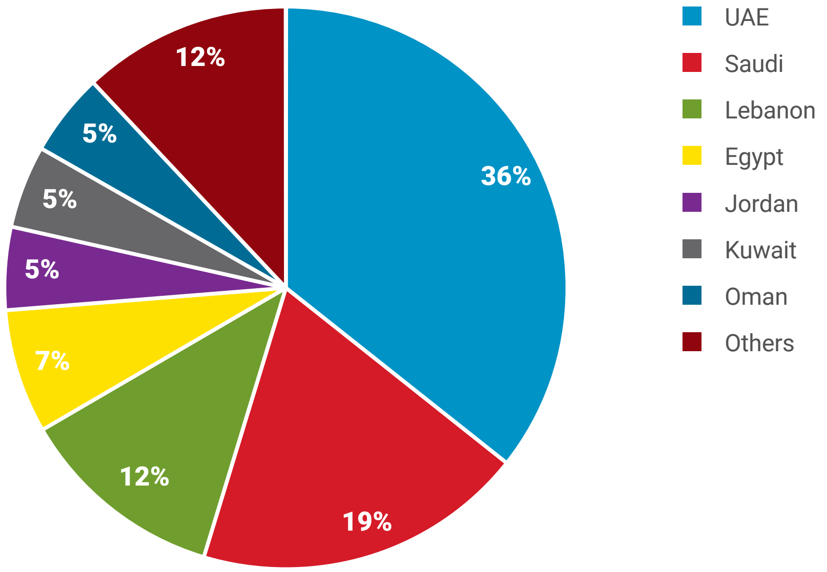


FIGURE 14.3: NUMBER OF CORPORATE INVESTORS BY GEOGRAPHY

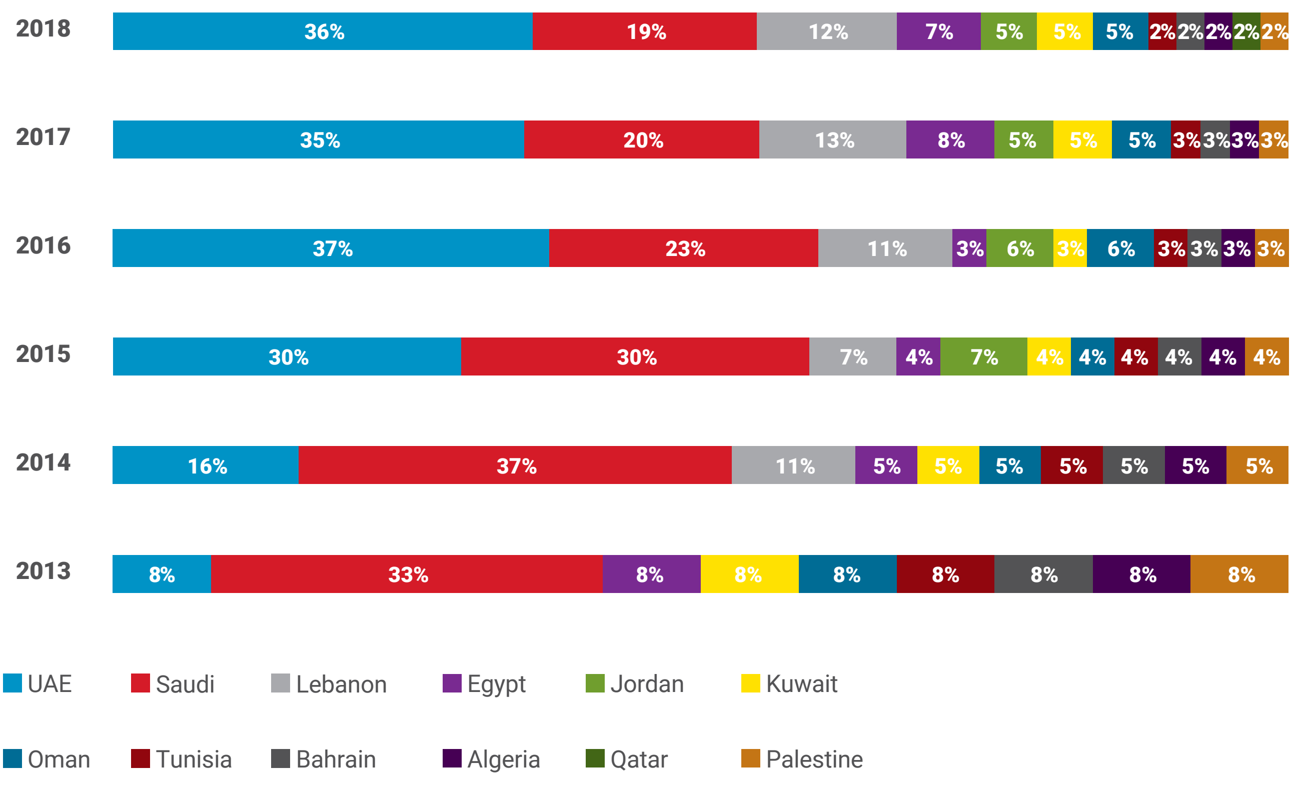
The UAE holds the highest ratio of corporate investors (36%) followed by Saudi Arabia (19%) and Lebanon (12%). Most corporate investors (70%) are concentrated in the GCC region.



