



Tech - Startup Investments Round Up

**Tracking the funding space in
MENA Region and Turkey**

Q2 2021

KPMG in Qatar

August 2021

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Introduction

KPMG in Qatar welcomes you to the second edition of **Tech – Startup Investments Round Up**, where we bring you the quarterly highlights from the Technology and Startup funding space in the MENA Region and Turkey.

Given the events of the past year, it would not have been surprising to see negative sentiment around startup performance and a drop in investor and founder confidence. However, this has not been the case. Gaining momentum from the first quarter, the second quarter of 2021 witnessed record level funding in the region, continuing the trend that was observed during the pre-pandemic period.

Further, in this edition of the report, we dive into the growing technology and startup ecosystem in Qatar. Interestingly, Qatar is experiencing an accelerated growth in its tech-startup industry. The startup funding in Qatar has taken a significant stride of approximately 182 percent during H1 2021, closing the first half with 10 deals and a total funding amount of \$31 million.

This document also throws some light on valuation methods for startups as these cannot be valued in the same way as a traditional business. In this document, we have critically evaluated different methods of calculating a startup's valuation and summarized the conceivable process and approaches. Indeed, calculating the true value of a startup is a challenging exercise and several factors need to be taken into consideration.

We believe that the compiled information would be a valuable and informative read. We welcome your feedback and the opportunity to discuss the contents of this edition, along with any other enquiries you may have about the industry, the market and our advisory and valuation services.

Yours faithfully,



Nizar Hneini

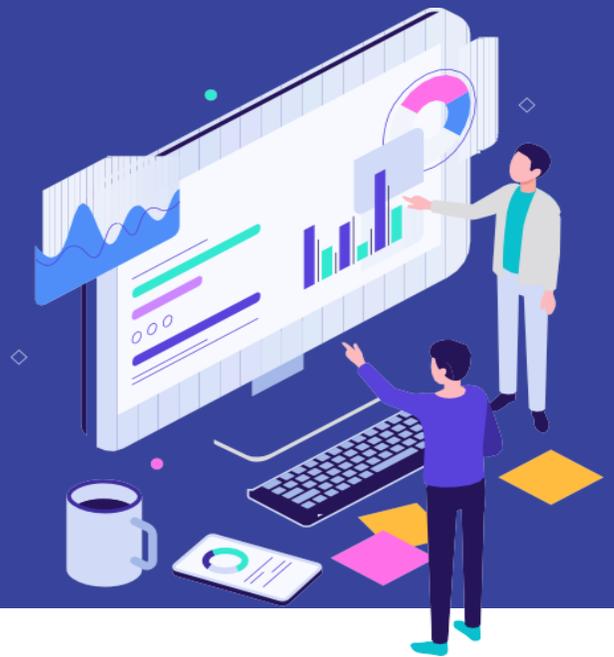
Partner, Advisory
Head of Digital and innovation

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Overview of Tech - Startup Investments in MENA and Turkey

