FOREWORD

When we published our 2019 end of year report, I predicted that, short of a natural disaster or war, we would see $1BN of venture investment in MENA-based startups in 2020 - then COVID-19 came and flipped the world upside down. The big question, of course, is “How has COVID-19 actually impacted startup investments in MENA?”

2020 HAS SEEN MORE INVESTMENT IN FEWER STARTUPS

In H1 2020, $659M was invested in MENA-based startups - for reference, this is already 95% of the total venture investments in the full year of 2019. This amount is up 35% from H1 2019 and was invested across 251 investments. The total number of deals in H1 2020 is down 8% from H1 2019 and is only 45% of last year’s total deals.

HOW HAS THIS HAPPENED? AND WHAT DOES IT MEAN?

To say that COVID-19 has impacted startups and investors in the region would be an understatement. The world has changed, and MENA’s entrepreneurship space is seeing new opportunities and challenges as a result.

In some ways, COVID-19 has been a hard slap in the face for many founders in MENA. In fact, 72% of founders reported a monthly revenue drop of 25% or more in our recently published joint MAGNiTT & INSEAD Startup & Investor Sentiment Report - which, suffice it to say, has serious implications for their fundraising plans, as well as decisions to let people go.

In other ways, COVID-19 has been a much-needed and rapid accelerator of digital transformation and tech-adoption in the region. This has been reflected in the funding trends, particularly for startups in industries that have been ‘positively’ impacted by the current pandemic climate - EdTech, FinTech, and HealthTech.

Unsurprisingly, the outbreak has resulted in a shift in investor appetite as well. With respect to industry, 27% of investors have indicated that they had shifted to focus on industries that are more ‘positively impacted’. With respect to funding stage, investors have been increasingly looking at later-stage deals, either through new investments or as follow-on rounds in their existing portfolio companies. This has highlighted an approach towards larger investments on more established startups as opposed to smaller deals in “riskier” earlier stage startups. For those startups that do receive investments, we have also seen an increase in average ticket size across all stages, reflecting the appetite for longer runway to weather the challenging times ahead.

We have seen this most clearly in the UAE, which has the highest concentration of later-stage startups across MENA. The UAE continued to receive the lion’s share of total funding in H1 2020 (59%) with multiple large-ticket deals such as EMPG ($150M), Kitopi ($60M), and SellAnyCar ($35M). In contrast, the more nascent ecosystems of Egypt and Saudi Arabia both saw over a 100% increase in funding YoY. Egypt maintained its first rank by number of deals, accounting for 25% of all transactions in MENA in H1 2020. Saudi Arabia saw the largest percentage increase in total funding. The continued growth of these two ecosystems, despite the crisis, considerably contributed to a strong start to 2020.

Our latest research, surveying investors from across the region, revealed that the capital available to deploy in startup investments in 2020 across MENA remains at a respectable level of $560M in dry powder.

WE’RE NOT OUT OF THE WOODS YET

The numbers reported to date of both investments and disclosed dry powder availability, paint an optimistic picture of the future - for now. Early indicators show that we may well be on-track to achieve the $1BN prediction. Unfortunately, it is more likely that the full impact of COVID-19 will hit venture figures later in the year. We know that it takes on average 9-12 months to fundraise in MENA, and we expect that we will feel the effects of this soon. 75% of investors expect that the MENA region is heading towards an economic recession. Startups remain more pessimistic with 24% expecting that the region is heading towards a depression. Our research also highlighted that 77% of surveyed startups have yet to benefit from government initiatives to support their operations.

Over the last 10 years, a lot of energy and investment has been put into building the ecosystem across the region. In spite of this complex backdrop, technology and startup solutions have never been more relevant to solve for society’s pain points. We have seen that there remains a clear appetite for venture capital as an asset class in the region. Policy decisions and initiatives are required now to support startups and their employees during this time, and help them navigate this crisis.

A healthy and flourishing entrepreneurial ecosystem takes years, if not decades, to build and develop. Supporting founders and encouraging investors now will benefit the ecosystem for many years to come.

Philip Bahoshy
CEO and Founder at MAGNiTT
H1 2020 MENA Venture Investment Report

**VENTURE FUNDING**

H1 2020 saw a 8% drop in number of deals compared to H1 2019. Nonetheless, due to a few sizable investments such as EMPG ($150M), Kitopi ($60M), and Vezeeta ($40M), total funding is up 35%.

<table>
<thead>
<tr>
<th>$659M</th>
<th>TOTAL FUNDING</th>
</tr>
</thead>
<tbody>
<tr>
<td>251</td>
<td>TOTAL # OF DEALS</td>
</tr>
<tr>
<td>$4.1M</td>
<td>AVERAGE INVESTMENT SIZE</td>
</tr>
</tbody>
</table>

**GEOGRAPHIC TRENDS**

The UAE maintained the largest share of total funding as a result of several later-stage investments. Egypt still ranks first by number of deals. Saudi Arabia saw the largest percentage increase of 101% in their total funding year over year.

