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DUBAI CHAMBER
DIGITAL الرقمية

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TITANS OF TECH

MIDDLE EAST



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The view

From
GP.Bullhound



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40 Unicorns by 2030

The Middle East has historically served as a crossroads for trade and cultural exchange. Today, its role is evolving into an important player in the global technology ecosystem. Our first Middle East edition of the marquee Titans of Tech report aims to provide an overview of the tech landscape in this region and the road ahead for its growth.

Besides being one of the most resilient ecosystems, the Middle East’s growth story has been about leapfrogging. The growth patterns that took decades to unfold in the US and Europe have been accelerated in the Middle East, manifesting just within the past 10 years. Much like its pioneering peers, the region's tech ecosystem initially established itself on the strengths of Fintech and E-commerce foundations. Now, the Middle East is actively competing for leadership in the E-sports and Gaming sectors, rather than letting early innovators dominate those areas.

Driven by shifts in economic dynamics, supportive government policies and a young population, the Middle East is witnessing a rise in innovative technology companies. 10 software companies have attained Unicorn status and are responsible for setting the new entrepreneurial calibre in the region. Furthermore, we are seeing successfully exited founders return to the startup arena to continue driving the ecosystem’s development with their veteran knowledge and expertise, some of whom we proudly feature in this report.

The impressive past decade is no product of coincidence. Public authorities have been recognising the importance of nurturing the ecosystem with a holistic investment approach. From energy and infrastructure to tourism, regional leaders have set a decades-long horizon to propel their countries’ development to the frontier of tech innovations. In turn, these tech innovations will unlock a new level of economic prosperity across the Middle East.

Based on the ecosystem’s underlying unique strengths and by extrapolating the Unicorn growth rates of other regions, we estimate that the Middle East could be home to 40 Unicorns by 2030.

The future of the ecosystem looks exciting and promising.



Foreword

From

DUBAI CHAMBER

DIGITAL



Saeed Al Gergawi
VICE PRESIDENT

Over the past decade, countries across the Middle East have embarked on a transformative journey that has seen technology and innovation emerge as key drivers of economic growth. This remarkable shift has given rise to a vibrant tech startup ecosystem, particularly in the UAE, which is recognised as a regional capital for ambitious tech entrepreneurs with big ideas.

The startup ecosystem is continuing to evolve rapidly, with an increasing number of tech companies securing substantial funding from both local and international investors. Notably, the region has witnessed significant growth in the number of scaleups – defined as startups that have raised \$1.0m in capital or more. Last year alone, 158 new scaleups brought the number across the region to 749, which together have raised a cumulative total of more than \$19.5bn.

As countries across the Middle East continue to advance their roadmaps for economic diversification, governments have been investing heavily in digital transformation, creating exciting opportunities in diverse sectors. This gathering momentum has led to the launch of numerous tech hubs, incubators and accelerators, which provide startups and entrepreneurs with access to the resources and support required to effectively scale their operations and achieve sustainable growth.

The outlook for the Middle East's tech industry continues to be bright, reflecting the aspirations of a young, ambitious and tech-savvy population. Last year, the region achieved a number of significant milestones, with scaleups raising a combined total of over \$6.5bn. Six mega-rounds valued at over \$300.0m were also completed in 2022, underlining the high levels of confidence among investors in the region.

While Dubai is home to over 40% of Middle East and North Africa (MENA) based scaleups, it is by no means the only city producing strong startups backed by significant capital. Cairo, for example, plays host to a total of 135 scaleups, while the Saudi capital Riyadh is home to 93. With countries working to offer favourable business environments that promote innovation, MENA's significance in the global tech landscape can only continue to rise.

As the host of Expand North Star, Dubai Chamber of Digital Economy is proud to play a key role in advancing the sustainable growth of the Middle East's tech ecosystem. This landmark event will unlock the vast potential of the digital economy to place both the UAE and the region as a whole firmly on the path to success in 2023 and beyond.

KEY TAKEAWAYS

↗ Unicorns	The region generated 10 Unicorns with an aggregate valuation of \$11.7bn in just 10 years
↗ Funding and deal count	Total funding and deal count in the Middle East grew by 40x and 6x respectively over the past decade
↗ Key building blocks of ecosystems	The Middle East is having its breakthrough moment where the next wave of tech innovators is emerging
↗ Startup factories	The region's successfully exited startup founders and employees are building the next generation of disruptively innovative companies
↗ Trends	Key sectors have helped propelled the region's ecosystem such as Fintech, E-commerce and Gaming
↗ Government initiatives	Pioneering startup ecosystems, such as the UAE, have created a blueprint to nurture entrepreneurship and foster sustainable growth
↗ Contenders	The next generation of Unicorns in the region based on scale and velocity
↗ The road ahead	We reasonably estimate that the Middle East could grow its Unicorn number 4x by 2030, with emerging sectors such as Enterprise SaaS playing a larger role
↗ Growth capital	Entrepreneurs seek more than just capital today. Investors need to evolve into ecosystem builders to appeal to startups

The past decade _

A technological renaissance in the Middle East

Over the past decade, the Middle East has witnessed a groundbreaking transformation, akin to a technological renaissance. The 2010s laid the foundation for a region historically rich in trade, culture and knowledge to re-emerge as a global nexus for technology and innovation.

The shift was neither abrupt nor unanticipated. Visionary leaders had recognised the need for diversification in an era defined by the Fourth Industrial Revolution. Governments invested heavily in digital infrastructure, education and favourable policies, creating fertile grounds for innovation. Partnerships with global tech giants ushered in expertise and mentorship, while grassroots movements and events cultivated a spirit of entrepreneurship. From Dubai's bustling Fintech startups and E-commerce platforms to Jordan's software hubs and Gaming studios, each location carved its unique tech niche.

A myriad of startups rose from this newfound dynamism. Companies like Careem showcased the region's ability to foster and realise big ideas. The success stories instilled a belief that the next global breakthrough could emerge from the heart of the region.

Equally noteworthy was the surge in venture capital flowing into the ecosystem. Recognising the untapped potential, investors have been working with founders to build up the ecosystem in the Middle East. This influx of financial, social and intellectual capital not only validated the region's tech prowess but also fostered a competitive environment, urging startups to innovate at breakneck speeds.

Reflecting on the past decade, the Middle East's tech landscape has been fueled by resilience, ambition and transformative growth. What was once a peripheral player in the global tech scene has now asserted its position at the forefront. With a blend of youthful energy, strategic investments and a cultural legacy of trade and innovation, the Middle East stands poised to shape the future of technology for decades to come. A wave of innovation awaits...

Expert view

Noor Sweid | Managing Partner

Early and growth stage venture capital firm

global.ventures



WHAT IS GLOBAL VENTURES' MISSION?

At Global Ventures, we partner with visionary entrepreneurs across the Middle East and Africa. These founders are leveraging best-in-class technologies to address challenges impacting hundreds of millions of lives across the region.

WHAT HAVE BEEN THE CHALLENGES ALONG THE WAY AND HOW DID GLOBAL VENTURES AND ITS PORTFOLIO COMPANIES OVERCOME THESE CHALLENGES?

Operating in nascent frontier markets has its challenges. In its early days, the venture ecosystem comprised of a few venture capital firms who were cautious about deploying funds and founders who were constrained by the amount of capital available to them. Despite the fact that the number of venture investors grew from 6 in 2000 to 31 in 2010, 50% of the VCs that exist in MENA today were still to be formed.

Over time, the ecosystem demonstrated promising signs of maturity, with a series of liquidity events underlining the potential of the region's startups: Yahoo!'s acquisition of Maktoob, Amazon's acquisition of Souq.com and Uber's acquisition of Careem. While MENA's startups continue to break funding records year-on-year, venture only contributes 0.02% to regional GDP, versus over 0.33% in the United States, underlining the gap in capital available for local ventures to scale.

Global Ventures was founded to help fill that gap in capital and build bridges between ecosystems to support the growth of MENA and unlock its potential on a global scale. It is a collaborative effort, between investors, entrepreneurs and enablers, that has required us to manage the firm's growth and evolution in tandem with the ecosystem's, while staying true to our mission and remaining founder-centric in our investment and operational processes.

WHAT ARE THE MAIN SECTORS / TRENDS THAT YOU'RE SEEING GREAT OPPORTUNITIES FOR STARTUPS TO VENTURE INTO?

From trade disruptions to climate-related shocks, the events of the last 5 years have demonstrated firsthand that a system change is necessary for supply chains, food production and the energy mix. These three areas are witnessing a technological paradigm shift that is expected to continue into the next decade.

We are witnessing a push for supply chains that are efficient, adaptable and decoupled from global networks and this push is being powered by technologies such as RFID and blockchain enabled traceability, 3D printing as well as automated warehousing. The methods we have traditionally used to produce and consume food is also undergoing profound shifts toward more local, sustainable and efficient models, with technological innovation acting as an enabler. Controlled environment agriculture, alternative proteins and precision agriculture are facilitating a global transformation in food production globally. In terms of energy, a macro-environment characterised by mounting sustainability pressures and record-high prices is creating considerable opportunities across renewables and energy efficiency, from solar to consumption-optimising IoT.

WHAT DO YOU THINK WILL MAKE UP THE NEXT PHASE OF TECH INNOVATION IN THE MIDDLE EAST?

Founders in the Middle East are uniquely positioned for innovation. The incipience or absence of infrastructure has historically been an opportunity for them to leapfrog directly into innovative digital models and bypass the sticky legacy infrastructure that typically exists in more mature markets.

In 2018, the push for financial inclusion was spearheaded by Fintech entrepreneurs, not financial institutions. The market was flooded with tailored and localised digital financial products that leveraged the high mobile and smartphone penetration rates to expand access to finance for the 462 million unbanked people across the Middle East and Sub-Saharan Africa. In 2020, the inefficiencies of the healthcare system – spotlighted during the pandemic – drove momentum in telehealth and remote care solutions.

The Middle East now has a first mover advantage in AgriTech and supply chain innovation as a result of the historical resource scarcity and infrastructural latency that characterises the region. The Middle East's baseline topography is not conducive to agriculture - dry lands, high heat and water scarcity – which has turned the region's countries into net-importing nations.

Agriculture innovation has focused on how to grow crops within these geographical constraints and has led to unique solutions in regenerative agriculture (Desert Control) and controlled environment farming (Red Sea). In the context of a changing climate and a warming planet, regional solutions will be increasingly relevant and globally applicable – and the Middle East's "head start" will position them as leaders in AgriTech for hot climates. The same applies to supply chain innovation, where technological breakthroughs are originating outside of classic trade powerhouses, in regions where there never was industrial manufacturing capacity or street addresses.

As manufacturing localises, we expect leapfrogging in the adoption of cutting-edge manufacturing processes. Building manufacturing capacity is no longer about adding factories, but investing in Industry 4.0 technologies, such as additive manufacturing.

WHAT DO YOU THINK INVESTORS CAN DO TO NURTURE THE MIDDLE EAST'S TECH ECOSYSTEM OTHER THAN PROVIDING CAPITAL?

Tech companies in the Middle East face unique circumstances compared to their counterparts in Silicon Valley and Europe and require bespoke support outside of financial capital to manage and mitigate these challenges.

At Global Ventures, our PARTNER framework is designed for value creation beyond financing and throughout the entrepreneurial journey. It rests on seven pillars: Processes, Ambition, Reputation, Talent, Network, Expansion and Raising. VC investors should provide best practice guidance on corporate finance, governance, control processes and regulatory compliance. Companies need assistance in identifying strategic objectives, their mission and purpose. Reputation, or a brand image's contribution to company value and objectives, is also essential. VCs should help their portfolio companies identify and recruit top management and create systems for attracting and retaining talent. They need assistance generating revenue via client acquisition and access to trusted partners, as well as both local and global growth plans. Finally, like any fast-growing firm, access to capital and having the right capital structure is imperative. These should make part of venture investors' offering and help nurture a robust generation of startups with global scalability potential.

While financial capital remains a fundamental ingredient in the development and enrichment of the ecosystem, so is facilitating access to global networks, offering expertise to entrepreneurs, fostering corporate partnerships and sharing market research and insights.

