THE STATE OF DIGITAL INVESTMENTS IN MENA
2013-2017

In Partnership with
مؤسسة محمد بن راشد
لتنمية المشاريع الصغيرة والمتوسطة
DUBAI SME
ArabNet, in partnership with The Mohammed Bin Rashid Establishment for SME Development (Dubai SME), is pleased to reveal its third edition of the “State of Digital Investments in MENA,” a holistic analysis of MENA technology investors and investments.

The MENA digital startup ecosystem experienced an impressive year of funding in 2017 with $650 million invested in 270 deals. The UAE continues to be the main hub for entrepreneurial activity, in terms of share of investors (33%) and number of deals. Meanwhile, governments around the region are launching significant initiatives to stimulate their entrepreneurship ecosystems – from a new $100 million fund launched by the Bahrain Economic Development Board to the launch of Oman Technology Fund, committed to investing $200 million in tech-related incubators, accelerators and VC programs. Corporates have also made big moves into the innovation / startup space, with giants like Saudi Telecom announcing their $500 million ST Ventures, Crescent Petroleum committing to invest $150 million, and Majid AlFuttaim announcing plans to invest $250 million.

The year 2017 observed increasing global investor interest in healthtech, biotech, autotech, foodtech and agrytech. This interest is also mirrored by the behavior of MENA investors, with fintech, healthtech, and edtech representing 18% of all deals regionally in the past 5 years. In addition, global investments are predicted to focus more on cross-industry solutions such as the application of AI, IoT and blockchain across business fields. This trend has also been reflected in the MENA startup scene, with such high-tech investments capturing 34% of all deals and 22% of all dollars invested in 2017.

This report is designed for government leaders, investors, entrepreneurs, and ecosystem stakeholders looking to keep their finger on the pulse of the region’s startup scene and implement the right initiatives to improve their ecosystems. 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.
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INTRODUCTION

BACKGROUND INFO:
GLOBAL INVESTMENTS IN TECH STARTUPS

GLOBAL VENTURE FINANCING TRENDS
Globally, 2017 witnessed a new investment high compared to the past ten years, where VCs have spent approximately $150 billion. The last time such high dollar amounts, hitting approximately $143 billion in capital, peaked was two years ago in 2015, during which the number of deals reached an overall high of 19,000. While the number of deals over the past three years has declined, the total dollars invested has remained relatively stable, indicating an increase in the average size of funding rounds and a move towards larger deals.

GLOBAL MEDIAN DEAL SIZE BY SERIES

Analyzing venture capital investments by ticket size leads to similar conclusions on the growth of deal size. Angel and seed stage deals have witnessed an increase in the median deal size of $1.3 million, although the total number of deals is decreasing. On a different note and at a much higher scale, D+ investments have grown drastically from $20.5 million in 2016 to $40 million in 2017. This is consistent with the widely-discussed trend that late-stage startups are increasingly relying on private investors for growth and delaying IPOs / going to public markets for cash. It is also related to the increasing number of global mega-funds like Softbanks Vision Fund, which is ready to make massive multi-billion dollar investments.

Source: Venture Pulse, Q4’17, Global Analysis of Venture Funding, KPMG Enterprise - Jan 16, 2018 report.
THE STUDY: SCOPE AND METHODOLOGY
This research report investigates the technology investment landscape in the Middle East and North Africa (MENA) region. The first chapter examines the investor community overall and in specific 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 perspective on the digital startup ecosystem in the region by identifying trends and market challenges.

The report findings are based on data collected from 52 investors and accelerators in the MENA region, specifically in the United Arab Emirates, Egypt, Lebanon, Jordan, Saudi Arabia, Morocco, Kuwait, Palestine, Algeria, Tunisia, and Bahrain. The report also aggregates information from publicly available data such as those listed on Crunchbase, CB Insights, AngelList, and Eureeca among others. The report also collected new data from startups through surveys. ArabNet is grateful for the participation of all investors, as well as the input of HyperPay, Education Media Company, Progressive Generation Studios, and Susurrrus in our survey. Finally, the report analyzes 1,091 regional investments.

Due to the private and proprietary nature of some investments, it is likely that there are deals that have not been included in the analysis. In the case where investment values were unannounced by either investor or startup, ArabNet has estimated the values based on the historical behavior of involved investors, age of the company, and stage of the investment.

