

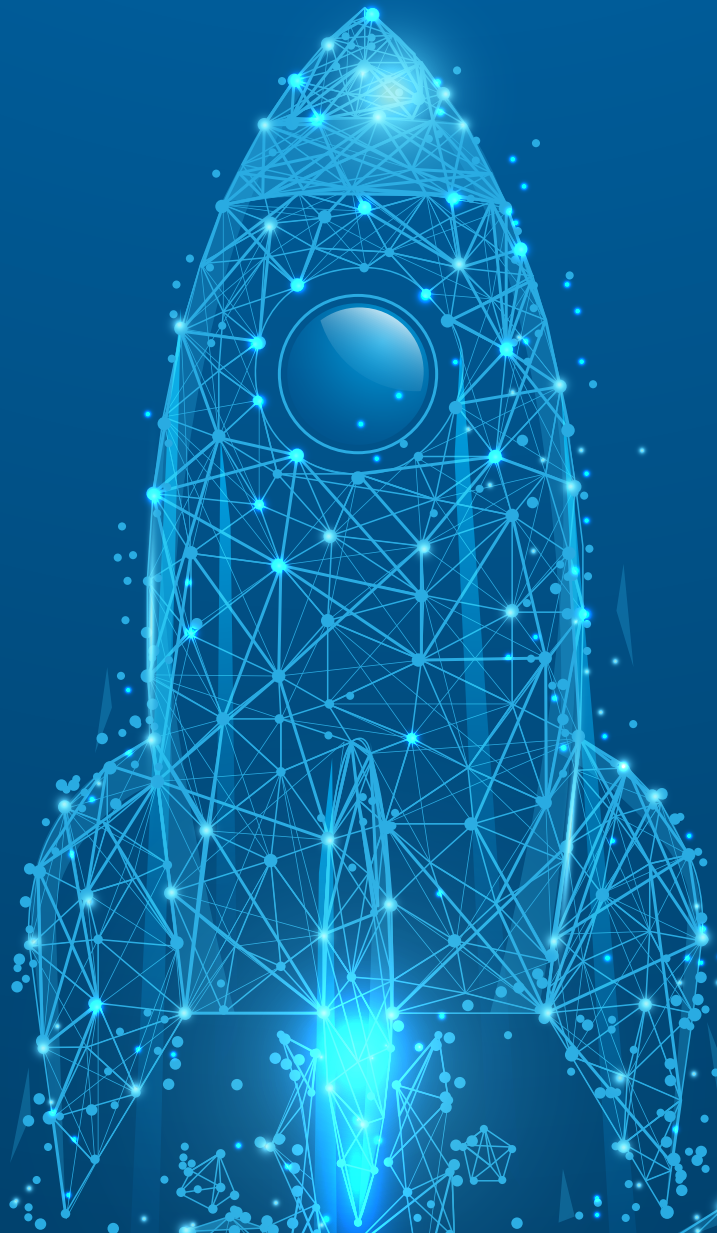
# State of MENA Startups 2019

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Joint MAGNiTT  
and 500 Startups report

**MAGNiTT**

**500**



# INTRODUCTION

The State of MENA Startups is a joint **MAGNiTT** and **500 Startups** report, including portfolio companies from 500 Startups' regional Falcons Fund. For this report, we have surveyed **100+ MENA-based founders** of the **500 Falcons portfolio** to gather their thoughts, opinions, challenges and perceived opportunities of being an entrepreneur in the region.

Each of these founders has received **at least one round of venture investment**. Through data, this report looks to shed light on areas including the **fundraising exercise, exit opportunities, operations, talent availability** and more.



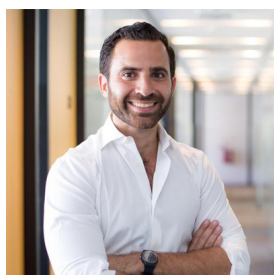
**HASAN HAIDER**, PARTNER AT 500 STARTUPS

500

When I started investing in startups in the MENA region in 2009, we really had no reliable data available on anything. This was incredibly frustrating, as it was near impossible to get any numbers related to the number of startups in any market, or the amount of funding taking place.

Fast forward 10 years, and now thanks to MAGNiTT we have a regular, reliable source of data on the most basic information we need for our ecosystem. This is great, but we felt this wasn't enough. There's a lot more data we need, with 500 Startups being the most active VC fund in the MENA region by number of deals, having participated in 23% of all seed deals in 2018 across MENA. As such, we are in a prime position to help provide more granular insight into the perspective of founders in the region from our portfolio. We were inspired by what First Round Capital have done with their annual State of Startups report, and we aspire to get the same level of insight through our report for the MENA region.