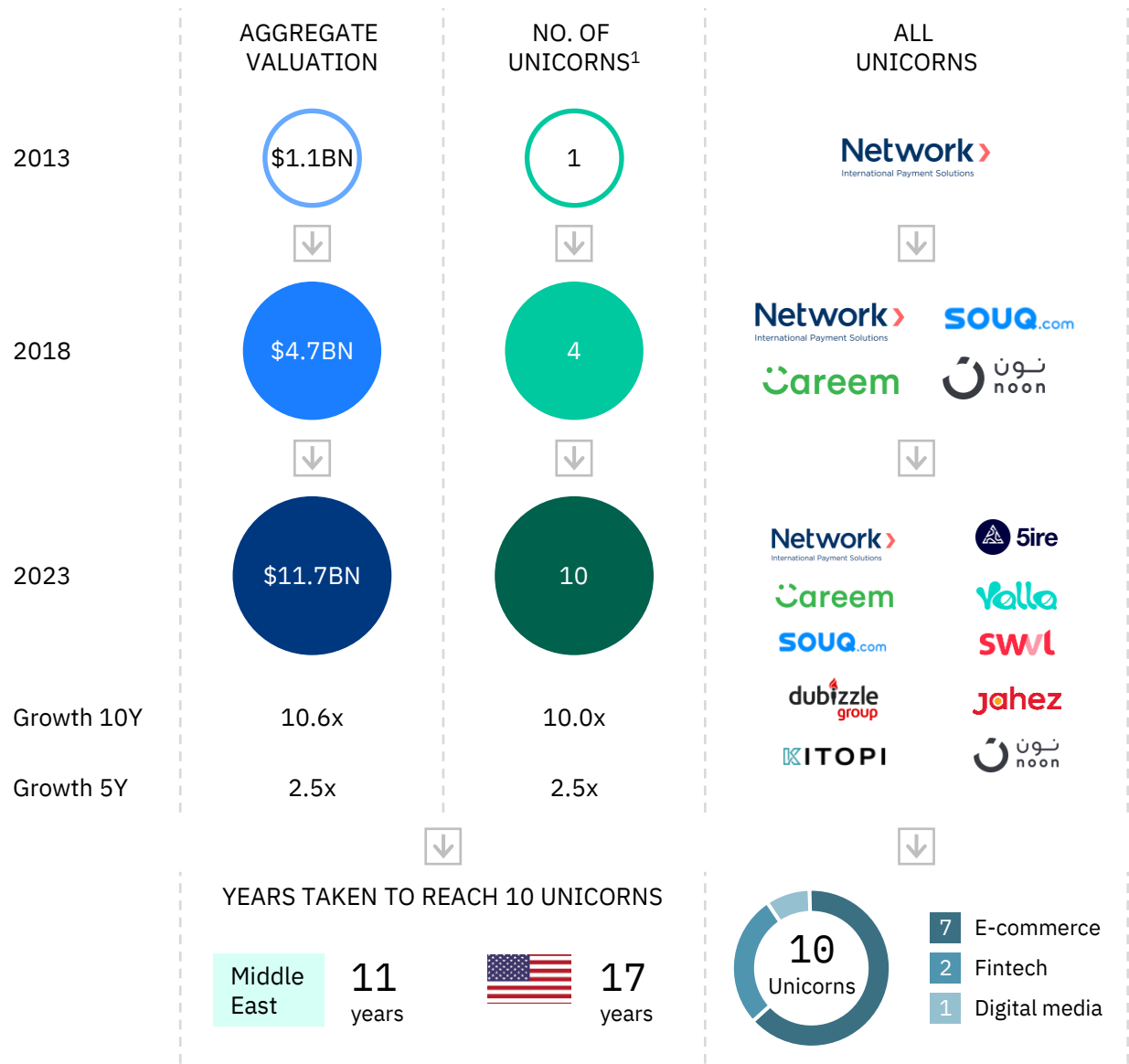
■ ■ ■ "The incipience or absence of infrastructure has historically been an opportunity for them (founders) to leapfrog directly into innovative digital models and bypass the sticky legacy infrastructure."

Unicorns in the region

The Champions League that builds the ecosystem

Over the past decade, the Middle East has celebrated the rise of 10 tech unicorns and billion-dollar tech companies, highlighting the region's rapid ecosystem growth and its burgeoning position as a global innovation hub

THE MIDDLE EAST CONTINUES TO MINT UNICORNS AT AN EXPONENTIAL RATE

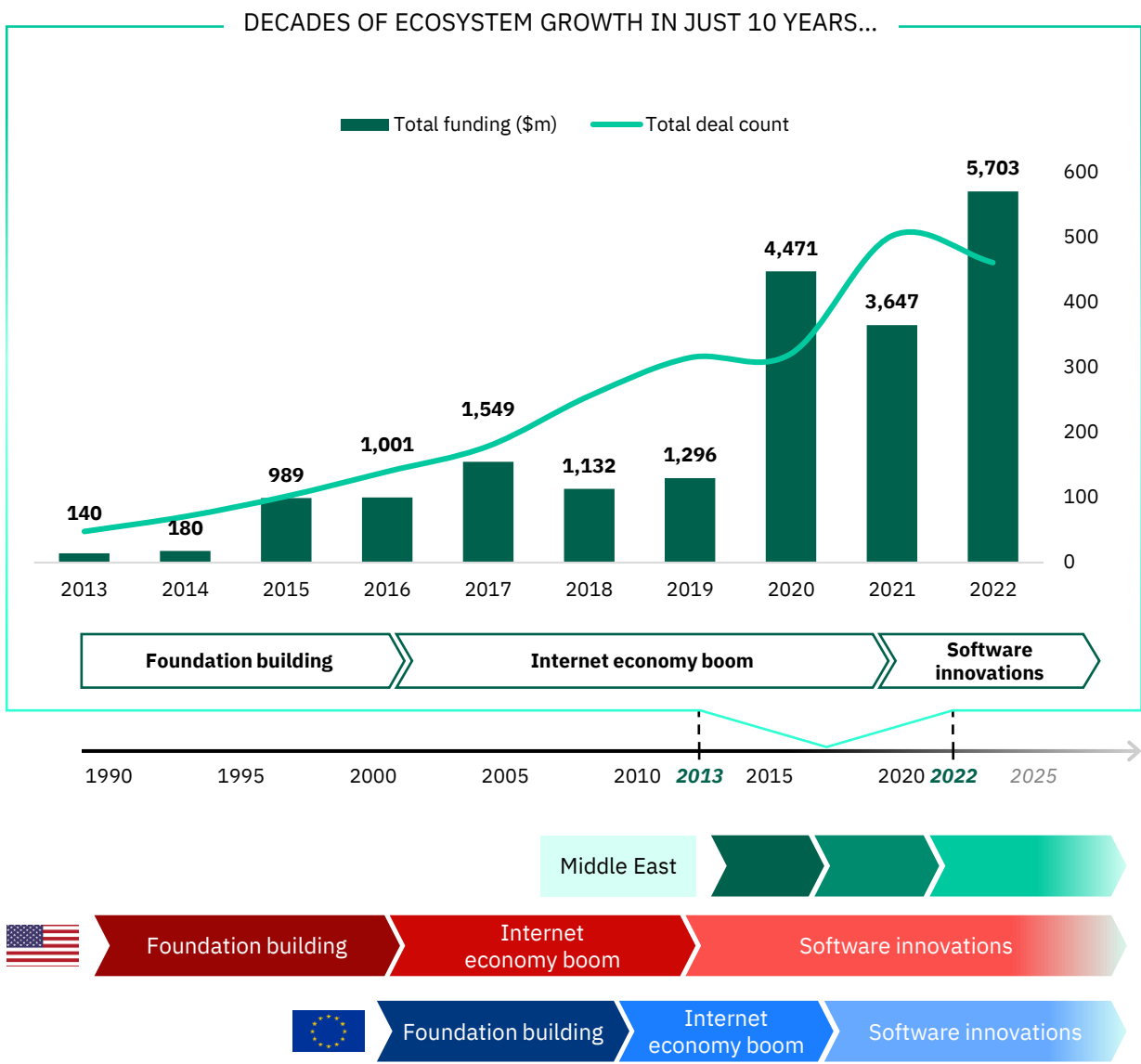


Source: Pitchbook
Note: (1) Total number of Unicorns include all companies that have once reached the \$1.0bn valuation mark

A wave of innovation awaits

Rapid growth fuelled by the desire to disrupt

The Middle East’s growth story is about innovation leapfrogging. The region's acceleration in tech and innovation has been astonishingly rapid, often surpassing the evolutionary pace of established hubs like the US or Europe. This momentum showcases the Middle East's ability to quickly adapt, adopt and innovate in the global arena



Source: Pitchbook, GP Bullhound analysis

Expert view

Ramez El-Serafy | Co-Founder & CEO

Seed and early-stage venture capital firm



FLAT6LABS

WHAT HAVE BEEN THE MAIN FORCES THAT DRIVE THE REGIONAL TECH ECOSYSTEM'S RAPID GROWTH?

The Middle East has experienced a significant surge in venture capital (VC) funding. The heightened investor confidence in MENA's startups and tech ventures reflects a maturing startup landscape where innovative companies are successfully securing funding for scaling their operations and footprint.

This influx of VC capital is instrumental in fostering a dynamic entrepreneurial environment, driving innovation and propelling the growth of emerging technology sectors across the region. It also shows the Middle East's rising prominence on the global tech stage, signalling numerous opportunities for continued development.

However, despite this remarkable growth, the Middle East's share of global tech funding remains relatively modest. This underscores the region's underrepresentation in the global tech investment landscape, revealing significant potential and ample room for further development and growth.

As the region continues to mature and showcases its prowess in tech innovation, it has the capacity to attract even more investments, solidifying its position as a substantial player in the global tech ecosystem.

WHAT HAVE BEEN THE CHALLENGES ALONG THE WAY AND HOW DID FLAT6LABS AND ITS PORTFOLIO COMPANIES OVERCOME THESE CHALLENGES?

Our portfolio companies have encountered several challenges, particularly economic obstacles such as market volatility, currency fluctuations and fundraising uncertainties.

However, some of these challenges were effectively surmounted by some of our startups through careful financial and strategic planning, which helped them navigate the unpredictable economic turbulence.

There are currently very few entities that provide a commercially driven and institutionalised seed investing approach with regional value-added capabilities, catering to early-stage investments in the Middle East.

However, our extensive network has proven to be an opportunity amidst these challenging times, through leveraging our connections and strategic partnerships, we have successfully gained access to a broader spectrum of potential startups.

This network-driven approach has allowed us to navigate economic uncertainties with greater agility, ensuring that we continue to identify and nurture promising ventures.

WHAT ARE THE MAIN SECTORS / TRENDS WHERE YOU SEE GREAT OPPORTUNITIES FOR STARTUPS TO VENTURE INTO?

In today's ever evolving landscape, we see great opportunities for startups to venture into, including but not limited to Transportation & Logistics, HealthTech, EdTech as well as ICT. These sectors have proven to be fertile grounds for innovation and growth. In the Transportation and Logistics sector, we have witnessed remarkable performance from our portfolio companies such as ILLA, a logistics company based out of Egypt, where the founders have had a unique focus on the untapped middle mile of logistics, particularly within the FMCG sector. This industry is currently undergoing a transformation driven by technological advancements and evolving consumer expectations. Startups in Transportation and Logistics are capitalising on innovations such as efficient supply chain management and delivery solutions to disrupt traditional models and enhance efficiency, fundamentally changing how goods are transported and delivered.

Similarly, the HealthTech sector offers immense promise by addressing critical healthcare challenges with technology-driven solutions. HealthTech startups are pioneers in creating groundbreaking tools and platforms that improve patient care and streamline healthcare operations. In fact, one of our top-performing companies, Chefaa, has revolutionised medicine delivery during a time when such services were predominantly offline. This shift towards digital solutions in healthcare has become even more pronounced in the wake of the COVID-19 pandemic, highlighting the need for readily available medicines and healthcare services, regardless of physical location.

WHAT DO YOU THINK WILL MAKE UP THE NEXT PHASE OF TECH INNOVATION IN THE MIDDLE EAST?

