Grant Thornton
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BECO

Invest Tech

The era of opportunity in MENA

The technology investment landscape in the MENA region

Executive summary

Economic overview

• With an estimated population of over 420 million people[7] according to data from the World Bank, the region entered the Arab Spring with a young and dynamic population.

• Regional growth is expected to improve to 3.2 and 3.6 % respectively over the next two years.

• The Kingdom of Saudi Arabia (KSA) recently sold $17.5 billion in international government bonds in the largest sale of emerging market sovereign bonds.

• The technology sector has continued to outperform from 2015 as indicated on the MSCI Information Technology Index[9] presenting significant opportunity.

Why MENA?

• **Technology is evolving at a rapid pace in MENA**, with various government and economic programmes endorsing the positive change.
• The region has one of the highest smartphone penetration rates compared to other parts of the world.
• MENA **Internet usage is growing at a compounded 40% per year** with over 100 million Arabs now online.
• As **65% of the population in MENA is under 35** with on average 1.5 mobile connections per capita, there is unmet demand in the region.
• The Middle East region is one of the fastest-growing e-commerce markets globally and is expected to reach **$20 billion this year (2016).** In KSA alone, the e-commerce market is set to hit $10.8 billion by 2020 compared with a projected $6.8 billion in 2016.
• The United Arab Emirates (UAE) **e-commerce industry** is experiencing record growth and is set to expand from its **current value of US$2.5 billion (AED9.2 billion) to US$10 billion by 2018.**
• In addressing local issues, the introduction of technology to promote **driverless cars in the region is also in the pipeline**.

Why now?

• More than **$750million was invested in 480 deals in MENA between 2013-2015 alone.**
• The large majority (70-80%) of deals done in the past three years have been early stage deals (<$500K).
• Across the region, the **UAE and KSA enticed over 75% of MENA investment.**
• Digital entrepreneurs are estimated to add **$14 billion to the UAE's GDP and $1.5 trillion to global GDP by 2020.**
• It has been reported that the **region will host at least one start-up valued at $1 billion by 2020,** a milestone that we seem to be about to outperform by 2017, in addition to hosting $10 billion in publicly listed internet companies by 2025.
• **Globally, worldwide retail e-commerce is estimated to increase to $4trillion in 2020**, making up 14.6% of total retail spending.
• Technology investment currently presents an **untapped opportunity** and a major source of sustainability for traditional businesses.

$436 million

in funding raised in 2016, with the number of deals currently at 36.

Foreword

Dany Farha, CEO and cofounder of BECO Capital, a regional venture capital firm focused on technology investments in MENA, explains why investors should capitalise on the technology (tech) opportunity and invest in tech now.

The last 50 years of economic development in the region were driven primarily by hydrocarbons and infrastructure development which have seen the lion's share of investment and policy-making to fund and develop these sectors. There is a new technological industrial revolution upon us that is unfolding at an exponential rate. The rate of development in this next revolution will not be linear, but exponential. We need to be prepared for this and lay the ground work so that we can participate and create a new era of prosperity in our region. Our economies have been configured for big business over the last 50 years which was necessary for us to build a new region with new and exploding populations that was at the forefront of the global hydrocarbon revolution. We now need to configure our economies to allow for the new reality of technology entrepreneurship and innovation which is a movement that will be led by both our youth and entrepreneurs. Let's get behind them!

There are three main components that require configuration in order to successfully enable a vibrant technology ecosystem: Policy, Education and Funding. All concerned stakeholders have to contribute to creating this enabling environment.

1 We need policies that enable fast and low cost setting up of tech companies, relaxed bankruptcy laws that allow for an orderly unwinding of failed attempts, risk-taking that is a necessary component of this revolution, and a strong legal system to enable IP protection and contract enforcement.

2 We need educational establishments and governments to step up and modify curriculums to include a strong foundation of mathematics, the sciences and a wide range of computing skills, in order to retool our youth to be able to participate in this revolution.

3 We need financial institutions, sovereign wealth funds and investors to invest a "prudent" allocation to the technology ecosystem and let the best investors and entrepreneurs create value and role models so that we can create a positive, compounding and reinforcing cycle of prosperity.

In the decade between 2000 to 2010 we saw very little investment in the tech ecosystem but were still able to create success stories in and for our region with pioneers like Maktoob, Bayt and Zawya emerging and setting the foundation. If we invest little into this ecosystem then we will not create tremendous value. We have accelerated the quantum of investment over the last few years and as a result have seen many new success stories emerge with the likes of Souq, Careem and PropertyFinder and a much larger pipeline of emerging titans that are in the making.

We at BECO focus on addressing the GCC, Egypt, Lebanon and Jordan as our primary geographic focus, which in and of itself is a region of 160 million people who are amongst the youngest in the world, the most connected digitally through smart phones via very high quality telecoms infrastructure, and who have the propensity to consume content, goods and services at multiples that of other peer economic blocks like SEA, LATAM and India. The tipping point to create enough critical mass to create billion dollar companies is 50 million "connected" consumers, which we have almost achieved in our prime geography alone and are still growing annually at double digits.

We are about three years away from a tremendous boom in our tech ecosystem. We need to collectively create the enabling environment and fund this wave of entrepreneurship in order to keep the ownership of these strategic assets and the significant financial gains that will come from it as a result.

We dream of a region in the next 15 years that becomes a hotbed of technological entrepreneurship and innovation, with happy people in dignified tech jobs, creating the new wealth of the region, alongside the familiar hydrocarbons and infrastructure.

[1] 'Tech is the new oil', says BECO Capital CEO Dany Farha (Arabian Business online)

"We are about three years away from a tremendous boom in our tech ecosystem. We need to collectively create the enabling environment and fund this wave of entrepreneurship in order to keep ownership of these strategic assets and the significant financial gains that will come from it as a result."

Dany Farha
CEO and cofounder,
BECO Capital

Economic diversification fosters a technology era

Hisham Farouk, CEO of Grant Thornton shares his viewpoint on how economic diversification, trends and developments further foster and promote a technology era.

The region has been impacted by low oil prices, deficits and in some places, conflict. Despite the price of oil recovering somewhat, oil exporters are still having another year of reduced revenues and challenges, which promotes the need for fiscal consolidation and reform. However, this also presents a significant opportunity as governments in MENA (particularly the Middle East) look to diversify their economies to further promote long term sustainability and growth.

As a result of which, diversification, changing operating models and promoting smart initiatives led by technology and employment continue to be key trends as we move into Q1 2017. In order to promote diversification, governments across the region have introduced various initiatives to reduce the dependency on oil generated incomes and further stabilize the economy.

KSA being the largest country in the Middle East, registered a fiscal deficit of 16% of GDP last year and are set to report a similar deficit this year[1], given the country is currently heavily dependent on oil revenue. In order to divest from this, the government is encouraging rapid diversification with the impending IPO of Saudi Aramco which is set to be a $2trillion listing[2] and aid in the countries bid to promote economic diversification. KSA is also expected to enter the MSCI EM Index in 2017 (Morgan Stanley Capital International Emerging Markets Index), which would be positive for the regional equities market. On the other side, the country has one of the youngest nations in the world (with almost 40% of the population being below the age of 25), therefore technological innovation and investment is both key and a focus to promote current and future engagement.

With this in mind and in support of Saudi's Vision 2030, Public Investment Fund (PIF) recently announced a strategic partnership with SoftBank Group Corp. (SBG). PIF joined forces with Japanese telecom firm SoftBank to form a tech investment fund, said to be worth $100 billion, making it one of the largest on the planet[3]. Alongside this, it has also been reported that Mubadala (one of the largest sovereign wealth funds in the UAE, is also currently in discussion with Soft Bank Group Corp. (SBG) to invest in the $100 billion tech fund. Technology continues to lead the future in MENA, with the rise of it being key to promoting long term growth, future relevance and driving an innovative economy which works for generations to come.