We hope that this report is valuable to all the ecosystem players in the MENA region, from startups, to investors, corporates to governments, and that it sheds more light on what's actually happening on the ground.



**PHILIP BAHOSHY**, FOUNDER & CEO AT MAGNiTT

MAGNiTT

MAGNiTT continues to develop on its mission to create transparency and information access. At the same time, it is important to evolve and identify new opportunities to better educate the ecosystem. Understanding challenges, opportunities and trends of startups is fundamental to policy decision making, investor behaviour and nurturing future founders.

As a startup for startups, this report looks to shed light on the state of entrepreneurship across MENA. Partnering with 500 Startups, MENA's most active venture capital investor by number of deals, allows us to take a first glance at some of the key questions founders think about, using their portfolio startups. This report looks to act as a basis for future analysis on what is quickly developing into a vibrant ecosystem.

We hope this State of MENA Startups report will provide insights to further spark discussion, and welcome any views, comments or feedback that you might have on how to improve for future iterations.

# EXECUTIVE SUMMARY

100+

Responses

\$114M

Funding Raised

12

Country HQs



## 1. DEMOGRAPHICS

Most of the founders are in their early 30s

- 45% of founders are between 30 and 34 years old
- 54% have founded their startups in the last 3 years
- 86% have recently raised a pre-SEED/SEED round



## 2. FUNDRAISING

An investor's network is the #1 priority for fundraising startups

- 71% claimed fundraising took up to 9 months
- 67% pitched to up to 10 investors to close their round
- 63% say that the investor's network is the top reason for choosing a lead investor



## 3. INVESTORS

Most startups will look for regional & intl. investors for future rounds

- 47% claim it will be "moderately challenging" to raise their next investment round
- 57% believe they will exit within the next 5 years
- 59% are "certain" they will become a \$100M company



## 4. TALENT

Hiring good people is among the top concerns of MENA founders

- Revenue growth (63%), hiring good people (62%) & acquiring customers (47%) are top 3 challenges
- 49% state lack of talent as their biggest challenge
- 24% say a "sales executive" is their hardest hire



## 5. OPERATIONS

Large majority of startups focus on growth over profitability

- 81% are optimising for growth over profit
- 69% claim they will be profitable within 2 years
- 24% have in house HR to support talent acquisition



## 6. 500 FALCONS

Most startups are based in Dubai, followed by Cairo and Riyadh

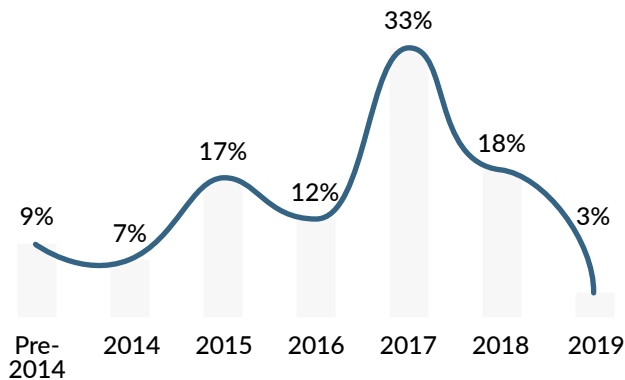
- 27% indicates that they are based out of Dubai
- This is followed by 23% in Cairo and 11% in Riyadh
- E-commerce accounts for 23% of startups & FinTech is 14%

# SURVEY DEMOGRAPHICS

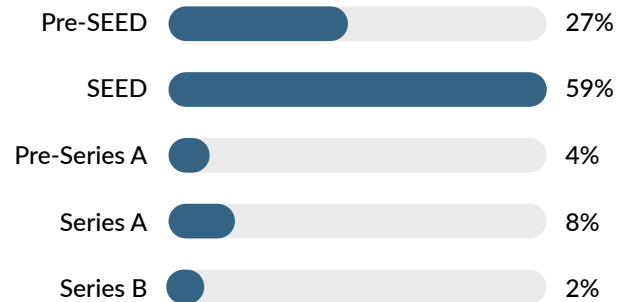
## WHAT TYPE OF STARTUPS RESPONDED?

The majority, 84% of surveyed startups, were recent investments in startups founded after 2014. 45% of the founders were in their early 30s, with 51% of the startups having 2 co-founders, 16% higher than the MENA average. Moreover, the 500 Falcons portfolio has 24% of startups with more than 1 female founder.