The limitless potential of artificial intelligence (AI) beckons startups to venture into automation, data analytics and machine learning applications poised to reshape business operations across industries. These sectors not only offer room for groundbreaking innovations but also align with global imperatives, making them highly attractive for startups striving to make a meaningful impact in the Middle East and beyond. As the wave of AI-driven transformation has already begun on a global scale, it's imperative for the region to embrace and adopt this technology. We eagerly anticipate the emergence of innovative AI solutions originating from the Middle East, which will contribute to the region's technological advancement.

WHAT CAN STARTUP FOUNDERS DO TO BECOME A KEY PLAYER IN THIS FAST-GROWING REGION?

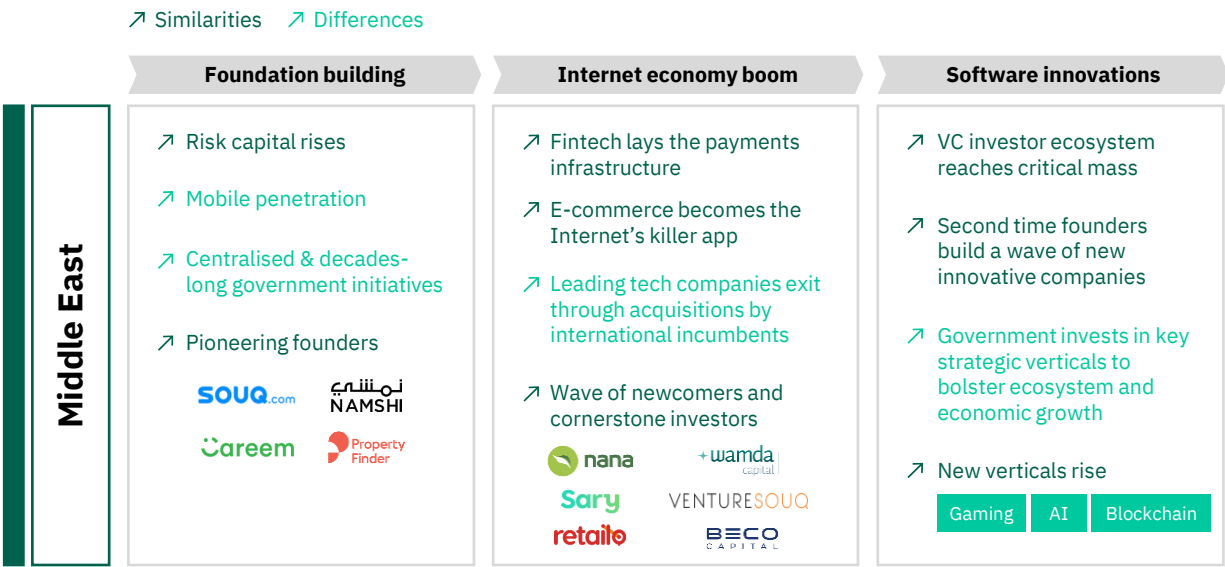
It's imperative for companies to give utmost priority to recruiting the right talent. This entails assembling a team with the requisite skills, dedication and a profound commitment needed to effectively realise the business vision. Simultaneously, fostering a nurturing leadership style within the organisation is crucial. Moreover, dedicating resources to the development of a robust technology infrastructure and a strong technological foundation is indispensable for maintaining competitiveness and adaptability in today's fast-paced market. Founders should also consider being cash efficient, which is a key element that all investors look for in today's challenging fundraising environment. Every dollar spent must yield the right ROI, lead to positive unit economics and help founders grow their business sustainably. Not to mention, the establishment and continuous engagement with organisations capable of providing guidance, mentorship and strategic support can significantly contribute to a startup's success journey.

“Every dollar spent must yield the right ROI, lead to positive unit economics and help founders grow their business sustainably.”

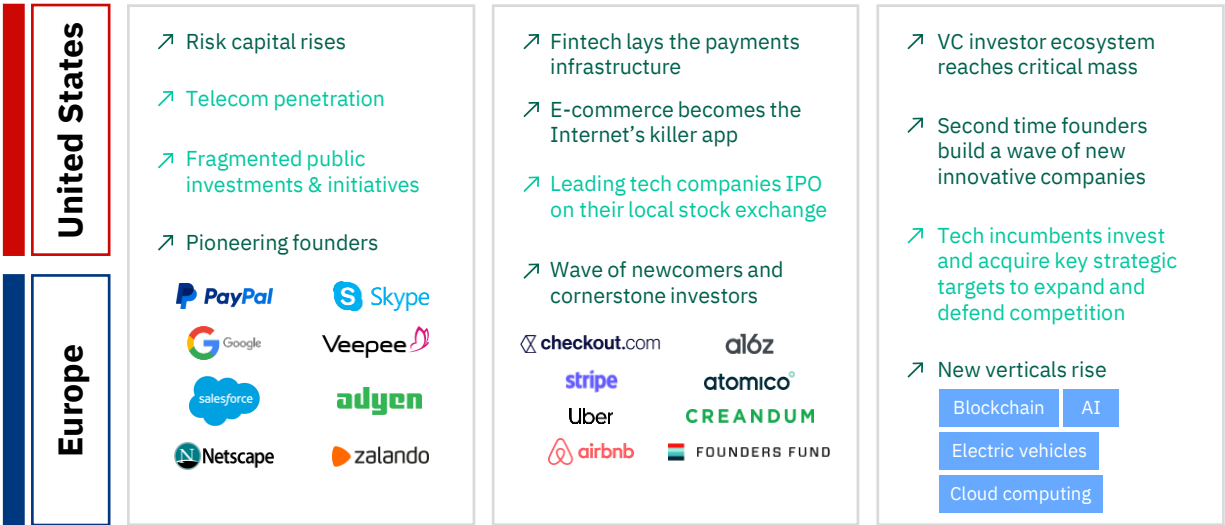
Key building blocks of ecosystems

Similarities with pioneering ecosystems point to an inflection

Tech ecosystems often grow in recognisable stages, much like living organisms. They start with a spark of innovation, grow through adoption, mature and then reinvent



Key building blocks in other ecosystems



Total funding, diversity of funding types, number of exits and number of Unicorns evolve along the way

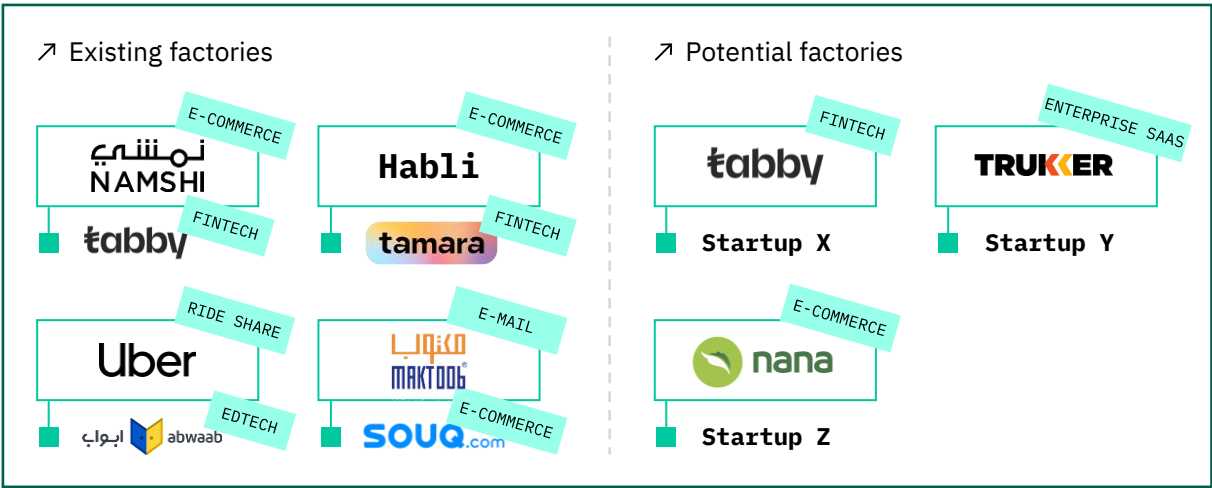
Source: GP Bullhound analysis

Startup factories

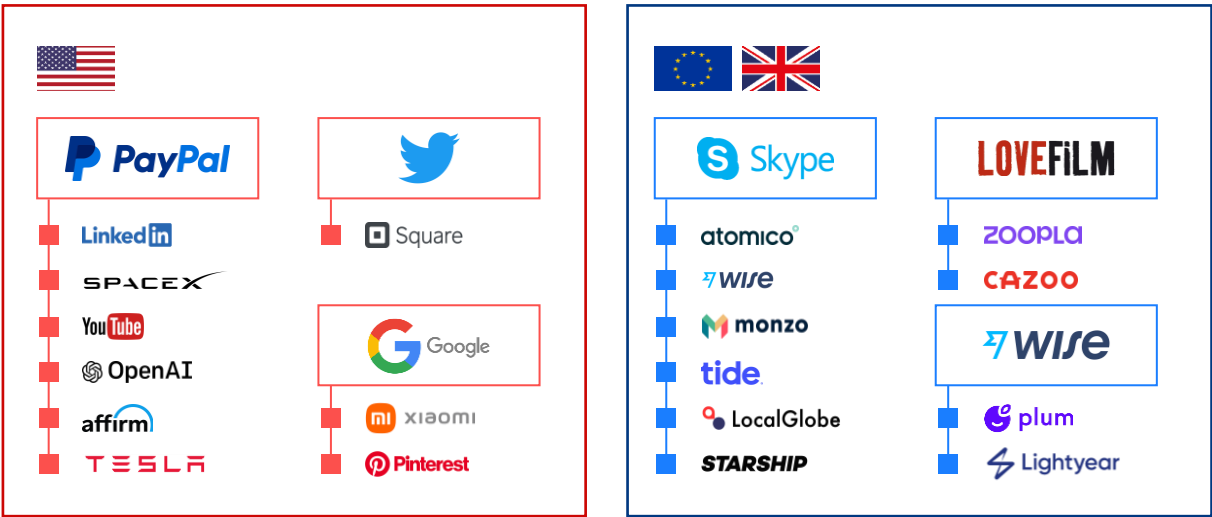
Talent from large tech companies birth the next startup wave

Startup factories are crucial for the Middle East's tech landscape. By amalgamating the expertise of seasoned founders and executives, they drive innovation and mentorship, ensuring the region remains at the forefront of technological evolution

HOME-GROWN FACTORIES



OTHER FACTORIES WITH SIMILAR GROWTH BLUEPRINTS



Source: Pitchbook, LinkedIn, Crunchbase, GP Bullhound analysis

Expert view

Hosam Arab | Co-Founder & CEO

Buy now pay later platform

tabby



TABBY IS A PRIME EXAMPLE OF THE REGION'S 'STARTUP FACTORY' STORY, WHERE AFTER SELLING NAMSHI, YOU ARE RETURNING TO THE ECOSYSTEM WITH ANOTHER INNOVATION. HOW HAS THE ENTREPRENEURIAL AND FUNDING ENVIRONMENT IN THE REGION CHANGED BETWEEN FOUNDING NAMSHI AND FOUNDING TABBY?

The entrepreneurial and funding landscape in the region has evolved considerably between founding Namshi and founding Tabby. Today, there's a notable increase in available funding, largely due to a growing investor appetite and supportive government initiatives. Success stories like Namshi and Careem have inspired entrepreneurs and investors alike, while improved access to expertise and diversification of industries have further enriched the ecosystem. Regional collaboration and global recognition have also played pivotal roles in transforming the Middle East's startup environment into a more vibrant and dynamic hub for innovation and entrepreneurship.

GIVEN THE FINTECH REVALUATION AND SLOWDOWN IN THE US AND EUROPE, DID THE UAE'S ROBUST ECOSYSTEM PROVIDE SOME INSULATION FOR YOU?

At its peak, several Fintech valuations were inflated and perhaps the pendulum has swung too far the other way. We'll see how it plays out, but likely we'll see some of that lost value recovered with a renewed focus on profitability and operational efficiency. At Tabby, we have always focused on scaling sustainably and have been rewarded with growing valuations aligning with our business. We've always kept our business fundamentals strong and operations lean. We've been lucky enough not to have been strongly impacted by macro turbulence.

