

Overview in preparation for the  
10th World Economic Forum  
on the Middle East and North Africa

6-7 April 2019 | Dead Sea, Jordan

# The Start-up Ecosystem in the Arab World 2019



Discover where Arab  
start-ups are located



Find out how much funding  
start-ups have received



Identify the top investors  
in Arab start-ups

MAGNiTT – the go-to platform for  
the MENA start-up ecosystem

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## Philip Bahoshy

Founder  
MAGNiTT

Every two years, the **World Economic Forum (WEF)** hosts its regional Middle East and North Africa summit, which takes place at the Dead Sea in Amman, Jordan. In 2017, I was honoured to have been selected as part of the 100 start-ups invited to attend, within the initiative of the Fourth Industrial Revolution (4IR). During the exhilarating weekend, a shared passion for entrepreneurship resonated through the interactions between founders, corporates, governments and investors. Now, only two years later, I look forward to representing MAGNiTT again at the 10th edition of the summit. This report serves as an overview of the state of entrepreneurship across the Arab world for participants at this year's 2019 Middle East and North Africa event.

We are in the midst of exciting times, and as the ecosystem itself matures, we have seen continued success stories, increased international awareness, as well as corporate and government support to spur innovation across the whole region. It is time to applaud this success, but, more importantly, to work on building on the existing momentum.

Leading up to this year's event, there has been no story more groundbreaking than **Careem's \$3.1B acquisition by Uber**, which marks a landmark exit of a regional unicorn. Credit goes to the founders, investors and governments for such a success – we anticipate this to be the first of many regional exits in the coming years. It provides a perfect basis for discussion on how to further develop the ecosystem.

Looking back, how did the landscape evolve prior to this acquisition? As laid out in our **2018 MENA Venture Investment report**, 2018 was a record year in terms of the number of investments made in start-ups. It was also a year characterise by more later-stage investments, with larger deal sizes and more international participation than any previous year. In fact, 2019 has taken off where 2018 has left off, with large investment announcements along with a rising number of exits.

However, a key driver of growth remains collaboration. Start-ups, specifically the high-tech and venture-backed ones, require scale to be successful. Careem is a case in point. The Arab region is vast in population, but, similar to South-East Asia, it is made up of many countries, each of which has its own regulatory environment, population demographics and tech adoption. In order for start-ups to continue to be successful, **scalability is key and founders' aspirational target market** needs to be regional, if not global. In order to achieve this, collaboration, rather than competition, is a must.

Moreover, it is not only start-ups that need to collaborate and rally together. Investors in the region also have a role to play: rather than viewing each other as competition, they should co-invest across countries and industries, where applicable, in order to aid the scaling of start-ups, which will ultimately be beneficial for all parties involved. Allowing start-ups to enter new markets is important to the scalability of the company. Hence, regulators and governments should also look to see how to foster their ecosystems locally, all the while helping foreign start-ups enter the market, which, in turn, brings longer-term positive externalities.

This report provides an overview of the current state of the Arab start-up ecosystem to support participants at the Forum in understanding the region's ever-growing and evolving ecosystem. I, and the entire MAGNiTT team, hope you will find this report useful and wish you all the best in 2019.

**Philip Bahoshy**  
Founder of MAGNiTT

# | Executive Summary

## Key takeaways on the state of entrepreneurship in the Arab world

### The United Arab Emirates (UAE) houses most start-ups in the Arab region

35% of all start-ups in the Arab world have HQs in the UAE, with which the country accounted for 28% of all deals in 2018

### 2018 saw a record number of deals and funding (excl. Souq & Careem)

404 deals took place in the Arab world in 2018, which marked a new record, up 13% from 2017. Total funding was also up 31% from 2017, highlighting continued growth

### Maturing markets saw FinTech overtake e-commerce as the most actively invested industry

FinTech, ranked first by number of deals, accounted for 12% of all deals, while e-commerce came second (11%), followed by Delivery & Transport in third (8%)

### 156 funding institutions invested in Arab start-ups in 2018, 30% from outside the region

2018 saw a 5% increase in the number of institutions investing in Arab start-ups, of which 47% had not previously invested in the region

### 8% of all investments were in female-only funded start-ups

Female-founded start-ups accounted for 8% of all investments since 2008, with mixed gender and male-founded start-ups accounting for 10% and 82%, respectively

