

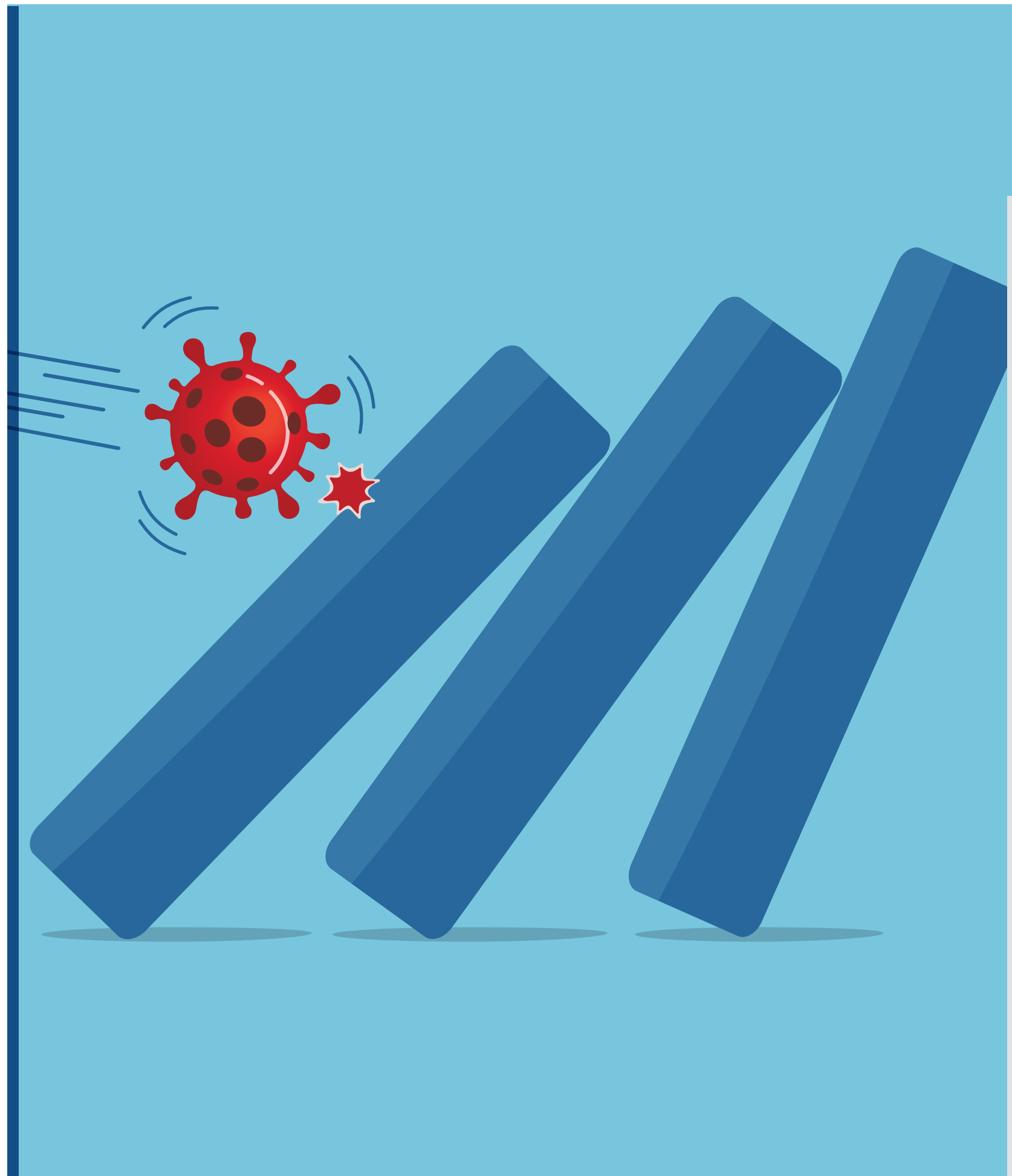


شركة وادي الرياض
Riyadh Valley Co

Impact of Covid-19 pandemic on Venture Capital sector with a special focus on MENA region



July 2020



Risks of COVID-19 on VC sector

The impact of economic downturn brought about by Covid-19 pandemic has percolated across sectors and diverse markets including that of venture capital. The COVID-19 impact on venture capital sector could play out in terms of lower deals (value and volume of transactions), moderation in valuation and delayed exits. The way deals are structured, operational changes among portfolio companies including cash burn rate, and strategies such as 'growth at any cost' or 'market share over profitability' would be reassessed. However, given the nature of venture capital markets, the impact might play out over time in a subdued manner compared to public equities, which witnessed widespread volatility in the month of March and has subsequently rebounded swiftly.