WITH THE REGIONAL DIFFERENCE VERSUS THE US AND EUROPE, DO YOU SEE A BIG DIFFERENCE IN HOW CONSUMERS SHOP IN THE MIDDLE EAST? AND HOW HAS TABBY'S TECHNOLOGY OR BUSINESS MODEL CATERED TO LOCAL PREFERENCES?

The Middle East is a cash-heavy retail economy and we saw an opportunity to provide meaningful value and convenience to knock cash down from its throne with a significantly better alternative to pay. Access to credit, app-first shopping and cultural views on interest also make this region unique with Tabby leading the way in providing interest-free payments bearing no fees anywhere in our community shops.

With 90% of shopping happening offline, we've been thrilled to see the adoption of Tabby Card, allowing our shoppers to pay in 4 instalments physically with just a tap. We've also introduced Tabby Shop, helping our community make the most out of their money when shopping by letting them discover and track the best products and deals in one place. Our goal is to create financial freedom by reshaping people's relationship with money and we're working on building a new era of financial services towards that mission.

"Today, there's a notable increase in available funding, largely due to a growing investor appetite and supportive government initiatives."

Expert view

Fadi Ghandour | Managing Partner

Early stage venture capital firm

✦wamda



WHAT IS WAMDA'S MISSION?

Wamda Capital sees itself as an ecosystem builder. As the earliest investor in the technology and internet sectors within the Arab region, we've been at the forefront of empowering entrepreneurs across various industries.

We've established mentorship programs, organised community networking events, provided advisory services and engaged in advocacy efforts with governments and major private sector companies. Additionally, we've been early-stage investors in various segments of the internet economy.

WHAT HAVE BEEN THE CHALLENGES ALONG THE WAY AND HOW CAN INVESTORS NAVIGATE THESE CHALLENGES?

The Arab region was relatively new to technology investing and we've been pathfinders in many respects. One of the primary challenges is persuading institutional and private investors to allocate resources to this sector, convincing them of its value as an investable asset class. Moreover, the region faces inherent challenges, such as market fragmentation with distinct legal jurisdictions, each presenting its own set of obstacles. This fragmentation hinders scalability and prevents the regional startups from realising their full market potential.

The Arab region is indeed witnessing the emergence of capital recycling as second and third-time entrepreneurs are re-entering the scene. This trend is supported by new investors, including sovereign wealth funds and high-net-worth family offices, who are increasingly investing in the digital economy. In addition to capital infusion, the most critical contribution that global and regional investors can make to the ecosystem is advocacy with governments. This advocacy can facilitate the harmonisation of various legal jurisdictions, allowing companies to scale and access new markets. Additionally, mentoring and support for founders at various levels are crucial as they navigate the challenges of scaling their businesses, specifically bringing best practices and learnings from the global companies that they have invested in.

WHAT ARE THE MAIN SECTORS/TRENDS IN WHICH YOU SEE GREAT OPPORTUNITIES FOR STARTUPS TO VENTURE INTO?

The Arab region, particularly the Gulf, has witnessed the rise of consumer-oriented tech startups, which initially thrived with the boom in internet and smartphone adoption, both globally and locally. Therefore, sectors like E-commerce, Fintech, Logistics, Digital banking, Entertainment, Gaming, Foodtech and even B2B SaaS have seen companies successfully scale and thrive. I believe that AI and deep tech investments will be the driving forces for future innovation, both globally and within the region. In fact, we are already witnessing signs of this trend taking shape in the region.

“The Arab region is indeed witnessing the emergence of capital recycling as second and third-time entrepreneurs are re-entering the scene.”

Trends in the region

Pockets of opportunity emerge

In the rapidly evolving Middle Eastern tech landscape, Fintech, E-commerce and Gaming stand out as prominent growth drivers. Like other regions, digital technology continuously evolves on top of itself. The foundation was laid by pioneers who built out the region's payment infrastructure to set up the internet economy. Consequently, the wide adoption of E-commerce reached critical mass as digital transactions became the norm. From here, the region is seeing the rise of E-sports and Gaming acting as economic drivers appealing to a robust demographic of young and digital natives

↗ Fintech

The infrastructure layer of the internet economy

↗ E-commerce

One of the first software applications achieving scalability in the B2C space

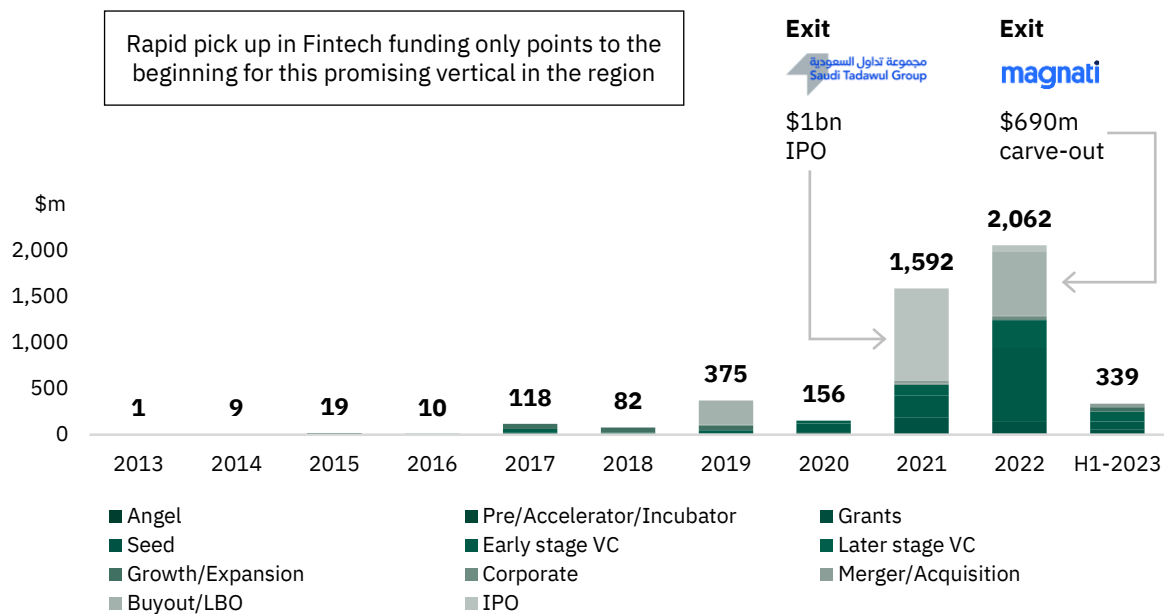
↗ Gaming

A rising sector driven by a young and digitally native demographic

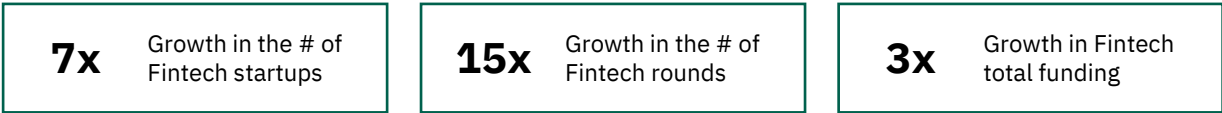
Fintech

Laying the internet economy’s payments infrastructure

In the Middle East, Fintech has been pivotal in shaping the internet economy's payment infrastructure. By modernising transactions and bridging banks, Fintech has boosted the region's digital commerce and expanded online marketplace accessibility dramatically



EXPLOSIVE GROWTH FROM 2013 TO H1-2023



Notable Fintech companies

Notable Fintech investors

Source: Pitchbook, Forbes, GP Bullhound analysis

Expert view

Mark Chahwan | Co-Founder & CEO

Personal finance and investment platform

 sarwa



AS ONE OF THE LEADING RETAIL INVESTMENT AND TRADING PLATFORMS IN THE REGION, WHAT HAVE BEEN THE KEY SUCCESS FACTORS OF SARWA?

Sarwa was born out of a need we saw in our community. We realised quickly that the market lacked proper investment tools that were accessible and affordable to young professionals. I would say Sarwa managed to address a gap that traditional institutions failed to address.

Client-centric: we created a user-friendly interface with our community's pain points in mind. The onboarding is done in minutes, the platform is jargon-free, easy to navigate and with a user-friendly interface that speaks to both novice as well as seasoned investors. Localisation is also key.

Accessible to all: Even though we do strategically focus on a core segment, our brand speaks to all. We provided very low account minimums and low fees in a market that was only catering to high-net-worth individuals.

Trustworthiness: Sarwa is locally regulated and backed by top government funds and stakeholders both regionally and internationally.

Wide range of products and free educational content: Sarwa is building a one-stop shop for all money management needs in one place. Our clients don't need to have their money fragmented across multiple platforms. They can have their passive investment, actively traded stocks, ETFs, or crypto, as well as a cash account with a high yield all in one place. We also have access to a lot of educational content through articles, videos, free workshops, etc.

Most importantly, we continue to listen to our market and innovate by providing new features and products that they need or might not even know they need.

GIVEN THE FINTECH REVALUATION AND SLOWDOWN IN THE US AND EUROPE, DID THE UAE'S ROBUST ECOSYSTEM PROVIDE SOME INSULATION FOR YOU?

The reality is, that no ecosystem is entirely insulated from global economic trends, especially if we are talking about institutional investors and venture capital markets. Downturns in major markets like the US and Europe do impact investment flows here too.

That said, the UAE follows a strong top-down approach with government support and initiatives that can create a buffer such as the creation of free trade zones, sandboxes, government-led accelerators, incubators and direct investments from sovereign wealth funds. All of this is driven by the need to diversify away from oil dependency. That drove the creation of a Fintech and innovation hub in the UAE.

At the same time, the market is ripe for innovation, with many opportunities to answer needs for alternative and better financial solutions, including wealth management, digital banking, remittances, etc. The UAE's ecosystem offers many advantages. At the same time, startups still need to be adaptive and resilient to navigate the changes.

WHAT HAVE BEEN THE MOST SIGNIFICANT CHALLENGES AND MILESTONES IN YOUR JOURNEY SO FAR? WHAT CHANGES/INITIATIVES DID YOU IMPLEMENT TO HELP NAVIGATE THE MACRO TURBULENCE?

When we launched Sarwa 6 years ago, retail investing in the region was reserved for the very few. We have seen exponential adoption of wealth management by young professionals and we are very proud to be part of that story.

Sarwa managed to grow in a nascent market as a robo-advisor and become a full solution for money management today. We went from being a very small team that was wearing so many hats, to becoming a robust company backed by the likes of Mubadala and a leader in our category. Of course, we have had ups and downs. Resilience and agility are part of the journey to success.

Although the UAE has made a lot of improvements to foster an innovative regulatory environment, navigating the different regulatory frameworks between the Emirates onshore regulators and the various free trade zone regulators can be very complex. At the same time, it also creates a segmented market, which adds to the challenge.

That same market has very broad differences in terms of cultural affinity given the unique netting of the population here: a true melting pot. You also face high competition from the incumbents. This can, in the future, create opportunities for strong partnerships and M&As.

For us, it was important to always keep an open dialogue and a collaborative approach with regulators to be able to keep offering different products and solutions to our customers. We also made sure we have a robust go-to-market and growth strategy to understand how to reach the different segments and sub-cultures within the UAE and tailor our products accordingly. We focused on building trust and education, investing in our team and building incredible talent from within.

IN YOUR OPINION, WHAT ARE THE UPCOMING TRENDS IN RETAIL INVESTMENT IN THE MIDDLE EAST AND HOW IS YOUR PLATFORM GEARING UP FOR THEM?

We are seeing a growing interest in investments that are not just profitable but also socially responsible and governed ethically. We offer both Halal investments as well as 'Socially Responsible Investing' to our clients.

Another trend that is happening on a global scale and cascading down to the region is private equity for individual retail investors. Currently, retail investors have a very limited access to the private markets and alternative asset classes.