We have also been privy to one of the largest fiscal reforms which the region is currently undergoing. This reform will see VAT being implemented from 1 January 2018, by way of generating a new source of income. In order to do so successfully and create a tax system which works, the need for technology will only increase. Thus, it is imperative that economies continue to invest in developing technological platforms, solutions and support dynamic technology businesses to further strengthen the economic infrastructure.

With this introduction, we have also seen a number of regulatory changes, with the recent one being the introduction of the new bankruptcy law in the UAE[4]. The new law will further promote foreign direct investment as it gives investors greater clarity over the potential downside of investment and protects jobs, gives certainty and works to maximizes creditor returns6.

The current economic condition has enabled business leaders to stop and reevaluate their business purpose, approach and internal structures to ensure the business is operating at optimum efficiency. Alongside this, the outlook has also inevitably promoted a stronger regulatory environment and platform, particularly in the UAE which continues to further adopt international best practice.

As a region, it is key that we continue to invest in technology to ensure that not only can we adapt to the changing landscape, but that we continue to remain relevant in an ever changing business and societal model which now sees greater technological movement, evolution and change than ever before.

[1] *NBAD Global Investment Outlook for 2016 report*
[2] *Saudi Aramco IPO to offer shares in whole company (Telegraph online)*
[3] *Saudi Arabia investing billions in global technology fund (Zawya online)*
[4] *New bankruptcy law will draw investment, says DIFC Courts chief (The National)*

"As a region, it is key that we continue to invest in technology to ensure that not only can we adapt to the changing landscape, but that we continue to remain relevant in an ever changing business and societal model which now sees greater technological movement, evolution and change than ever before."

Hisham Farouk
CEO,
Grant Thornton,
United Arab Emirates

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Economic overview

The technology sector has continued to outperform from 2015 as indicated on the MSCI Information Technology Index presenting significant opportunity.

With an estimated population of over 370 million people[5], the region entered the Arab Spring with a young and dynamic population, which presents the greatest opportunity. Regional growth is expected to improve slightly to 3.2 and 3.6% over the next two years, as governments across the region consolidate their fiscal position, undertaking reforms and trying to diversify their economies away from oil. The region has one of the youngest populations in the world and hence one of the highest smartphone penetration rates too. The dynamic population in the region gives greater access to the future consumer and thus, we continue to see the rise of e-commerce which is driven by the increasing rates of internet usage in the region.

Key growth markets

Countries	Population	Median age	Internet users (upto 30 June 2016)	Internet penetration (%)	Real GDP growth(%)	Fiscal Balance (% of GDP)	Debt to GDP (%)
	2016	2016	2016	2016	2016	2016	2016
Bahrain	1,378,904	32.1	1,278,752	92.70%	3.22	(13.95)	77.76
Egypt	90,067,793	23.8	34,800,000	38.60%	3	(9.37)	89.35
Kuwait	4,007,145	29.2	3,202,110	79.90%	2.52	0.07	9.82
Jordan	7,747,800	22.3	5,700,000	73.60%	3.75	(3.22)	86.56
Lebanon	5,988,153	29.9	4,545,007	75.90%	2.5	(8.02)	134.3
Oman	4,654,471	25.4	3,310,260	71.10%	2.85	(19.99)	12.21
Qatar	2,258,283	33	2,200,000	97.40%	4.95	(1.54)	27.76
Saudi Arabia	32,157,974	27.2	20,813,695	64.70%	1.4	(13.00)	12.89
UAE	9,266,971	30.3	8,515,420	91.90%	2.44	(4.01)	26
Total	**157,527,494**		**84,365,244**				

Other countries in the region

Countries	Population	Median age	Internet users (upto 30 June 2016)	Internet penetration (%)	Real GDP growth(%)	Fiscal Balance (% of GDP)	Debt to GDP (%)
	2016	2016	2016	2016	2016	2016	2016
Algeria	40,263,711	27.8	15,000,000	37.30%	3.88	(11.25)	13.59
Iran	82,801,633	29.4	56,700,000	68.50%	4.36	(1.60)	15.28
Iraq	37,547,686	19.9	14,000,000	37.30%	7.05	(17.74)	88.2
Libya	6,541,948	28.5	2,800,000	42.80%	1.97	(63.41)	46.5
Morocco	33,655,786	28.9	20,207,154	60.00%	3.66	(3.55)	63.95
Tunisia	11,134,588	32.4	5,800,000	52.10%	3	(4.05)	56.33
Total	**211,945,352**		**114,507,154**				

Source: NBAD, IMF, CIA World factbook 2016, Internet World Statistics

[5] *NBAD, IMF, CIA World factbook 2016, Internet World Statistics*

Why MENA?

SMEs represent up to 94% of all businesses in the GCC.

94% **of all companies in the UAE are SMEs** who contribute to 30% of the GDP and employ 72% of the working population.

90% of all companies in **Kuwait, Oman and KSA** are **SMEs.**

75% of businesses in **Qatar** are **SMEs.**

SMEs employ 60% of the workforce in KSA; 43% in Oman; 57% in Bahrain; 23% in Kuwait and 20% in Qatar.

SMEs employ
17 million people
in the GCC

Research by Entrepreneur Middle East states that SME activity accounts for **30% of the UAE's GDP, 28% of Bahrain's, 22% of KSA, 20% of Kuwait's and 17% of Oman's GDP.**

There are
350,000 SMEs in the UAE,
670,000 in KSA,
30,881 in Qatar, 27,000 in Kuwait, 29,600 in Bahrain and 13,741 in Oman.

Source: Entrepreneur Middle East Magazine, November edition

Regional challenges in the past have lead to effective reforms which have accelerated SME growth.

Access to Finance

Local banks have evidently witnessed the rise of the SME market, through the significant economical contribution which this group makes. Access to finance is less of a challenge given the introduction of bespoke SME finance solutions which are now widely on offer and growing as a source of funding for SME's.

Business Environment

A number of countries in the GCC have been ranked amongst the top 30 within the global Ease of Doing Business index, providing a stable commercial environment. As a result of its global position, the region is attracting a skilled workforce which SMEs can leverage from.

Introduction of reforms

A number of significant regulatory and fiscal reforms have been introduced across the region which provide a much more stable, structured and secure environment for businesses to flourish. Reforms such as bankruptcy laws and VAT are further fortifying the landscape.

Access to Education

Online educational entities, both international and regional, are growing in adoption and filling a void in the educational systems. Accelerators and incubators are being set up across the region to provide working spaces and acceleration for tech and entrepreneurial skill transfer, providing a great platform for SMEs.

ICT developments

Governments across the region are committed to leveraging ICT through the introduction of initiatives which promote efficiency and enhance infrastructure. This commitment is also evident in the private sector with banks reviewing blockchain technology. The retail sector is now utilising ICT to penetrate consumer attention and the hospitality sector developing service driven methodologies through the application of technology.

Source: Entrepreneur Middle East Magazine, November edition

To govern SMEs in the region a number of regulatory developments have been introduced and are being accelerated in their rollout, including:

Oman
Oman launched its SME Development Fund which offers subsidized finances to SMEs, along with providing training and mentoring support

UAE
Federal Law no 2 of 2014 was established to categorize SMEs. This saw a dedicated council being introduced and provided incentives for small business owners

Saudi Arabia
The Public Authority for Small and Medium Enterprise (PASME) was formed

2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015

Bahrain
'Tamkeen' was established with the aim of supporting the private sector including SMEs

Qatar
'Enterprise Qatar' was established to support the SME sector

Kuwait
Kuwait's National Fund for Small and Medium Enterprise Development (National Fund) was established (fund value of USD 7 billion)

Source: Entrepreneur Middle East Magazine, November edition

Technology evolution in MENA

Using India's experience and achievements as a reference, the MENA region is expected to transform its service focus from 'contracting' to 'digital innovation'.