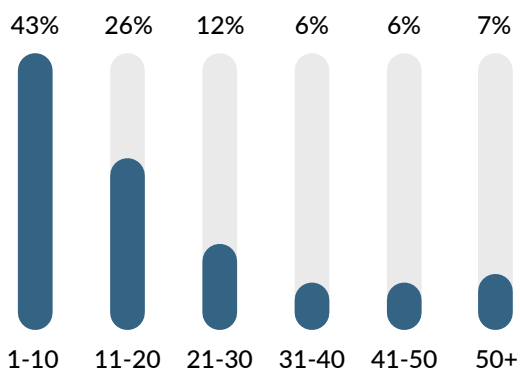
### 1. When was their company founded?



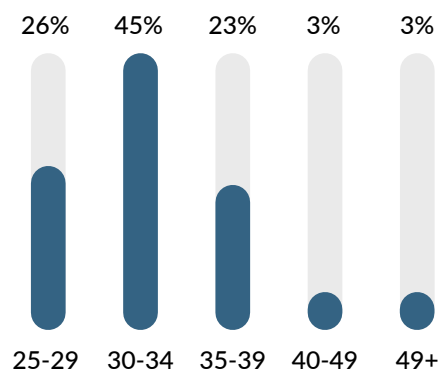
### 2. What was their most recent funding round?



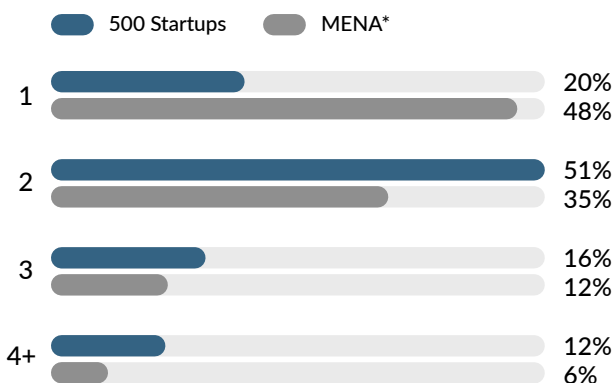
### 3. How many full-time employees do they have?



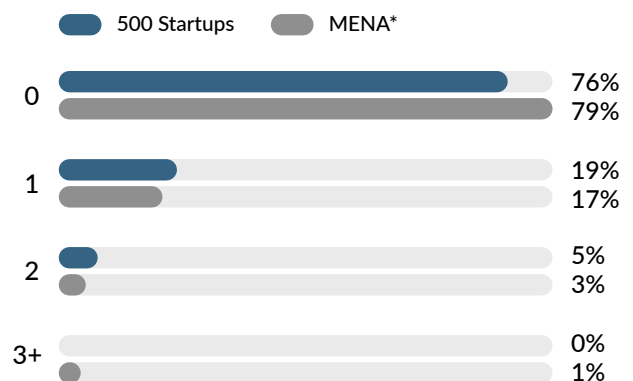
### 4. How old are their founders?



### 5. How many founders do they have?



### 6. How many female founders do they have?



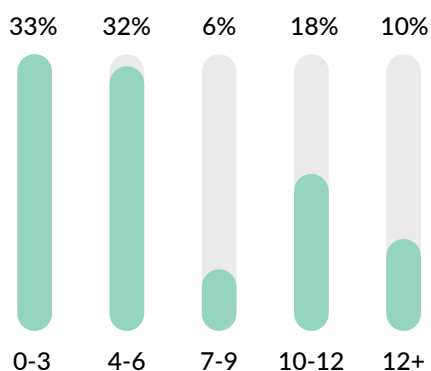
\*MENA refers to calculations based on MAGNiTT's data of all investments in the region since 2008.

# FUNDRAISING

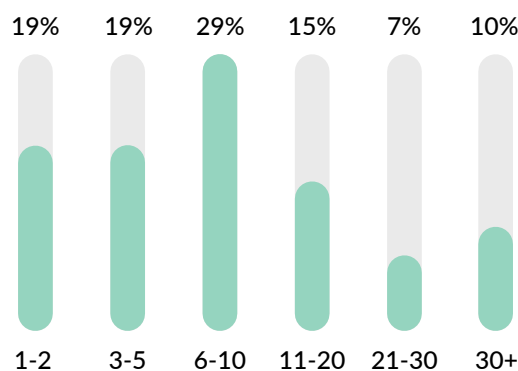
## WHAT WAS THE PROCESS LIKE?

Raising funds is not easy for any startup, which is very evident from the responses to the survey. On average, it took 500 Startups' MENA-based startups 7 months to close their funding round, during which most pitched to between 6 and 10 investors.