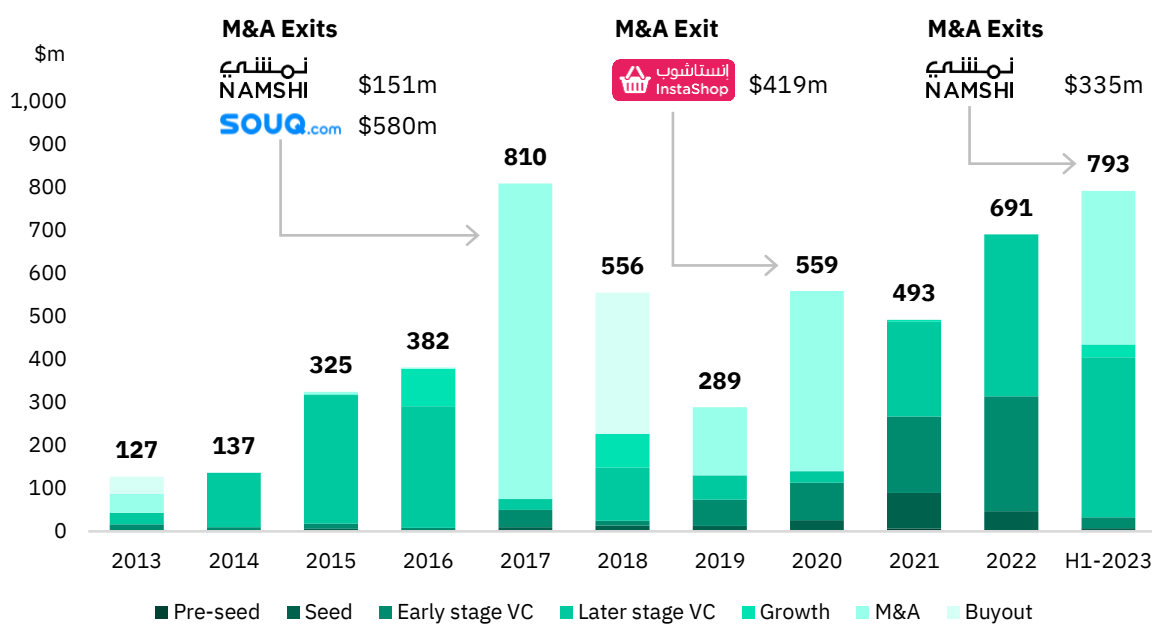
With the growing interest from both retail investors, as well as private equity funds to reach a new segment, we expect that Fintech innovations will drive the growth in this space.

“The market is ripe for innovation, with many opportunities to answer needs for alternative and better financial solutions.”

E-commerce

Serving the consumers of a growing internet economy

E-commerce has transformed the retail landscape. Leveraging digital platforms and Fintech innovations, it has provided consumers with unparalleled access and convenience, driving a significant shift from traditional brick-and-mortar shopping to online marketplaces in the region.



EXPLOSIVE GROWTH FROM 2013 TO H1-2023

5x Growth in the # of E-commerce startups

10x Growth in the # of E-commerce rounds

38x Growth in E-commerce total funding

Notable E-commerce companies

Notable E-commerce investors

Source: Pitchbook, Forbes, GP Bullhound analysis

Expert view

Laurent Xatart | Co-Founder & CEO

E-commerce loyalty platform

Giift



WHAT DID YOU SEE IN THE E-COMMERCE LANDSCAPE THAT INSPIRED YOU TO START GIIFT?

Observing the initial stages of the E-commerce landscape, we were inspired to start Giift because we identified a significant gap in the market. At that time, E-commerce was just beginning to take shape in the region and there were limited means for customers to use points they had accumulated through a loyalty program. The process of redeeming these points was often tedious and not user-friendly.

Recognising this, we saw an opportunity to introduce a solution that would enhance this user experience in a significant way. We aimed to create a marketplace that allowed for seamless point redemption across different categories, enabling users to buy gift cards, products and book trips, thereby addressing the challenges faced by consumers.

This innovation was one of the key accelerators of the loyalty industry in the region. By simplifying and enhancing the point redemption process and consolidating various redemption options into a single platform, we were able to encourage more users to engage with loyalty programs, ultimately driving repeat business and fostering stronger customer relationships.

GIVEN THE E-COMMERCE BOOM OVER THE PAST DECADE IN THE REGION, WHY IS IT IMPORTANT NOW THAT BRANDS BETTER MANAGE CUSTOMER LOYALTY?

Given the E-commerce boom over the past decade in the region, it has become increasingly important for brands to better manage customer loyalty. The surge in E-commerce and the digitisation of data have significantly simplified the implementation of loyalty programs. This accessibility means that these programs can experience viral growth as more people can easily participate.

We see three main reasons explaining the importance of better managing customer loyalty:

One of the key reasons why managing customer loyalty is essential is the access to valuable user data that brands did not have before. This data allows brands to understand customer behavior, preferences and purchasing patterns, enabling them to tailor their marketing strategies and offerings more effectively.

Managing customer loyalty programs effectively also provides leverage on branding. It helps in building brand recognition as customers repeatedly engage with the brand through the loyalty program. This repeated engagement fosters a stronger connection between the customer and the brand, enhancing brand loyalty and encouraging word-of-mouth referrals.

Furthermore, it is vital for brands to manage loyalty programs efficiently to realise returns on their investment. Effective management of loyalty programs allows brands to upsell and cross-sell products or services, thereby increasing the customer lifetime value and driving additional revenue.

In conclusion, with the expansive growth of E-commerce, managing customer loyalty has become imperative for brands to gain valuable insights, enhance brand recognition and effectively increase revenue through upselling and cross-selling.

GIIFT OPERATES ACROSS THE MIDDLE EAST AND EMERGING REGIONS SUCH AS SOUTH EAST ASIA, LATIN AMERICA AND EUROPE, WHAT ARE THE KEY UNIQUE FEATURES OF THE MIDDLE EAST THAT LED TO YOUR SUCCESS THERE?

Firstly, the demographics here tend to include many high-net-worth individuals who are interested in premium rewards and luxury experiences. We've adapted the Giift loyalty marketplace with high-end redemption options. This customisation to align with customers' aspirations has driven great engagement and satisfaction with our loyalty programs in the region.

Also, the Gulf region, especially countries like the UAE, has invested heavily in cultivating innovation and technology in recent years. They have created special economic zones, incentives and legal frameworks aimed at attracting entrepreneurs and emerging companies in fields like Fintech, Digital payments and E-commerce. This environment provided an ideal launchpad for fast-growing companies like Giift to accelerate development.

Moreover, populations in the region are highly receptive to adopting new digital and financial technologies in their day-to-day lives. By leveraging this innovation-focused ecosystem, Giift was able to bring its innovative products to market faster and achieved rapid traction.

Lastly, with the country's heavy focus on cultivating technology and entrepreneurship, the UAE has become globally synonymous with progress and innovation. Having roots in this ecosystem allows Giift to be easily perceived as a forward-thinking, cutting-edge company, even for audiences far beyond the region.

HOW WILL E-COMMERCE CONSUMER LOYALTY IN THE MIDDLE EAST EVOLVE IN YOUR VIEW?

Looking at the evolving landscape of E-commerce consumer loyalty in the Middle East, we see a revolution driven largely by technological advancements and a deep understanding of consumer preferences, a trend substantiated by recent developments in the industry.

At the forefront is the adoption of AI technologies enabling hyper-personalisation at scale. Retailers are leveraging this to offer finely-tuned, individualised shopping experiences, fostering a deeper connection with consumers and enhancing loyalty, a strategy that has been shown to encourage repeat purchases.

Loyalty programs are becoming more sophisticated, offering nuanced rewards that encourage repeat business and create a sense of belonging. This is coupled with a steadfast commitment to exceptional customer service, building a foundation of trust and encouraging consumers to return.

A notable trend is the shift towards conscious consumption, with a growing emphasis on sustainability and ethical practices. Brands aligning with these values find a receptive audience, fostering deeper affinity and loyalty, a movement that is increasingly resonating with consumers in the post-COVID era.

The integration of omnichannel shopping experiences ensures a cohesive and personalised shopping journey across various platforms, enhancing the consumer experience and building loyalty, a strategy that is key to unlocking seamless shopping experiences.

In conclusion, the future of E-commerce consumer loyalty in the region is bright, characterised by hyper-personalised experiences driven by AI, community-building through social commerce, innovative loyalty programs and a focus on sustainability, all grounded in exceptional customer service. Ensuring cybersecurity and privacy remains a fundamental aspect, promising a safe and secure shopping environment.

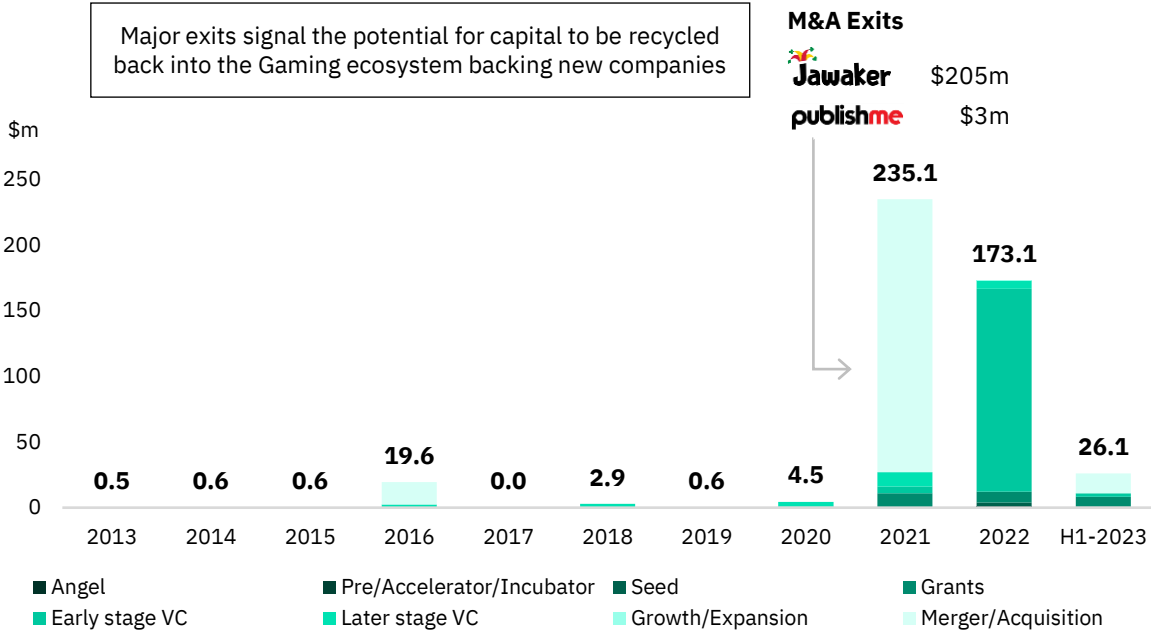


"Given the E-commerce boom over the past decade in the region, it has become increasingly important for brands to better manage customer loyalty."