**10,000+**

Start-ups

**\$2.1B+\***

Total Funding

**1,600+\***

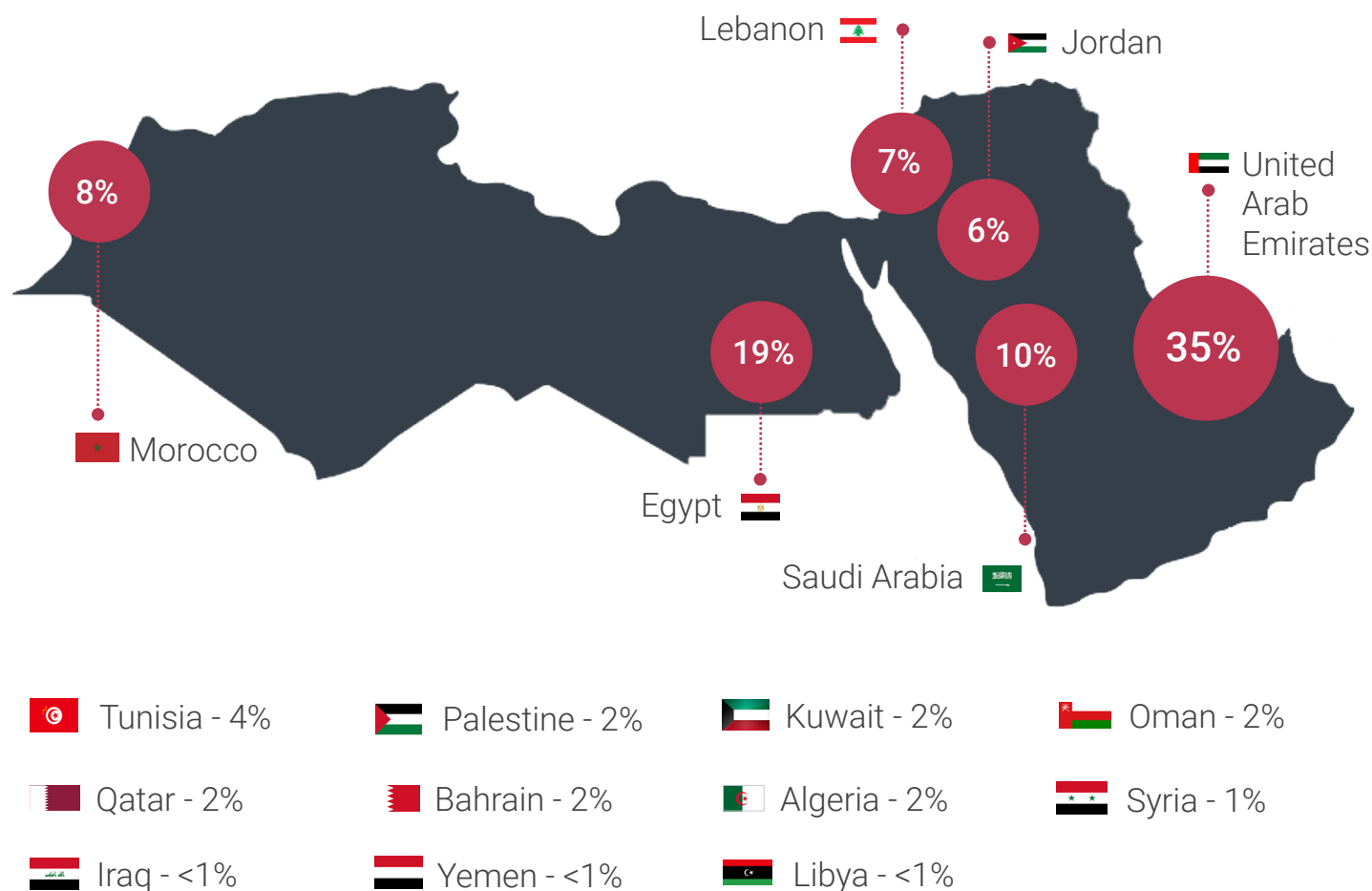
Total Deals

\* Data aggregated from 2008 – Q1 2019, sourced from the MAGNiTT platform

# Geographic Overview

The UAE continues to be the largest hub for start-ups across the Arab world, accounting for 35% of regional start-ups listed on MAGNiTT. The local government, like other governments in the region, has launched multiple initiatives to support entrepreneurship and innovation as part of a long-term play for economic diversity. Their early mover advantage in this space has led to many UAE-born success stories, including Careem, Souq, and Property Finder. This network effect has created a strong basis for intellectual capital transfer and investor focus to tap into.

## Location of the 10,000 Arab start-ups on MAGNiTT, based on start-up HQ



Having said this, the dynamics continue to change, as governments across the region continue to focus on entrepreneurship. 2018 has seen multiple initiatives across the region to drive their respective ecosystems. Saudi Arabia's Vision 2030, for example, contains key policies to focus on entrepreneurship. Some of the biggest investments in 2018, including Careem's \$200M fundraise, were seeded and supported by Saudi investors and organizations like Kingdom Holding, MiSK, SAGIA, and Monsha'at.