	Contracting	Digital Innovation
INDIA	**2009-2010** Global business process outsourcing (BPO) hub Call centre provider to English-speaking and South-Asian expat markets	**Today** Host of reference digital start-ups in the world (e.g. Naukri, Zomato) attracting global capital Home to tech developers and incubators
MENA	**Today** Previously, the economies of this region were focused on oil & gas and infrastructure, which will shift to a technology focus. Digital revolution on its way with emergence of incubators and VCs	**3-5 years** Host of regional (MEA) innovation, including localized content and tech advancement (e.g. Smart Cities) Goverment and private initiatives to fuel further innovation

MENA Internet usage is growing at a compounded

40% per year

with **100 million** Arabs online

The UAE's e-commerce industry is experiencing record growth and is set to expand from its current value of

US$2.5 billion

(AED9.2 billion)

In terms of Facebook penetration, the UAE leads the GCC and MENA regions, with

46% as of February 2016

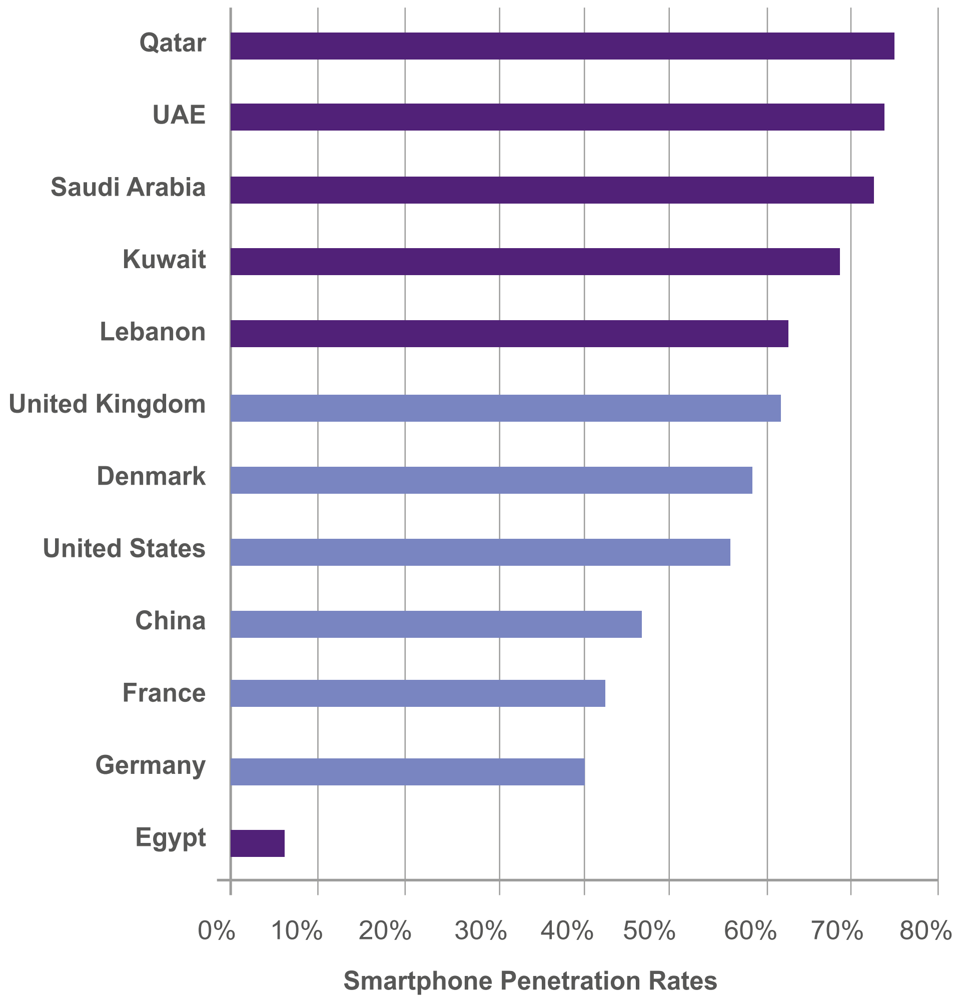
Despite being the seventh-most-spoken language, Arabic only makes up around

3% of all online content

which grew from an estimated 0.2% of total online content in 2008.

Source: IPSOS OurMobilePlanet by Google

MENA has one of the highest smartphone penetration rates in the world



Source: NABD Mobile Advertising insights and trends - MENA, May 2016

Whilst India's economy is advancing with a thriving digital economy, the MENA region still has a higher percentage age of digital consumers who have a higher propensity to purchase. When comparing the population, the Middle East has a higher digital buyer ratio than India, highlighting the significant opportunity.

Total addressable market

2016	India	ME	X
Digital buyers (m)	60.0	43.1	0.7x
Population >14 ('000)	928.8	104.4	0.1x
Total population ('000)	1,298,232.7	152,084.3	0.1x
GDP per capita (USD)	1,747.5	11,179.5	6.4x
Ratio digital buyers/population >14	6.5%	41.3%	6.4x

Source: Euromonitor

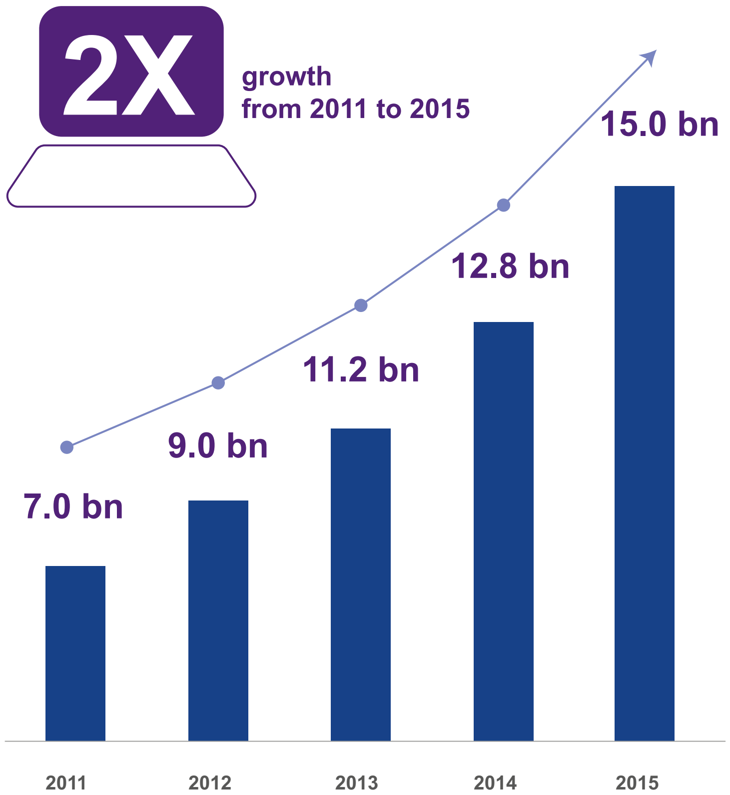
On the rise: E-commerce

Globally, retail e-commerce is estimated to increase to $4.058 trillion in 2020[6], making up 14.6% of total retail spending – reinforced by a growing, young and tech-savvy population that favours the ability to obtain economical pricing, convenience and ease of access to goods and services.

The growth prospect that this sector represents for local businesses is significant compared with the numbers in 2012, when $3.2 billion was spent online across the entire GCC, demonstrating the plethora of opportunities within this sector in the GCC. The e-Government initiatives integrated with online payment platforms have aided users to build confidence and trust in transacting online and has supported in developing consumer awareness and maturity.

The Middle East region is one of the fastest-growing e-commerce markets globally and is expected to continue growing at a rapid rate annually.