All investments analyzed in the report are for equity-based investments only, and therefore institutions that provide grant / non-equity based funding have not been included in 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 Raaff Fund
12. Al Sanie Group
13. Al Tamimi Investments
14. Al Tayyar Group
15. Alabbar Enterprises
16. Alexandria Angels
17. Algebra Ventures
18. Almawardi Bank
19. Angels Lebanon
20. Arab Angel Fund
21. Arabreneur’s Investment Fund (MENA Apps)
22. Aramo – Waed
23. Aramex
24. Arzan Venture Capital
25. B&Y Venture Partners
26. Bank al Etihad
27. BECO Capital
28. Beirut Angels
29. Berytech
   - Berytech Afrytech
   - Berytech Agrytech
30. Berytech
   - Berytech Fund I
   - Berytech Fund II
31. BLC Invest
32. BlueVine Ventures
33. Boost.png
34. Boson Venture
35. Brilliant Labs
36. C5 Accelerate
37. Cairo Angels
38. Capitalise Seed Fund / UGFS
39. Carthage Business Angels (CBA)
40. Casbah Business Angels
41. Cedar Mundi Capital
42. CedarBridge Partners
43. Choueiri Group
44. Cordoba Strategic Partners
45. Crescent Enterprises Ventures
46. DASH Ventures
47. Delta Partners Capital
48. DHx (Dubai Holding )
49. Digital Spring Ventures
50. Du
51. Dubai 100
52. Dubai Angel Network | Dubai Angel Investors
53. Dubai Silicon Oasis Authority (DSOA)
   - Dubai Technology Entrepreneurship Centre (DTEC)
54. Dunamis Ventures
55. EdVentures (Nahdet Misr Publishing Group)
56. Egypt Ventures
57. Eiréné 4 Impact
58. Emerge Ventures
59. Enabling Future
60. Endure Capital
61. EquitTrust | Choueiri Group
62. Faith Capital
63. FastForward
64. F-Horizon Group
65. Fikra Labs
66. Flat6Labs Abu Dhabi
67. Flat6Labs Bahrain
68. Flat6Labs Beirut
69. Flat6Labs Cairo
70. Flat6Labs Jeddah
71. Flat6Labs Tunis
72. Fransabank
73. GINCO Investments
74. Gint Consulting
75. Glowfish Capital
76. Gulf Capital
77. Hatcher
78. Hikma Ventures
79. HIMangel
80. Humanitarian Accelerators
81. Ibtikar Fund
82. Idein Ventures
83. Iliad Partners
84. iMENA Group
85. Impulse Kuwait
86. Innoventrues | Startup Reactor
87. Inspire Ventures
88. InspireU
89. IntilaiQ For Growth Fund
90. InvOrOut
91. Jabbar Internet Group
92. JISR Venture Partners
93. Jo Angels
94. JuiceLabs
95. Kafalat iSME Programme
96. Kamelizer
97. KAUST Innovation Fund (KIF)
98. Kl Angels
99. KISP Ventures
100. Leap Ventures
101. Lebanese Women Angel Fund
102. Lebanon Seed fund
103. Luminus Ventures
104. Majid Al Futtaim Ventures
105. Makkah Accelerator
106. Malaz Capital
107. Maroc Numeric Fund (MNF)
108. MNC Angels
109. Womena
110. Myrsoph Capital
111. Namaa Ventures
112. NUMA Accelerator
113. Oman Investment Fund | Ibtikar Development Oman Fund (IDO)
114. Oman Technology Fund - Ideation Fund
115. Oman Technology Fund - Accelerator Fund (Wadi Accelerator)
116. Oman Technology Fund - VC Fund
117. Outlierz
118. PalinnO
119. Payfort
120. Phoenician Fund
121. Precinct Partners
122. Propeller
123. Qatar Business Incubation Center (QBIC)
124. Qotuf AlRiyadah
125. OSTP XLR8
126. Ra‘ed Ventures
127. Raz Holding Group
128. Riyad Taqnia Fund
129. Riyada Enterprise Development (RED)
130. Sada Partners
131. Samena Capital
132. Sandan Development
133. Saened Equity Partners
134. Savour (Massilah Ventures)
135. Sawari Ventures
136. Seed Equity Venture Partners
137. Seed Startup
138. Seeds Partners
139. SeedStartup Venture Fund
140. SEQ Capital Partners
141. Sharaq Ventures
142. Sheraa Accelerator
143. Shoroq Investments
144. Silicon Badia | Badia Impact Fund
145. Siraj Palestine Fund
146. SIRB Angel Investors Network
147. Sirtab Lab
148. Société Générale de Banque au Liban (SGBL)
149. Speed@BBDD
150. STARTACT
151. Startup Factory Seed Fund
152. Startupbootcamp Smart Cities Dubai
153. STC Ventures (Iris Capital)
154. STVentures
155. Sylabs
156. Synthesis Venture Fund Partners
157. Tamkeen Capital
158. Taqadam
159. TechInvest Corporation
160. The Abraaj Group
161. The Bahrain Business Angels Holding Company - Tenmou
162. The Forge
163. The SmartStart Fund
164. The Venture Chivas
165. Thomson Reuters Accelerate SME
166. TURN8 Innovation Fund
twofour54
167. UGFS (United Gulf Financial Services-North Africa)
168. UK Lebanon Tech Hub - The Nucleus
169. University Venture Fund (UVF)
170. Upgrade
171. Valour Ventures
172. VentureSouq
173. Verso Incubator
174. Vision Ventures
175. Vodafone Ventures Egypt
176. Wadi Makkah
177. WAIN - Women’s Angel Investor Network
178. Wamda Capital (MENA Ventures)
179. WIKI START UP (WSU)
180. Womena
181. Womena
182. Womena
183. Womena
184. Womena
185. Yemen Angel Group
SPECIAL THANKS TO COLLABORATING INVESTORS
INVESTORS IN MENA

The number of tech investors in the MENA continues to grow steadily, with a compound annual growth rate of 31% for the period between 2012 and 2017. The ecosystem witnesses around 40 new funds per year between 2015 and 2016 and around 30 new funds in 2017/2018 YTD. Of these 30 new funding institutions, about one third are based in the UAE, while a quarter are based in Lebanon. In the period covered by this research (2013-2017), only seven funds are no longer active/operational. Highlighting the increased robustness of the report, the below graph demonstrates a 20% increase in funds covered since last year’s report.
The investor community is concentrated in four main countries that contribute to 70% of the investor pie. UAE hosts the largest ratio of all MENA investors (one third), while Saudi Arabia, Lebanon, and Egypt together account for another 40%. With the introduction of Vision 2030 and ambitious programs for opening the economy to foreign investment, Saudi Arabia is increasingly capturing investor interest.