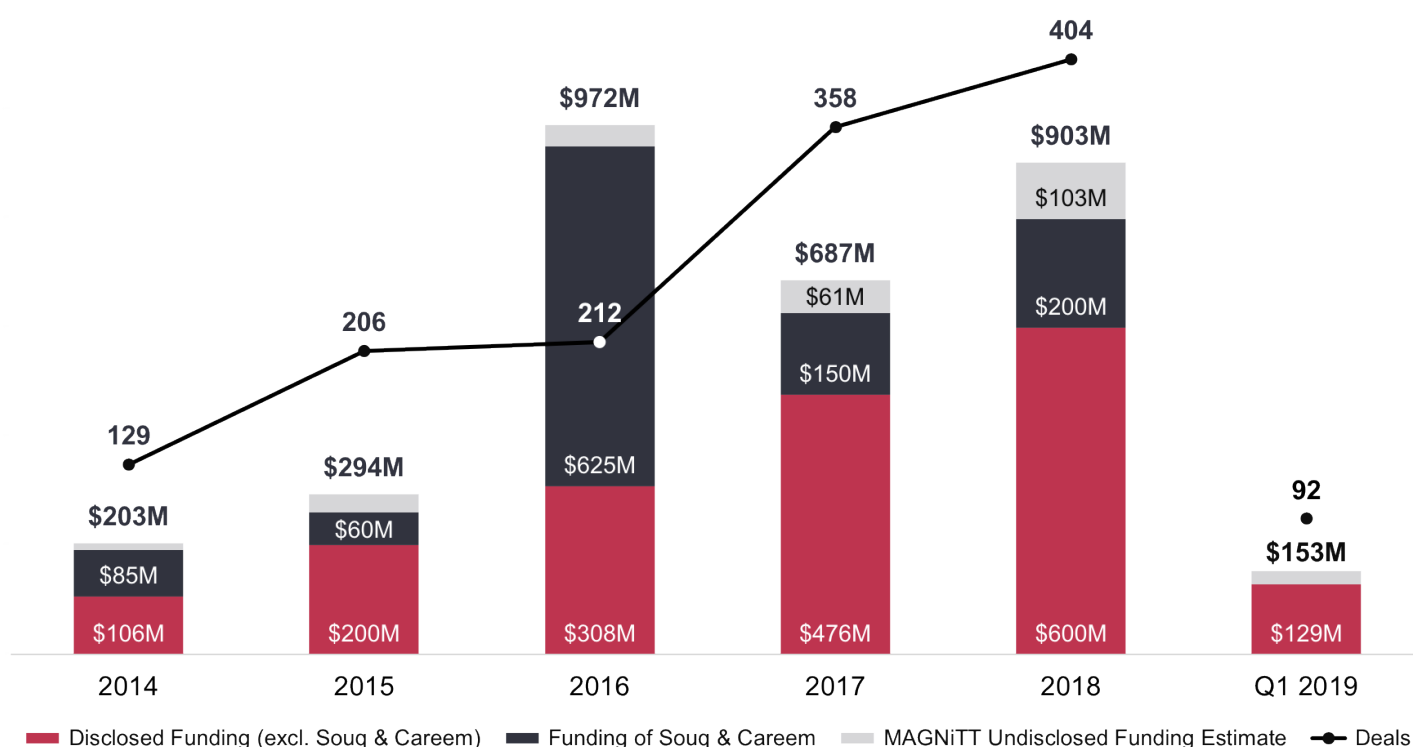
Other notable initiatives include Bahrain's Economic Development Board initiatives, Lebanon's Circular 331 Central Bank stimulus, as well as multiple policies in North African countries to make it easier to set up businesses in those respective countries.

# Investment Overview

\$903M was invested across 404 deals in 2018; an increase of 31% in total funding and an increase of 13% in number of deals compared to 2017. 2018 saw the emergence of many newly established funds and accelerator programs, as well as international interest, which contributed to a strong finish to 2018.

The largest funding round of the year, \$200M raised by Careem, was a large contributor to this strong ending, with Property Finder raising \$120M and Wadi raising \$30M as well. As a result, 53% of total funding took place in Q4 2018.

## Number of deals and total funding amount in the Arab world



This momentum has continued into Q1 2019, with the largest technology start-up exit in the region: ride-hailing app Careem, the start-up with the highest valuation across the region, was sold to US-based rival Uber for a reported \$3.1B. Uber will pay \$1.4B in cash and \$1.7B in notes that convert to Uber equity at \$55 a share, marking the company's biggest acquisition to date in order to fuel growth ahead of its planned initial public offering (IPO).