Globally, retail e-commerce is estimated to increase to over $4 trillion in 2020[6], making up 14.6% of total retail spending.

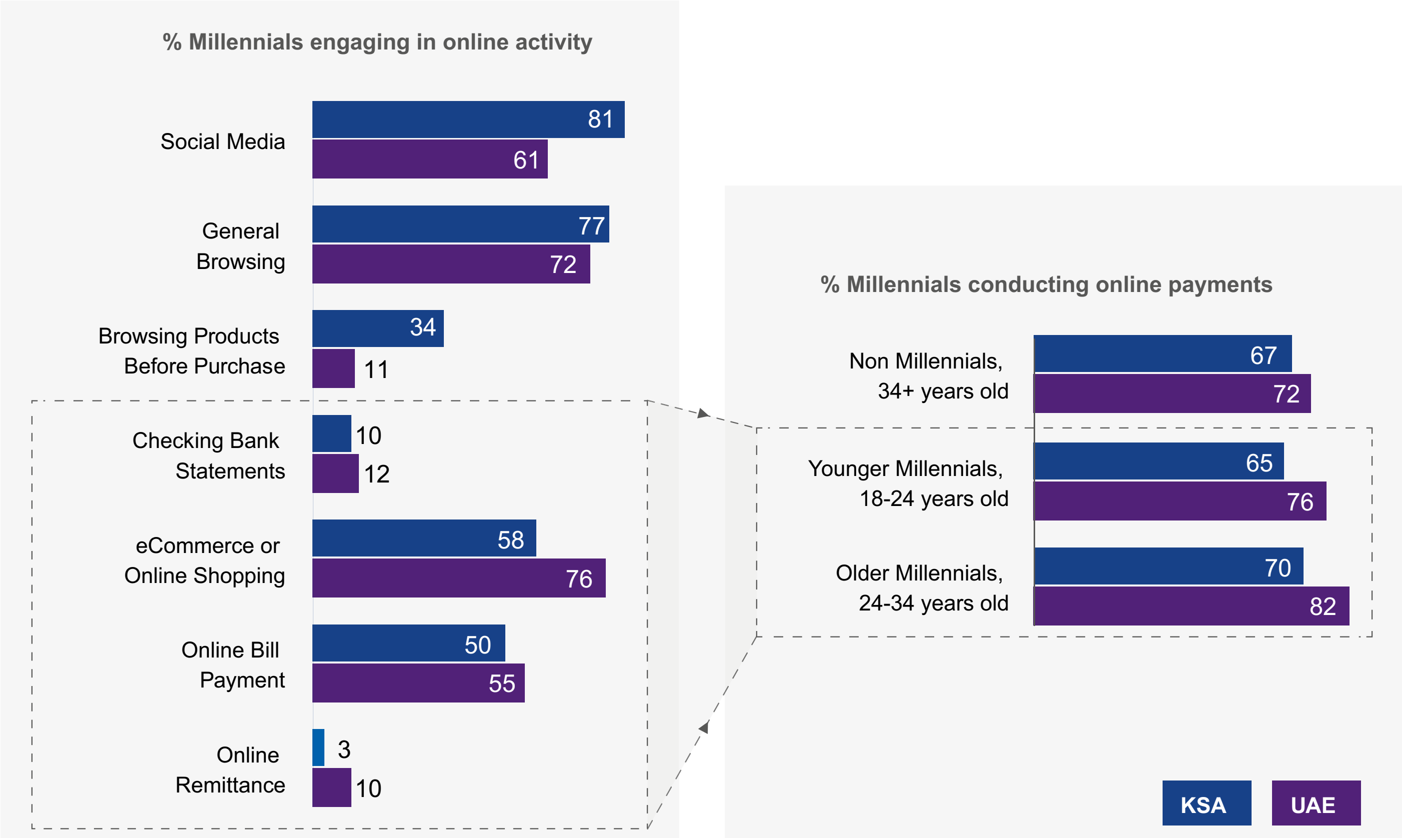


Source: Paypal Insights report 2012-2015

[6] *Business Review Middle East: Innovation and digitisation in the GCC*
[7] *PayPal Insights: e-commerce in the Middle East report*

Millennials are known to be heavy users of digital technology and consumers of digital content. In the UAE, they are said to spend 6.5 hours online per day, compared to 4.5 hours in KSA (with social media and general browsing being the main point of usage as illustrated in the graph below).

GCC Millennials are active – and spend actively – online



Source: VISA Understanding the Millenial mindset report, 2016

The rise of the tech generation in MENA

Tomorrow's consumers consist of Millennials, a generation that is more connected than ever before. As a result, they have greater access to information and the propensity to spend more, across the region. This important target group can no longer be overlooked - whilst globally, it makes up three quarters of the workforce with an estimated lifetime value of $30 trillion, its power in the GCC as consumers is likewise becoming more powerful, making it pivotal to future growth and businesses.

Millennials make up 3/4 of the global workforce

Estimated total lifetime value of

US $30 TRILLION

Within the GCC, two countries in particular stand out – the UAE and KSA. Beside their economic scale, these countries are home to rapidly developing e-commerce markets, with Millennial populations that are particularly affluent, and exhibit distinct attitudes and behavior.
For example:

26% of the total population in the region use social media with an internet penetration rate currently at 61%.

The region has one of the youngest populations with a median **age of 26** (with 65% below the age of 35).

In terms of their respective affluence, it is estimated that **UAE Millennials will generate US$40,000** in average annual gross income by 2019. The equivalent figure for KSA is US**$18,000**.

"Millennials are a more influential segment in the Middle East than in other countries"
– Arabian Business

As a result of embracing technology, Dubai's government is said to have saved almost $1.7 billion through smart services since 2003.

Technology is evolving at a rapid pace in MENA, with various government and economic programmes endorsing the positive change. The government of Dubai was the first in the region to declare it will become one of the smartest cities in the world by 2020[8], they are using technological solutions to improve security, infrastructure, and processes. The government of Dubai is said to have saved almost $1.7 billion through smart services since 2003.

With the development and ongoing evolution of technology, the region has also seen the emergence of 3D printing, providing solutions for various sectors. Dubai has declared that by 2030, 25% of its buildings will be 3D printed with the industry set to be worth $300 billion by 2030, and the emirate has already delivered the first ever 3D printed office. The 3D Printing Strategy aims to exploit technology for the benefit of humanity (with the first 3D printed heart in the pipeline) and to further promote the UAE as the leading hub for printing technology by 2030 across MENA[9].

The National Innovation Strategy for the UAE aims to make the country one of the most innovative, with a substantial focus on technology. Although KSA, Qatar and Kuwait continue to invest substantially in technology, the UAE is leading these initiatives and is often referred to as the MENA hub of excellence.

Technology innovation also exists within the financial services sector with the rise of blockchain technology. As part of Abu Dhabi's Economic Vision 2030, the emirate aims to be the region's blockchain hub, driving digital transformation to bring new business solutions.

In addressing local issues, the introduction of technology to promote driverless cars in the region is also underway, with Dubai planning to make 25%[10] of all trips in the country driverless by 2030. It will also address environmental issues such as pollution, congestion and reduce CO2 emissions.

Dubai was one of the first in the region to declare it will become **one of the smartest cities in the world by 2020**.

Dubai has declared that by 2030, **25% of their buildings will be 3D printed**. Dubai has already delivered the first ever 3D printed office.

Abu Dhabi's Economic Vision 2030, aims to be the region's blockchain hub, driving **digital transformation** to bring new business solutions.

Dubai plans to make **25%** of all trips in the country **driverless by 2030**.