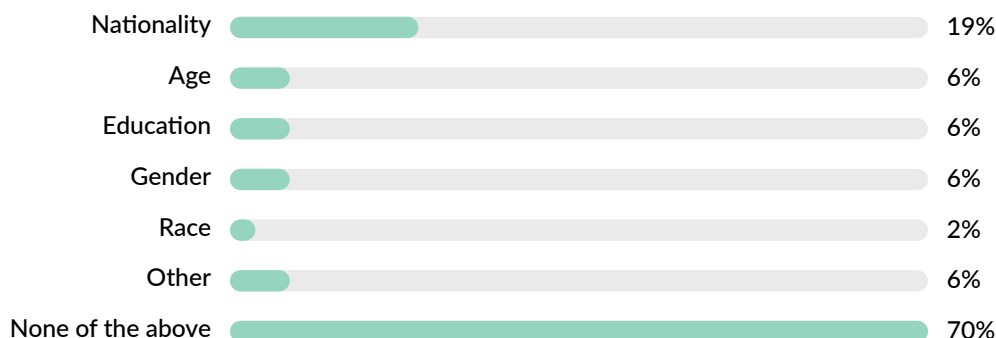
### 7. How many months did their most recent fundraise last?



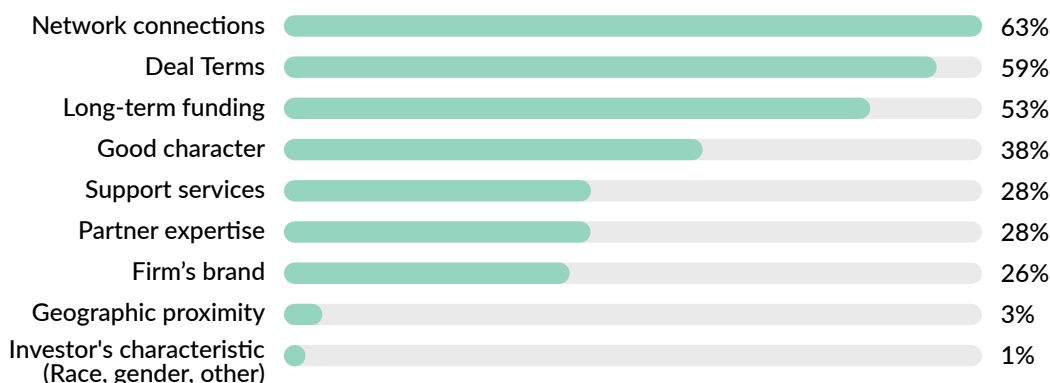
### 8. How many firms did they pitch to for their last round?



### 9. During their raise, they noticed investor bias against:



### 10. What are the 3 most important criteria when looking for a lead investor?

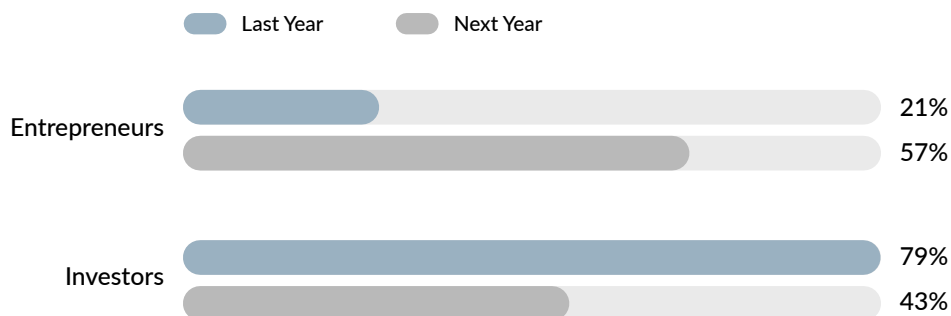


# INVESTMENT DYNAMICS

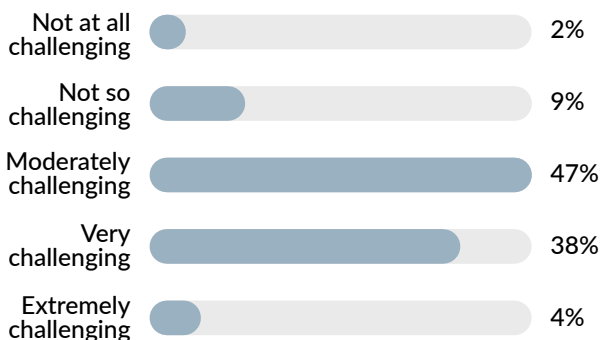
## WHAT ARE THE PERCEPTIONS AND BELIEFS?

79% of respondents believe that the power of the fundraising exercise has been with investors last year, making for a challenging fundraising process. Moreover, 57% of respondents believe they will exit their startups in the next 5 years, with 59% certain they will sell for a \$100M valuation or higher.