The proportions of the top two investor countries, UAE and Saudi Arabia, remain steady over the years while maintaining the largest portions among the other markets. Next in line in the investor community is Lebanon which has slowly grown its overall share from 7% to 13%, almost doubling its share of regional investors between 2013 and 2017. Additionally, the launch of several new funds in North Africa, specifically Egypt and Tunisia, has revealed a slight uptick in 2017.
INVESTORS IN MENA BY TICKET SIZE

FIGURE 3.1: PERCENT NUMBER OF INVESTORS BY TICKET SIZE
The investor community is equally spread among early stage funds (47%) and growth funds (53%). This exemplifies the maturing nature of the MENA ecosystem. Accelerators are at the forefront and represent the largest portion of early stage investors with the launch of new programs.

Investors by Ticket Size in %

Cumulative years: 2006 to 2017. [Base: 195]
FIGURE 3.2: PERCENT NUMBER OF INVESTORS BY TICKET SIZE BY YEAR
The fastest growing segment of the investor community over the past five years has been corporate investors displaying a growth rate of 71% from 2013 to 2017. Meanwhile among early stage investments, accelerators witnessed a growth of 16% over the past five years. Early stage investors in specific witness a slight uptick as a share of total investors from 2016 to 2017. At the same time, 2016 and 2017 saw a drop in the share of growth investors, indicating an interesting market opportunity.

![Ticket Size by Year in %](image)

Cumulative years: 2004 to 2017 [Base: 195]

FIGURE 4.1: NUMBER OF INVESTORS BY TICKET SIZE
The most widespread type of investors across markets are accelerators existing in 13 of the MENA countries. Kuwait, Morocco, and Qatar display a lack of formal angel networks. With government programs, such as Kuwait National Fund for SME Development (a $7 billion initiative) and Morocco’s Digital 2020, clear market opportunities present themselves in building robust digital startup ecosystems. On the other hand, growth capital funds are concentrated in only a few markets. Therefore, Egypt has an overall robust ecosystem, but still lacks in growth capital, while Kuwait displays healthy growth stage funding, yet it lacks early stage funds. Other markets, such as Morocco and Qatar, have developing ecosystems and continue to display many gaps.

![Number of Investors by Ticket Size](image)

Cumulative years: 2004 to 2017 [Base: 195]
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. This is most evident in the UAE, Saudi Arabia, Lebanon, and Egypt. While, early stage funding is the most prevalent across countries - the exception is Kuwait, which reveals a higher number of venture capital investors.
INVESTMENTS IN MENA

INVESTMENTS IN MENA AND BY MENA INVESTORS BY GEOGRAPHY

FIGURE 5: NUMBER OF INVESTMENTS BY GEOGRAPHY

Examining the number of deals per country over the last five years, the UAE is approximately double the next set of countries (298). The next set of countries with the highest number of deals include Egypt, Lebanon, Saudi Arabia, and Jordan with an overall average of 155 deals per country. While the UAE still has the largest number of deals in 2017, Kuwait, Tunisia, Egypt and Saudi Arabia all had higher growth rates year on year than the UAE. Of the top markets, Lebanon and Tunisia exhibited the fastest rates of growth, both increasing their number of deals by more than 50%. Oman and Qatar witnessed the biggest percent change from last year (1400% change and 200% change respectively), over-amplified due to the minimal number of deals conducted in 2016 in both countries. Oman’s significant jump can also be attributed to the efforts of the OTF.

<table>
<thead>
<tr>
<th>Country</th>
<th>2017</th>
<th>2016</th>
<th>% Change 2017-2016</th>
</tr>
</thead>
<tbody>
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<td>UAE</td>
<td>298</td>
<td>238</td>
<td>25%</td>
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<tr>
<td>Egypt</td>
<td>169</td>
<td>120</td>
<td>41%</td>
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<tr>
<td>Lebanon</td>
<td>162</td>
<td>104</td>
<td>56%</td>
</tr>
<tr>
<td>KSA</td>
<td>148</td>
<td>110</td>
<td>35%</td>
</tr>
<tr>
<td>Jordan</td>
<td>145</td>
<td>126</td>
<td>15%</td>
</tr>
<tr>
<td>Tunisia</td>
<td>46</td>
<td>30</td>
<td>53%</td>
</tr>
<tr>
<td>Palestine</td>
<td>36</td>
<td>36</td>
<td>0%</td>
</tr>
<tr>
<td>Bahrain</td>
<td>25</td>
<td>19</td>
<td>32%</td>
</tr>
<tr>
<td>Morocco</td>
<td>23</td>
<td>18</td>
<td>28%</td>
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<tr>
<td>Oman</td>
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<td>1</td>
<td>1400%</td>
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<tr>
<td>Qatar</td>
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<td>200%</td>
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<tr>
<td>Syria</td>
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FIGURE 6: NUMBER AND VALUE OF INVESTMENTS BY YEAR

