

MENA Startups Break New Record In 2018, Bagging \$893 Million In Investment

2018 proved to be another record year for the MENA startup ecosystem, with total funding up 31% from 2017, according to MAGNiTT's 2018 MENA Venture Investment Report.

\$893 million was invested across 366 deals in 2018—an increase of 31% in total funding and of 3% in the number of deals compared to 2017, showing continued appetite in startups across the region.

The top 10 deals accounted for 65% of total investment in 2018, up 2% from 2017, with the average deal size up 26% year-on-year.

It was a record year in terms of funding, excluding the outlier investments in UAE-based Souq.com and Careem. Funding was also up 31%, with \$693million invested in MENA-based startups—higher than any previous year on record, based on MAGNiTT statistics. Careem's \$200 million fundraising was the highest by a single startup in 2018, followed by Property Finder and Wadi.com.

The UAE has maintained its dominance, accounting for 30% of all transactions, as well as 70% of total funding. Egypt (22% of deals) had the fastest-growing ecosystem in 2018, followed by Lebanon, which is ranked 3rd by the number of transactions with 10%. However, it saw the highest fall in deal flow compared to 2017, with a 4% drop.

On the industry side, FinTech overtakes E-commerce as the most active industry by the number of deals. FinTech accounted for 12% of all deals in 2018, with notable deals including \$18 million in Aqeed, \$8 million in Wahed Invest and \$4.5 million in Expensya. E-commerce remains prevalent, accounting for 11% of all deals, followed by transport & delivery accounting for 10%.

More than 155 institutions invested in MENA startups in 2018—30% from outside the region and 47% that had not previously invested in the region. In addition, there was a 5% increase in the number of institutions and Angel Groups making investments in MENA-based startups compared to 2017.

500 Startups remained the most active investment house, especially at early stage investments. However, 2018 was notable for the entrance of major international investment firms, such as Gobi Partners' investment in HolidayMe and General Atlantic's investments in Property Finder. 30% of all entities that invested in MENA-based startups were international investors.

Meanwhile, Corporate Venture Capital continues to grow. Majid Al Futtaim, a key investor in Fetchr, continued their venture expansion with an investment in Wadi.com and an acquisition in BEAM Wallet, while the Chalhoub Group launched their first accelerator

program for the region.

The Al Waha fund in Bahrain announced the launch of the first regional fund of funds, having already deployed capital in three VC institutions to date. “Our investment into VCs helps provide access to funding for regional startups, while supporting regional VCs with fuel to continue to do what they are best at, investing into leaders in the technology space,” said Areije Al Shakar, Fund Manager at Al Waha Fund of Funds.

In terms of exits, 2018 has seen 14 startup exits take place across MENA, five fewer than 2017. Four of the exits in 2018 were by an international acquirer. The major exit of TPay in Egypt saw the first Dragon Startup—a startup whose exit pays back the full fund size of a VC.

“2018 saw more international investors enter the foray than before, new accelerator programs created, multiple government initiatives spurring innovation, and established regional Venture Capital firms closing out new funds to deploy further capital,” said Philip Bahoshy, MAGNiTT founder and CEO.

“These insights are positive news for the whole startup ecosystem in the MENA region. Founders continue to see increased interest from investors for this space, investors are seeing startups mature and see returns through increased M&A activity and exits, while governments see the fruits of their initiatives to further strengthen the ecosystem.”

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