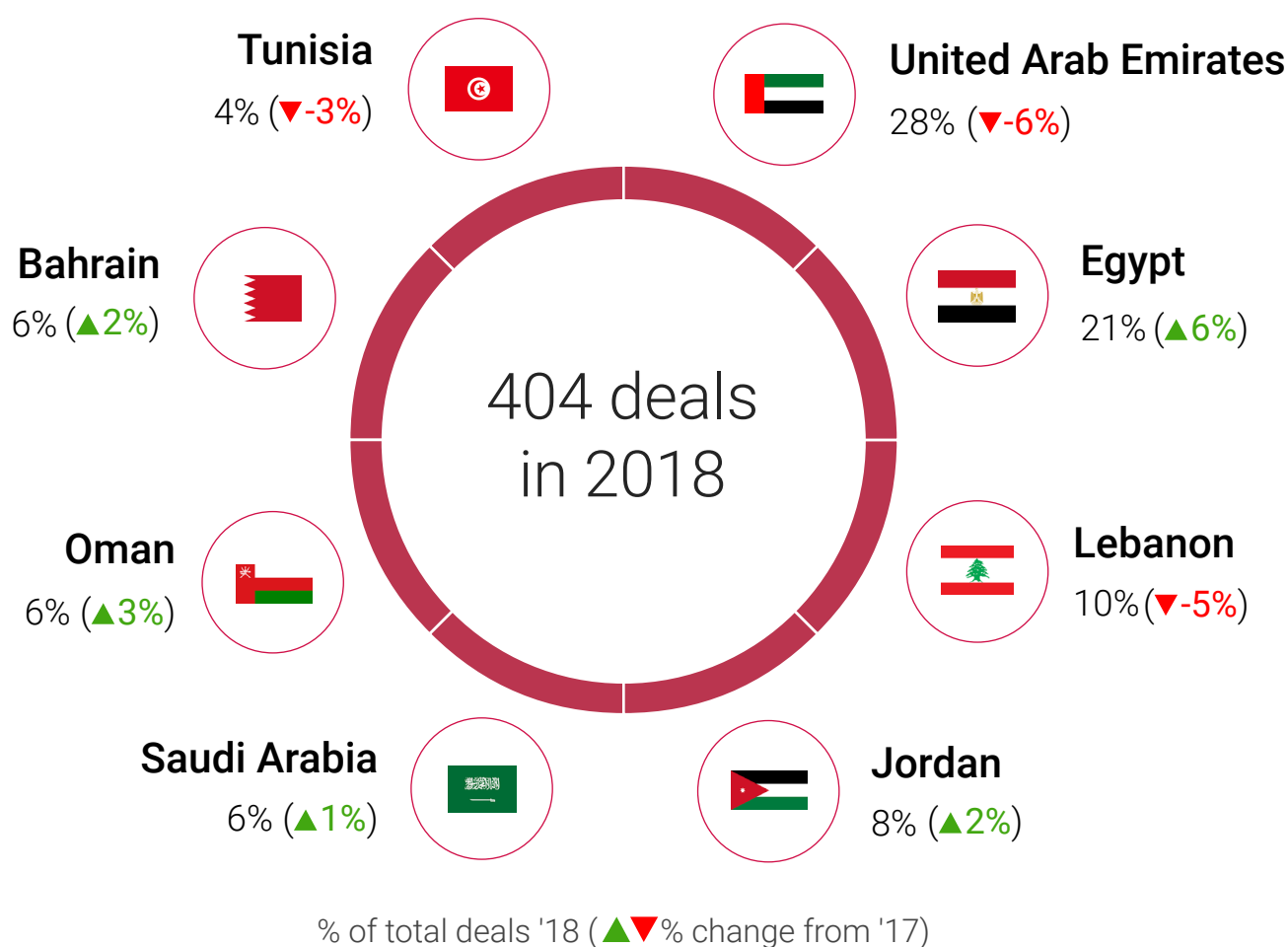
Aside from this momentous exit, Q1 2019 has already seen 92 investments announced, amounting to \$153M in total funding. Notable investments in Q1 2019 include the \$65M raised by Dubai-based clean energy company Yellow Door Energy, \$10M by Amman-based online bookstore Jamalon, and \$8M by Dubai-based comparison website Yallacompare.

# Geographic Overview II

While the UAE remains the largest destination for start-up capital across the region, 2018 saw the emergence of other ecosystems. Egypt, most notably, was the fastest growing by number of deals in 2018, accounting for 21% of all investments, up 6% from 2017.

A reason for the continued growth of the Egyptian ecosystem is due to its favourable population demographics and support structure – there are strong universities, a large market of 100 million people and relatively low-cost labor market, which provides an ideal environment for entrepreneurs.

## Top 8 countries by number of deals in 2018



Another growing ecosystem in the region is Oman, which saw a 3% increase as a percentage of total deals from 2017 to 2018, accounting for 6%. The Oman Technology Fund (otf) is one of the main contributors to this growth, with investments coming from its venture capital arm otf Jasoor Ventures, as well as its accelerator and incubator otf Wadi and otf Techween, respectively.

Bahrain, which also accounted for 6% of all deals in 2018, continues to drive strong government initiatives to create an alternative hub for startups in the region. The country has close access to Saudi Arabia, the largest market in the region, as well as a network of accelerators and government programs to support entrepreneurs grow and scale. The Al Waha Fund of Funds is the first in the region to deploy capital, providing existing venture capital firms with much-needed funds to deploy in 2019.

# Industry Overview

Since 2012, e-commerce has been one of the most actively invested industries in the start-up ecosystem – in 2018, the industry still accounted for the second-most number of deals, accounting for 11% of all deals. Moreover, in the Arab world, similar to most emerging markets, point-to-point delivery is a large, scalable and monetizable problem – the ideal combination for start-ups and investors. As a result, delivery & transport start-ups became the third most invested industry in the region, accounting for 8% of all deals.

Another sign of a maturing market, however, is the change in the composition of invested industries. 2018 saw a growing interest in FinTech start-ups, as the industry overtook more traditional early-stage industries such as e-commerce and logistics in number of deals.

## Top 8 industries by number of deals in 2018



Not only investors, but also governments across the region have looked to embrace FinTech – in the UAE, both Dubai International Financial Centre (DIFC) and Abu Dhabi Global Markets (ADGM) have looked to court FinTech start-ups with accelerator programs, attractive licensing opportunities and regulatory sandboxes. Moreover, Bahrain has launched the FinTech Bay, as well as regulatory sandboxes, and other countries have launched several initiatives specifically for FinTech as well.