While the total number of deals 2013-2017 has grown at a cumulative annual growth rate (CAGR) of 17%, the total value has grown much faster, at a CAGR of 35%. This is a sign of a maturing ecosystem where the average value per deal has effectively doubled. More recently, the number of deals between 2016 and 2017 increased somewhat, but the value in 2017 was significantly smaller. This decrease can be attributed to the fact that 2016 was dominated by two mega-rounds raised by Careem ($350 million) and Souq.com ($275 million) which drove the total value up significantly.
INVESTMENTS IN MENA BY GEOGRAPHY

FIGURE 7.1: MARKETS RANKED BY NUMBER OF INVESTMENTS

As revealed in Figure 5, the gap in the number of deals per country is slowly diminishing. UAE, Lebanon, Egypt, Saudi Arabia, Jordan, and Tunisia hold the same ranking as in 2016, but are now much closer to each other in the number of deals, with only two deals separating Lebanon from the UAE. The largest shifts have been in Oman, which jumped up four spots, and Palestine, which dropped four; this could be largely due to the direct impact of OTF’s investment deals combined with the inactivity of Palestinian accelerators / funds.

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<tr>
<td>Tunisia</td>
<td>9</td>
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<td>Oman</td>
<td>10</td>
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<tr>
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<td>10</td>
<td>11</td>
<td>11</td>
<td>10</td>
<td>11</td>
</tr>
</tbody>
</table>
FIGURE 7.2: MARKETS RANKED BY VALUE OF INVESTMENTS

While the gap between the UAE and other markets is diminishing in number of deals, the UAE still has a tremendous lead in the value of deals, almost 10 times the next highest market (Lebanon). The UAE, Lebanon, and Jordan consistently appear as the top three markets over the past three years. Saudi Arabia, Tunisia, and Kuwait have improved in ranking vis-à-vis value of investments. Kuwait’s ranking in deal value is higher than its rank in deal number, indicating larger average deals taking place there. Meanwhile, Saudi Arabia and Tunisia are attracting more venture dollars with a significant increase in the value of deals – with PayTab’s $20 million investment as a significant driver of its increased rank.

<table>
<thead>
<tr>
<th>Value of Deals in Million</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2013</strong></td>
<td><strong>2014</strong></td>
</tr>
<tr>
<td>UAE</td>
<td>$36</td>
</tr>
<tr>
<td>Lebanon</td>
<td>$7</td>
</tr>
<tr>
<td>Jordan</td>
<td>$33</td>
</tr>
<tr>
<td>KSA</td>
<td>$34</td>
</tr>
<tr>
<td>Tunisia</td>
<td>$0.06</td>
</tr>
<tr>
<td>Egypt</td>
<td>$77</td>
</tr>
<tr>
<td>Kuwait</td>
<td>$0</td>
</tr>
<tr>
<td>Morocco</td>
<td>$2</td>
</tr>
<tr>
<td>Bahrain</td>
<td>$0.40</td>
</tr>
<tr>
<td>Oman</td>
<td>$0.01</td>
</tr>
<tr>
<td>Qatar</td>
<td>$0.16</td>
</tr>
<tr>
<td>Palestine</td>
<td>$2</td>
</tr>
<tr>
<td>Syria</td>
<td>$0.05</td>
</tr>
<tr>
<td>Algeria</td>
<td>$2.4</td>
</tr>
</tbody>
</table>
FIGURE 8.1: PERCENT NUMBER OF INVESTMENTS IN THE TOP 5 COUNTRIES
This chart emphasizes the fact that the distribution of deals across the top five markets is smoothing out and the gap in number of investments between countries is notably decreasing. Over the years, UAE has been consistent in holding the highest proportion of deals among the top five countries. Lebanon and Egypt saw the largest increase in share of deals – in Lebanon; this is likely due to the continued impact of Circular 331, and in Egypt the reactivation of accelerators like Flat6Labs and funds like Algebra Capital.

FIGURE 8.2: PERCENT VALUE OF INVESTMENTS IN THE TOP 5 COUNTRIES
The figure shows that the UAE continues to capture the lion’s share of total dollars invested, although the overall rate has slightly dipped over the past year. With growth-stage companies increasingly based out of the UAE, these mature startups continue to attract larger deals, driving the UAE’s share of total dollars invested. In 2017, two mega rounds – Careem and StarzPlay Arabia – captured three fourths of all dollars invested in the UAE, and about 60% of all dollars invested in the top five markets.
FIGURE 8.3: PERCENT VALUE OF INVESTMENTS IN THE TOP 5 COUNTRIES WITHOUT GROWTH STAGE

When analyzing the investment values excluding growth capital, Dubai is still on the rise, which may be attributed to a large number of series A/B rounds driving up total value. While the number of deals in Lebanon continues to rise, its share of dollars has been in decline over the past four years; this indicates that the deals in Lebanon are increasingly in the earlier stages. Egypt, Saudi Arabia, and Jordan display stable share of total dollars invested, with a slight uptick in Saudi Arabia driven by the Paytabs investment.