To prevent the spread of coronavirus, governments worldwide implemented various forms of social distancing measures which have had widespread economic ramifications. In a bid to prevent the contagion, international borders were closed and passenger air travel was restricted. Consequently, demand for travel, hospitality and leisure sectors plunged. Footfall in shopping malls and retail shops fell; social gatherings were regulated, events that involve gathering of large number of persons

in public such as concerts, sporting events, and cinemas stood suspended. Services industry comprising of restaurants, education, fitness, beauty and wellness came to a grinding halt. Subsequent disruptions to supply chain networks affected operations in the manufacturing sector. The demand shock was acutely felt in energy markets, exacerbated by increasing supply, oil markets collapsed. International Monetary Fund (IMF) that refers to these measures as 'The Great Lockdown' expects the world economic growth to fall by 4.9%, making it the worst recession since the Great Depression in 1930.

As household spending reduces and businesses reassess investment plans amid ongoing economic contraction, we could witness lower deal making activity evidenced in the form of reduced transactions, both in volume and value terms. In the past months, for mature companies, we have witnessed a drop in revenues and decline in cash flows. Organizations are shoring up capital to mitigate the lower cash flows. For most start-ups, that rely on capital from venture capitalists to cover their negative cash flows, it became constrained by the difficult operating environment.



Impact on Fund raising, investment deals, returns and exits

Start-ups at different stages of growth felt the impact differently. Companies that were just established and possibly lack revenue visibility had difficulty with venture capital financing for growth. Transaction volumes are declined in the past quarters since sourcing of deals and due diligence of companies witness delays due to travel restrictions and curfew measures. On the other hand, decline in deal volumes lead to increased deal quality, as greater scrutiny of start-ups ensure that capital reaches only the most promising companies.

Some start-ups in certain sectors have positive impacts like telemedicine, bio-tech, Ed-tech, Fin tech, Delivery apps, Video streaming, Online gaming. Etc. These start-ups will most likely see higher valuations and most likely to secure funding from VCs.

The Islamic Robo-advisory fintech start-up Wahed has raised USD 25 million at higher valuation than prior rounds in June 2020 from investors led by Saudi Aramco Entrepreneurship Ventures (Wa'ed Venture) and BECO Capital. Similarly other MENA based start-ups like the food-delivery start-ups Kitopi and Jahez, the online grocery platform Nana, tele-health platforms Vezeeta and Okadoc, SellAnyCar - an online car selling platform and iMile a last mile delivery company have received funding since the outbreak started due to their sectors' ability to benefit from the crisis.

Exhibit 1: MENA based start-ups receiving funding since the start of outbreak

Start-Up	Sector	Funding Amount (Current round)	Funding (Previous rounds)
Kitopi	Food Delivery	SAR 225 million	SAR 102 million
Vezeeta	Tele Medicine	SAR 151 million	SAR 86 million
Jahez	Food Delivery	SAR 137 million	-
SellAnyCar	Online Car Selling Platform	SAR 131 million	-
Wahed	Fintech	SAR 94 million	SAR 56 million
Nana	Online grocery	SAR 68 million	SAR 22 million
Noon Academy	Ed-Tech	SAR 49 million	SAR 32 million
Okadoc	Tele Medicine	SAR 37 million	-
iMile	Last mile delivery	SAR 37 million	-