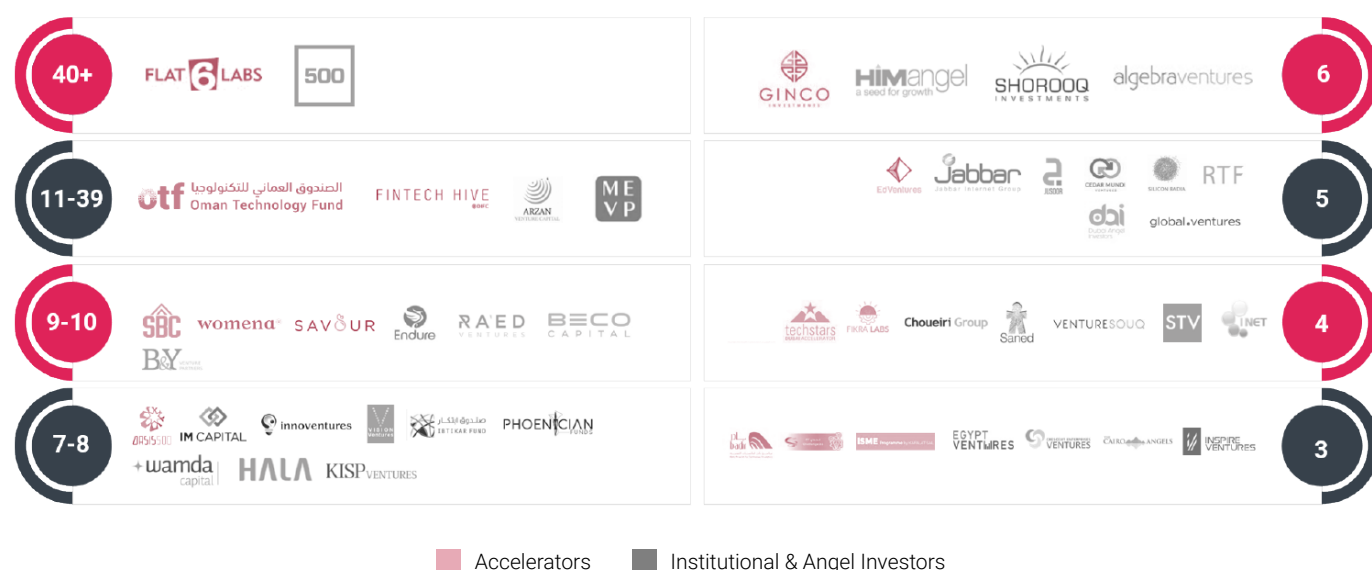


# Investors in Arab start-ups

For the region to develop, it is important to see increased capital flows at all funding stages. While there are well-established players in the Arab markets that have made a name for themselves, it has been a positive and healthy sign to see new entrants come to the region as well.

The US-based venture capital firm 500 Startups was the most active investor by number of deals in 2018, deploying funds out of its local 500 Falcons fund. Furthermore, 500 Startups announced the launch of an accelerator program with MiSK Innovation, the Saudi government entity, in order to accelerate innovation in the Kingdom and region. In general, accelerators continued to play a key role at the early stage of funding.

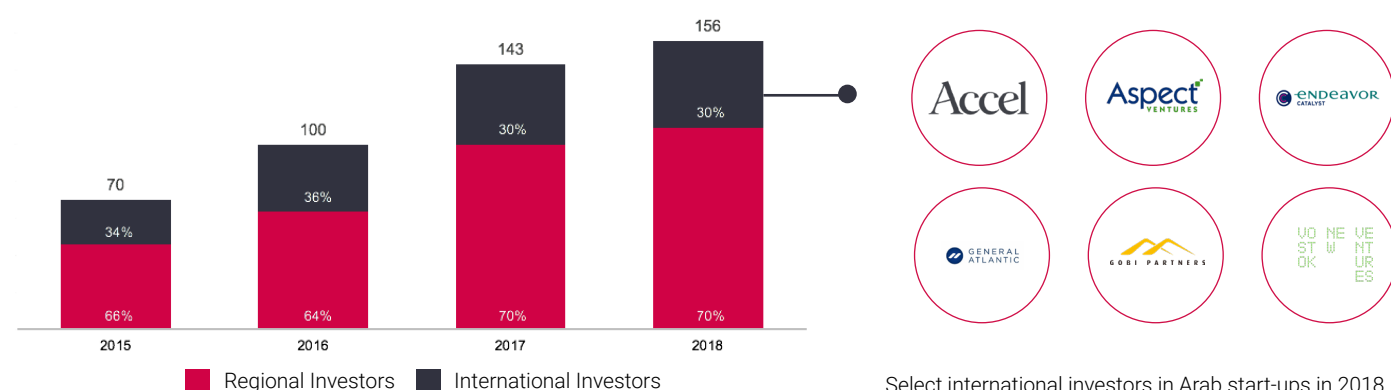
## Regional investors by number of investments in Arab start-ups in 2018



In addition to accelerators, international investors continue to hold a key role in the success of the regional start-up ecosystem. Whether it is late stage investment or potential acquisitions, increased appetite from outside the region will be healthy for start-ups and investors alike. In 2018, 30% of all investors in Arab start-ups were not headquartered in the region.