Value of VC and Early Stage Investments in %

INVESTMENTS IN MENA BY TICKET SIZE

FIGURE 9.1: PERCENT NUMBER OF INVESTMENTS BY TICKET SIZE

The below chart illustrates the consistent distribution of deals by ticket size over the years (2014 is somewhat of an outlier). Later stage investments – at the VC and growth stage – display marginal growth over the past five years, increasing from 32% to 39% of all deals.
Total investment value in 2017 is driven by two growth-stage investments: Starzplay ($125 million) and Careem ($150 million). While growth stage deals continue to capture the majority of dollars invested, they captured a smaller proportion of total capital than in most previous years (only 64% in 2017 versus more than 70% in 2013, 2014, and 2016). This is in contrast especially to 2016, which was defined by larger mega-rounds ($200 million plus) for Careem and Souq.com.

Exploring investments by business model over the past five years, transactional-based startups make up the biggest share of deals at approximately 40% of overall investments. Media (advertising), technology, and SaaS business models capture a roughly equal percentage of deals – around 20% each.
FIGURE 10.2: PERCENT VALUE OF INVESTMENTS BY STARTUP BUSINESS MODEL
Not only are transactional business model deals the largest in terms of number of investments, they are also the largest in terms of dollar value (70%), mainly driven by the major rounds of startups such as Careem (approximately $572 million), Souq.com ($350 million plus), Jumia (around $211 million), etc. Media (11%) and technology (12%) are the second largest in value of deals invested over the years, among which StarPlayz Arabia, a media business, raised rounds worth $128 million and Cequens, a technology business, raised a round worth $53 million.

FIGURE 10.3: NUMBER AND VALUE OF INVESTMENTS BY STARTUP BUSINESS MODEL
It is clear that over the past few years transactional business deals dominate the deal value. There is less of a discrepancy when it comes to other business models between investment values and number of deals. Analyzing the figures by value per deal, transactional business deals are on average $4 million per investment. Both media and technology business models are head to head at an average of $1.3 million per investment. It is important to note that these figures are only directional and that the bulk of investor dollars are being poured into a few large transactional business model deals.
FIGURE 10.4 PERCENT NUMBER OF INVESTMENTS BY STARTUP BUSINESS MODEL BY YEAR
Transactional startups continue to dominate the investment landscape, representing about 40% of investments for 2017, which is very similar to previous years. However, transactional business models have a rising contender, technology businesses. Over the past five years, the gap is slowly but surely bridging between investments based in transactional and technology based startups. In the past few years, technology-based models (hardware, algorithmic software – including AI, IoT, and M2M) have been steadily increasing. In 2017, technology based businesses witness a spurt in number of investments with a rate of increase of 80% from 2016 to 2017. Technology startups in the fields of finance (startups such as PayTabs, Channel VAS, and Souqalmal) and healthcare (such as Altibbi, Vezetata, SihaTech, Health at Hand, and Eon) are gaining the most traction in 2017. On the other hand, media, agency, and SaaS investments have been on the decline over the past five years, down from 42% of deals in 2013 to only 27% of deals in 2017.

FIGURE 10.5: PERCENT VALUE OF INVESTMENTS BY STARTUP BUSINESS MODEL BY YEAR
Evaluating the value of investments by business model, transactional deals still capture the largest proportion of dollars invested (46% in 2017), but this proportion has generally been declining across the past 5 years. Two transactional startups contributing the most to the value of investments for 2017 are Careem ($150 million) and Fetchr ($41 million). On the other hand, while the number of media deals has been on a decline (see previous chart), the value of these media deals has been climbing, indicating larger average deal sizes for media – with the Starzplay deal driving this increase. Technology deals also captured an increased share of value in 2017, with Channel VAS $55 million deal leading this increase.
FIGURE 10.6: PERCENT NUMBER OF INVESTMENTS BY STARTUP INDUSTRY

Last year’s report was the first time that the number and value of investments were analyzed by industry (see appendix for definitions). Lifestyle (20%), enterprise (11%), and entertainment (10%) focused businesses encompass the biggest number of deals. Finance, healthcare, and education deals have started to gain traction and now represent 7%, 6%, and 5% of all deals respectively, with an expectation of continued growth in these domains.
FIGURE 10.7: PERCENT VALUE OF INVESTMENTS BY STARTUP INDUSTRY

Lifestyle startups not only capture the biggest proportion of deals (20%), but also the largest share of investments (33%). The biggest investments in lifestyle-focused companies included Wysada, Skyshopper, and GlamBox ME. Value by industry continues to be swayed by growth-stage deals; for example, while transportation businesses only make up 3% of all deals, Careem’s $150 million round means that the transportation sector captured the second largest proportion of dollars invested (26%).
The assessment of startups’ operational status is based on app or website updates, social media activity across platforms, funding announcements, and any announcements from founders or investors. Based on these factors, only 12% of all MENA startups funded in the past five years have shut down. This low failure rate could be due to many different factors: the many private- and public-sector initiatives to support and fund startups, the reluctance of investors to stop supporting their portfolio companies, and the stigma associated with failure. Another potential reason for this is that the volume of deals has been higher in the past 2 years than in the period before that, and these recently funded startups have not yet had the opportunity to run the course of their life cycle.
FIGURE 11.2: NUMBER OF OPERATING VS. CLOSED FUNDED STARTUPS IN MENA BY GEOGRAPHY

UAE displays one of the countries with a high number of inactive startups (26), but it is important to note that it also has the largest number of operational startups (272). Interestingly enough Oman is an exception revealing a lack of closed digital startups. This could be attributed to its nascent ecosystem and the sudden influx of capital brought on by the OTF – almost all the investments in Oman took place in 2017. Saudi Arabia and Egypt exhibit the highest number of closed startups, while Palestine has the highest proportion of closed startups (about 25%); this could be attributed to the shrinkage of capital (and venture activity) available in Palestine.