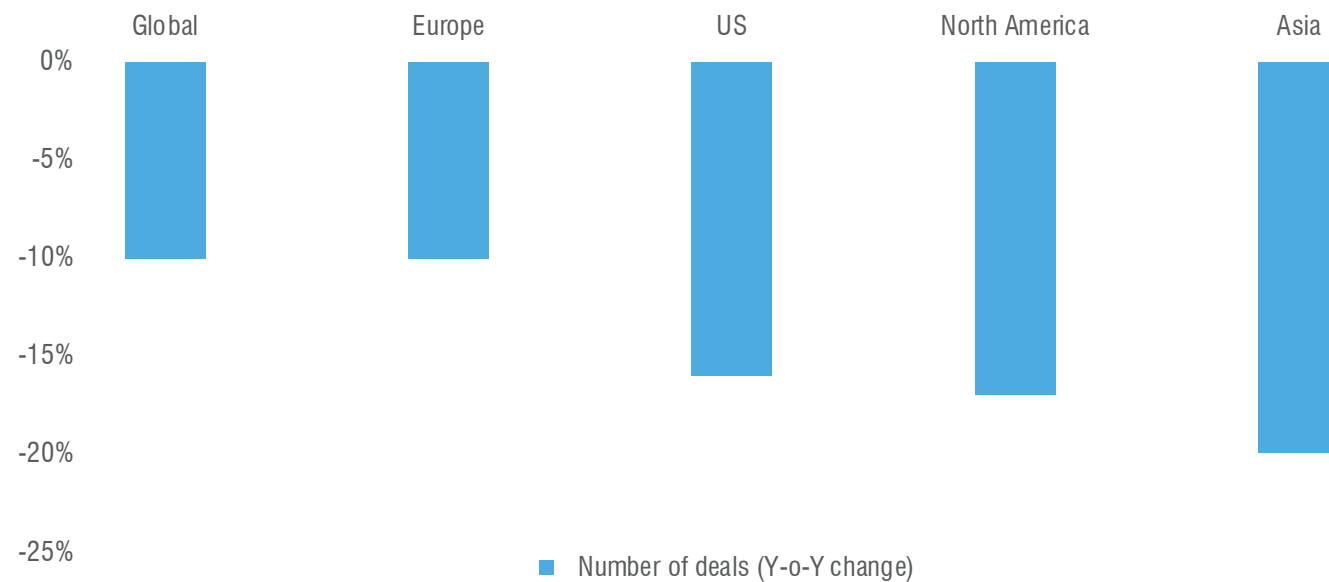
Source: Menabytes, Ameinfo, Laffaz

Global VC activity in Q1 – 2020

Globally, VC backed companies raised USD 61 billion in Q1' 20 across 4206 deals¹. Number of deals were lower by 10% in Q1'20 compared to Q1'19. Asia deal activity declined 20% YoY, compared to declines of 17% in North America and 10% in Europe, with some of the decline likely attributable to the earlier outbreak of Covid-19 pandemic in Asia. In the US, deals in Q1'20 fell 16% YoY. In March 2020, US deals decreased by 22% YoY, with some of the decline likely attributable to the earlier COVID-19 pandemic².

¹ KPMG
² PwC

Exhibit 2: YoY decrease in deal activity in Q1'20 compared to Q1'19



Source: PwC

Despite the slowdown in deals, 58 US companies raised rounds worth USD 100 million or more in Q1'20, close to the record of 67 deals in Q2'19. 21 of these deals took place in March 2020. Asian countries are the most affected by the COVID-19 pandemic. Deals activity dropped sharply, driven primarily by a slowdown in China, the first to be affected by COVID-19 and it stands to reason that the surrounding countries are the most affected.

Exhibit 3: Notable VC investments globally in Q1 - 2020

Start-Up	Sector	Funding Amount	Country of origin
Waymo	Autonomous Vehicles	USD 2.5 billion	US
Generate Capital	Cleantech Financing	USD 1 billion	US
Gojek	Ride-hailing	USD 3 billion	Indonesia
Yuanfudao	Edtech	USD 1 billion	China
Revolut	Fintech	USD 500 million	UK
JUUL labs	Consumer products	USD 700 million	US
Joby Aviation	Aviation(Electric)	USD 590 million	US
Lilium	Aviation(Electric)	USD 590 million	Germany

Source: PWC, KPMG

Change in relationship dynamics between Venture Capitalists and founders

Prior to the crisis, capital was relatively easy to come by for both VC investors and startups. Post the crisis, VCs would be left with tough choices on where to deploy their cash as they will be accountable to their Limited Partners (LP). VCs with cash tended to support companies already in their portfolio to help them tide over the crisis rather than chase new deals.

VCs changed deal terms previously agreed upon with portfolio companies based on updated projections of revenues post the Covid-19 outbreak. Deal terms will now swing back in favor of VCs from startup prior to the outbreak.

Companies that were close to raising capital before the crisis struck had to settle for suboptimal valuations. In this scenario where cash flow management is crucial, startups that are able to lower their cash burn levels would come out stronger and be more attractive to investors. Startups that can adapt to 'the new normal' by creating new value propositions and develop into longer-term products will be more appealing. Emphasis would be on profitability rather than growth at all costs which was prevalent prior to the outbreak.

Impact on exits

IPOs have been a preferred exit option for VC investors. However, the market volatility over the past few months makes going forward with an IPO an uncertain decision for company management and board members. This can lead to a significant pullback in IPO volumes over the duration of the crisis.