[8] *Business Review Middle East: Innovation and digitisation in the GCC*
[9] *'25% of Dubai buildings should be 3D printed by 2030' (Arabian Business)*
[10] *'How technology is revving up the future of driving' (Arabian Business)*

Source: The National, Gulf Times, Arabian Business, Abu Dhabi Vision 2030

10 reasons to invest in MENA Tech now

1

Participation in the next revolution:
The internet, smartphones and all the opportunities that they bring, from AI to autonomous transport to IOT, we are at the cusp of a revolution akin to the agricultural or industrial, with the internet being what electricity was for urbanization and rail tracks was for transport.

2

Ecosystem readiness:
The MENA ecosystem has matured enough to the point where we can start investing the appropriate amounts in early stage tech companies to drive successful returns as per our global peers.

3

Highest quality jobs:
Technology in 2014 became the top paying sector in the US, beating out oil & gas, consulting and financial services, that had held this top spot for decades – the trend is clear: Tech is the new oil!

4

Sustainable job creation:
It takes a one-time investment of $30,000 in early stage tech companies through VCs to create one job on average, without requiring further handouts or state subsidies. These jobs are highly rewarding, highly paid jobs that support families and provide dignity and stability.

5

Strategic assets:
We need to keep the ownership of our jewels, which in many cases are our future strategic assets. Could you imagine if our oil conglomerates and banks were foreign owned?

6

Innovation is global:
Technology is a great leveler of the playing field. Coding can be learned online at home. Innovation will come from the most creative minds and MENA will participate in this revolution with the appropriate funding.

7

Local is king:
Tech companies require mission-driven teams solving large local problems for a large MENA audience that requires a regional rollout to create true defensibility.

8

Digital DNA:
Traditional businesses will mostly miss the digital revolution, and if they try to build from within, they may fail due to a lack of digital DNA – digital entrepreneurs must build these companies and require funding to do so.

9

Market size:
MENA's GCC, Egypt and Levant have populations of over 160 million people, who are amongst the youngest and most digitally connected in the world, with relatively high GDPs per capita to support multi-billion dollar businesses. The tipping point for an economic bloc or region is 50 million broadband subscribers – this is what is required to create critical mass. We've surpassed that in MENA and are still growing at double digits.

10

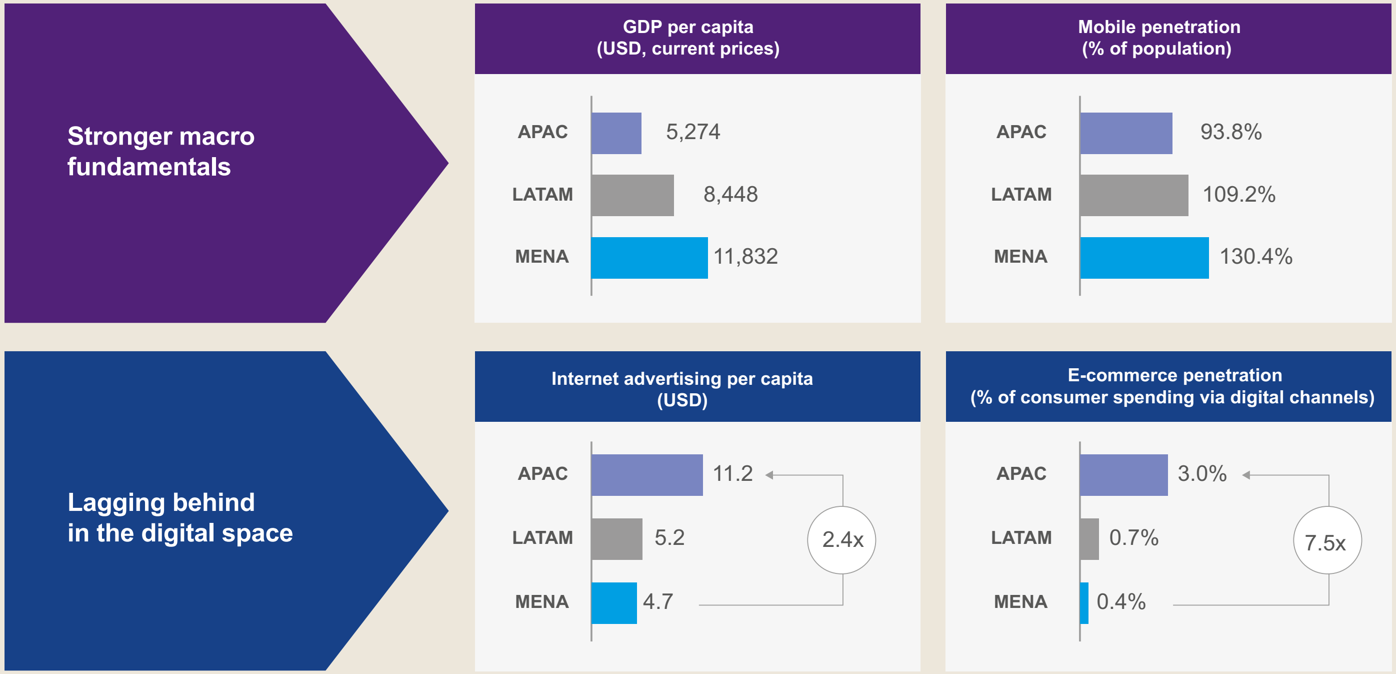
Financial returns:
The financial returns will be commensurate with the technological revolution currently underway in our region.

[5] 'Tech is the new oil', says BECO Capital CEO Dany Farha (Arabian Business online)

Investment landscape in MENA

The current landscape in key growth markets

Despite MENA having stronger macro fundamentals, with a higher GDP per capita and mobile penetration rate than most economies, it is still lagging behind in the digital space. MENA still has the lowest internet advertising per capita, despite the usage rates, and the lowest e-commerce penetration rate (APAC has 7.5 times the rate as illustrated). Given various technological developments and an appetite for digital transformation, which has paved the way for further technological investment, the figures and opportunity remain relatively untapped, presenting a significant growth opportunity.



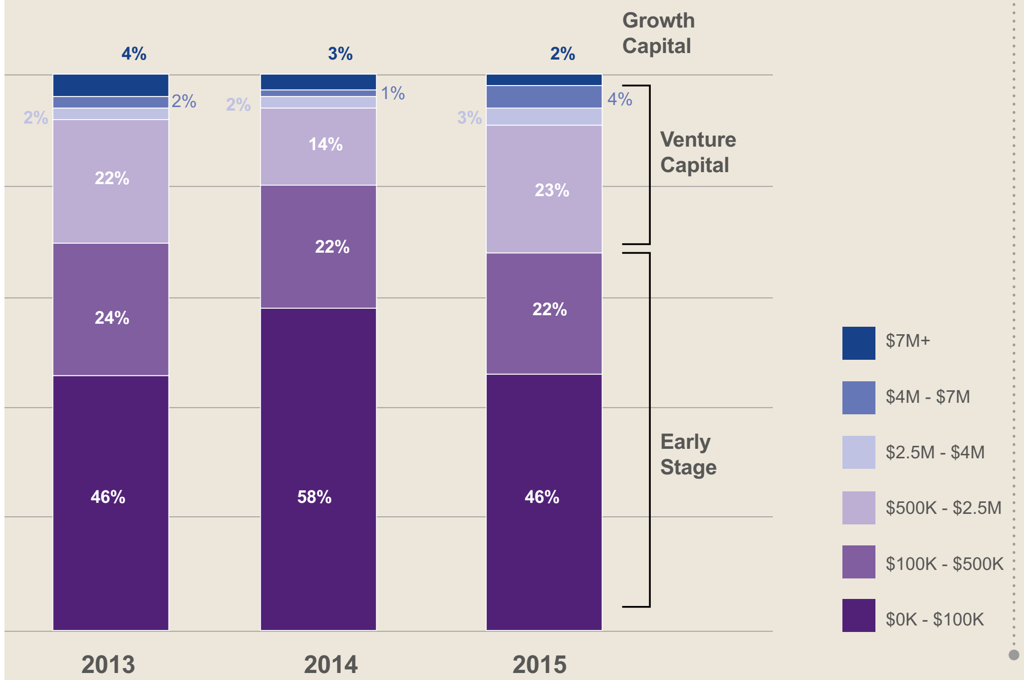
Source: GSMA, IMF, Passport, eMarketer, Euromonitor, Delta Partners Research

The UAE ranked highest when looking at the value of investments, as it continues to develop into a global business hub and attract the region's fastest growing internet and technology businesses. Egypt, which was ranked highest in 2013 and 2014 in total dollars invested (due to 2 major investments into Jumia), dropped the furthest to 5th place in 2015. KSA has maintained a high level ranking, but has been outpaced by the growth of investment activity in smaller markets such as Jordan and Lebanon as illustrated below.