However, there has been a push by regional governments to facilitate investment in local start-ups, with government-backed Funds of Funds (FoF) playing a key role. Leading the way for Fund of Funds is Bahrain's Al Waha \$100M FoF, which announced in March 2019 that it had already deployed \$45M. This will likely be replicated in other geographies, as governments look to support with investment, without necessarily making direct investments themselves.

## Number of investors in Arab start-ups, by region



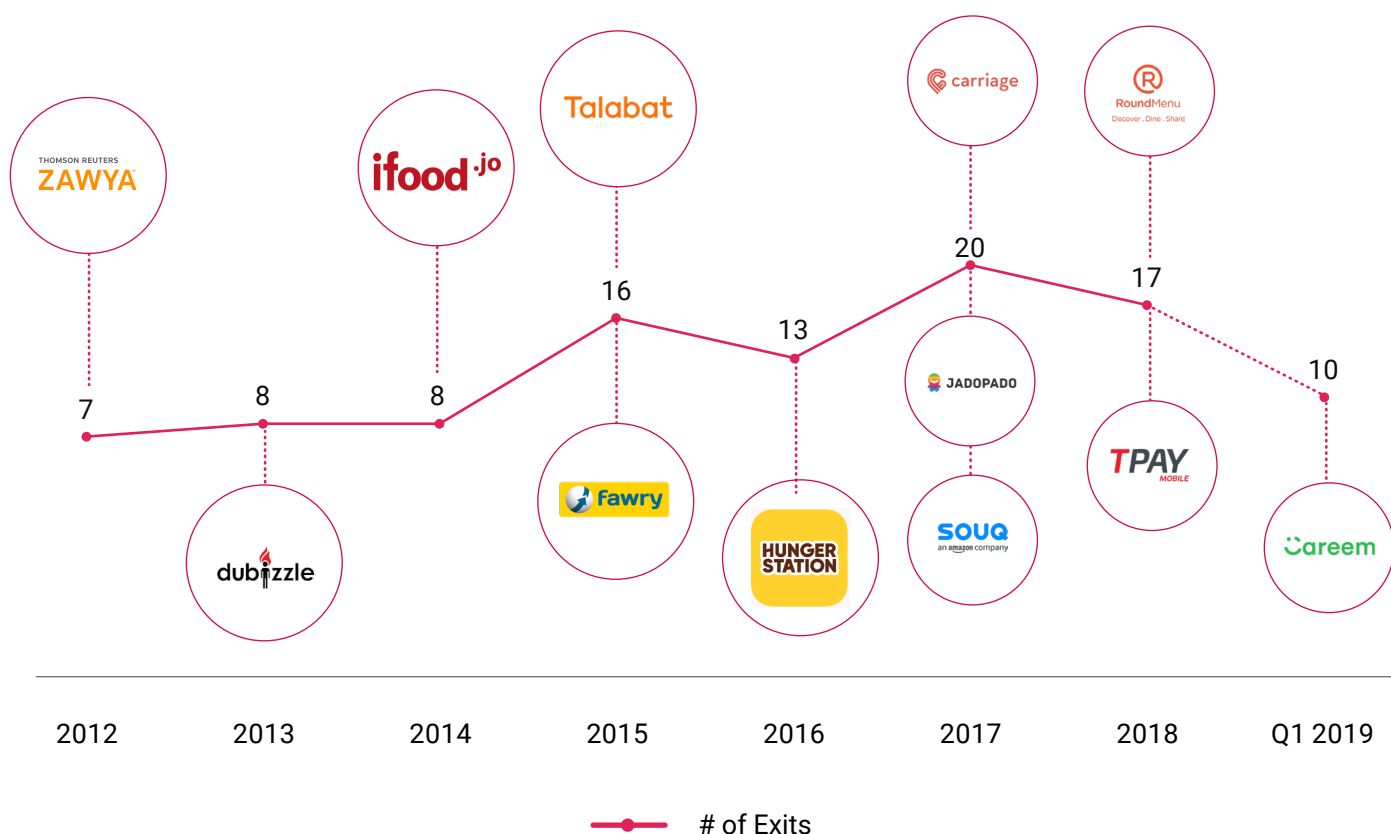


# Exit evolution in the Arab world

Exits are always a reference point of a maturing ecosystem. As venture capital funds deploy capital, they look to realise returns for their limited partners (LPs). While there were just 7 start-up exits in 2012, there were 17 in 2018, a 143% increase.

The increase in exits has come in different waves over the last few years. One of the first was Maktoob, which was acquired by Yahoo in 2009 at an estimated \$175M, followed by the (partial) exit of dubizzle in 2013. In 2015, there were a few landmark exits, with Talabat and Fawry being acquired. Two years later, Souq, the region's e-commerce giant, was sold to Amazon for a reported \$580M, becoming the largest exit at the time.