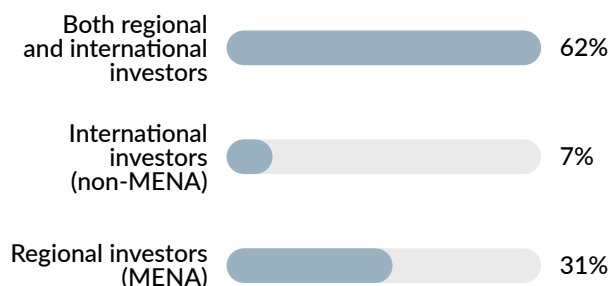
### 11. Who has the power during the fundraising process?



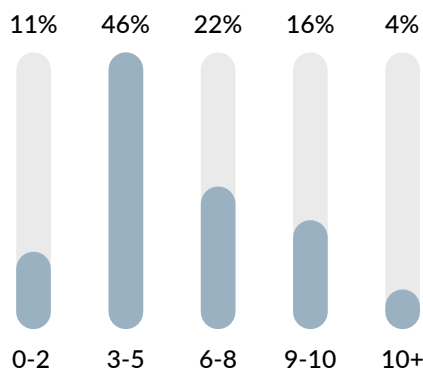
### 12. How challenging will it be to raise their next round?



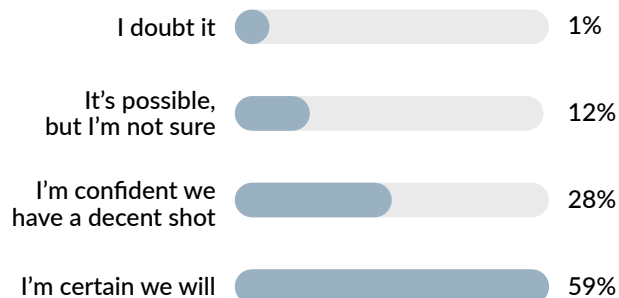
### 13. What type of investors will be the target for their next round?



### 14. How many years do they think it will take to exit?



### 15. How confident are they that they are creating a \$100M company?

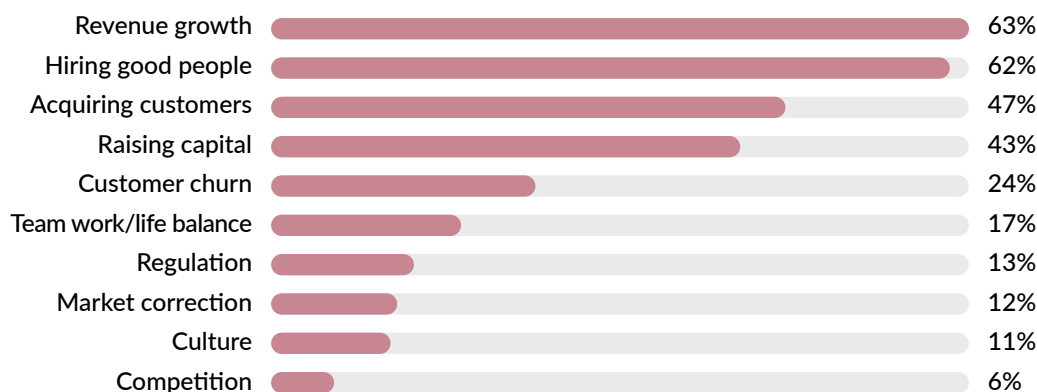


# HIRING TALENT

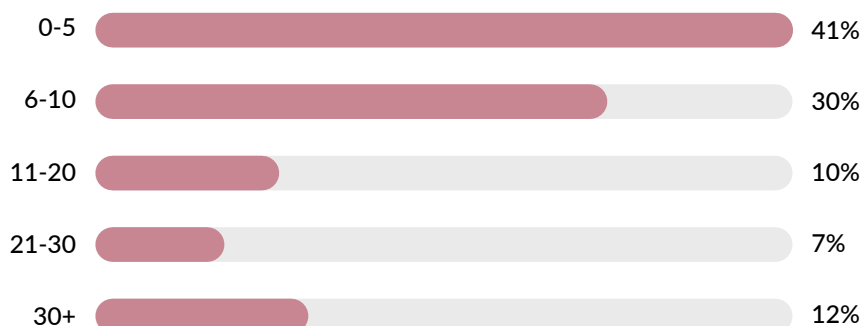
## HOW DOES IT WORK?