A slowdown is to be expected for other exit options like M&A, given that investment corporations will be heavily focusing on liquidity and maintaining operations rather than external investment. In this situation, startups that face difficulty in raising capital would be forced to seek a sale if unable to find other funding sources. This creates opportunities for strategic partners or financial sponsors to make smart acquisitions or acqui-hires at attractive valuations if they can find the liquidity to make it happen.

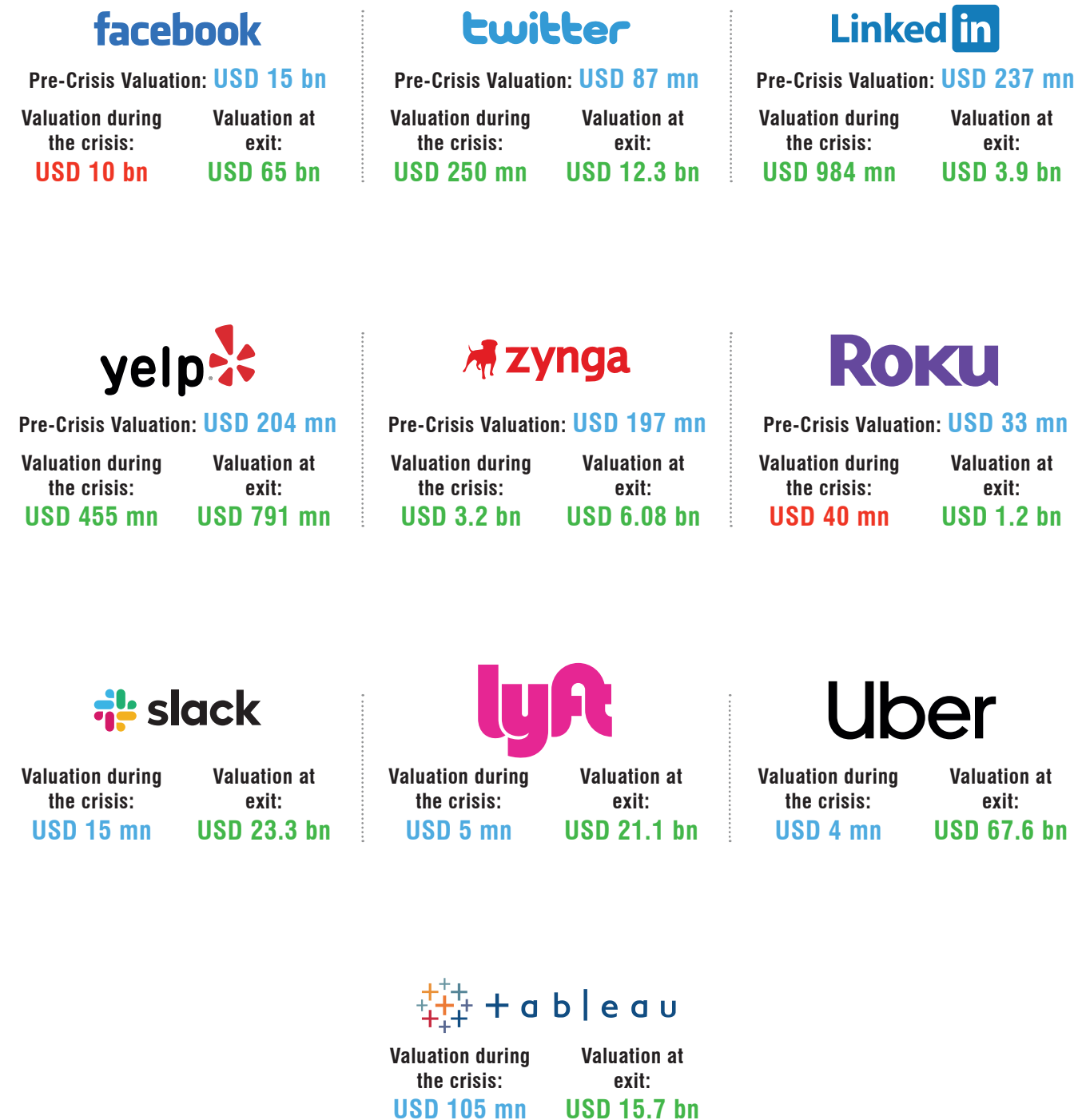
How deals were impacted during the 2008-09 Global Financial Crisis

The last major economic recession during 2008-09 saw a number of start-ups which were funded at early stages like Slack, Airbnb, Lyft went on to become unicorns and successful stock market listings. Other prominent names like Twitter, LinkedIn, and Square saw late stage funding and ultimately led to successful IPOs³.