Gaming & E-sports

Unlocking economic growth with virtual worlds

The Gaming sector has surged in popularity and influence. Tapping into a young and tech-savvy population, it has reshaped entertainment dynamics, positioning the region as a growing hub for game development, enjoyment and communities



EXPLOSIVE GROWTH FROM 2013 TO H1-2023

5x Growth in the # of Gaming startups

11x Growth in the # of Gaming rounds

177x Growth in Gaming total funding

Notable Gaming companies¹

Jawaker

BABIL GAMES

publishme

sandsoft

UAVU

Falafel

MAD HOOK

tamatem

Notable Gaming investors

ORIS1500

RAED


+wamda

Source: Pitchbook, Statista, CNBC, GP Bullhound analysis
Note: (1) Notable Gaming companies include those that have exited

Government initiatives


What public authorities can learn from a regional leader

A thriving tech ecosystem requires a balanced mix of investments, effective public management, smart regulation and robust protection. This holistic approach is essential, ensuring sustainable growth and resilience in the region










CASE STUDY
UAE


Holistic initiatives as a catalyst for tech boom





Tech boom as a driver of holistic regional development

Public investments	Education	Energy & Infra	Tourism
Abu Dhabi Economic Vision 2030	 استراتيجية الإمارات للذكاء الاصطناعي UAE Artificial Intelligence Strategy	UAE Energy Strategy 2050	
Dubai Industrial Strategy 2030	 البرنامج الوطني للمبرمجين NATIONAL PROGRAM FOR CODERS	 دبي 2040 DUBAI	 TOURISM سياحة 355
'We the UAE 2031' vision	 مبادرة مليون مبرمج عربي 1 MILLION ARAB CODERS INITIATIVE	Mohammed bin Rashid Al Maktoum Solar Park	UAE Tourism Strategy 2031
NextGen FDI	UAE NATIONAL INNOVATION STRATEGY	Plan Abu Dhabi 2030	Saadiyat Island









KEY ECOSYSTEM BUILDERS


وزارة الاقتصاد
MINISTRY OF ECONOMY


المعرفة
Knowledge


وزارة الطاقة والبنية التحتية
MINISTRY OF ENERGY & INFRASTRUCTURE


الاقتصاد والسياحة
Economy and Tourism


ADIA
جهاز أبوظبي للاستثمار
Abu Dhabi Investment Authority


مؤسسة محمد بن راشد آل مكتوم للمعرفة
MOHAMMED BIN RASHID AL MAKTOUM
KNOWLEDGE FOUNDATION


وزارة المالية
MINISTRY OF FINANCE


ADNEC
مجموعة أدنيك
GROUP

Source: UAE Ministry of Cabinet Affairs, UAE Ministry of Energy & Infrastructure, UAE Ministry of Economy, Arabian Business, Abu Dhabi Investment Authority

Government initiatives

Parallel learning with other regions

KEY SUCCESS FACTORS OF THE MIDDLE EAST

↗ Holistic investment approach

Holistic public investment is vital for nurturing a thriving tech ecosystem through education, upskilling, healthcare and infrastructure policies

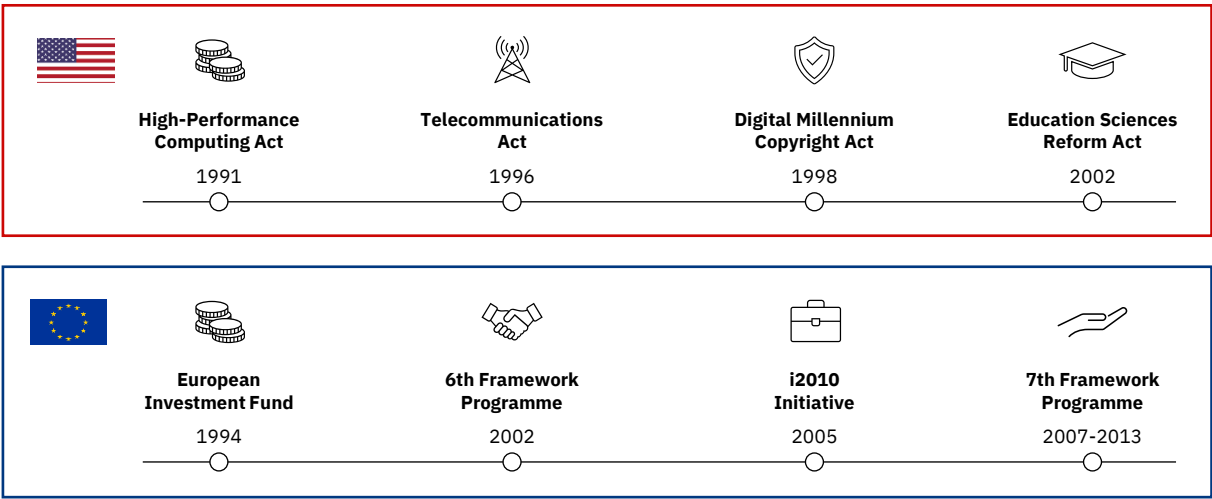
↗ Leadership and ownership

Visionary leadership sets aspirational goals, while ownership ensures implementation is executed with results, accountability and mission fulfilment

↗ Fostered entrepreneurial culture

Cultivating a culture of risk-taking and entrepreneurialism is essential for sparking innovation, attracting talent and fueling economic dynamism

OTHER ECOSYSTEMS SHARE THE SAME HOLISTIC APPROACH



Expert view

Rashid Al Ghurair | Founder & CEO

Fuel mobility and delivery service

CAFU



WHAT INSPIRED YOU TO FOUND CAFU?

It was upon my return to the UAE from the United States, upon the completion of my bachelor's degree, that I realised that the traditional petrol station model, like many of the services that car owners rely on, needed a fresh perspective; despite the advancements in the mobility landscape, how we fill/charge/service our car has not changed much over the past century.

That realisation inspired me to start CAFU in 2018. At CAFU, our goal is to drive innovation by reinventing our mobility infrastructure for the modern world, enabling us to simplify our customers' lives. CAFU gives its customers (both individuals and fleets) back their most valuable commodity - time.

HOW HAS TECHNOLOGY BEEN INSTRUMENTAL IN SHAPING CAFU'S BUSINESS MODEL?

Our success hinges on our ability to innovate and maintain a growth mindset. At CAFU, we believe in harnessing the power of technology to find a better way to do things, while ensuring our practices remain effective and sustainable.

Our groundbreaking, connected and smart mobile services allow car owners to cater to their vehicles' needs with a simple tap of a button. We have also leveraged the use of our own AI routing algorithms to optimise the routes, truck capacity and our customers' chosen time slots, to help us maximise our operations by ensuring they remain efficient and cost-effective.

WITH THE RISE IN POPULARITY OF EVS IN THE REGION, HOW HAVE CAFU'S BUSINESS MODEL AND TECH STACK ADAPTED TO THIS MEGATREND?

Since our inception, we have launched numerous services for car owners beyond energy provision, such as car wash, car servicing, roadside assistance – and like everything we do, the experience is on-demand, tech-enabled and delivered at the location of our customers' choice.

Looking at the future of mobility, we saw another area where we thought our CAFU model could significantly impact: accelerating the transition to zero-emission vehicles. We realised that our mobile infrastructure was the key to help accelerate the ZEV transition.

This led us to expand into the EV mobile charging business, launched this year in Canada. To cater to the increasing demand for electric vehicles, CAFU's recently launched mobile EV charging service enables anyone to switch to an EV without worrying about a charger or range anxiety.

I am incredibly proud of this milestone as it demonstrates our ability to adapt, innovate and extend our services beyond the traditional boundaries, while remaining true to our core values of sustainability and innovation.

THE UAE IS KNOWN FOR ITS WILLINGNESS TO ADOPT NEW TECHNOLOGIES AND INNOVATIONS. HOW HAS THIS CULTURAL OPENNESS IMPACTED CAFU'S SUCCESS?

As the Founder and CEO of CAFU, I have personally witnessed how Dubai's commitment to fostering entrepreneurship and embracing disruptive ideas has propelled our growth. The government's unwavering support and the availability of various incubation and accelerator programs have created a conducive environment for startups like ours to thrive.

Dubai's collaborative spirit, diverse talent pool and supportive business environment serve as catalysts for turning bold ideas into reality. Dubai's drive towards sustainable practices and adoption of advanced technologies inspires us to continuously push the boundaries of innovation.

I can say with absolute certainty that being based in Dubai has been instrumental in our success. The city's innovative ecosystem, supportive government, progressive regulations and convenient market have all contributed to our growth and market adoption. We are proud to call Dubai home and remain committed to further enhancing our services to meet the ever-evolving needs of this dynamic city.


WHAT, IN YOUR VIEW, ARE THE FACTORS OF THE UAE THAT HAVE ALLOWED CAFU TO THRIVE WHERE SIMILAR CONCEPTS IN OTHER COUNTRIES MIGHT NOT HAVE?

As a globally leading energy delivery and on-demand vehicle services platform, we are committed to driving innovation, championing convenience and giving back our customers the most valuable resource—time and our mission goes beyond providing convenience for tasks like refuelling and car services.

If I had to sum it up in one thought, I would say that Dubai inspired us to build CAFU in the same spirit as Dubai was built: Dubai's leaders saw a desert and imagined a cosmopolitan, ultra-modern and resident-centric global metropole. This inspired me to see a gap in the global automotive infrastructure and gave all of us at CAFU the inspiration to dream of a better world and the courage to go out there and build it.

Some areas where Dubai's ethos has inspired us include:

- Technological innovation
- Smart city initiatives that focus on enhanced customer experience and sustainability
- Entrepreneurship and innovation ecosystem



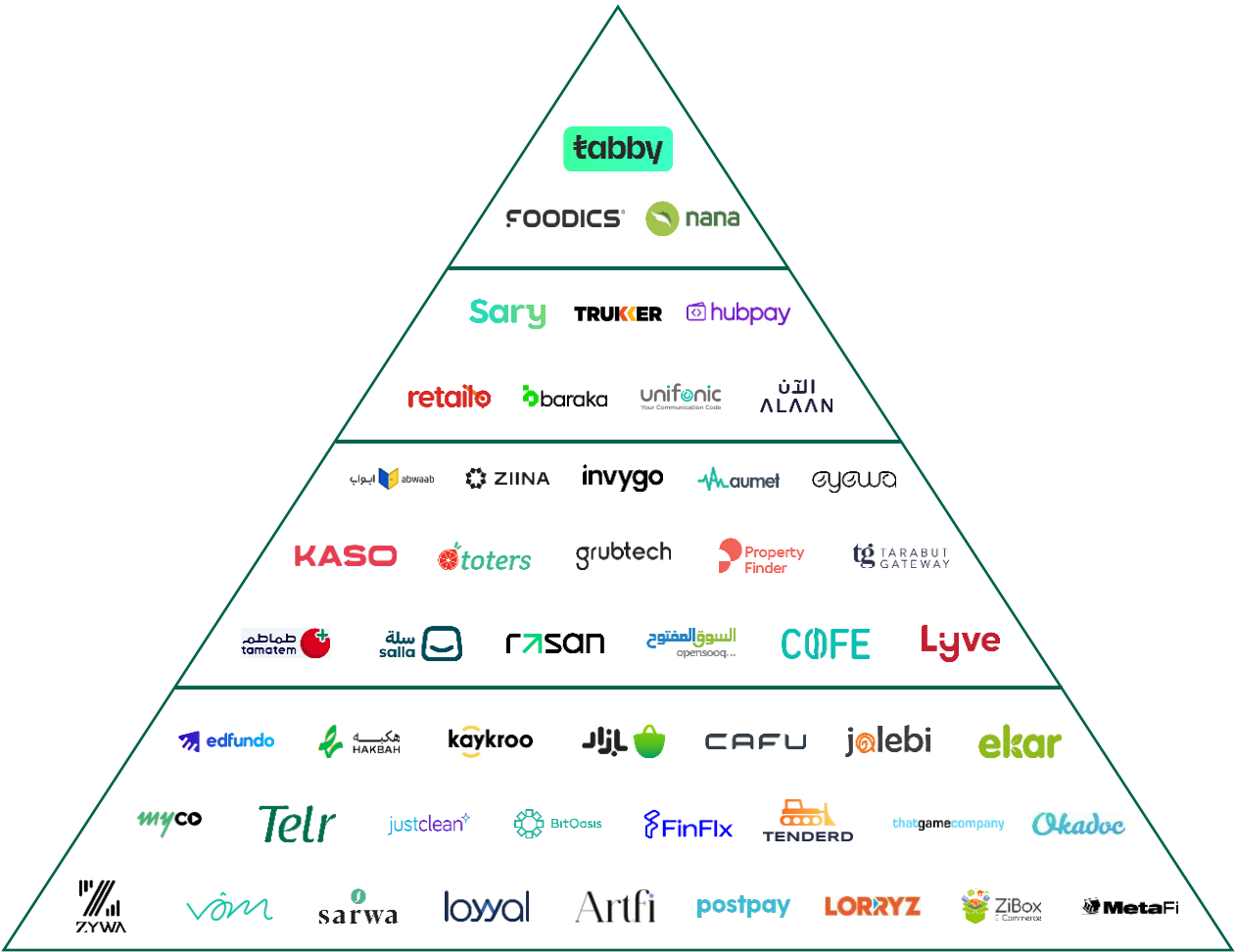
"If I had to sum it up in one thought, I would say that Dubai inspired us to build CAFU in the same spirit as Dubai was built: Dubai's leaders saw a desert and imagined a cosmopolitan, ultra-modern and resident-centric global metropole."