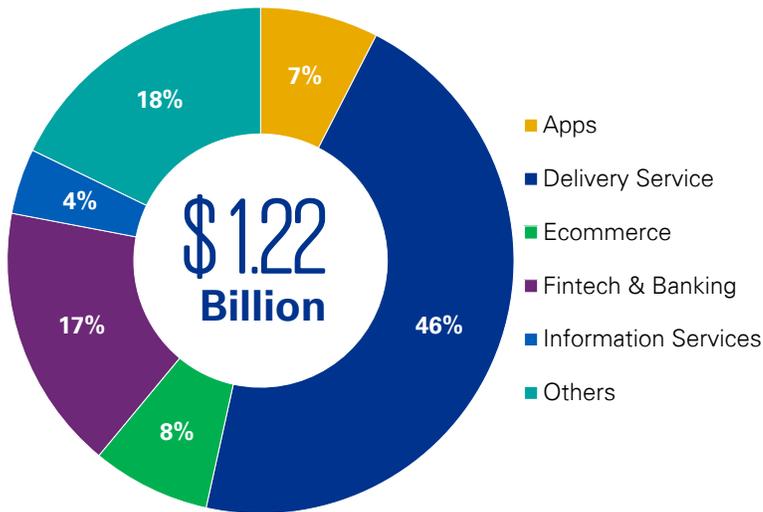


Tech - Startup Investments in the region



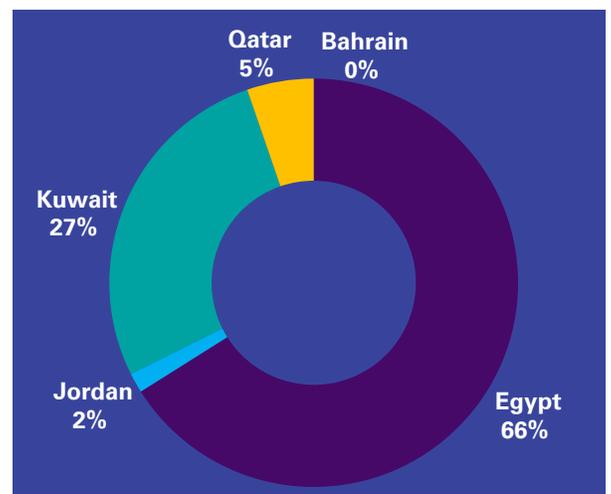
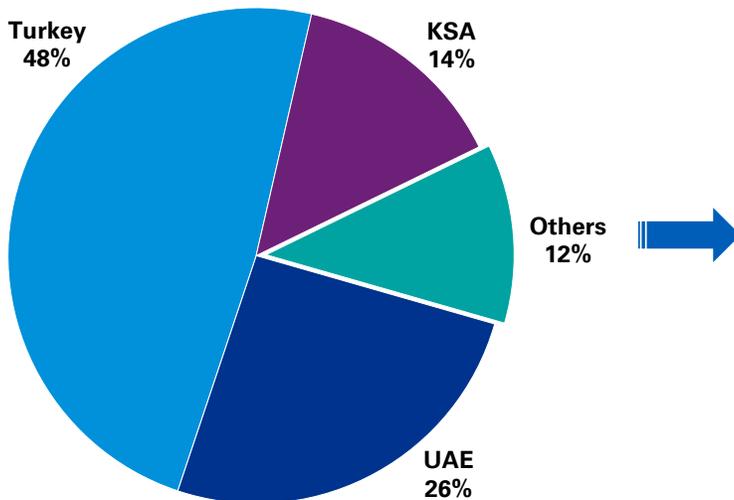
Funding Snapshot

Sector wise distribution of funding raised in the region during Q2 2021



Sector	Funding raised in USD million (Q2)	Funding raised in USD million (Q1)
Delivery Service	560.4	428.4
FinTech & Banking	207.3	55.0
Ecommerce	92.3	18.6
Apps	92.1	5.8
Information Services	51.0	34.8
Others	217.6	44.9
Total	1,220.8	637.4

Country wise distribution of funding raised in the region during Q2 2021



Source: Crunchbase, KPMG Research

1 Region refers to MENA and Turkey

MENA region consists of GCC countries such as Qatar, Saudi Arabia, United Arab Emirates, Kuwait, Oman and Bahrain along with Egypt and Jordan.

Funding refers to deal announcements in technology – start up space in the defined region, and excludes any investment participation by SWFs/PE's and non-startups.

Top startup investments in the region ¹

#	Start Up	Sector	Country	Amount and Funding Stage	Investors
1	Getir	Delivery services	Turkey	\$555 million, Series D	Base Partners, DisruptAD, Mubadala, Sequoia Capital, Silver Lake, Tiger Global Management, Winter Capital Partners
2	Tamara	Fintech	KSA	\$110M, Series A	Checkout.com
3	Tabby	Fintech	UAE	\$50 million, Undisclosed round	Partners for Growth (U.S.)
4	Trella	Logistics	Egypt	\$42 million, Undisclosed round	Maersk Growth and Raed Ventures, from Algebra Ventures, Vision Ventures, Next Billion Ventures, et al
5	Sary	Ecommerce	KSA	\$30.5 million, Series B	VentureSouq (VSQ), from STV, Raed Ventures et al
6	Floward	Delivery services	Kuwait	\$27.5 million, Series B	STV, from Impact46
7	Eyewa	Ecommerce	UAE	\$21 million, Series B	Kingsway and Nuwa Capital, from French Partners, Endeavor Catalyst, Derayah, et al
8	Opontia	Ecommerce	UAE	\$20 million, Seed	Global Founders Capital, Presight Capital, Raed Ventures, Kingsway Capital and angels
9	Paymob	Fintech	Egypt	\$15 million, Series A	Global Ventures, with participation from A15 and FMO.
10	Snoonu	Ecommerce	Qatar	\$5 million, Series A	Qatar Development Bank (QDB) with participation from multiple investors.

“As the region remains on its path to digitally transform, the startup ecosystem continues to witness a significant growth trajectory on the back of rapid digitalization and tech adoption. Despite the headwinds caused by the pandemic, Q2 2021 turned out to be a blockbuster quarter for tech startups in the region – marching steadily past a total funding of over \$1 billion.”