There are also start-ups, which obtained funding at lower valuations than previous rounds during the crisis, but eventually provided successful exits. For example, Facebook had a pre-crisis valuation of USD 15 billion in 2008 during its Series C funding and valuation of only USD 10 billion in 2009 post the crisis. Its valuation then jumped to USD 24 billion in the next round of funding in 2010 and to USD 65 billion at its 2012 IPO.

³ Crunchbase

Exhibit 4: Prominent start-ups that received funding during the 2008-09 economic crisis

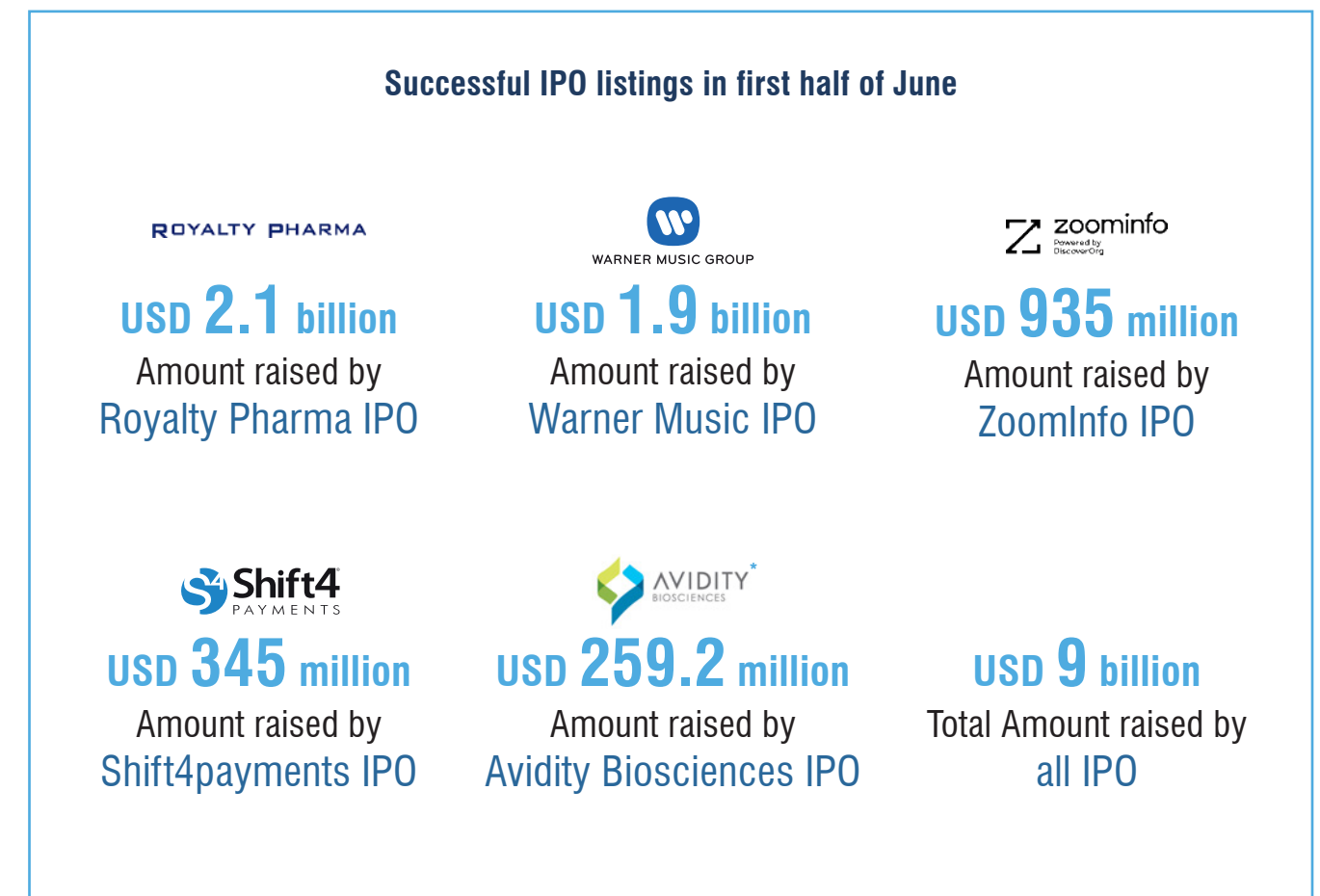


Source: Crunchbase; Note: The red font indicates flat and down rounds while the green font indicates up rounds or positive exits.