## Number of exits in the Arab world



2019, however, has kicked off to a rapid start, with the trend looking to continue, as further M&A and consolidation takes place in crowded industries. Moreover, international players look to use acquisitions to gain access to a developing and maturing market. Some of the largest acquisitions in the region have been by international entities.

To date, Q1 2019 has seen 10 start-up exits – the most prominent exit was the \$3.1B landmark acquisition of ride-hailing app Careem by its international rival Uber, which marked the first unicorn exit in the region. Careem will become a wholly-owned subsidiary of Uber, but both entities will operate their regional services and brands independently. The deal marks a shift in Uber's global strategy ahead of its long awaited blockbuster initial public offering (IPO).

# Funded entrepreneurs demographics

The overall start-up ecosystem in the Arab world is growing, as shown by the number of investments and total funding that takes place. However, these numbers in themselves do not say a whole lot – the underlying forces and numbers are what drive the ecosystem.

One of these figures is the key demographics of an entrepreneur and the start-ups. Out of all start-ups that have been funded, almost half of them (47%) had just 1 founder, whereas 34% of all funded start-ups have 2 founders. Hence, the majority of entrepreneurs choose, or have to, start a business by themselves. Looking at the underlying gender demographics, it shows that there are more male entrepreneurs than female entrepreneurs that received funding – men account for roughly 86% of all funded founders from 2008 until Q1 2019, a large majority.

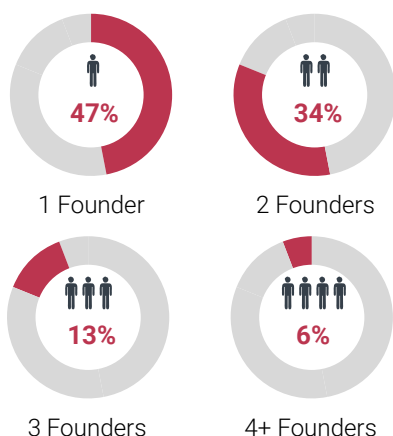
**1,176**  
Total funded start-ups



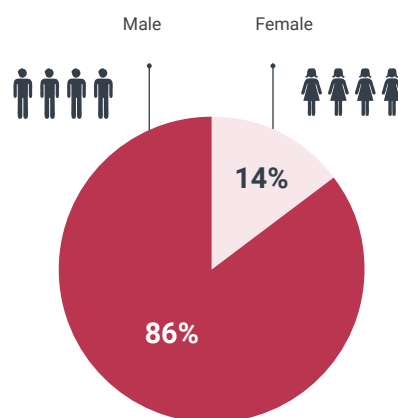
**1,687**  
Total funded founders



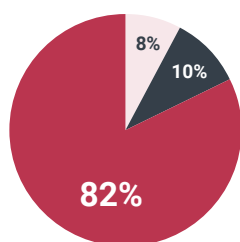
Founding teams



Male vs. Female

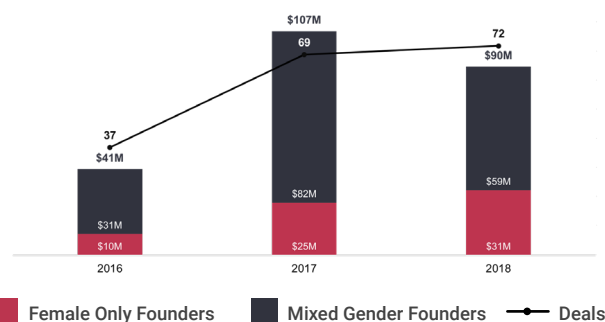


Number of Deals



Male Only Founders Mixed Gender Founders Female Only Founders

Number of deals and total funding amount of female-founded start-ups



Female Only Founders Mixed Gender Founders Deals

Moreover, 18% of funding deals were in start-ups with at least one female founder, of which 8% is in female-only founded start-ups. However, looking at funding amount, female-only founded start-ups accounted for 3.5%, significantly lower. Benchmarking this against international numbers reveals a slightly different picture. TechCrunch, the US-based start-up news website, reported that just 2.2% of all funding went into female-only founded start-ups in the United States in 2018, which is lower than in the Arab world.

In 2018, female-founded start-ups accounted for 72 deals and \$90M in total funding, which was the highest number of deals in recorded history. Female-founded start-ups that raised funding in 2018 include niche e-commerce platform Mumzworld, who raised \$20M, as well as fashion e-commerce platform The Modist, who secured \$15M.

# Arab start-ups at WEF

The World Economic Forum, in collaboration with the Bahrain Economic Development Board, has selected 100 Arab Start-ups shaping the Fourth Industrial Revolution (4IR) in 2019. This initiative aims to further integrate the Arab world's most promising start-up entrepreneurs into a national and regional dialogue on pressing challenges. The selected start-ups shown below will take part in the official programme where they will engage with industry and government leaders to discuss the future of their industries and how to add value to society.