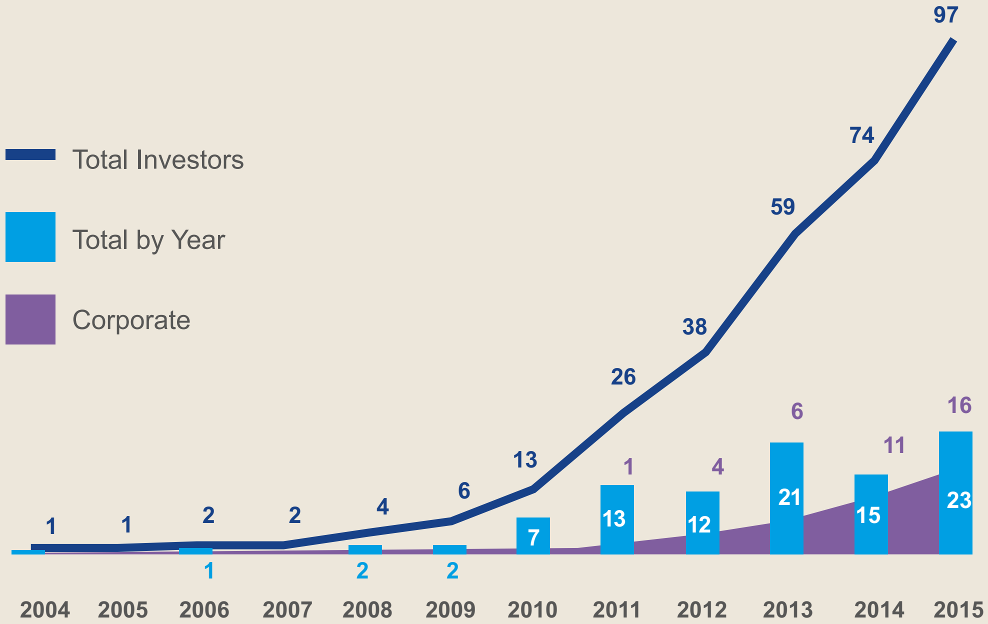
* Value (1,000,000)	2013	2014	2015	2013	2014	2015
UAE	$33	$114	$139	3	2 ↑	1 ↑
Lebanon	$6	$29	$31	4	4 ---	2 ↑
Jordan	$5	$17	$23	5	5 ---	3 ↑
KSA	$36	$56	$13	2	3 ↓	4 ↓
Egypt	$77	$152	$6	1	1 ---	5 ↓
Morocco	$4	$0.4	$3	6	7 ↓	6 ↑
Algeria	$2	$1	$3	7	6 ↑	7 ↓
Kuwait	$2	$0.2	$2	7	8 ↓	7 ↑
Tunisia	$0.6	$1	$1	9	6 ↑	8 ↓
Palestine	$0.7	$1	$1	8	6 ↑	9 ↓
Bahrain	$0	$0.3	$0.4	13	7 ↑	10 ↓
Qatar	$0.2	$0	$0	11	10 ↑	11 ↓
Syria	$0.5	$0.07	$0	10	9 ↑	11 ↓
Oman	$0.1	$0	$0	12	10 ↑	11 ↓

Source: Arabnet, the state of digital investment in MENA 2013-2015 report

The majority of deals completed in the last four years have been early stage deals (<$500K), representing between 70%-80% of the deals done each year. As the size of deal increases, the number of deals reduces - which seems well-suited to a funnel of fading startups graduated from each level of funding to the next. The distribution of investments by ticket size has remained roughly consistent across the past three years as illustrated below.



Corporate investors have entered the MENA investment scene, with a significant rise being seen in 2012. Since then, companies across sectors – from telecom to retail to pharmaceuticals – have launched investment initiatives / activities. The number of corporate investors is increasing in line with the growth of the investor community. It's important to note that Corporates are active LPs for regional investment institutes, like iMENA Holding (Etisalat), Turn8 Accelerator (Dubai Ports), Middle East Venture Partners (Zain Telecom).



Source: Arabnet, the state of digital investment in MENA 2013-2015 report

Digital startups in the MENA region have attracted the attention of regional and global investors, who are multiplying in number and growing their funds under management. Some key statistics include:

More than
$750million
was invested in
480 deals
in MENA between 2013-2015.

The **UAE** is
the regional leader
both in terms of number and value of investments, with more than double the transactions. The UAE also captured 2/3 of total dollars invested in 2015, due to the fact that many of the growth-stage businesses in MENA are based in Dubai.

The highest value for average investments for start-ups is $3.3million

The majority of deals completed in the last four years have been early stage deals (<$500K), representing between **70%-80% of the deals** done each year.

Lebanon
has risen rapidly in the ranks to
2nd place
in both number and value of investments, partly driven by the Central Bank's Circular 331 guaranteeing $400 million of startup investments.

The large majority (70-80%) of deals done in the past three years have been
early stage deals (<$500K).

KSA has maintained a high level ranking, but has been **outpaced by the growth** of investment activity in smaller markets such as Jordan and Lebanon.

We predict that the Kingdom of Saudi Arabia will play a very strong part in the regional technological boom.

Source: Arabnet, the state of digital investment in MENA 2013-2015 report

Rise of VC investment and support ecosystem in MENA

Funding within the MENA VC space is expected to grow with several regional initiatives boosting the digital eco-system.

Under-funded VC space

VC spend per capita	US	China	India	MENA
Amount invested ($)	48 bn	15.5 bn	5.2bn	0.1 bn
VC per Capita ($)	150.4	11.3	4.1	0.9
# of rounds	4.356	1,917	304	100

- MENA VC remains underfunded as compared to other emerging markets
- Growth in the digital space has given a rise in VC funding over the last few years - this trend is expected to continue going forward

Regional initiative boosting eco-system

NON-EXHAUSTIVE

Government initiatives

Dubai Future Accelerators; Smart Dubai; Vision 2030; UK Lebanon Tech Hub; Qatar Business Incubation Center; Egypt ICT 2020 Strategy; Digital Oman