No matter your location, hiring talent for your startup is one of the largest challenges for any founder. Similar to revenue growth, 62% see hiring talent as a challenge that keeps them up at night, with 49% highlighting a lack of talent as the main concern. However, on average respondents are looking to hire roughly 16 people over the coming 12 months.

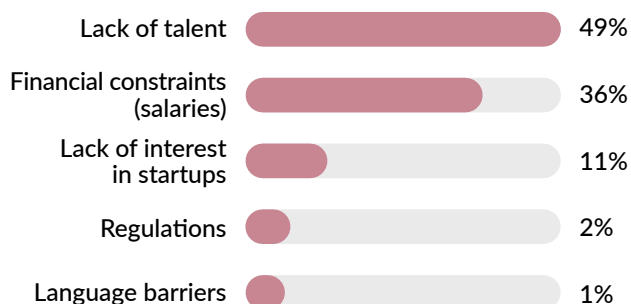
### 16. What are the top 3 issues that keep them up at night?



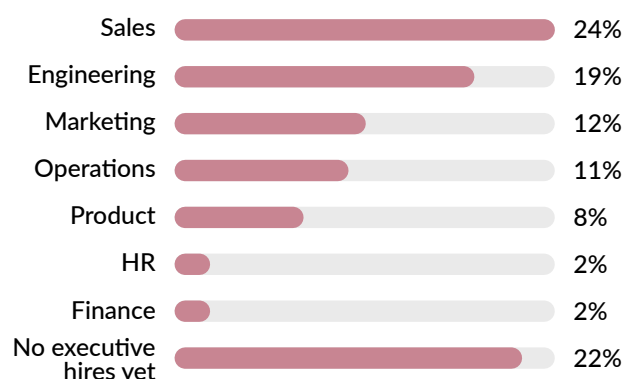
### 17. How many people do they plan to hire over the next 12 months?



### 18. What is their biggest challenge with hiring at the moment?



### 19. What is the most difficult executive hire they have made?

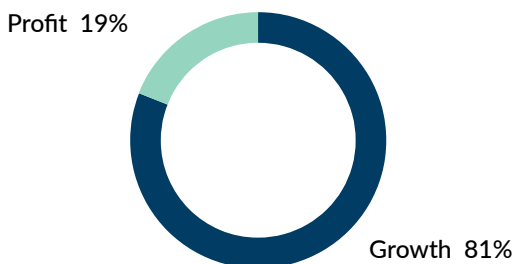


# OPERATIONS

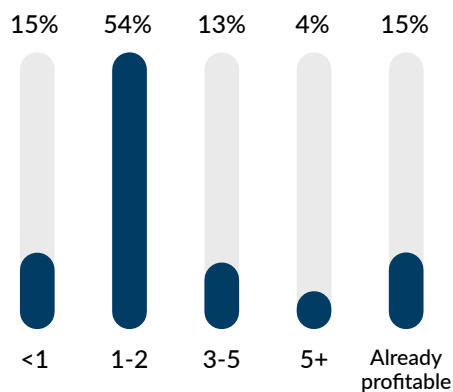
## WHAT DO FOUNDERS THINK ABOUT?

From an operational perspective, 81% of founders optimise for the growth of their company, not profitability. Nonetheless, more than half of the respondents believe that they will be profitable within 3 years, with 15% indicating that they already are.

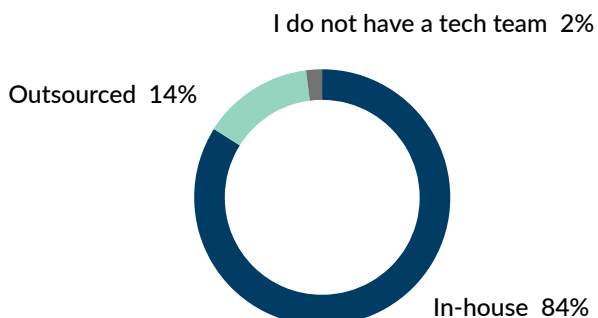
20. Are they optimising for growth or profitability?



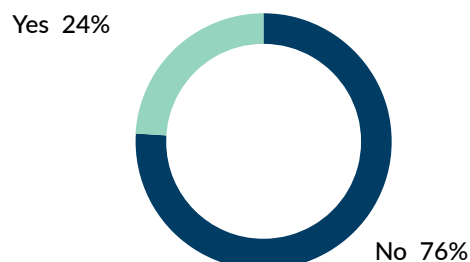
21. How many years until they think they'll be profitable?