FIGURE 12.1: ANALYSIS OF STARTUPS FOUNDED IN 2013

Analyzing the life cycle of MENA digital startups since inception, of the 188 funded startups founded in 2013, 22% (41) of them raised a second round. Similarly, the number of startups that closed after their first round of funding equals to 38 (20%). This indicates a general trend of where a quarter of all startups close post their first round of funding. Examining startups at round three and onward, 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 fail; however, it may require 7 to 10 years for the company to continue its life cycle and reach either exit or closure.
FIGURE 12.2: ANALYSIS OF STARTUPS FOUNDED IN 2014
Applying the same analysis to startups founded in 2014, the research shows that of the 197 startups founded in 2014, 36 companies, or about one fourth of them, raised a second round, which is a very similar rate to the cohort from 2013. At the same time, 40 companies (or around one fourth) closed after their first round, very similar again to the 2013 cohort. Of the 36 who raised a second round, four (11%) raised a further third round while one shuttered. Furthermore, examining the figures at round three and onward, the startup closure rate drops to zero. As hypothesized in Figure 12.1, this could be a repercussion of a startup’s level of maturity.

FIGURE 12.3: ANALYSIS OF STARTUPS FOUNDED IN 2015
When applying the same analysis to startups founded in 2015, the picture changes. Startups are still in their early stages; they have not had the chance to raise additional rounds or even reach the point of closure. The research though does highlight that 14% of startups managed to raise a second round of funding and two startups even managed to raise a third round of funding within two years.
FIGURE 12.4: ANALYSIS OF STARTUPS FOUNDED IN 2016

Applying a similar analysis to funded companies founded in 2016, the research finds that only 3% of startups failed after their first round, while 14% secured a second round. These data points shown here are very similar to those for 2015-founded startups in the previous figure.
FEMALE FOUNDERS IN FUNDED STARTUPS

FIGURE 13.1: GENDER DISTRIBUTION AMONG FOUNDERS
Gender diversity in technology startups is currently a hot topic globally and regionally, as MENA governments push to increase female participation in the workforce and in STEM fields more specifically. When analyzing the proportion of female founders across the MENA region as a whole, the cumulative number has remained consistent, where it is 14% in 2017 and was 14% in last year’s report.

Number of Total Female Founders versus Total Male Founders in %

Cumulative years: 2004 to 2017
[Base: 1175]
FIGURE 13.2: GENDER DISTRIBUTION AMONG FOUNDERS BY YEAR
The below figure demonstrates that the ratio of gender distribution is consistent over the years ranging from 13% to 16%.

FIGURE 13.3: PERCENT NUMBER OF FEMALE FOUNDERS BY GEOGRAPHY
Examining the ratio of female founders by market, the data indicates that the Levant continues to have the highest proportion of female founders (Jordan 20%, Palestine 19%, and Lebanon 18%) to male founders. Similar to last year’s data, Egypt and Tunisia continue to display low female to male founder proportions. Although Oman exhibits the lowest ratio of female to male founders, it is important to note that the ecosystem is still in a nascent stage with an overall low number of digital startups. A long-term factor that could help boost female founder participation and decrease the imbalance between male and female founders would be the increased involvement of female investors regionally.
FIGURE 13.4: NUMBER AND VALUE OF INVESTMENTS BY TEAMS WITH AT LEAST 1 FEMALE FOUNDER VS. TEAMS WITH NO FEMALE FOUNDERS

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 captured the majority of deals. The number of deals for teams with at least one female founder have doubled from 2013-2017 (from 28 deals up to 53 deals). In 2017, investments in teams with at least one female founder make up about one fifth of all deals. On the other hand, in 2017, the value of investments for teams with at least one female founder only account for 11% of all dollars invested. This is indicative of female founders active in mainly early-stage businesses with very few of the startups with female founders raising 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 in the MENA region where many companies are vying for a share of the startup ecosystem. Corporate investment initiatives (standalone funds or opportunistic investments) contribute to 18% of all investors. New corporate investors are mainly concentrated in the UAE and Egypt. In Egypt the latest corporate investors include Glint Consulting and EdVentures (Nahdet Misr Publishing Group). The UAE’s latest corporate investor includes GINCO Investments.

FIGURE 14.2: NUMBER OF CORPORATE INVESTORS BY YEAR
As corporates’ appetite for innovation and involvement in the startup space increases, the number of businesses interested in a piece of the investment pie is also on the rise. The growth of corporate investors witnessed a whopping increase of 41% over the past five years, higher than the CAGR of overall investors of 35% [See Figure 1]. As the MENA ecosystem grows and matures, it is expected to see larger upsurge in the corporate investment scene.
More than half (58%) of the region’s corporate investors are based out of the GCC. UAE ranks the highest with 39% followed by Saudi Arabia at 19%. Egypt, with two new corporate investors established in 2017, has quickly caught up and is standing at 8% (compared to 4% in 2016). Lebanon is a close contender to Saudi Arabia at 14%.