Unicorn Contenders

The Middle East’s most promising tech pioneers

As the digital landscape of the Middle East continues to evolve, certain trailblazers have risen to the forefront, setting benchmarks in innovation, scalability and growth velocity. This report unveils the region's most promising tech companies that are likely to achieve Unicorn status over the next 3 years, spotlighting those that have not only achieved impressive scale but have also demonstrated an unparalleled momentum in their expansion

TOP MIDDLE EASTERN UNICORN CONTENDERS



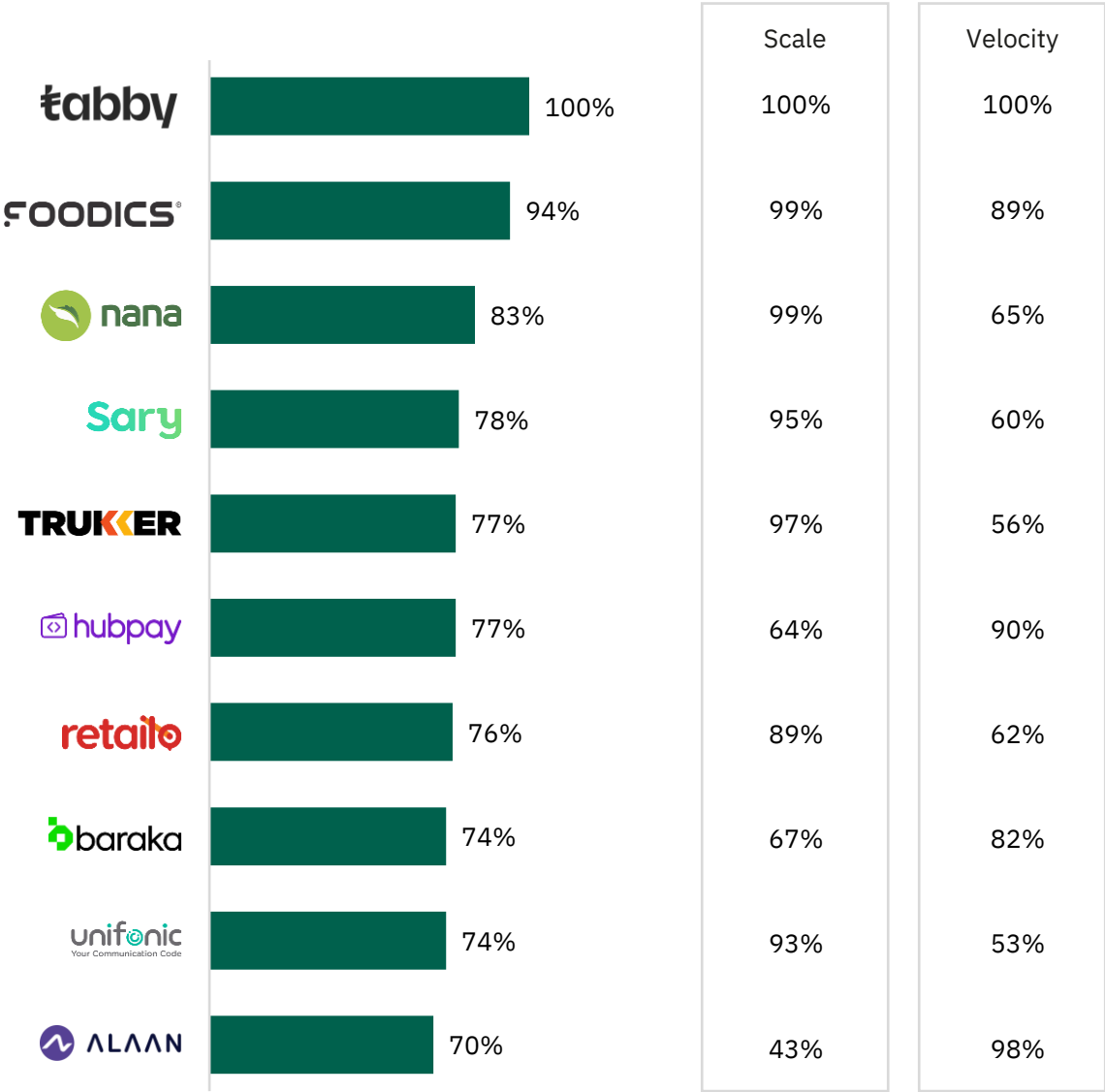
Source: GP Bullhound analysis

The next Middle Eastern Unicorns

Top 10 Contenders show promising growth prospects for the region

Notable Contenders span across key sectors such as Fintech, E-commerce and Logistics, with names like Tabby, Trukker and Retailo leading the charge. These companies underscore the region's rising prominence and competitiveness in the global tech arena

TOP 10 CONTENDERS



Source: GP Bullhound analysis

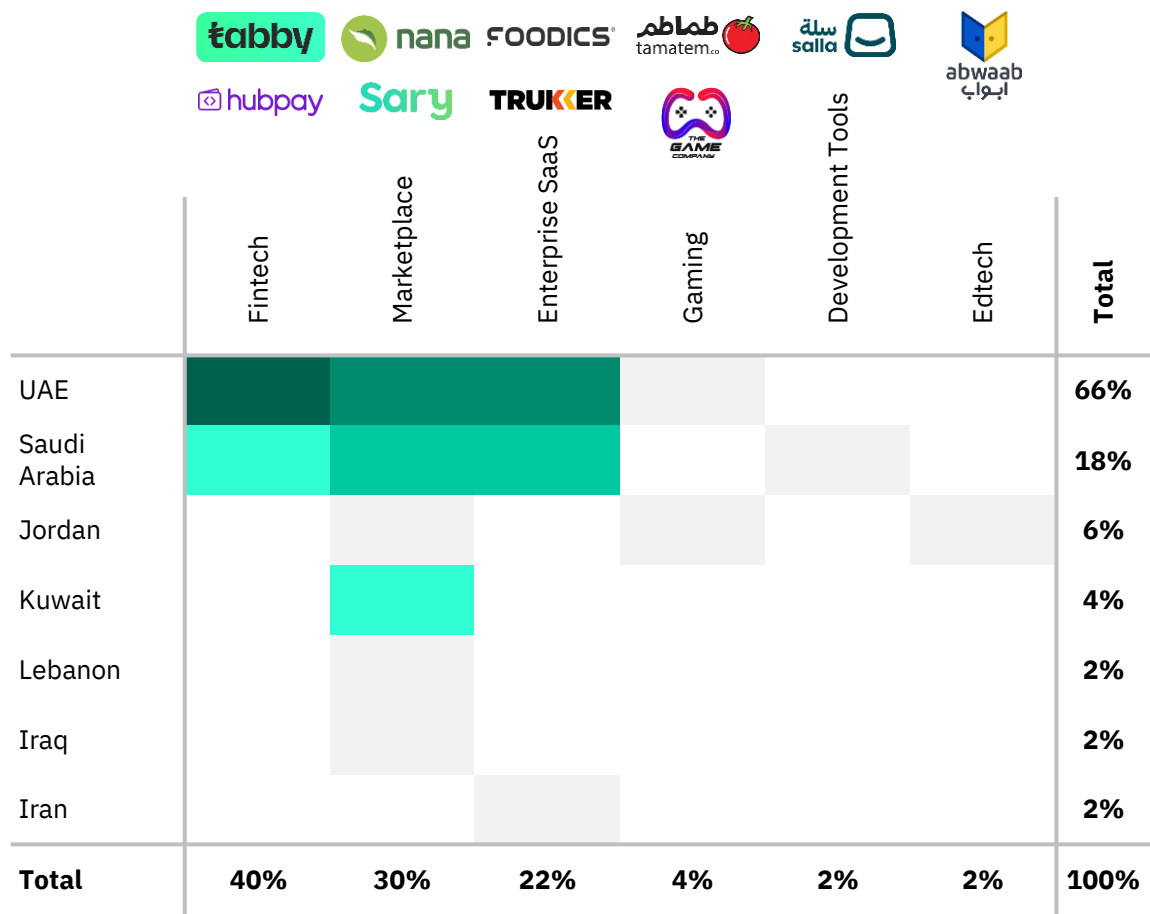
Top Contenders

By geography and sector

The United Arab Emirates stands at the forefront of the Middle East's technological ecosystem with noteworthy Contenders spearheading sectors such as Fintech, Marketplace and Enterprise SaaS. Following closely, Saudi Arabia showcases its robust lineup of Marketplace and Enterprise SaaS companies

Fintech and Marketplace sectors continue to dominate as the primary springboards from which rapidly growing startups in the Middle East emerge. As the region undergoes its next wave of innovation, there is a palpable shift towards the Enterprise SaaS sector. This rise of Enterprise SaaS in the Middle East underscores the region’s rising opportunity for entrepreneurs to continue to innovate

CONTENDERS’ HEATMAP BY SECTOR AND GEOGRAPHY



Source: GP Bullhound analysis

Expert view

Dany Farha | Co-Founder & CEO

Early-stage venture capital firm

BECO
CAPITAL



WHAT IS BECO CAPITAL'S MISSION?

Our mission, since our inception in 2012, remains steadfast: to propel progress and innovation in the MENA region by championing exceptional tech founders. As entrepreneurs ourselves, we strive to be more than just a financial resource; we aim to be a holistic support system for all founders, whether we invest in them or not. The beauty of our mission is that it's ever-expanding, as the region progresses, the opportunities expand. Over the past 3 vintages, we've seen innovation spread across more and more sectors and we've seen the calibre of founders significantly increase, particularly and now as we start to deploy our 4th fund.

WHAT HAVE BEEN THE KEY SUCCESS FACTORS THAT LED TO THE MIDDLE EAST'S FAST GROWING TECH ECOSYSTEM?

The rapid growth of the Middle East's tech ecosystem can be attributed to 3 key drivers:

1. Digital Infrastructure: The region, especially the UAE, has made remarkable progress in digital infrastructure development. The Dubai government was the first government in the world to go 100% paperless and in 2021, was in the top 10 in the global ranking of most cashless economies. Saudi Arabia's National Transformation program is a crucial step in its 2030 goal to diversify 50% of its GDP away from oil, mirroring digitisation efforts seen in countries like India. The collaborative efforts of various governmental technology arms in Saudi, focusing on areas like legal digital identity and local payments, have been nothing short of phenomenal and are structural changes that are creating once in a lifetime opportunities.

2. Progressive Regulation: The progressive regulatory bodies, including the Virtual Assets Regulatory Authority (VARA), the Abu Dhabi Stock Exchange, Tadawul and the Saudi Arabia Monetary Authority (SAMA), have been pivotal. Their forward-thinking approach, balancing prudence with progress has enabled tech companies' public listings in the region. The region achieved a record year for IPOs last year, with a recent surge of tech companies listing and being oversubscribed in Abu Dhabi and Saudi. In the first half of this year, ADX had a USD 3.7 billion pipeline, which is about 75% of the total capital raised in IPOs in the GCC and Tadawul is targeting 24 listings by the end of this year. This momentum indicates the region's growing commitment to fostering a vibrant tech ecosystem and is creating the perfect moment for global institutional investors to participate in these transformational category leaders.

3. Capital: Saudi Arabia stands out for its strategic investment approach, channelling funds through government institutions into local VCs and drawing foreign direct investment (FDI). Their comprehensive approach spans the entire value chain, from accelerators and incubators to early-stage and growth-stage VCs as well as pre-IPO tech investors. Additionally, their large sovereign wealth funds play a pivotal role in pre-IPO investments. While Dubai has been an FDI magnet, there's a need for more domestic direct investment (DDI) in tech. Regardless of the size of the sovereign wealth funds, diversifying investment sources is crucial for the ecosystem's sustainable growth.

Compounding these factors, the region has inherent advantages that further its growth trajectory: a young, tech-savvy population that's grown by over 52% since 2010. It is one of the fastest growing regions in the world. With 55% of its population under 30 and a 98% internet penetration rate, the potential is immense. Egypt, with 240k annual STEM graduates (40% of all graduates) and a multilingual population, serves as a vital tech resource for the region. And the unique economics of the GCC, having the revenue base of a developed market and a cost base of an emerging market, allow companies to attain profitability much faster.

WHAT ARE THE MAIN TRENDS WHERE YOU'RE SEEING OPPORTUNITIES FOR STARTUPS?