Cumulative years: 2004-2018.
Others: Algeria, Bahrain, Palestine, Qatar, Tunisia

FIGURE 14.4: CUMULATIVE CORPORATE INVESTORS BY GEOGRAPHY BY YEAR

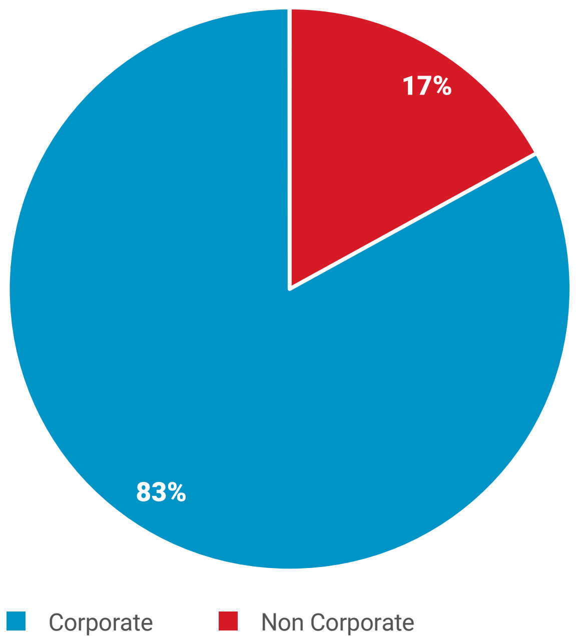
Historically, Saudi-based corporate investors overshadowed the rest of the MENA region; however, in recent years, other markets have quickly stepped up the pace while Saudi Arabia witnesses a decrease in its share of corporate investors. The UAE has quickly caught up and even superseded Saudi Arabia with respect to corporate investors. Second to the UAE's corporate growth, both Lebanon and Egypt have witnessed a big spurt throughout the years.



Cumulative years: 2004-2018.
Base: 42

FIGURE 14.5: CORPORATE INVESTMENTS VS. NON-CORPORATE INVESTMENTS

The ratio of corporate investors does not differ much from 2017 figures; it represents 17% of the MENA investment community in 2018 (compared to 18% in 2017). The new investment space is still warming up and is expected to undergo significant increase in activity in the next few years.



Cumulative years: 2004-2018.
Base: 242

CONCLUSIONS

MENA digital startups are attracting increasing global and regional attention; more governments are pushing for innovation, accompanied by an increase in the number of startups, and an increase in investor appetite. This research report provides an overview of MENA equity-based investments in the digital space for the time period of 2013-2018.

The report's key findings include:

INVESTORS IN MENA

- The compound growth rate of tech investors in the MENA region is 25% for the time period between 2012 and 2018, with a 24% increase in funds covered since the 2017 report.
- The ecosystem witnessed a 75% increase in the number of new investors from the year 2014 to 2015.
- The UAE hosts the largest proportion of all MENA investors - 31%, while Saudi Arabia, Lebanon, and Egypt account for 40% combined.
- The proportions of the top two investor countries - the UAE (31%) and Saudi Arabia (17%) - remain steady over the years, all the while maintaining the largest portions among other markets.
- Lebanon has slowly grown its overall share from 7% in 2013 to 11% in 2018.
- Early stage funds represent 48% of the investor community, whereas growth funds have witnessed a tremendous decrease of 50% relative to 2017.
- Accelerators are at the forefront and represent the largest portion of investors in early stage funds.
- The fastest growing segment of the investor community over the past five years is "accelerators", displaying a 32% increase from 2013 to 2018.
- Growth capital and venture capital investors have both witnessed a drop of 30% and 12.5% respectively over the past six years.
- The UAE, Saudi Arabia, Lebanon, and Jordan, encompass all types of investors by ticket size.
- The most prevalent types of investors across markets are accelerators, corporate, and venture capital.
- Increased corporate appetite and interest are evident with the rise in the number of corporate investors over the past two years.
- Corporate investors have a stake in supporting tech-focused solutions to advance their digitization process.
- The increase in venture capital funds reflects a maturing ecosystem.
- Driven by the private sector, markets - such as Jordan with its Innovation Startups and Small and Medium Enterprises Fund ($98 million fund size) - are witnessing an influx of venture capital funding.
- Kuwait displays healthy growth stage funding, yet continues to lack early stage funds.