This shows that start-ups that had secured funding at lower or small increase in valuations during the crisis went on to have successful exits later. The takeaway from 2008 is that, VCs invest in start-ups that are an early stage with low cash burn rate and focusing on the product and business model like Slack, Tableau, Uber etc. And market leaders in their sector like Facebook, Roku etc which are available at lower valuations. Lastly VCs should not be dogmatic about pricing as they may miss out some opportunities because of worries about premium valuations. LinkedIn and Tableau had high valuations even during the crisis.

Recent developments

Despite the pandemic, the first half of June was good for IPOs in the US with USD 9 billion raised through IPO listings as optimism has returned to global equity markets⁴. Warner Music was able to price its shares near the top-end of the pre-flagged range and increase the offering to USD 1.9 billion. Royalty Pharma raised USD 2.1 billion in its IPO on June 15, the largest of the year so far. ZoomInfo, a marketing software company, had priced above its previously set range to raise USD 935m. Also, Shift4 Payments a fintech firm priced its IPO above the previously set range, raising USD 345m. Avidity Biosciences was another company with a successful IPO offering when it raised USD 259.2 million. These listings indicate that the IPO market is much better compared to the beginning of the crisis in March and April. Although there are concerns that the rally in equity markets is detached from reality.



*one of Riyadh Valley company investments

⁴ Marketwatch

Impact on the MENA region VC sector

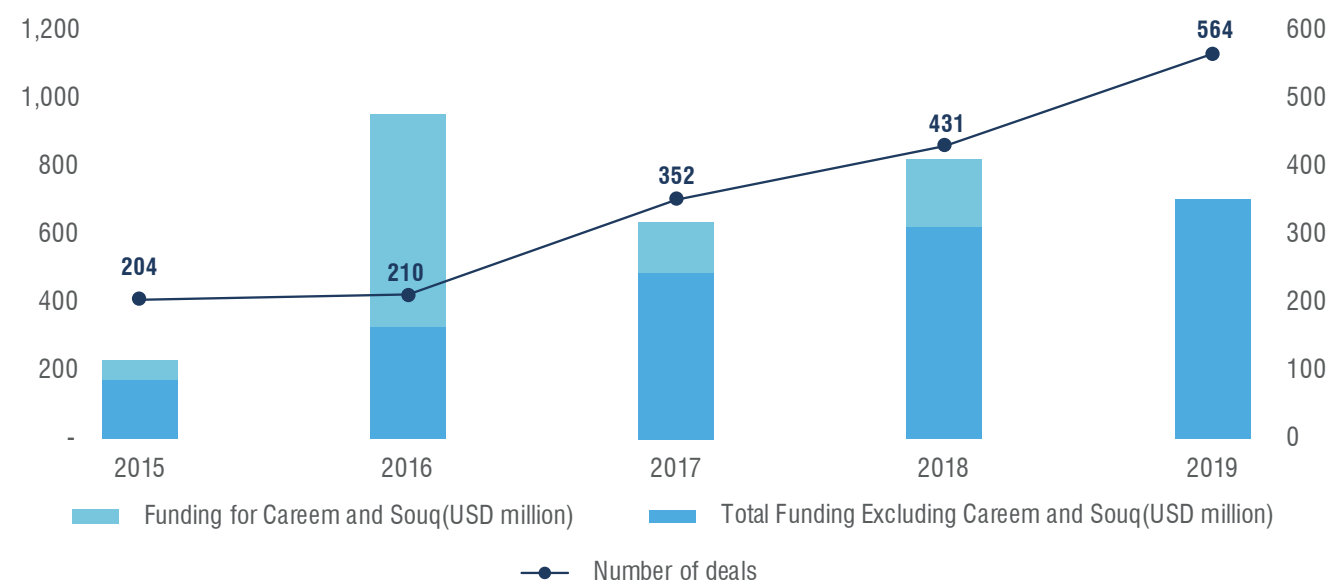
MENA start-ups had seen robust funding prior to Covid-19

Prior to the Covid-19 pandemic, the MENA start-up ecosystem had seen robust funding from investors. The number of deals had been steadily rising since 2015 and 2019 had been a record year for MENA based start-ups in terms of number of deals. 564 startup investments took place in the MENA region, amounting to USD 704 million in total funding, an increase of 31% in number of deals and 12% in total funding compared to 2018 when excluding previous funding in the now exited Careem & Souq.