Nizar Hneini
Partner, Advisory
Head of Digital and innovation
KPMG Qatar

Source: Crunchbase, Dtec ventures, KPMG Research

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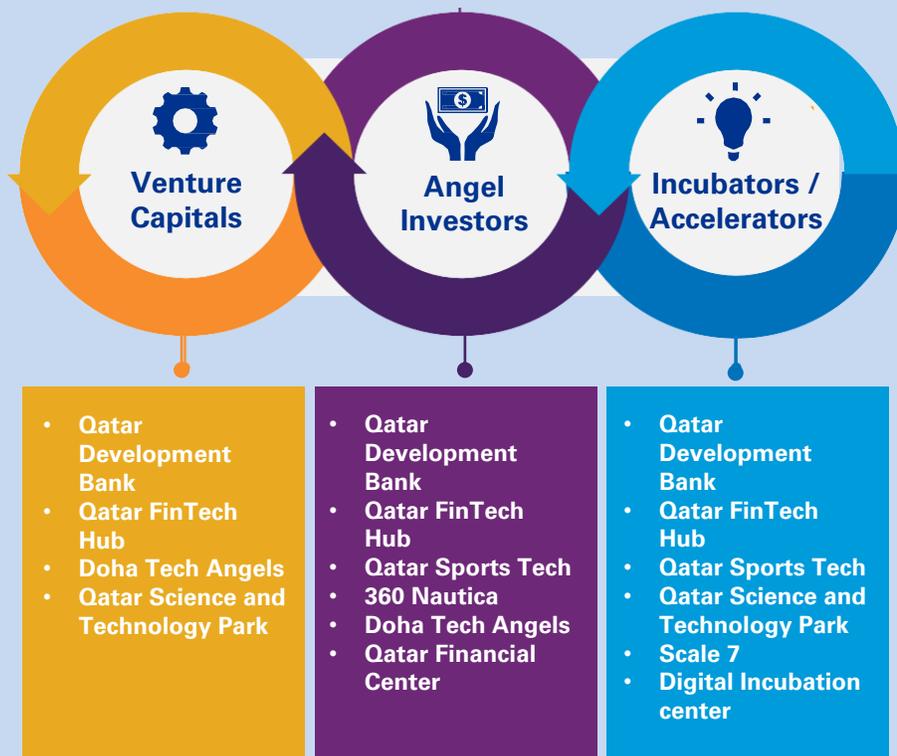
A look at Qatar's Startup Ecosystem



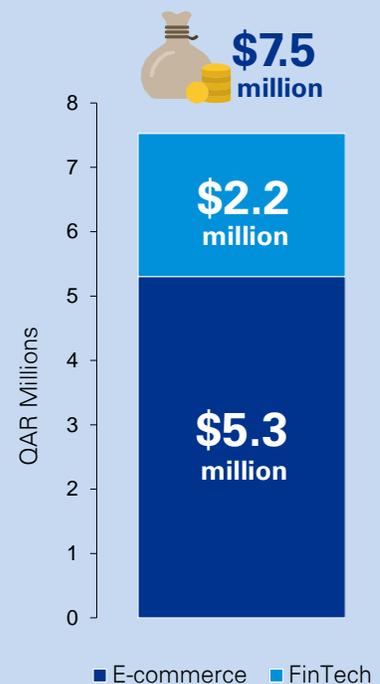
Qatar's startup ecosystem

Qatar's entrepreneurial eco-system is maturing and rapidly evolving. Qatar's strong focus on innovation and entrepreneurship is helping boost its appeal as an attractive destination for business especially for SMEs. In recent years, we have seen increased activity in the number of tech-startups gaining prominence in the Qatari market. The increased funding along with subsequent deals is an evidence of improved confidence in the tech-startup market. Qatar is experiencing growing number of incubators, accelerators and investment funds as well as entrepreneurship programs that cater to this thriving community.

Leading investors and incubators in the Qatari VC ecosystem



Ecommerce vs FinTech funding in H1 2021



Source: KPMG Research

“ The start up ecosystem in Qatar is rapidly evolving. Reinforced by proactive government policies, effective collaboration amongst public-private participants and a favorable entrepreneurial atmosphere, Qatar has all the right ingredients to become a vibrant destination for tech and startup companies in the region. ”



Mohammed Al-Emadi
Head of Angel Investment,
Qatar Development Bank



Qatar in focus



Qatar tech-start up investments snapshot in H1 2021*



- H1 2021 witnessed significant increase in the VC activity with total capital being raised to QAR 31 million as against QAR 11 million recorded during H2 2020.
- Though H1 2021 experienced fewer deals (10) than H2 2020 (14), the size of the deals remains robust, signaling increased investor confidence in Qatari start ups.