Across the years, the percent of UAE-based corporate investors overshadows the rest of the MENA market; however, other countries are quickly catching up. Saudi Arabia, historically, was the biggest player, but over the past few years, it has witnessed a decrease in its share of corporate investors. Whereas, Lebanon and Egypt have witnessed a bigger spurt across the years.
FIGURE 14.5: PERCENT NUMBER OF CORPORATE INVESTORS VS. NON-CORPORATE INVESTORS
The ratio of corporate investors has considerably increased from last year’s figures representing 18% of the total MENA investment community (compared to 14% from the previous year’s report). This new investment space is just getting started and it is expected to see an increase in activity and numbers over the next few years.
CONCLUSIONS

MENA digital startups are attracting increasing global and regional attention, with more governments pushing for innovation, 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 in the past four years.

The report’s key findings include:

INVESTORS IN MENA

- The mean annual growth rate of tech investors in the MENA region is at 31% covering the period between 2012 and 2017.
- The ecosystem notes the establishment of around 40 new funds per year between the years of 2015 and 2016, while it witnesses around 30 new funds between 2016 and 2017.
- Under a third of new funds are based out of the UAE for 2017.
- A quarter of new funds are based out of Lebanon for 2017.
- The investor community is concentrated in four main countries, UAE, Saudi Arabia, Lebanon, Egypt, and Jordan, which contribute to 70% of the investor pie.
- UAE hosts one third of all MENA investors. Saudi Arabia, Lebanon, and Egypt account for under 40% of the remaining investors.
- The top two investor countries, UAE and Saudi Arabia, maintain the largest portion of the investor market among the MENA countries.
- Lebanon has slowly grown its overall investor share from 7% to 13%, a 90% increase from 2013 to 2017.
- The investor community is equally spread among early stage funds (47%) and growth funds (53%).
- Venture capital makes up 25% of all investor types.
- The fastest growing segment of the investor community over the past five years has been corporate investors displaying a growth rate of 71% from 2013 to 2017.
- Early stage investors witness a slight uptick as a share of total investors from 2016 to 2017.
- Accelerators witness a growth of 16% over the past five years.
- The most widespread type of investors across markets are accelerators existing in 13 of the MENA countries.
- Kuwait, Morocco, and Qatar display a lack of formal angel networks.
- Growth capital funds are concentrated in only a few markets (UAE, KSA, and Lebanon).
- Egypt has an overall robust ecosystem, but still lacks in growth capital.
- Kuwait displays healthy growth stage funding, yet it lacks early stage funds.