- **UAE** RANKED 1ST BY $ OF FUNDING
- **EGYPT** RANKED 1ST BY # OF DEALS
- **KSA** LARGEST INCREASE % OF FUNDING

**SECTOR TRENDS**

Due to EMPG’s $150M mega round, Real Estate ranked first by total funding. FinTech continued to account for the largest share of investment deals in H1 2020. Food & Beverage saw the largest jump in total funding due to Kitopi’s $60M fundraise.

- **REAL ESTATE** RANKED 1ST BY $ OF FUNDING
- **FINTECH** RANKED 1ST BY # OF DEALS
- **F&B** LARGEST INCREASE % OF FUNDING
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FUNDING EVOLUTION
2020 has seen $659M of total funding in MENA-based startups. This is 95% of 2019’s full year funding
- The MENA region saw 251 investments in H1 2020, a 8% decrease from H1 2019
- Total MENA funding saw a 35% increase from H1 2019 to H1 2020

Source: MAGNiTT
2020 saw a strong start with a record amount of funding for any Q1 historically, thanks to larger investment deals prior to COVID-19’s impact.

- Q2 ‘20 saw a 32% drop in total funding versus Q1 ’20, compared to a 25% increase last year from Q1 ’19 to Q2 ’19.
- The number of deals in both Q1 and Q2 2020 was lower than their respective quarters in 2019.

Quarterly MENA startup funding excl. mega deals ($M) & deals (#)

Source: MAGNiTT
H1 2020 saw a total of 144 institutions invest in MENA-based startups
- 33% of these investors had not previously invested in the region
- 31% of investors in H1 2020 came from outside of the MENA region

Investor & accelerator rank by number of disclosed investments in MENA-based startups in H1 2020
COUNTRY BREAKDOWN
COUNTRY RANK BY SHARE OF DEALS

Egypt continued to rank first by number of deals, maintaining its position obtained in 2019
- Oman saw the largest increase in number of deals from H1 2019 to H1 2020, largely due to local accelerator programs
- Lebanon dropped out of the top 5 ranking for the first time with a 78% decrease in number of deals compared to H1 2019

MENA’s top 5 countries by % share of total number of deals (#) in H1 2020

<table>
<thead>
<tr>
<th>Country</th>
<th>Rank Change</th>
<th># Share Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>0</td>
<td>25% (+2%)</td>
</tr>
<tr>
<td>UAE</td>
<td>0</td>
<td>25% (-1%)</td>
</tr>
<tr>
<td>KSA</td>
<td>0</td>
<td>18% (+5%)</td>
</tr>
<tr>
<td>Oman</td>
<td>3</td>
<td>12% (+11%)</td>
</tr>
<tr>
<td>Jordan</td>
<td>0</td>
<td>6% (0%)</td>
</tr>
</tbody>
</table>

Source: MAGnITT
Thanks to a number of later-stage investments, UAE-based startups saw the highest share of total funding in H1 2020.

- Egypt and Saudi Arabia were the only 2 MENA countries to see an increase in their share of total funding.
- Jordan saw the largest decline in share of total funding from H1 2019 to H1 2020.

MENA's top 5 countries by % share of total funding ($) in H1 2020:

<table>
<thead>
<tr>
<th>Country</th>
<th>% Share Change H1 '20 vs H1 '19</th>
<th>Rank Change H1 '20 vs H1 '19</th>
</tr>
</thead>
<tbody>
<tr>
<td>UAE</td>
<td>59%</td>
<td>= 0</td>
</tr>
<tr>
<td>Egypt</td>
<td>19%</td>
<td>= 0</td>
</tr>
<tr>
<td>KSA</td>
<td>15%</td>
<td>= 0</td>
</tr>
<tr>
<td>JORDAN</td>
<td>2%</td>
<td>= 0</td>
</tr>
<tr>
<td>KUWAIT</td>
<td>1%</td>
<td>↑ 1</td>
</tr>
</tbody>
</table>

Source: MAGNiTT
Fintech continued to rank first by number of deals, ranking first for over two consecutive years. - **Delivery & Transport** saw the largest increase in its share of deals across MENA, up 4% from H1 2019 to H1 2020. - **Consumer Services** witnessed the biggest decline of 4% in its share of deals.