Source: Qatar Development Bank, Magnitt, KPMG Research

Top 5 tech-start up deals in Qatar during H1 2021

1  Snoonu Delivery Services \$5 million, (QAR 18.2 million) Series A Led by its strategic partner Qatar Development Bank (QDB) with participation from multiple investors.	2  SkipCash Fintech \$1.92 million, (QAR 7 million) Seed Funding was led by a group of private Qatari investors.	3  Fish.qa Ecommerce \$302,114, (QAR 1.1 million) Seed Led by venture builder 360nautica, which will also provide operational support to the startup.	4  Dibsy Fintech \$300,000, (QAR 1 million) Pre-seed Salem Khalaf Al Mannai and local angel investors	5  CWallet Fintech \$220,000, (QAR 800,000) Pre-series A Investors including MBK Holding WLL, 360 Nautica LLC and Snoonu Holding.
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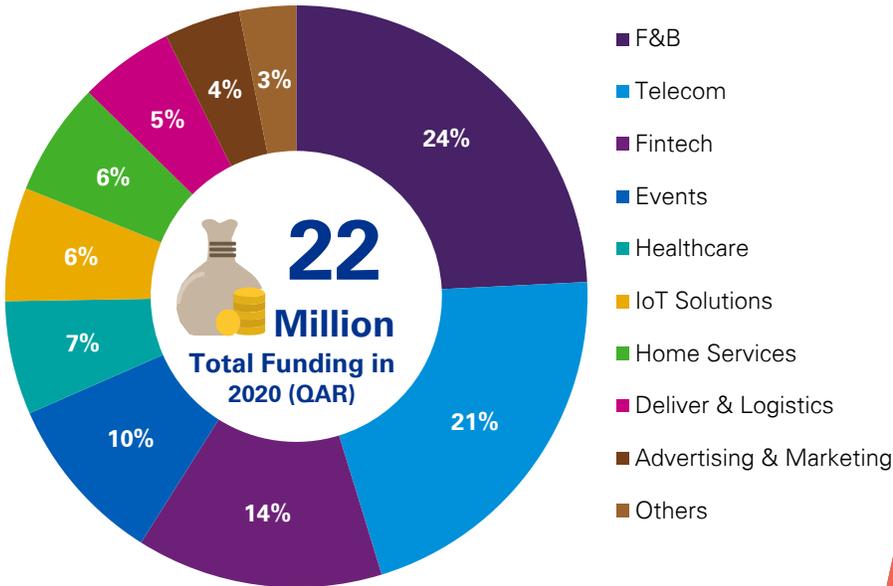
Source: Crunchbase, KPMG Research

“ The appetite to invest in startups and tech is developing quickly in Qatar, from Angels and family offices to a new range of venture funds that are being set up in QFC. The welcoming mindset in Qatar is expanding beyond investing into providing access to the market. A great place for startups that would like to explore Middle East and North Africa. ”



Henk Jan Hoogendoorn
 Chief of Financial Sector
 Qatar Financial Centre (QFC) Authority

Sector wise tech-startup investments snapshot in Qatar (2020*)



*Source: Qatar Development Bank, Magnitt, KPMG Research

“ Qatar offers several advantages to the emerging startups through various government initiatives such as incubation centers and development programs that ensure a healthy startup environment. Moreover, Qatar offers a rapidly evolving culture that is giving rise to fresh ideas and innovation. ”



Michael Javier
CEO and Founder
Cwallet



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Valuation Methods for Startups