INVESTMENTS IN MENA

- The UAE (298) is far ahead when it comes to the number of deals per country over the past five years with number of deals double that of Egypt, Lebanon, Saudi Arabia and Jordan.
- Egypt, Lebanon, Saudi Arabia, and Jordan display an overall average of 155 deals per country (half the number of the UAE).
- UAE displays a 25% increase from last year representing a deceleration in number of investments: this indicates a closing gap among countries and the flattening out of deal distribution across countries.
- Oman witnessed one of the biggest percent increases from last year (1400% change) attributed to the efforts of the OTF.
- Number of deals over the past few years displays a gradual increase of approximately 20%.
- The value of investments over the past few years reveals a 35% rate of increase.
- The MENA reveals a maturing ecosystem where the value per deal is increasing.
- When ranking markets by number of deals, UAE, Lebanon, Egypt, Saudi Arabia, Jordan, and Tunisia hold the same ranking as in 2016.
- In terms of value of investments, UAE, Lebanon, and Jordan consistently appear as the top three markets over the past three years.
- Saudi Arabia and Tunisia are attracting more venture dollars with a significant increase in the value of deals.
- The distribution of deals across the top five markets (UAE, Egypt, Lebanon, Saudi Arabia, and Jordan) is smoothing out and the number of investments between countries is notably decreasing.
- Over the years, UAE has been consistent in holding the highest proportion of deals among the top five countries.
- Lebanon observes the highest percent increase in number of deals at 33%.
• Egypt experiences a growing share (22%) of number of deals empowered by the reactivation of accelerators like Flat6Labs and funds like Algebra Capital.
• In 2017, 76% of all dollars invested in the MENA went into the UAE with the Careem and StarzPlay Arabia investments alone representing 78% of all dollars invested.
• When analyzing value of investments by ticket size, early stage deals contribute the most to the overall number of deals, but they offer the least in terms of value.
• Looking at investment value per deal, transactional business deals are on average $4 million per investment.
• Transactional business model deals are the largest in terms of dollar value (70%), mainly driven by the major rounds of UAE’s Careem ($150 million investment) and Fetchr ($15.8 million investment).
• Transactional-based startups make up the biggest share of deals at approximately 40% of overall investments.
• Media (advertising), technology, and software as a service business models add up to less than 60% (around 20% each) of all deals that took place regionally in the past five years.
• The second largest in value of business model deals invested over the years is in media [11%] and technology [12%]. This is mainly attributed to StarPlayz Arabia, a media business, which raised rounds worth $128 million and Cequens, a technology business, which raised a round worth $53 million.
• In 2017, technology based businesses witness a spurt in number of investments.
• In the past few years, the gap is slowly closing between investments based in transactional and investments based in technology startups.
• Although, the value of transactional deals is on decline, it still contributes the most to overall deal value (46% in 2017).
• Two transactional startups contributing the most to the value of investments for 2017 are Careem ($150 million) and Fetchr ($41 million).
• Technology startups in the fields of finance and healthcare are gaining the most traction in 2017.
• Media and technology business models are head to head at an average of $1.3 million per investment.
• The value of technology and media deals has been climbing. Technology startups contributing to this increase include Channel Vas ($55 million) while the media startups include StarzPlay Arabia ($125 million).
• Lifestyle (20%), enterprise (11%), and entertainment (10%) encompass the biggest number of industry deals.
• Traction in the industry sectors of finance, healthcare, education, and transportation is expected to continuing growing in forthcoming years.
• Transportation businesses only captures 3% of all deals; however, they garner the second largest proportion of dollars invested (26%).
• UAE has the most number of operational startups (272) as well as the highest number of inactive startups (26).
• Oman lacks non-operational digital startups: this could be attributed to its nascent ecosystem and the sudden influx of capital brought on by the OTF.
• Saudi Arabia and Egypt exhibit the highest number of closed startups.
• Of the 188 funded startups founded in 2013, 27% (41) of them raised a second round.
• The number of startups that closed after their first round of funding equals to 38 (20%).
• Examining startups founded in 2013 at round three and onward, the failure rate considerably decreases to zero attributed to startup maturity where the chances of failure drop significantly.
• The research shows that of the 197 startups founded in 2014, 18% (36) of them raised a second round.
• Of those 36 that raised a second round and were founded in 2014, 11% (4) raised a further third round while none shuttered.
• The research highlights that 14% of startups founded in 2015 managed to raise a second round of funding and two startups even managed to raise a third round of funding.
• The research finds that startups founded in 2016 only 7% of startups failed after their first round, while 14% secured a second round.
• Companies founded in 2016 display similar behavior to those founded in 2015 where only 3% of startups failed after their first round, while 14% secured a second round.
• In general, there is a trend for 20% of all startups to become inactive post their first round of funding.
GENDER DISTRIBUTION

- Not much has changed in terms of female representation since 2016. The previous report showed that females represent 14% of all founders; the numbers have remained constant in this year’s report.
- Gender distribution among startup founders is consistent over the years ranging from 13% to 16%.
- The data indicates that the Levant continues to have the highest proportion of female founders (Jordan 20%, Palestine 19%, and Lebanon 18%) to male founders.
- Although Oman exhibits the lowest ratio of female to male founders, it is important to note that the ecosystem is still in a nascent stage with an overall low number of digital startups.
- The data highlights the fact that all male founder teams consistently capture the majority of deals.
- The number of deals in 2017 for teams with at least one female founder display approximately twice as much as those in 2013.
- The value of 2017 investments for teams with at least one female founder only account for 1/5 of teams of all deals.
- In 2017 the value of investments for teams with at least one female founder only account for 11% of all dollars invested.

CORPORATE INVESTORS

- The corporate investor trend continues to grow in the MENA region where many companies are vying for a share of the startup ecosystem.
- Corporate investment initiatives (standalone funds or opportunistic investments) contribute to 18% of all investors.
- New corporate investors are mainly concentrated in the UAE and Egypt.
- The UAE’s latest corporate investors include GINCO Investments.
- Egypt the latest corporate investors include Glint Consulting and EdVentures (Nahdet Misr Publishing Group).
- The growth of corporate investors witnessed a whopping increase of 41% over the past five years.
- More than half (58%) of the region’s corporate investors are based out of the GCC. UAE ranks the highest with 39% followed by Saudi Arabia at 19%.
- Lebanon is a close contender to Saudi Arabia at 14%.
- Egypt, with two new corporate investors established in 2017, has quickly caught up and is standing at 8% (compared to 4% in 2016).
- The percent of UAE-based corporate investors overshadows the rest of the MENA market.
- The ratio of corporate investors has considerably increased from last year’s figures representing 18% of the total MENA investment community.
CONTRIBUTORS

• Omar Christidis – Ideation
• Azza Yehia – Research
• Dina Saleem – Research
• Fatima Mousa - Investment Consultant
• Sandra Sawaya – Design

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

- **Transportation**
- **Entertainment**
  - Games
  - Entertainment
- **Media & Advertising**
- **Enterprise**
  - Enterprise - Services
  - Enterprise - Directory
  - Enterprise - Solutions

- **Healthcare**
- **Retail**
  - Retail - F&B
  - Retail
- **Education**
- **Logistics**
- **Finance**
- **Other**
  - Legal
  - Security
  - 3D Printing
  - Conferences
  - Crowdfunding
  - Manufacturing
  - NGO
  - Agriculture
  - Greentech
  - Services - Handywork
  - Automotive
  - Insurance
  - Weather
  - Publishing
  - Recruitment
  - Travel & Tourism
  - Real Estate
  - Telecom

REFERENCES

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.