Start up deal funding in MENA in 2020



Exhibit 5: Total Funding and number of deals in MENA since 2015



Source: Magnitt



Impact of Covid-19

Covid-19 has resulted in a focus on quality than quantity of deals. The MENA start-up ecosystem witnessing a record high of USD 188 million in total funding in April 2020, but this was mainly due to a single deal of USD 150 million raised by EMPG with the funding led by OLX Group and other existing shareholders. The number of deals fell 65% from 49 deals in April 2019 to just 17 deals in April 2020. This was the case in May 2020 as well, with the number of deals falling from 45 in May 2019 to 33 in 2020. For the first quarter of 2020, the number of deals decreased from 138 in Q1 2019 to 108 in 2020 while the total deal value increased from USD 271 million to USD 277 million⁵.

The below table lists the number of deals and deal value during Q1, April and May of this year and the year-on-year change from 2019.

Exhibit 6: Number of Deals and Deal value in 2020 and Y-o-Y change from 2019

Period/Month	Q1 2020	Y-o-Y Change	April 2020	Y-o-Y Change	May 2020	Y-o-Y Change
Number of Deals	108	-22%	49	-65%	33	-26%
Deal value (USD million)	277	2.2%	61	-37%*	51	-7.2%

Source: Magnitt. *- excluding the large deal mentioned above

⁵ Magnitt

Deals in Saudi Arabia

Exhibit 7: Venture Capital deals agreed in Saudi Arabia in 2020

Start-Up	Sector	Funding Amount	Major Investors
Vezeeta	Tele Medicine	SAR 151 million	Gulf Capital, Saudi Technology Ventures (STV)
Jahez	Food Delivery	SAR 137 million	Saudi Venture Capital Company, Impact46
Wahed	Fintech	SAR 94 million	Saudi Aramco Entrepreneurship Ventures, BECO Capital
Nana	Online grocery	SAR 68 million	Saudi Technology Ventures (STV) & Middle East Venture Partners (MEVP),
Noon Academy	Ed-Tech	SAR 48 million	Saudi Technology Ventures (STV), Alturki Holding, NFX Ventures
Sarwa	Robo advisory	SAR 31.5 million	Dubai International Financial Center, Abu Dhabi Investment Office, Vision Ventures
Taker	SaaS for restaurant industry	Undisclosed	Saudi Venture Capital Company, 500 Startups
Quant	Artificial Intelligence	SAR 4.5 million	BIAC, Angel investors
Saeed	Last mile delivery	SAR 9 million	BIAC, TasHeel Holding, Abunayyan Holding
Telgani	Online Car-Rental	Undisclosed	Saudi Venture Capital Company, Impact46, 500 Startups
Aanaab	Ed-Tech	SAR 5.6 million	Wamda Capital Noor Nouf
Speero	Automotive parts Marketplace	Undisclosed	500 Startups, Impact46, Deraya Ventures
Raqamyah	Fintech	Undisclosed	Impact46
Saryah	E-tourism	Undisclosed	BIAC, Wadi Makkah Ventures
Red Sea Farms	Farms-Food and water	SAR 1.42 million	KAUST Innovation Fund
Monaqasat	Marketplace	SAR 3 million	