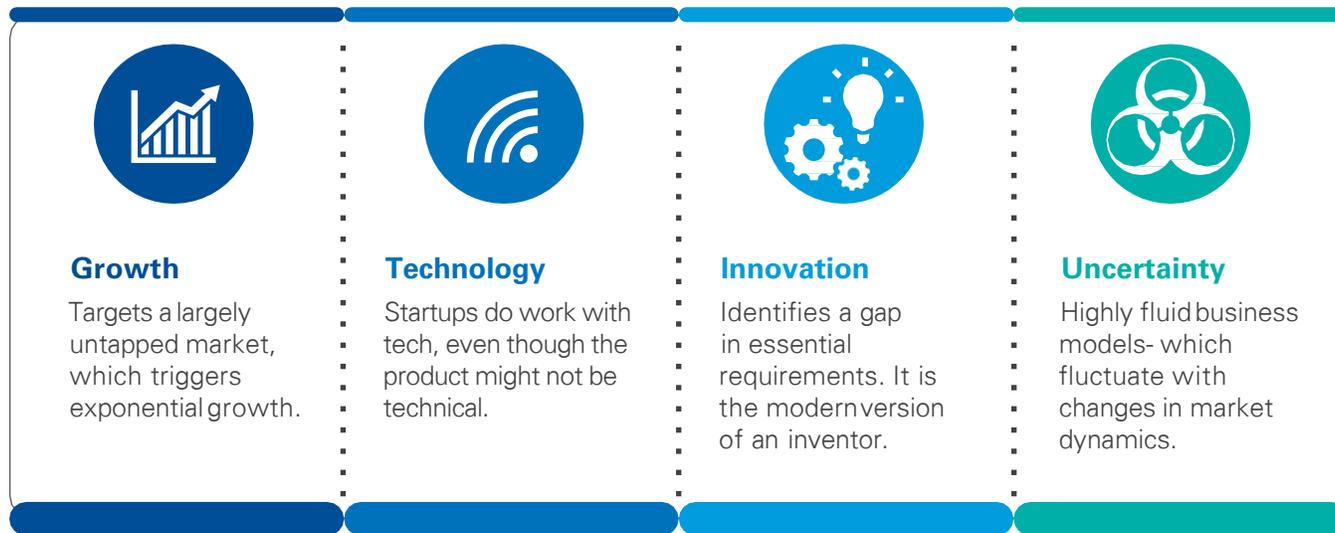
Startup companies and their valuation



What is a startup?

Many years investors treated startups as small businesses. This was a real problem because there is a huge conceptual and organizational difference between a startup, small business, and large corporation. According to startup guru Steve Blank, a startup is a “temporary organization designed to search for a repeatable and scalable business model”, while the small business runs according to the fixed business model.

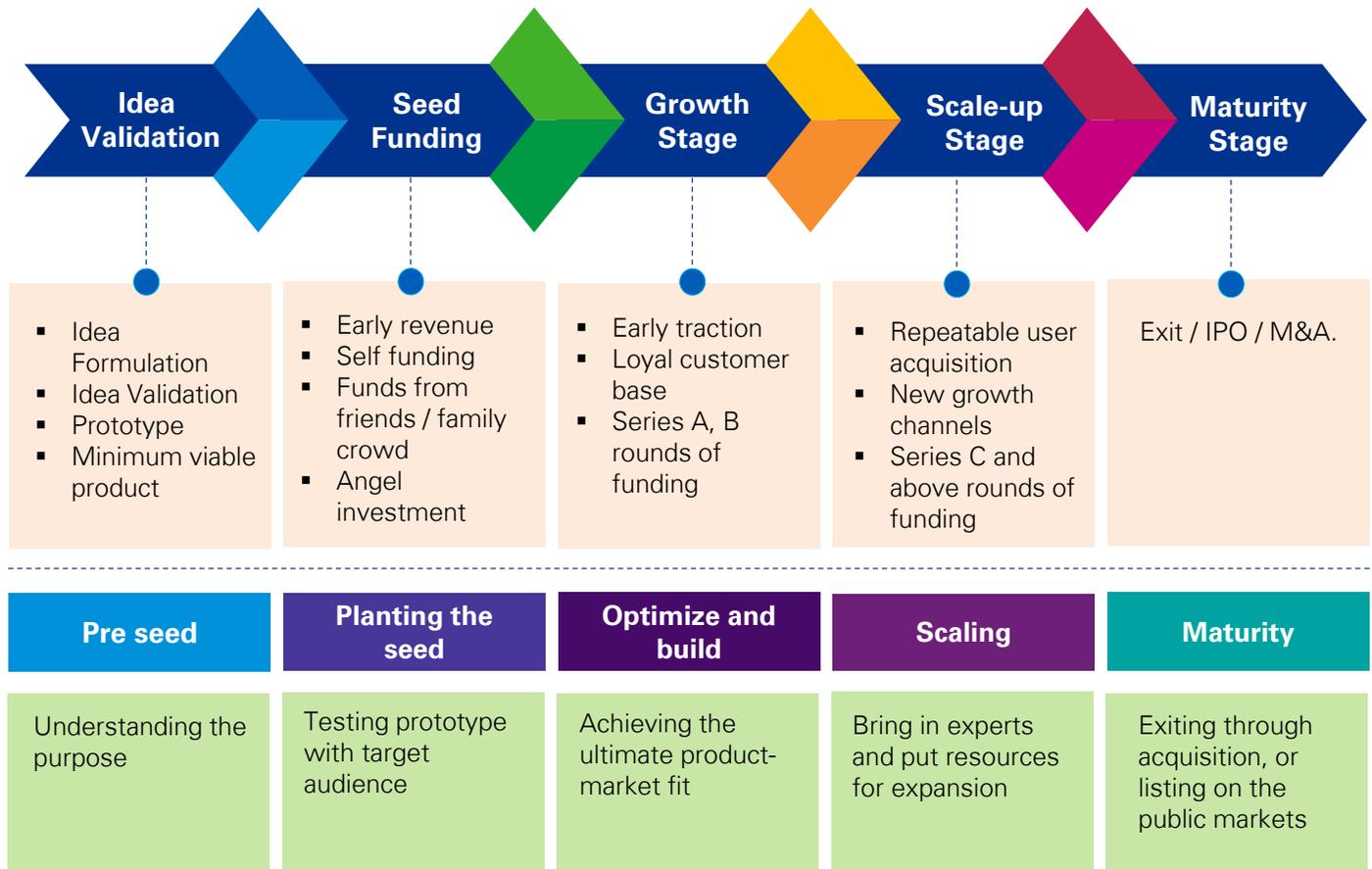
We have moved away from a macro view of “startup” and attempted to understand the specifics of a startup and pinpoint its components. The parameters below can help us in differentiating between a startup, a small traditional business setup and a large corporation:



Using the above parameters can help us distinctly identify what could be included in our definition of ‘young company’ or a startup. The reasons are:

- These businesses have fluid business model;
- They have identified the need gap and target to close it while exhibiting growth
- Incur losses in the initial phases to capture maximum market share
- Innovating and prototyping on the product, services or the delivery model itself

Lifecycle of an early-stage company



Did you know?

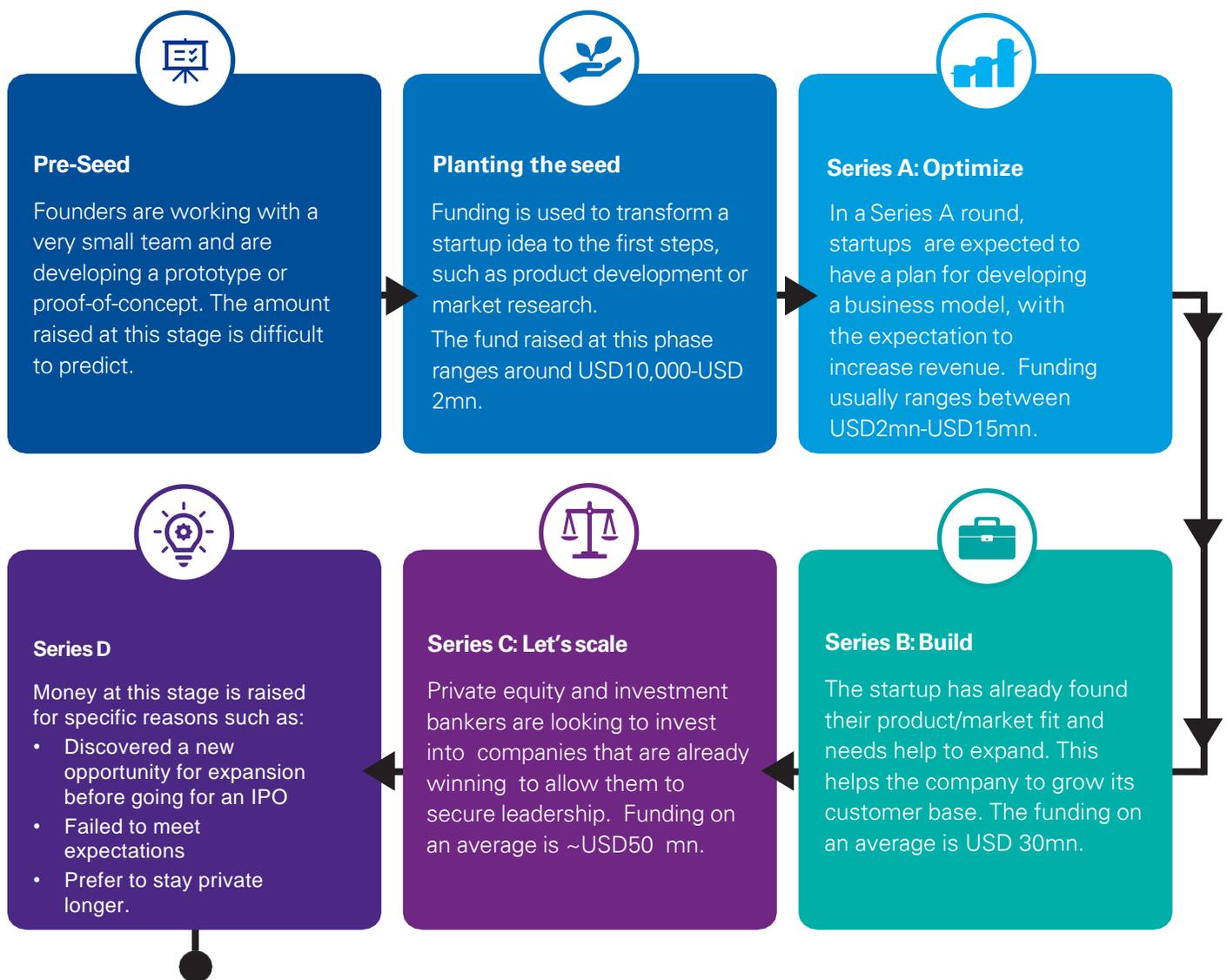


“ In 2019, the failure rate of startups was around 90%. Research concludes 21.5% of startups fail in the first year, 30% in the second year, 50% in the fifth year, and 70% in their 10th year. ”