- Markets with developing ecosystems - such as Qatar, Tunis, Yemen, and Algeria - continue to display gaps.
- The distribution of investors by ticket size across markets mirrors the level of maturity of the investor community, per country.
- Early stage funding is the most prevalent across countries except for Kuwait, which reveals a higher number of venture capital investors.
- For the top five countries, the UAE, Saudi Arabia, Egypt, Lebanon and Jordan, the number of venture capital investors has witnessed an increase compared to the total number of investors.

INVESTMENTS IN MENA

- The UAE (348) features almost double the number of deals in Egypt and Lebanon; with respect to the number of deals per country over the last six years.
- Egypt, Lebanon, Saudi Arabia, and Jordan, display an approximate average of 200 deals per country.
- While the UAE still displays the largest number of deals in 2018, Tunisia, Bahrain, Oman, Yemen and Syria all had higher growth rates - year on year - than the UAE.
- Oman and Yemen witnessed the biggest percentage year on year change from 2017, with 129% and 250% respectively.
- The UAE displays the greatest absolute change, with a year on year increase of 45 deals from 2017.
- Egypt and Lebanon both place second with respect to the largest absolute change from 2017, with an equal increase of 40 deals.
- Tunisia has had a remarkable performance when it comes to both percentage and absolute change in the number of investments, allowing it to be positioned within the top five countries in MENA.
- The total number of deals (2013-2018) has grown at a cumulative annual growth rate (CAGR) of 9.5%, while the total value has grown much faster at a CAGR of 23% - signaling a maturing ecosystem where the average value per deal has essentially doubled.
- The two mega-rounds raised in 2016 by Careem ($350 million) and Souq.com ($275 million) drove total value up, when compared to the considerably smaller deal values of 2017 and 2018.
- The gap in the total number of deals among Egypt, Lebanon, Saudi Arabia, and Jordan is diminishing.
- In terms of the number of deals for 2018, Egypt and Tunisia have jumped in rank compared to 2017, holding second and third place respectively, while the UAE, Lebanon, and Saudi Arabia maintain the same ranking as 2017.
- Egypt and Lebanon maintain the same position; they also share the same number of deals (40) for 2018 and are only five deals away from the UAE.
- Oman has moved up two places since 2017, currently ranking five - a clear reflection of the investment prowess of the Oman Technology Fund.

- The largest shift is Yemen-based with a jump of four places, followed by Tunisia, Bahrain, and Syria, displaying an increase of three places - mostly attributed to the activity of funds such as the Yemeni Angel Group, Flat6Labs Tunisia, and Flat6Labs Bahrain.
- Out of the total number of investment deals in MENA over the years, 45% of them were conducted in the GCC.
- The Levant and North Africa regions have an almost equal distribution of deals - 25% and 30% respectively.
- The gap between the UAE and other markets is gradually diminishing when it comes to the number of deals.
- The UAE is considerably a frontrunner regarding the value of deals, at 6 times the value of deals of the next highest market, Egypt.
- Among the top five markets, the UAE and Saudi Arabia hold the same ranking against 2017.
- Egypt observes the biggest improvement in ranking vis-à-vis the value of investments – driven mainly by two significant investments (Swvl at $30 million and Vezeeta at $12 million).
- While Lebanon has managed to maintain its number two rank with respect to the number of deals, it has dropped three places in deal value - indicating a decrease in dollars invested per deal.
- Tunisia displays an increase in the number of deals accompanied by a decrease in the value of deals, also revealing a lower dollar value per deal.
- Around 75% of total MENA investment value is concentrated in the GCC, marking a huge gap with the rest of the Arab world.
- The value of investments of both the Levant and North African countries combined represents only 25% of the MENA region's investment value, indicating that the flow of dollars is not equally spread across the deals.
- The UAE has consistently boasted the highest proportion of deals among the top five countries over the years.
- The distribution of deals across the top three markets (the UAE, Egypt, and Lebanon) is smoothing out with a notably marginal gap.
- Across the top 5 markets, there is a significant percentage decrease in the number of deals.
- Although Saudi Arabia displays a 37% decrease in the number of deals, the dollar value of its deals has increased compared to 2017 - mainly due to the significant investment in Unifonic ($21 million).
- Egypt reveals a 22% decrease in deal number, nonetheless with two noteworthy investments (Swvl - $30 million and Vezeeta - $12 million) considerably increasing the value of investments.
- Within the top five countries, deals are almost equally distributed between the UAE, Egypt and Lebanon.