MENA’s top 5 industries by % share of total number of deals (#) in H1 2020:

<table>
<thead>
<tr>
<th>Industry</th>
<th># Rank Change</th>
<th>% Share Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fintech</td>
<td>0</td>
<td>16% (+2%)</td>
</tr>
<tr>
<td>E-commerce</td>
<td>0</td>
<td>14% (-1%)</td>
</tr>
<tr>
<td>Delivery &amp; Transport</td>
<td>0</td>
<td>10% (+4%)</td>
</tr>
<tr>
<td>IT Solutions</td>
<td>0</td>
<td>6% (-1%)</td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td>0</td>
<td>6% (-1%)</td>
</tr>
</tbody>
</table>

**Source:** MAGNiTT
INDUSTRY RANK BY SHARE OF FUNDING

Real Estate accounted for the highest amount of funding in H1 2020, 25% of total
- Delivery & Transport dropped from first place in full-year 2019 to fourth in H1 2020, accounting for 10% of total funding
- EMPG’s $150M fundraise largely contributed to Real Estate’s ranking

MENA’s top 5 industries by share of total funding ($) in H1 2020

<table>
<thead>
<tr>
<th>Industry</th>
<th>% Share Change H1 ‘20 vs H1 ‘19</th>
<th>% Share Change H1 ‘20 vs H1 ‘19</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Real Estate</td>
<td>24%</td>
<td>+4%</td>
</tr>
<tr>
<td>2. E-Commerce</td>
<td>22%</td>
<td>+2%</td>
</tr>
<tr>
<td>3. Food &amp; Beverage</td>
<td>14%</td>
<td>+10%</td>
</tr>
<tr>
<td>4. Delivery &amp; Transport</td>
<td>9%</td>
<td>-4%</td>
</tr>
<tr>
<td>5. Healthcare</td>
<td>9%</td>
<td>+3%</td>
</tr>
</tbody>
</table>

$659M TOTAL FUNDING

Source: MAGNiTT
# TOP 5 FUNDING ROUNDS

The top 5 funded startups accounted for 49% of the $659M total funding in H1 2020

- The UAE accounts for 3 of the top 5 funded startups in MENA
- 3 out of the top 5 deals were in Q1 2020, prior to the outbreak of COVID-19

Top disclosed funding rounds ($) by MENA-based startups in H1 2020

<table>
<thead>
<tr>
<th>HQ LOCATION</th>
<th>FUNDING ROUND</th>
<th>STAGE</th>
<th>MONTH</th>
<th>SELECT INVESTORS</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMPG</td>
<td>$150.0M</td>
<td>Corporate</td>
<td>April</td>
<td>OLX GROUP</td>
</tr>
<tr>
<td>KITOPI</td>
<td>$60.0M</td>
<td>Series B</td>
<td>February</td>
<td>crescent enterprises, beco capital, lumia capital, wirk capital</td>
</tr>
<tr>
<td>Vezeeta.com</td>
<td>$40.0M</td>
<td>Series D</td>
<td>February</td>
<td>crescent enterprises, beco capital, endeavor, stv</td>
</tr>
<tr>
<td>sheez</td>
<td>$36.5M</td>
<td>Series A</td>
<td>June</td>
<td>416</td>
</tr>
<tr>
<td>SellAnyCar.com</td>
<td>$35.0M</td>
<td>Undisclosed</td>
<td>February</td>
<td>olx group, cool investor, khalid al johar, mubadala investments</td>
</tr>
</tbody>
</table>
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MENA’S MOST COMPREHENSIVE STARTUP DATA PLATFORM

OUR FOUR CORE PRODUCTS

1. CONNECT
   • Apply to investors
   • Connect with founders
   • Curate deal flow

2. DATA
   • Source your next investment
   • Track your competitors
   • Do due diligence on your prospect investors

3. RESEARCH
   • 3 dedicated monthly research reports
   • Industry experts advice on venture investments
   • Industries and geographical trends

4. NEWS
   • Your reference for MENA startup news
   • 3 dedicated newsletters
   • Curated thought leadership
MAGNiTT METHODOLOGY

MAGNiTT collects & aggregates data on the MENA startup ecosystem, through multiple channels:

DIRECT

Quarterly follow-up with 200+ funding institutions, requesting details on all their investments, including stage, amount, date, and other co-investors. These include all the region’s VCs, angel groups, accelerators, university funds and family offices.

PUBLIC

Daily gathering of public announcements and press releases focused on the MENA venture funding landscape. All features are followed up with announcements, for which we liaise with the founders.

PROPRIETARY

As a platform, startups and institutions on MAGNiTT list their proprietary information on funding amount, stage, date, and investors.

MAGNiTT’s focus is the MENA region, which includes data on 17 MENA countries:

Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates, and Yemen.

For all questions on the accuracy of data or improvements on data quality please contact us at support@magnitt.com

For questions related to innovation support for your institution, contact us at support@magnitt.com