Early stage investors

High impact Accelerators: Oasis500; Flat6Labs; Berytech

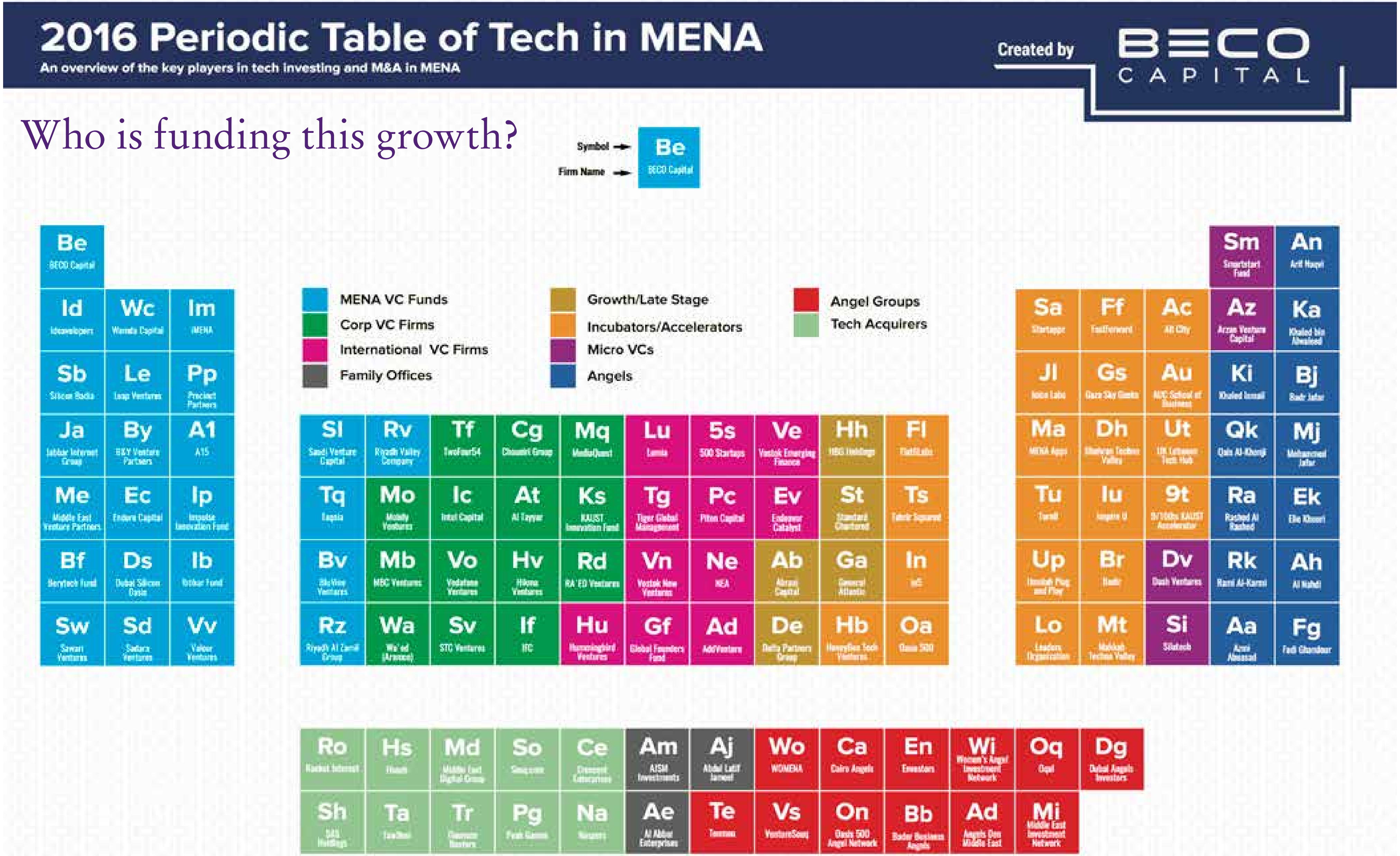
High impact VCs: Middle East Venture Partners; wamda capital; BECO Capital

Telecom operators

ooredoo; zain; mobily ventures; etisalat; MTN; STC Ventures

Source: GSMA, IMF, Passport, eMarketer, Euromonitor, Delta Partners Research

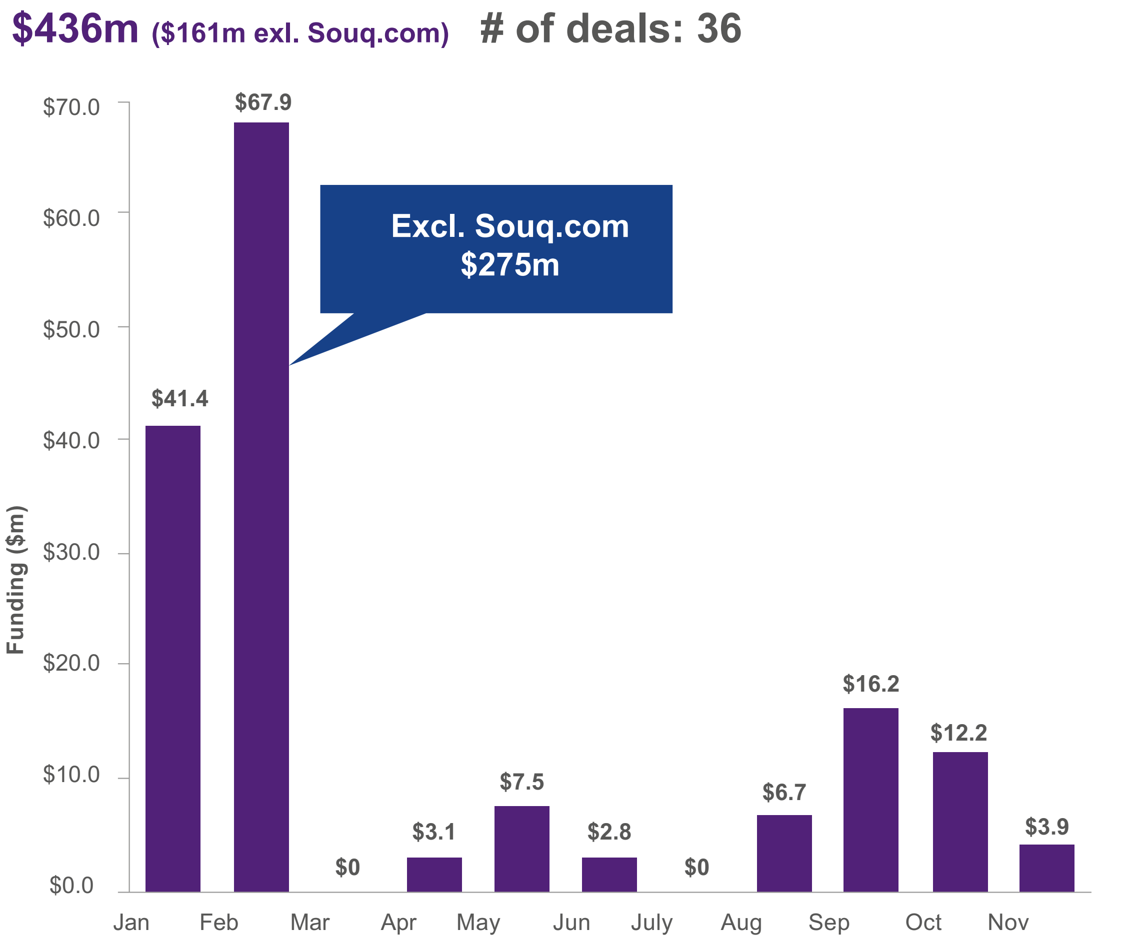
Who is funding this growth?



Source: BECO Capital

2016: Funding *and exits*

To date, this year we have seen $436 million (excluding Souq.com) of funding being raised in MENA which accounts for approximately 36 deals. January to February proved to be the peak funding months, with the least amount of funding take place during the holy month of Ramadan (given it is known as the off-peak season for business activity in the region).



Source: Magnitt Funding Tracker 2016

Digital pioneers in the region have successfully emerged as global references in the digital space and in many cases have been acquired by strategic or financial investors. More than $750 million was invested in 480 deals in MENA in the last three years, therefore there are some great exits which are taking place of which two significant ones are highlighted below.