- Lebanon comes out as the lead with respect to the number of deals per capita and per GDP, while Egypt and Saudi Arabia rank lowest with their number of deals per capita and GDP respectively.
- The UAE continues to capture 71% of total dollars invested among the top five markets.
- Careem has been the driving force in boosting the UAE's value of investments over the past three years.
- In 2018, Careem captured 40% of all dollars invested in the UAE and 31% of total deal value in the top five markets.
- Egypt and Saudi Arabia have gained traction over the past two years thanks to the impact of the Egyptian deals - Swvl ($30 million) and Vezeeta ($12 million) - and the Saudi Arabian deal - Unifonic ($21 million).
- The majority of MENA investment money is concentrated in the UAE.
- Lebanon and Jordan rank second and third in value of deals per million people and per GDP respectively.
- Egypt and Saudi Arabia rank lowest in value of deals per million people and per GDP respectively.
- The top three markets - the UAE, Egypt, and Lebanon - with respect to investment values without growth capital, display similar and stable shares of total dollars invested, indicating a steady and consistent share of deals in the early stage investments.
- The share of early stage investments (52%) and late stage investments (48% - venture capital at 43% and growth stage at 5%) are nearly on par.
- Later stage investments – at the VC and growth stage – display sizeable growth since 2017, increasing from 38% to 48% of all deals.
- Early stage investments have witnessed a decrease in share over the years - indicative of a maturing ecosystem.
- Early stage investments garner 52% of all deals, yet these investments amass the lowest in dollar value (3%).
- Total investment value in 2018 is driven by growth stage investment - Careem ($200 million).
- Later stage deals continue to capture most dollars invested – approximately 75% of the total value of investments.
- When exploring investments by business model from 2013 to 2018, transactional-based startups still reign (36% of investments) followed by media-based startups representing around 25% of total investments.
- Technology and SaaS business models capture an equal percentage of deals, constituting 19% each.
- Transactional business model deals capture the largest number of investments (36%), as well as the largest value of investments (71%).

- Careem ($200 million), Swvl ($30 million), Wadi ($30 million), and Mumzworld ($20 million) lead transactional investment values.
- Media (11%) and technology (10%) are the second largest in the value of deals, among which Mawdoo3, a media business that has raised a round worth $13.5 million.
- Transactional business investments dominate deal value over the years, while less of a discrepancy is visible between investment values and the number of deals among other business models.
- Transactional business deals average around $4.4 million per investment, while media, technology, and SaaS business models hover around $1 million per investment; these approximations are only directional.
- Transactional startups continue to dominate the investment landscape, representing about 31% of investments by 2018, a notable decrease over the years however.
- Transactional businesses are faced with rising contenders - mainly media, technology, and SaaS businesses.
- Over the past six years, the gap in the number of investments between transactional, media, technology, and SaaS based startups is steadily shrinking.
- In recent years, media-based models and SaaS-based models (education, security, F&B, enterprise solutions, and recruitment) have steadily gained traction.
- In 2018, media and SaaS based businesses have witnessed a spurt with respect to the number of investments - with a respective increase of 44% and 54%.
- Transactional deals still capture the largest proportion of dollars invested (74%).
- In 2018, the value of transactional businesses has augmented due to the rounds raised by Careem ($200 million), Swvl ($30 million), Wadi ($30 million), and Mumzworld ($20 million).
- While the number of media deals has increased, the value of these media deals has decreased, indicative of lower than average deal sizes for media-focused startups.
- The value of investments for SaaS business model startups has witnessed an increase due to two major deals, Unifonic ($21 million) and Qordoba ($11.5 million).
- Lifestyle (19%), enterprise (10%), and media and advertising (8%) focused businesses encompass the largest number of deals.
- Finance, healthcare, and education deals have started to gain traction and now represent 7%, 6%, and 6% of all deals respectively, with the expectation of continued growth in these industries.
- Lifestyle startups capture the biggest proportion of deals (19%) and the largest share of investments (29%).
- The biggest investments in lifestyle-focused companies include Wadi ($30 million) and Mumzworld ($20 million).