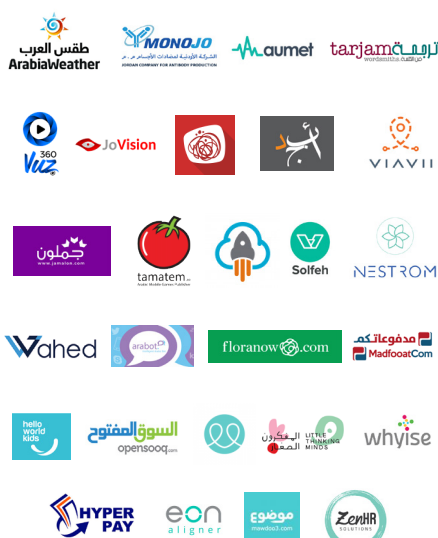
## The 100 most promising Arab start-ups selected by the World Economic Forum



### UAE



### Jordan



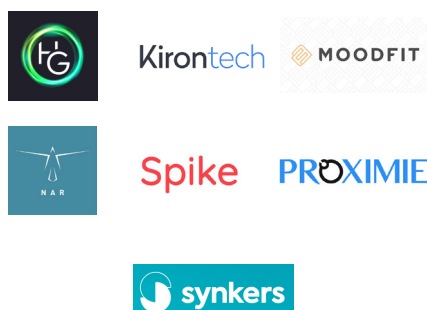
### Egypt



### Saudi Arabia



### Lebanon



### Other Countries



## Mirek Dusek

Head of Middle East and North Africa,  
Member of the Executive Committee of  
the World Economic Forum



### Why does the World Economic Forum select the most promising 100 Arab start-ups that are shaping the Fourth Industrial Revolution?

Arab start-ups have reached new heights in the past few years and have captured the interest of international investors. They are affirming themselves not only in the regional landscape, but also globally, as the recent multi-billion-dollar acquisition of Careem highlights. Additionally, in contrast to the global technology market, which appears over-valued, Arab start-ups offer good investment opportunities, while also transforming the region's social and economic fabric.

Total investment in start-ups increased 31% year-on-year, underscoring this potential, but Arab entrepreneurs continue to face key challenges. These include red tape and a fragmented regional landscape, which undermine their capacity to "reach velocity".

The Forum is heavily committed to actively shaping the regional agenda, something that isn't possible without inviting start-ups to the discussion table. Therefore, after evaluating the wide-ranging impact of the launch of this initiative in 2017, we are welcoming 100 promising start-ups to join established business leaders and policy-makers at the World Economic Forum on the Middle East and North Africa. Here they will actively shape their own and their region's future during the course of three productive days.

### How can start-ups help solve societal challenges in the Arab World?

With the majority of the Arab world's population under the age of 30, the regional job market is struggling to absorb the size of this young workforce. Additionally, governments are not capable of meeting the aspirations and needs of the growing population with the existing infrastructure and the current state of public services. Furthermore, augmented fiscal pressure is limiting government ability to provide a viable employment option for the vibrant Arab youth.

Start-ups are actively tackling these three challenges together. They create their own jobs and offer employment opportunities for the growing young population. Alongside this, start-ups harness new technologies to better serve their community and fill the vacuum in areas like education, energy and health. Some examples of this that I'd highlight are: MIZA financial services in Libya, a start-up that provides access to digital finance for underserved and unserved communities; Daraty from Syria, which teaches children in areas where vocational training institutions don't exist; and Epilert from Tunisia, which provides a bracelet that detects epilepsy seizures in children and sends an alert to their parents.

### What is the role of start-ups in the Fourth Industrial Revolution?

The Fourth Industrial Revolution, while holding great promise for new local and regional growth and in fostering societal inclusion, requires quick adaptation capabilities to reskill and upskill the workforce for the future of jobs as well as an up to date regulatory framework that does not hold back the great potential of technological advancement.

In this context, start-ups are speeding up this adaptation process for all countries throughout the region. Disrupting their industries and providing on-the-job training for their teams, start-ups are spearheading the Fourth Industrial Revolution. On one hand, they are subtly forcing established businesses to follow their lead, and on the other are encouraging policy review to meet the fast-evolving demands of their people. With their flexibility and simple organizational structures, start-ups have a team of innovators that are designing, experimenting with and deploying the latest technologies available. In doing so, they are able to offer customized end-to-end solutions to meet the individualized needs of their clients.

I am very much looking forward to meeting this impressive group of 100 dynamic entrepreneurs.

# About MAGNiTT

MAGNiTT is the leading community and data platform for start-ups, investors and enablers across the Middle East and North Africa.



## MENA's largest start-up community and data platform



**10,000+**  
startups



**400+**  
investors



**40+**  
research reports



**300+**  
jobs

## How we can help

MAGNiTT's in-depth data allows tailored insights into and outreach to the start-up and the investor community. Below are the ways we can support you.

### Database Access



Discover and connect with MENA's hottest start-ups and investors

### Subscription Plan



Use advanced filters on dynamic charts for bespoke analytics.

### Insights & Analytics



Access all MENA funding and exits from 2008 to date.

### Start-up Sourcing



Source start-ups, identify investors and search enablers.

### Bespoke Reports



Get monthly and quarterly investment insights, research and analysis.

### Marketing Support



Raise awareness and promote your call-to-action to the MAGNiTT community.

Contact us at [info@magnitt.com](mailto:info@magnitt.com)