Source: Investopedia

Startup funding phases

Once the startup demonstrates the success of its business model, it will immediately start attracting the attention of investors. With the backing of its investors, the startup is now ready to embark on a growth journey. Typically, value is created as an enterprise advances through the various stages of its development or different rounds of investments. This raises yet another significant consideration to be evaluated by a valuer: the risk and return profile varies across the life cycle of a startup. Each phase of the life cycle of a startup is supported by certain funding depending on the mutual needs of the investors.



Over time, a startup may achieve certain milestones, resulting in correspondingly diminished uncertainty and perceived risk and thereby, enhancing the value of the enterprise. If, however, progress slows, ceases, or reverses, and the enterprise fails to progress through the "normal" stages of development, the value would likely be diminished. A valuer can gauge the stage based on the subsequent round of funding.

Valuation methods for startups

While conducting the valuation exercise, a valuer can keep the following factors in mind:

- Identify the life-cycle stage of a startup
- Based on the phase, critically examine the forecast of the industry and the startup
- Milestones achieved by the startup since the last funding round
- Evaluate the startup's valuation in the previous rounds, if any.

Below, we highlight various methods proposed by industry participants from around the world to value startups.

1

Berkus method

This method is meant to value companies in their pre-revenue stage, with a potential to reach USD20 mn in revenues in the next five years. It is based on an assessment of five key success factors for building a business.

2

Scorecard valuation method

This method, developed by Bill Payne, focuses not only on the valuation of the recently funded pre-revenue startups, but also critically evaluates key factors that influence the valuation.

3

Risk factor summation method

This method uses base-value of the comparable companies for the valuation of the target startup. Subsequently, this base-value is adjusted for 12 standard risk factors by comparing the target startup with its peers in terms of the level of risk.

4

First Chicago Method

This method employs multiples to derive a terminal value and discounts future cash flows to arrive at the valuation. It involves the evaluation of three possible valuation scenarios.

“Best case”: exceeds expectations

“Base case”: what is believed to be the future performance of the company

“Worst case”: if many contingencies go off-track.

5

Venture Capital method

The valuation exercise is a simple three-step process:

Derive the terminal value of the business in the final forecasted year. The terminal value is then discounted by using the desired ROI of the investors. Finally, the present value as per the second step is reduced by the investment value to arrive at the pre-money valuation.

6

Comparable Company Transaction

This method becomes effective only when a startup has other comparable startups operating in the same market. Given the phase of their lifecycle, it is likely that these comparable startups attract VC/PE investment. Hence, the multiples in such transactions can be a useful benchmark to value the target startup.

7

Discounted cash flow method

The good old cash flow-based approach and sometimes termed as one of the few methods that lead us to the world of intrinsic value, is as useful to value a young business as it is to value a stable traditional business. It is obvious that the method will not change. However, the assumptions, such as cash flow forecast, discount rate and terminal value will see substantial modifications.

Startup valuation challenges

startup companies are difficult to value for a number of reasons. While young or startup companies are diverse, they share some common characteristics that can be problematic when valuing the companies. These characteristics include:

No History



Young companies have little or no history; many have only one or two years of data available on operations and financing.

Survival



Many young companies don't survive. There are studies that back this up, although the failure rates vary from study to study.

Small or no revenues



Revenues are small or non-existent with startup companies, and the expenses often are associated with getting the business established, rather than generating revenues.

Multiple claims on equity



Repeated attempts to raise equity exposes equity investors who invested earlier in the process to the possibility that their value might be reduced by deals offered to subsequent equity investors.

Dependence on private equity



Young companies are often dependent on equity from private sources, rather than public markets. Venture capitalists become a source of equity capital in return for a share of the ownership in the firm.

Illiquidity of investments



Typically, equity investments in young companies are privately held and are, therefore, more illiquid than their publicly traded counterparts

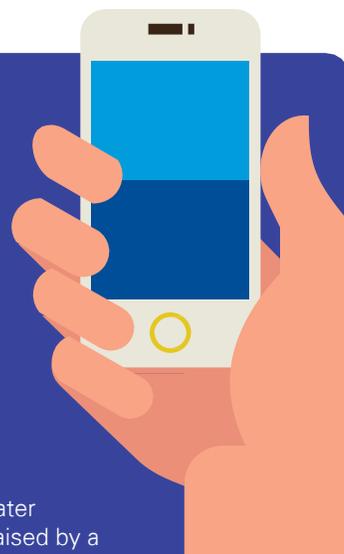
Sources and acknowledgements:

1. *What Is a Startup?*, August 13, 2019, the hub blog
2. *Challenges of Valuating Young or startup Companies*, March 14, 2018, The Bonadio Group
3. *Types of Startups*, Barraza Carlos
4. *Startup Definition: Everything About Startups*, July 20, 2019, Renderforest
5. *startup valuations – A craft or shots in the dark?*, KPMG India publication

Trending stories

Tech - Startups

- 1. Qatar based Snoonu raises \$5 million in a Series A investment round.**
The funding round was led by its strategic partner, Qatar Development Bank (QDB) along with the participation from multiple investors. The investment is one of the largest Series A funding rounds closed by a Qatari startup and will enable Snoonu to rapidly expand its operations across the region.
- 2. Qatari Fintech startup 'SkipCash' secures \$1.92 million seed round.**
Qatar's mobile payment company, SkipCash, announced closing QAR 7 million (USD 1.92mn) seed round funding from private Qatari investors. SkipCash is on track to become the most used mobile payment application in the peninsula.
- 3. Tamara's \$110 million Series A round in Saudi Arabia;** the buy now pay later fintech company broke regional records for the largest Series A round ever raised by a MENA startup.
- 4. SoftBank in talks with Kitopi to lead a \$400 million investment** in the Dubai-headquartered cloud kitchen startup, investing via Vision Fund 2, with a proposal submitted to lead the mega-round.
- 5. Stripe, global online payments company, announced its official launch in UAE.** It has partnered with Dubai-based Network International. This follows Stripe's latest funding round valuing it at \$95 billion. The company is the second largest online payments player to expand in the region, following Ayden (Amsterdam).



Venture Capitals

- 6. Algebra Ventures, an Egypt-based VC firm, has announced the launch of its \$90M second fund,** dedicated to investing in Egyptian startups with an allocation for the MEA region. Algebra Ventures is targeting the first close in Q3 of 2021.
- 7. Jordan's first SME gender lens fund:** The Innovative Startups and SMEs Fund (ISSF) and Dutch Good Growth Fund (DGGF) to anchor the launch of Amam Ventures, Jordan's first SME gender lens fund with a target of \$30M to offer quasi-equity financing instruments to women-led SMEs.
- 8. South-Korea backed, Korean Venture Investment Company (KVIC), to invest in Shorooq Partners'** Bedaya Fund, the amount of which was not disclosed.



Incubators and accelerators

- 9. Qatar SportsTech (QST), a leading startup accelerator founded by Qatar Development Bank (QDB),** has announced that applications are now open for the second edition of the Pre-Accelerator program, EntelaQ. EntelaQ will prepare entrepreneurs, or startup teams residing in Qatar for QST's upcoming fifth cohort of its Accelerator program set to be held in November 2021.
- 10. The GrowthX Accelerator, a partnership between Microsoft and Abu Dhabi Investment Office (ADIO),** opens for applications for B2B startups across the UAE. The program aims to bridge the gap between corporates with challenges and startups with solutions. 15 startups will be selected for the program.



About KPMG in Qatar

KPMG has had a presence in Qatar for over 40 years. We opened for business here in 1978 and are now one of the largest and most established professional services firms in the country. Our 300+ professionals are led by 9 Qatar-based partners. We recruit the best and brightest from around the world and currently employ over 30 different nationalities.

KPMG in Qatar belongs to a network of independent member firms affiliated with KPMG International. KPMG member firms operate in 145 countries, collectively employing more than 226,882 people, serving the needs of business, governments, public-sector agencies, not-for-profits and through member firms' audit and assurance practices, the capital markets. KPMG is committed to quality and service excellence in all that we do, bringing our best to clients and earning the public's trust through our actions and behaviors both professionally and personally.

We lead with a commitment to quality and consistency across our global network, bringing a passion for client success and a purpose to

serve and improve the communities in which member firms operate. In a world where rapid change and unprecedented disruption are the new normal, we inspire confidence and empower change in all we do.

Industry focus across Qatar

To enhance the services that we offer, many of our consultants specialize in a particular field or industry. KPMG was the first of the 'Big Four' firms to establish global, industry-focused networks which help us to provide an informed perspective on the latest trends and issues affecting our clients' businesses. In Qatar, we have professionals across most of the country's key sectors, all of whom are active members of our global networks.

Our industry groups include:

- Government
- Energy and Natural Resources
- Financial Services
- Media, Telecommunications and Technology
- Infrastructure and PPP
- Building, Construction and Real Estate
- Family-owned Businesses and Small and Medium-sized Enterprises

40+

years working with some of Qatar's most prestigious businesses and organizations

300+

Professional staff based in Qatar

145

KPMG member firms operate in 145 countries

Audit

Tax

Advisory

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