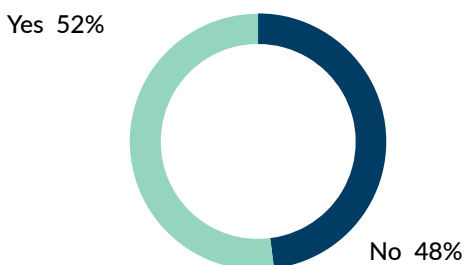
22. Is their tech team in-house or outsourced?



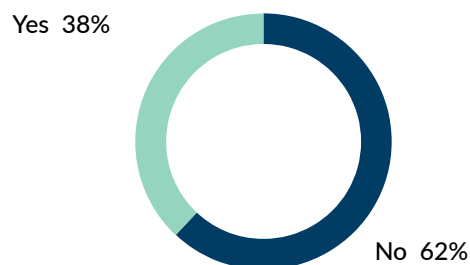
23. Do they have a full-time HR employee in-house?



24. Do they have a board of directors?



25. Do they have an advisory board?



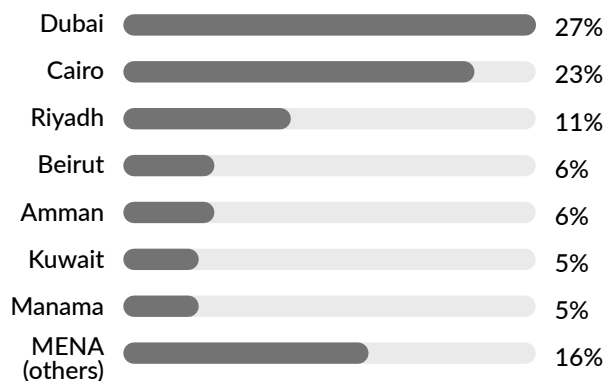


# 500 FALCONS

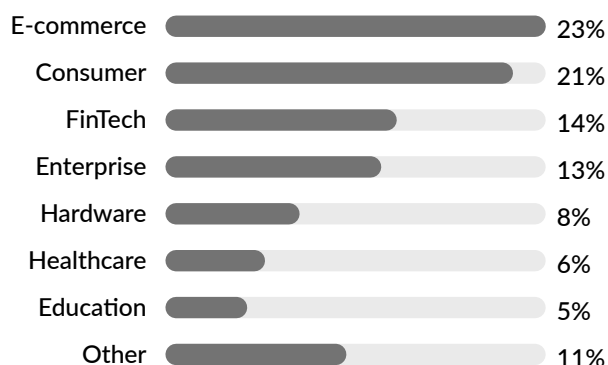
## WHO ARE THEIR PORTFOLIO STARTUPS?

Through their \$33M Falcons Fund, 500 Startups have made 189 MENA-based investments in 111 startups thus far. Their founders are spread across the MENA region operating in a diverse range of industries.

### 26. Where are they headquartered?



### 27. Which industry is their startup focus?



### 28. 500 Falcons Fund Size (\$)



**\$33M**

### 29. 500 Falcons Portfolio Startups (#)



**111**

### 30. Raised by Portfolio Startups (\$)



**\$114M**

### 31. Current Value of Portfolio (\$)



**\$707M**

# ABOUT 500 STARTUPS

500

500 Startups is one of the most active global early-stage VC funds and a startup accelerator, focusing on discovering and backing the most talented founders worldwide. As part of this global 500 Startups network, 500 Falcons is the MENA-focused fund. 500 Falcons invests in 3 main ways:



## DIRECT INVESTMENT

500 Falcons invests directly in pre-seed and seed-stage startups, as well as follow-up rounds, in the Middle East and North Africa through its \$33M Falcons Fund.