Non-Exhaustive

Founded in 2000

bayt.com

- MENA's leading online jobs portal
- In 2006, Tiger Global (also an investor in Uber) invested in Bayt, later acquiring further stakes over time to finally acquire a majority stake in 2011

Founded in 2004

Talabat.com

EXIT

- Delivery service with over 1,300 restaurants listed
- Initially bought by Kuwaiti entrepreneur in 2010
- Delivery hero acquired Talabat.com in 2015 for ca. $170 million

Founded in 2005

souq.com

- MENA's leading e-commerce site ($1billion GMV in 2015)
- Raised $272 million in February from IFC, Naspers, Gifford, Standard Chartered and Tiger Global Management (latest valuation $1 billion)

Founded in 2005

dubizzle

EXIT

- MENA's leading online classifieds site
- Naspers acquired 53.6% of dubizzle in two phases, (latest valuation $162 million)

Founded in 2007

propertyfinder.ae

- Since 2007 propertyfinder has been providing the tools to help consumers find the properties that fit their needs.
- In September 2014, propertyfinder Group acquired Saudi property portal eSimsar.com

Founded in 2012

CAREEM

- Leading private car/taxi booking platform in the MENA region (strong competitor of Uber), expanding to additional geographies

Source: Crunchbase, S&P Capital IQ, Delta Partners

Why invest now?

The MENA region has seen an increase of new funding institutions over the last five years.

MENA has experienced an increase in new funding institutions over the last five years, given the increase in market opportunity. Significant growth was seen from 2010, which was considered the turning point for funding in MENA. It is said that this was paved by the first $175 million exit which saw Maktoob being acquired by Yahoo! in 2009. After which, and as a result of increased economic growth, initiatives and the changing landscape, the market opportunity has continued to grow with technology currently being front of mind for many, presenting a significant untapped opportunity.

Across the region, the UAE and KSA have produced over 75% of MENA investments, promoting both countries as attractive regional markets. This is mainly due to the stability, innovation, government support and access to a larger target market (with a significant youth population).

According to Accenture[11], youth entrepreneurs and start-ups could contribute significantly to employment opportunities with digital entrepreneurs estimated to add $14 billion to the UAE's GDP and $1.5 trillion to global GDP by 2020. Now is the time for investors and VCs to invest in such businesses which have a focus on technology, given the breadth, depth and market dynamics. The opportunity is untapped which is why the time is here and now.

MENA represents a tremendous opportunity: this is driven by a large youth and middle class with an appetite to leverage technology to solve local needs, coupled with higher disposable incomes. The region is notable for its high rates of technology adoption, innovation and development, which has helped it weather global economic turbulence as a result.

The emergence of a digital economy is currently disrupting the region and presents a substantial opportunity for investors. Between 2013-2015, over $750 million was invested in 450 tech startups in MENA[12]. This has since risen and continues to do so. The UAE still continues to present the most attractive startup market which attracted $139 million investment in 2015. A recent report by Kauffman Fellows[12] reported that the region will host at least one start-up valued at $1 billion by 2020, as well as hosting $10 billion in publicly listed internet companies by 2025.

The region has already begun to see some innovative technology driven businesses emerging, with the likes of Fetchr (delivery app) and Careem (car booking service). Mudasir Sheikha, Co-Founder of Careem stated "the UAE is the perfect place for technology-based start-ups to grow. Start-ups can benefit from fund-raising from across emerging market investors who are eager for new innovations."[11]

There are a number of leading start-ups who are transforming the digital landscape across MENA. These businesses are tapping into the current market demographics, need and operating in a stronger regulatory landscape which further promotes the ease of doing business and innovation.

"The UAE is the perfect place for technology-based start-ups to grow. Start-ups can benefit from fund-raising from across emerging market investors who are eager for new innovations."

[11] 'Making UAE a perfect springboard for tech start-ups' (Gulf News)
[12] 'SAP launches talent search for entrepreneurs across MENA' (Zawya)

Regionally, digital champions are expected to IPO.

Digitally advanced emerging regions are experiencing a wave of tech IPOs which are expected to follow suit in MENA over the next decade.

APAC

~10-20 years ago

- HDFC BANK 1995
- AXIS BANK 1998
- ICBC 2006
- 中国移动 China Mobile 1997
- docomo 1998
- bharti airtel 2002

Past Decade

- Bai百度 2005
- INFO EDGE 2006
- Netcentric 2015
- DEVSISTERS 2014
- Alibaba Group 2014
- iDREAMSKY GAMES 2014

MENA

Past Decade

- te 2005
- zain 2008
- QATAR vodafone 2009
- مصرف الريان MASRAF AL RAYAN 2006
- مصرف الإنماء alinma bank 2008
- مصرف عجمان Ajman Bank 2008

Next Decade

Regional digital champions are expected to become IPO-material

Investors, both institutional and private, are expected to increasingly deploy capital into the sector to avail potential upside.

Source: Delta Partners

The era of opportunity: Driving technology investment in MENA

Our lives have continued to be transformed by technology. From the birth of the world wide web in 1990 to the emergence of robotics and digital natives, we can no longer ignore the relevance and role it plays to the economic, business and societal environment. The role of digital technology is rapidly shifting, from once providing marginal efficiency to now leading innovation and disruption.

Across MENA, business leaders continue to place technological advancement at the top of their agenda, as they aim to promote efficiency to reduce costs and attract digital generations as the workforce of the future. Regardless of industry, size and country, the impact and need for technology, can no longer be ignored. Although demand has seen an exponential increase in MENA, the need to drive and capitalize on investment within the sector remains relatively untapped. This presents a significant opportunity, however in order to benefit from such, investors need to capitalize on the opportunity now or risk trailing behind.

Technology not only impacts businesses across the MENA, but consumers and individuals too as our daily lives become more digitally driven than ever before. As a result of technology-driven solutions, we are able to access global markets in real time and communicate in ways, we have never done so before. This in turn has seen the rise of technology-driven solution providers who aim to address local and regional needs.

As highlighted in this report, it is vital that investment is driven within this sector as it continues to rise in relevance at a rapid rate. The technology era in MENA is here – it is here to stay and it is expected to continue rising – therefore ignoring it, is no longer possible. The future is being driven by technology and the digital revolution it has created. MENA currently is a key potential market and investors can either capitalize on the opportunity presented or be forced to change with the impact that technology start-ups create in MENA, which will continue to shape current and future digital generations and thus aid in creating virtual societies of the future.

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About BECO Capital

Investing in key growth markets

BECO Capital is a venture capital firm with a thoughtful approach to investing, providing early stage growth capital and hands-on operational support for innovative technology companies in the MENA region. BECO Capital seeks companies that meet a specific set of criteria: an extraordinary management team, the intention and ability to scale, a transformational value proposition and sound marketplace defensibility.

Founded in 2012, BECO Capital is led by a team that enjoys a solid and diverse track record across the venture capital, technology, entrepreneurial and financial sectors. The Firm is a hands-on partner that assists its portfolio companies to expand to new markets across the region, acquire key talent, implement operational improvements, adopt corporate governance practices and raise growth funds. BECO Capital also offers follow-on funding to its portfolio companies and helps line-up large regional investors and global venture capital firms for the future much larger follow-on fundraising rounds.

For more information, please visit www.becocapital.com

Selection criteria for potential investments

1. Clear scalability of business model with revenues in excess of US$ 20m by year 5
2. Transformational proposition specifically targeting the MENA region
3. Strong entrepreneurial management team with diverse skill set
4. Elements of defensibility ranging from Intellectual Property, lock-ins, and/or switching costs
5. Opportunity for BECO to add value through strategic support along the investment lifecycle

Sector focus

- Marketplace
- Tech Infrastructure
- SaaS
- Local Content

Investment by type

Stage	Type of profile	Avg. investment
Seed	Prototype with a team of min 3 people and a viable product	$400K
Series A	Attractive KPIs driving early stage growth	$2M
Series B	Proven adoption and revenue generation yet high growth	$5M
Other rounds	Expansion in terms of product or markets	On case-by-case

The data in this report has been drawn from both primary and secondary research which has involved discussions, desk based research and third party research as quoted throughout the report. The data captures MENA trends and aims to portray a reflective overview of the technology investment landscape across MENA. All references have been quoted and were correct at the time of printing.

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