In terms of trends, embedded finance, vertical B2B SaaS and AI stand out; they permeate multiple sectors, driving innovation and enhancing functionalities across the board. The momentum behind these trends, especially the first two, is significantly influenced by software innovations and Saudi Arabia's expansive digital infrastructure development. The government's efforts to create multiple low-cost payment facilities have reduced reliance on traditional banking systems. Additionally, the integration of APIs by almost all ministries, combined with the requirement to host data locally, offers a tremendous opportunity for local entrepreneurs. This is huge for the regional ecosystem as it acts as a barrier to entry for external entities and requires hyper-local execution across the board.

On a sector level, healthcare remains a vast area of potential, given the existing digital infrastructure and tech-savviness of the population in the region, digital health solutions can gain traction more quickly than more developed markets with decades of analogue processes and behaviours to unwind. Logistics and E-commerce enablement, while distinct, have a considerable overlap. Logistics is becoming an integral part of E-commerce enablement and software solutions in this space are bridging existing gaps.

WHAT DO YOU THINK INVESTORS CAN DO TO NURTURE THE MIDDLE EAST'S TECH ECOSYSTEM OTHER THAN PROVIDING CAPITAL?

There are other ways to nurture the ecosystem, but I want to emphasise that providing capital thoughtfully is essential. Investing through organised entities, such as funds or organised angel groups, ensures we fund opportunities that will really propel our region into the future. Engaging with established institutions, whether accelerators or angel groups, is crucial. Secondly, investors should also become customers where feasible. Adopting a "startups-first" purchasing approach and prioritising startups over established entities not only helps their growth but also establishes a valuable feedback loop for both the investor and the founder. Lastly, patience and continued support through market cycles are crucial. Investing in this ecosystem should be seen as a long-term strategic commitment; it's not a straight line path to success. As we are still in many ways a budding ecosystem, diverting investments away from local ventures hampers our region's progress.

IS THE MIDDLE EAST SEEING AN EFFICIENT RECYCLING OF CAPITAL INTO THE TECH ECOSYSTEM FROM EXITED FOUNDERS AND INVESTORS? HAVE YOU SEEN THAT BEING AN IMPORTANT POINT OF ECOSYSTEM GROWTH?

Absolutely, it's extremely important for those that have seen success in the region to not only offer their capital but their advice and mentorship. Many tech founders, including myself, reinvest in the ecosystem. Fadi Ghandour was among the pioneers, becoming a super angel investor after his success with Aramex. Notably, he made significant investments in Maktoob & Souq and later founded Wamda Capital. Fadi and Wamda set a commendable precedent. Mudassir Sheikha, Magnus Olsen and others from the Careem mafia are notably active, generously offering both their capital and expertise, especially to ventures driven by Careem alumni. This cycle of reinvesting capital, combined with guidance, is vital for our ecosystem's continuous growth. There is a growing batch of these successful co-founders emerging, many of them already recycling capital and that flywheel is only growing.

Institutions have also demonstrated their commitment. We're fortunate to have incredibly supportive and strategic institutional LPs that align with our vision, having re-upped by 66% in our last vintage. This trend transcends mere financial contributions; it's about cultivating a culture of reinvestment and mentorship that will shape our region's tech future. It is a long term asset class that requires participants to play the long game.



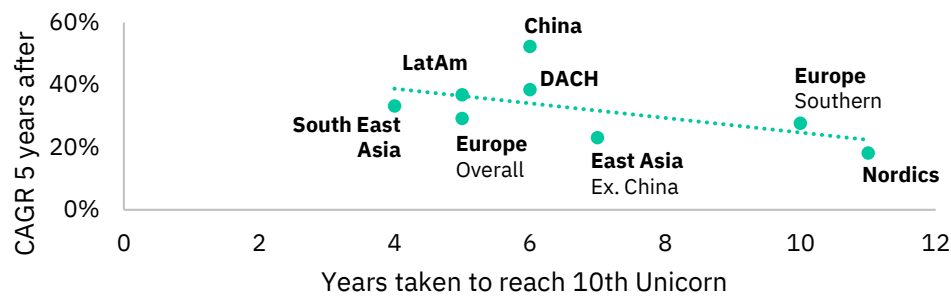
"The three key drivers for the ecosystem's rapid growth:
1. Digital infrastructure
2. Progressive regulation
3. Capital"

40 by '30

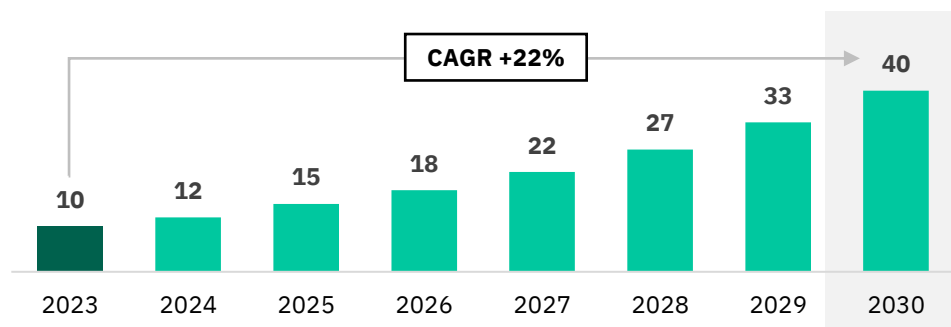
Unicorn growth in the Middle East

By simply correlating the years taken for regions around the world (excluding the US) to go from their first Unicorn to their tenth with the CAGR in Unicorn growth the five years following, we think it is reasonable to believe, with the unique strengths highlighted, that the Middle East will be home to 40 Unicorns by 2030

UNICORN REGIONAL CORRELATIONS

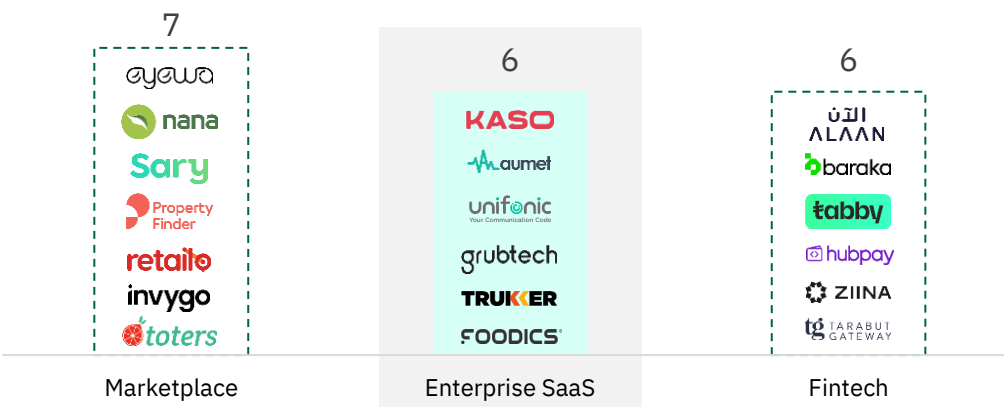


EXTRAPOLATED MIDDLE EASTERN UNICORNS



EMERGING SECTORS WILL START PLAYING A BIGGER ROLE

Top 20 Unicorn Contenders breakdown



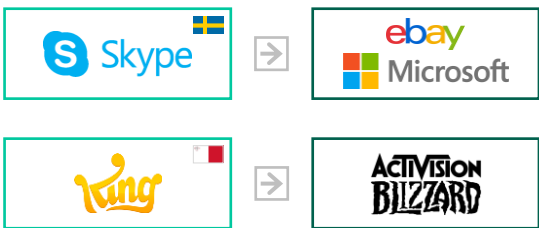
Source: GP Bullhound analysis

The road ahead

Challenges that create unique opportunities

M&A EXITS DUE TO GROWTH CEILING

Some European companies that have outgrown the availability of local growth capital and opted for strategic exits



US IPOs FROM EUROPEAN COUNTRIES

Some European companies that have gone public in the US for further funding as local growth capital was not sufficient



NEXT STAGE OF GROWTH CAPITAL IN THE REGION

The Middle East is experiencing an innovation renaissance

When founders struggle to secure the necessary investor expertise to cultivate their ventures at home, they are more likely to turn to capital pools where investors are also active ecosystem builders

The Middle East is teeming with remarkable talent. To amplify its already impressive growth, it is much more efficient for local growth capital providers to combine and provide both funding and ecosystem-building expertise to their founders

BEYOND FUNDING, VALUE-ADD FROM GROWTH CAPITAL PROVIDERS HELPS ECOSYSTEMS EVOLVE

Strategic	➤ Bolt-on acquisitions	➤ Shareholder liquidity
	➤ Exit strategy advisory	➤ Debt advisory
Operational	➤ Product development	➤ Branding and pricing
	➤ Executive hiring	➤ Go-to-market assistance
Research & Events	➤ Market research	➤ Award programmes
	➤ Pre-IPO research	➤ Founder interviews

Source: TechCrunch, Activision Blizzard, Unity, Spotify, GP Bullhound analysis

Methodology

We have crunched the data on Middle Eastern billion-dollar technology companies, analysing what it takes to create outstanding success.

OUR METHODOLOGY AND SOURCES

WE HAVE INCLUDED:

- Tech companies only, with a bias towards Internet/Software (Cleantech and Biotech excluded)
- Companies falling into the following macro-sectors: E-commerce (e.g. sale of goods or services), Audience (e.g. monetisation through ads and lead gen), Software (e.g. license of software), Gaming (including gambling), Fintech, Marketplaces and Augmented Reality/Virtual Reality (AR/VR)
- Headquartered in the Middle East, excluding Israel
- For Unicorns, we include companies with an equity valuation of \$1bn+ in the public or private markets (including acquired companies) at any point in time

CAVEAT:

Our sources only include public data (e.g. data platforms such as Capital IQ, Pitchbook, press articles, etc.) and the accuracy of our dataset is limited to the disclosed data.

About GP Bullhound

GP Bullhound is a leading technology advisory and investment firm, providing transaction advice and capital to the world's entrepreneurs and founders. Founded in 1999 in London and Menlo Park, the firm today has 14 offices spanning Europe, the US and Asia. For more information, please visit www.gpbullhound.com.



UNITED KINGDOM

01. London
05. Manchester

AMERICAS

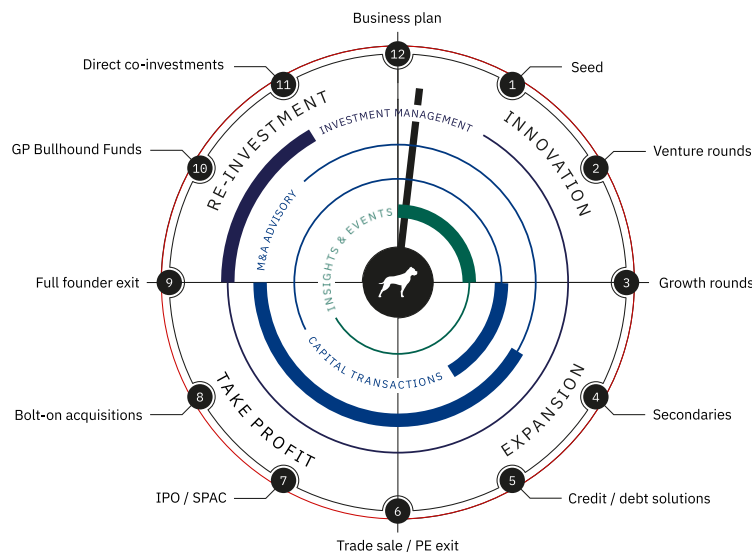
02. San Francisco
08. New York

EUROPE

03. Stockholm
04. Berlin
06. Paris
07. Madrid
09. Marbella
10. Luxembourg
11. Zurich
12. Malaga
13. Munich
14. Frankfurt

<div>YEAR FOUNDED</div> <div>1999</div>	<div>PROFESSIONALS</div> <div>150+</div>	<div>OFFICE LOCATIONS</div> <div>14</div>
<div>SUCCESSFUL TRANSACTIONS</div> <div>640+</div>	<div>TRANSACTION VALUE ADVISED ON</div> <div>\$39bn+</div>	<div>AUM ACROSS GP BULLHOUND MANAGED FUNDS</div> <div>\$800m</div>

GP Bullhound partners with entrepreneurs throughout their founding journey, supporting them with advisory, capital, insights and access to our global network.



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