## MISK 500 MENA ACCELERATOR

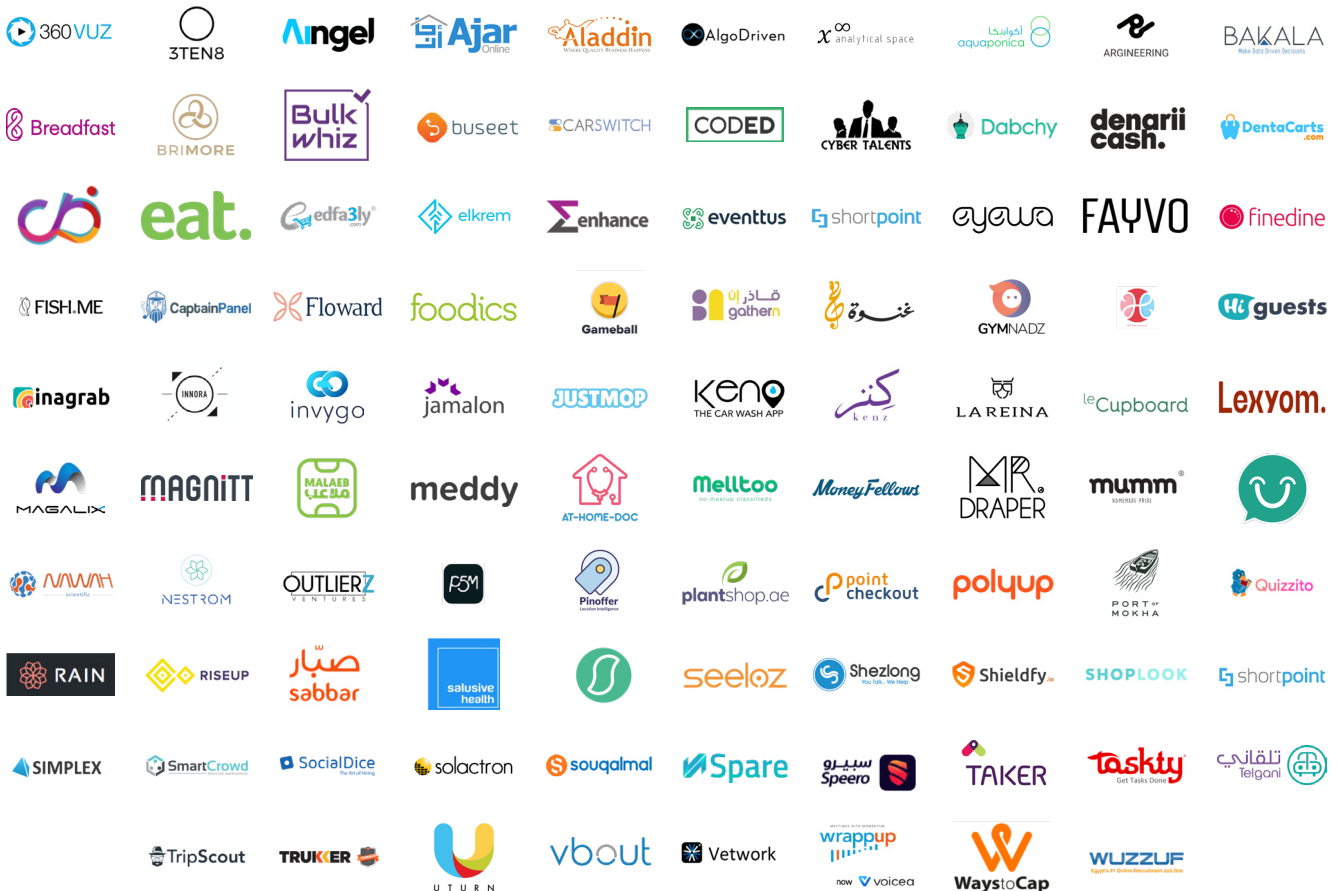
Misk Innovation in partnership with 500 Startups bring Silicon Valley growth techniques to a batch of MENA-based seed-stage tech startups, helping them scale and fundraise.



## DOJO PROGRAM

The MENA Dojo Series A Program is for startups that have reached a certain level of scale and are likely to raise their Series A funding round in the next six to nine months.

## 500 FALCONS PORTFOLIO STARTUPS



\*Logos where provided in alphabetical order from left to right.

[Click here to visit 500.co](https://500.co) for more information on 500 Startups

## ABOUT MAGNiTT



MAGNiTT is MENA's most powerful startup platform built on three core pillars: 1) Community, an engagement portal to connect stakeholders & keep them up to date 2) Data, a directory double the size of international competitors and 3) Research, the reference for leading publications such as the Financial Times, Bloomberg and Tech Crunch.

## MAGNiTT'S KEY STATS



**12,500+**  
startups



**400+**  
investors



**40+**  
research reports



**300+**  
jobs

## MAGNiTT IS STRUCTURED AROUND 3 CORE PILLARS



### Data



#### Database Access

Empower your team by accessing MENA's most comprehensive data platform



#### Start-up Sourcing

Discover & connect to startups that meet your objectives



#### Marketing Promotion

Get your message into the inbox of the people that matter



### Research



#### Bespoke Reports

Get monthly and quarterly investment insights, research and analysis



#### Insights & Analytics

Make better investment decision! Access all MENA funding and exits from 2008 to date



#### Subscription Plans

Unlock the full potential of MAGNiTT to stay ahead



### Community



#### Ecosystem News

Be in the know! Subscribe to our daily and insights newsletter and WhatsApp alerts



#### Funding Application

Grow your startup. Apply for funding from MENA's most active investors



#### Startup Jobs

Hire quality talent by posting your job for free or find your dream startup job

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