- While transportation businesses only make up 3% of all deals, Careem's $200 million and Swvl's $30 million rounds have ensured that the transportation sector captures the second largest proportion of dollars invested (27%).
- Only 14% of all MENA startups funded in the past six years have shuttered.
- The low startup failure rate is attributed to the continued proliferation of private- and public-sector initiatives supporting and funding startups; the reluctance of investors to discontinue support of portfolio companies; and the cultural stigma associated with failure.
- Another crucial factor is the nascent nature of the ecosystem, which may well explain why the volume of deals is higher in the past three years than prior to that.
- Recently funded startups have a lower chance to run the course of their life cycle.
- The UAE has the largest number of operational startups (192).
- Oman displays an exception when revealing a minimal number of closed digital startups, which could be attributed to its nascent ecosystem and the sudden influx of capital brought about by the OTF - where the bulk of investments in Oman took place in 2017.
- In terms of the proportion of closed startups, Palestine exhibits the highest figures (38%).
- Saudi Arabia follows Palestine, as the second country with the largest proportion of closed startups (29%), while Lebanon exhibits the lowest proportion (5.3%) compared to all other countries in MENA.
- When analyzing the life cycle of MENA digital startups since inception, out of the 127 funded startups founded in 2013, 40% (51) of them went to raise a second round of funding.
- When examining the failure rates of 2013 founded businesses, around a quarter (35) became inactive.
- When it comes to startups (founded in 2013) who received three rounds of funding or more, the failure rate decreases to zero; this demonstrates that once a startup has hit its stride and reached the growth stage, the chances of failure drop significantly.
- Analyzing 2013 founded startups that remained active post the first round of funding, one third (41) did not receive any further rounds.
- The percent of active startups (founded in 2013) who do not receive rounds of funding after the third round and onward increases. This exemplifies that as a business reaches its growth stage, the chances of requiring further investment decrease.
- Startups founded in 2014 (160 businesses) around one third (48) go on to raise a second round.
- Around 39 companies founded in 2014 closed after their first round of funding - similar to the 2013 cohort. This indicates that closure rates post first round of funding hover between 20% to 30%.
- Analyzing 2014 founded startups that remained active post the first round of funding, slightly under half (73) did not receive any further rounds.

- It is evident that so 2015 founded startups are able to reach new growth levels, achieving six rounds of funding - which reflects increased maturity.

GENDER DISTRIBUTION

- The proportion of female founders across the region has remained consistent and low at 14% over the years; and has ranged from 12% to 19%.
- The Levant region continues to feature the highest proportion of female founders (Jordan and Lebanon at 20%) with respect to total founders.
- Tunisia and Morocco display low female to male founder proportions.
- Cultural factors affect female participation in startups; participation could be boosted with the help of public and private sector initiatives.
- The data highlights the fact that all-male teams consistently capture the majority of deals.
- The number of deals for teams with at least one female founder have almost doubled from 2013-2018 (from 29 deals up to 56 deals).
- In 2018, investments in teams with at least one female founder make up about 25% of all deals.
- In 2018, the value of investments for teams with at least one female founder continue to account for 11% of all dollars invested - same as in 2017.
- Female founders are mainly more active in early stage businesses, and very few startups with fe male founders are raising big-ticket deals.

