

## FEATURE ARTICLE

# Young entrepreneurs take on tech

Saudi Arabia's startup and funding landscape is a major economic spark in an otherwise depressed global venture capital landscape. There can be no better time to have a good idea in the kingdom, particularly in tech.

FORMAT: FEATURE ARTICLE | SECTOR: TECHNOLOGY | MARKET: SAUDI ARABIA | FEATURING: SAUDI STARTUPS & TECH

Saudi Arabia's path to modernization is putting youth at the forefront under its Vision 2030 initiative. The number of residents under the age of 35 is significant, making up 63% of the country's population of 32.2 million. To support this demographic, the government has committed to creating 200,000 jobs by 2025 through entrepreneurship. Under the Vision 2030 initiative, Saudi Arabia aims to have small and medium-sized enterprises (SMEs) account for 35% of its gross domestic product by 2030. The nation is also currently pushing growth of its nascent technology sectors through its National Strategy for Digital Transformation, which has enabled the creation of digital regulatory sandboxes. The most active of these was created by the Saudi Central Bank in 2018 to catapult digital startups in the financial sector. Since it was launched, the number of local fintech startups have grown by a compound annual growth rate of 147%, with more than 550 fintech entities expected by 2030. The Vision 2030 strategy also envisions a sizable artificial intelligence sector that is targeted to be valued at \$135.2 billion and contribute 12.4% of the country's gross domestic product by 2030.

*"The proof of our success lies in the trust we now have from international players such as Checkout.com, Goldman Sachs and Coatue that have recognized our potential and value,"*

ABDULMAJEED ALSUKHAN

In 2022, Saudi Arabia saw \$1.2 billion in funding handed to startups, the second highest in the region following the UAE. Fintech startups attracted the most attention, with four out of the top ten funded companies working in the sector. Between 2018 and 2022, Saudi Arabia's venture capital ecosystem saw a compound annual growth rate of 74%. At the LEAP 2023 tech conference in Riyadh in February 2023, a plethora of investment funds and initiatives were announced worth \$2.8 billion to promote technology startups from all corners of the market. These included local banks Banque Saudi Fransi and Riyadh Bank committing \$1 billion each and Merak Capital committing \$53 million to support growth of the information and communications technology sector; local asset manager Impact46 contributing \$133 million to fund startups in the Middle East and North African region; Abu-Dhabi-based investment firm Shorooq Partners pledging \$100 million to create a venture debt fund, with \$15 million being put towards Saudi Arabia's first gaming accelerator fund; Saudi Investment Bank announcing it would dedicate \$40 million towards developing fintech; venture capitalist fund Planetary Capital pledging \$30 million to the space technology sector; and fellow venture capitalists entity Rakeezah Ventures committing \$25 million to build an accelerator-backed funding program. The Saudi Unicorns Program was also announced at the conference, which aims to drive the value of its initial 34 companies to above \$1 billion each.

Saudi Arabia's recent mass funding of SMEs is already bearing fruit. Tamara, which provides a buy-now-pay-later platform has rocketed to regional acclaim since it was established in 2020, with now more than 3 million customers and more than 4,000 merchants including international brands such as IKEA and Adidas and regional online shopping platforms such as Namshi and Jarir. The local company was the first buy-now-pay-later platform to utilize the Saudi Central Bank's digital sandbox. Within the first five months after launching, the company passed multiple regional funding milestones, including the largest-ever initial seed investment round in Saudi Arabia with \$6 million raised and the largest-ever recorded Series A funding round in the Middle East and North African region with \$110 million raised led by fintech leader Checkout.com. In 2022, the company underwent its Series B investment round, bringing up its total acquired investment to \$216 million. "The proof of our success lies in the trust we now have from international players such as Checkout.com, Goldman Sachs and Coatue that have recognized our potential and value," said Abdulmajeed Alsukhan, co-founder and CEO of Tamara.

*"One entrepreneur can positively influence more than 600 startups through mentorship, spin-offs or angel investment,"*

LATEEFA AL WALAN

Further assisting investors with their goals is Endeavor Saudi Arabia, which commits to supporting businesses over the long term, including scaling up and connecting business startups with investors in Saudi Arabia. A rigorous process ensures that only the best succeed in partnering with Endeavor; typically, one out of 30 applicant companies receive an initial review. Saudi Venture Capital confirmed its investment of \$7.5 million in Endeavor Global in May 2023 to fuel the growth of startups and SMEs in the country. "One entrepreneur can positively influence more than 600 startups through mentorship, spin-offs or angel investment," said Lateefa Al Walan, managing director of Endeavor Saudi. "Typically, out of all registered SMEs, only 2% are high growth, yet they account for 50-60% of the jobs created by SMEs. This is why high-impact entrepreneurship is so critical."

Founded in 2006, Unifonic is a local pioneer in communications through its unique customer engagement platform. The company now has 500 employees and more than 5,000 business accounts, including leading local banks and government entities. The company now handles more than 10 billion transactions per year in more than 160 countries. In October 2022, the company purchased Sestek, a Turkish company specializing in conversational artificial intelligence, to better serve customers. In April 2023, the company partnered with InspireU, Saudi Arabia's first corporate accelerator, to promote local endeavors in information and communication technology, fintech, cybersecurity and digital innovation. "We have the support of the leadership to be different; I think this is important for the culture," said Ahmed Hamdan, CEO of Unifonic. "That mindset change is happening from the top level, and it will trickle down to everyone to solve the problems we face today."

Learning from accelerator best practices from around the world, the country has launched various startup incubators. TAQADAM is the Middle East's only multi-university startup accelerator. It is delivered by King Abdullah University of Science and Technology and provides a six-month initial accelerator program that allows participants access to the university's research and development and infrastructure. In March 2023, TAQADAM awarded \$1 million to 10 new participants. Launched in 2019, Misk Accelerator provides

10-week virtual programs for aspiring entrepreneurs. So far, the incubator has supported more than 130 companies and created more than 2,330 jobs. In March 2023, 20 companies graduated from its program. Another incubator, The Garage, was launched in February 2022. The startup support entity signed a partnership with Google for Startups in August 2022 to support more than 100 startups around the world.

Saudi Arabia's technology sectors are also being supported by its highly performing students and talent, highlighting a change in generational values. In November 2022, the MiSK Global Forum took place in Riyadh under the theme of generational transformation, with 15,000 young people in attendance and people from 120 countries joining virtually. In 2022, 35 Saudi Arabian

students from a pool of 1,800 youths from 80 countries received a total of 22 awards at the International Science and Engineering Fair in the United States and a group of Saudi Arabians also won 13 science and technology awards at ITEX, an innovation and invention hub in Malaysia. In June 2023, 120 university students joined the Saudi Arabia Innovation Summit 2023 organized by Schneider Electric for exclusive career coaching designed to create better job prospects and empower the country's youth to become future leaders in science, technology, engineering and mathematics. The company took on 22 graduates in its Early Career Program in 2022, of whom two third were women. In 2023, the intake number increased to 150. "Youth in Saudi Arabia and the wider Middle East represent a dynamic and tech-savvy generation that is eager to embrace new opportunities," said Alsukhan.