CORPORATE INVESTORS

- The corporate investor trend continues to grow with many companies displaying heightened interest and vying for a share of the investment scene.
- Corporate investment initiatives (standalone funds or opportunistic investments) contribute to 17% of all investors with most concentrated in the UAE and Saudi Arabia.
- The growth of corporate investors has witnessed an increase of 27% between 2012 and 2018 - higher than the annual growth rate of 25% for all investors.
- The UAE holds the highest ratio of corporate investors (36%), followed by Saudi Arabia (19%) and Lebanon (12%).
- Most corporate investors (70%) are concentrated in the GCC region, while only 30% are split between the Levant and North African countries.
- Recent years have witnessed MENA markets quickly stepping up the pace, while Saudi Arabia witnesses a decrease in its share of corporate investors.
- The UAE has superseded Saudi Arabia in terms of corporate investors.
- Second to the UAE’s corporate growth, both Lebanon and Egypt have witnessed a big spurt throughout the years.
- The ratio of corporate investors in 2018 is similar to 2017 figures - representing 17% of the MENA investment community, compared to 18% in 2017.

APPENDIX

CONTRIBUTORS

Omar Christidis – Ideation

Azza Yehia – Research

Dina Saleem – Research

Mohammad El Baba - Research

Mira Charkawi - Research

Fatima Mousa - Investment Consultant

DEFINITIONS

- **Transactional:** A business that requires a transaction - the transfer of goods or cash, such as eCommerce, Marketplace or Payment.

- **Media:** A business that generates its revenues primarily from content creation and advertising in all forms.

- **Software / SaaS:** Software as a Service: A business that develops software which is accessed on a subscription-basis and hosted via the internet (web or mobile application).

- **Technology:** A business that develops and manufactures hardware, Internet of Things (IoT) or 3D Printing; this also includes algorithmic software / tools (e.g. big data / machine learning, SDKs for app developers, etc).

- **Agency:** A business that generates its revenue primarily from services / work tailored to the clients they represent.

- **Angel Network:** A group or syndicate of private individuals that invest their own money/capital mostly in an early stage business, in exchange for equity or return on investment.

- **Accelerator:** A structured program for businesses, usually over a 3-month period, that provides mentorship (product development), office space and seed funding between $20K-$50K, in exchange for an equity stake.

- **Seed Fund:** A fund that invests $1-$500K in very early stage businesses in exchange for an equity stake.

- **Venture Capital Fund:** A fund that invests $500K-$7M in companies with a product-market fit to facilitate their growth, in exchange for an equity stake.

- **Growth Capital Fund:** A fund that generally invests $7M+ in relatively mature businesses that are looking to expand or enter new markets.

- **Corporate Investor:** A corporation that is investing in startups - either through a dedicated fund / initiative or opportunistically - in exchange for an equity stake, and often with a strategic interest in leveraging the investment to grow / improve the corporation's core business.

- **CAGR:** The compound annual growth rate (CAGR) is a useful measure of growth over multiple time periods.

INDUSTRY SUB CATEGORIES

- **Lifestyle**
  o Lifestyle - Sports & Fitness
  o Lifestyle - Arts & Decor
  o Lifestyle - Food
  o Lifestyle
  o Lifestyle - Beauty & Fashion
  o Lifestyle - Generic Shopping

- **Transportation**

- **Entertainment**
  o Games
  o Entertainment

- **Media & Advertising**

- **Enterprise**
  o Enterprise - Services
  o Enterprise - Directory
  o Enterprise - Solutions

- **Healthcare**

- **Retail**
  o Retail - F&B
  o Retail

- **Education**

- **Logistics**

- **Finance**

- **Other**
  o Legal
  o Security
  o 3D Printing
  o Conferences
  o Crowdfunding
  o Manufacturing
  o NGO
  o Agriculture
  o Greentech
  o Services -Handywork
  o Automotive
  o Insurance
  o Weather
  o Publishing
  o Recruitment
  o Travel & Tourism
  o Real Estate
  o Telecom

مؤسسة محمد بن راشد
لتنمية المشاريع الصغيرة والمتوسطة
DUBAI SME

About Dubai SME

Mohammed Bin Rashid Est. for SME Development (Dubai SME) is an agency of Dubai Economy, Government of Dubai. The establishment plays a leading role in building the entrepreneurial ecosystem and enhancing the competitiveness of the SME Sector in the emirate of Dubai.

The agency is guided by 3 key strategies to support the Emirate's long-term economic development goals: (1) Advocating for a pro-business environment for entrepreneurship and SME development; (2) Seeding a pipeline of innovative start-ups and; (3) Grooming a pool promising Dubai-based SMEs to be global enterprises.

Dubai SME's vision is to position Dubai among the top entrepreneurial cities in the world in order to enable entrepreneurs to start, grow and expand their businesses globally, thus adding greater value to the economy of Dubai and the UAE.

sme.ae