Sources: Ameinfo, Menabytes

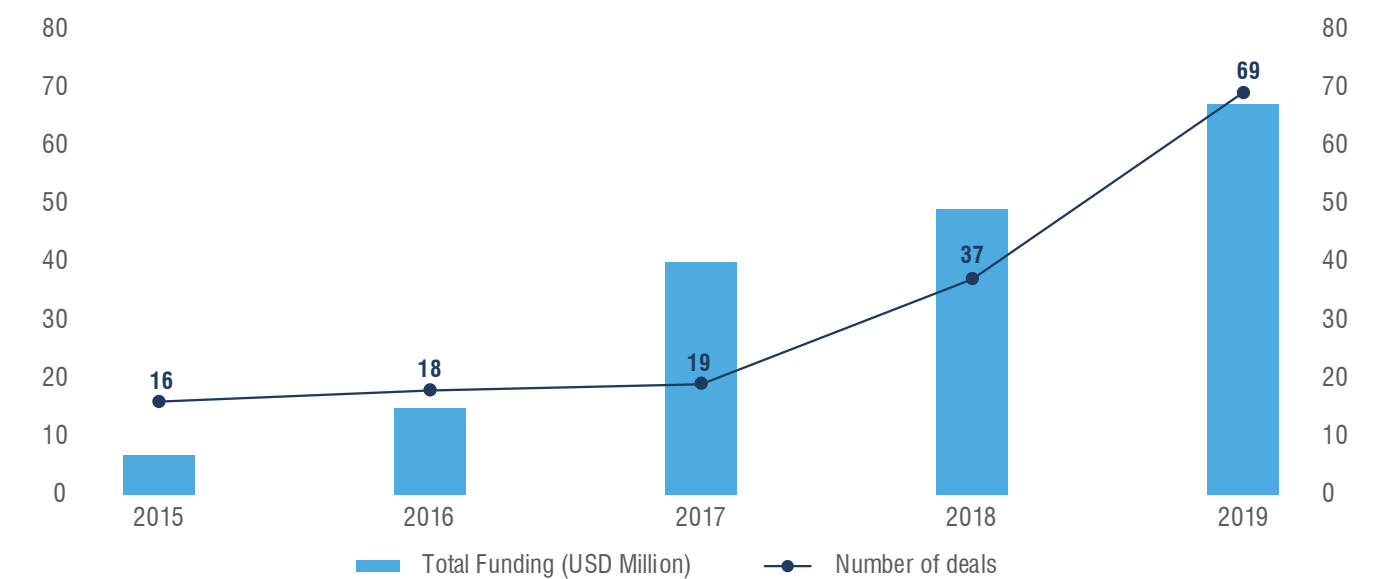
Deals in Saudi Arabia in 2019

71
Number of Deals in 2019

USD 67 million
Total Deal value

Saudi Arabia saw a record number of startup investments and total funding in 2019 with 71 deals worth a total of USD 67 million. This has continued in 2020 as well with a number of start-ups securing funding despite the crisis. Start-ups in the KSA have benefited from accelerator programs, such as the MiSK 500 MENA Accelerator, MiSK Growth Accelerator and Badir Biotechnology Incubator. In 2019, accelerators accounted for 32% of all investments in Saudi-based startups. The Mentoring and financing programs provided by the General authority of small and medium enterprises and its financial arm, the Saudi venture capital company, contributed significantly to support the spread of startups, angel investors, and venture capital funds in the Kingdom of Saudi Arabia.

Exhibit 8: Total Funding and number of deals from 2015-2019 - KSA



Source: Magnitt

There were more investors than ever before in Saudi Arabia-based startups, many of them coming from outside the region, and international venture capitalists have increasingly become interested in Saudi startups.

Government measures for start-ups/small business

Global measures

While most of the government measures being implemented for SMEs shall apply to the start-ups some of the governments across the world have earmarked start-up specific support measures. This is partly due to the limited provisions startups have to access the liquidity support programmes devised for the SMEs, for instance, some of the emergency loans for small business were linked to the turnover of the company (Switzerland), some were aimed at companies financed with debt (Denmark). On the other hand, some of the measures does not cover loss-making startups; excluding many early stage ones such as UK's coronavirus business interruption loan scheme. Consequently, countries including France, Germany, Switzerland, UK, Canada and Netherlands have deployed comprehensive support schemes for start-ups. Fundamentally these programmes aim to improve the cash position for the startups through loan guarantees; certain support packages are provided with co-investments from private investors. In addition, governments have engrossed on targeted measures that shore up innovation that is vital to recover and thrive in the post- COVID world.

For example, part of the UK's future fund initiative for startup and scaleups ecosystem will support the most R&D intensive small firms. The British Business Bank (BBB) has also extended its support programs for startup and venture capital funds, which resulted in commitment of £50 million through Enterprise Capital Funds (ECFs) in Epidarex Capital fund III⁶ which make it the largest ECF investment to date, and the largest fund specialized in health and life sciences in the UK with total commitment of more than £100 million in addition to the British Business Bank. Several global investors, highly regarded universities such as University of Edinburgh, Manchester, Glasgow and Aberdeen have committed to the capital fund.

⁶ one of Riyadh Valley Company investments



Exhibit 9: Global Policy response for start-ups

Country	Stimulus package	In detail
France	EUR 4 billion	To finance bridges for start-ups between two fund-raising rounds
		State-guaranteed treasury loans of up to twice the 2019 wage bill or 25% of the annual revenue
		Early refund of tax claims; accelerated payment of the PIA innovation support grants
UK	GBP 1.25 billion	The Future Fund for high-growth companies in partnership with the British Business Bank to provide between GBP 125 000 and GBP 5 million from the government, with private investors matching the government commitment. These loans will automatically convert into equity.
		Support for R&D intensive SME through Innovate UK's grants and loan scheme.
Germany	EUR 2 billion	Public funding to public venture capital investors for funding rounds for start-ups as part of co-investments made jointly with private investors.
		Venture capital financing and equity replacement financing for companies that do not have venture capitalists as shareholders.
		To support programme to assist innovative, early-stage companies
Canada	CAD 250 million	To support programme to assist innovative, early-stage companies
	CAD 20.1 million	To continue support young entrepreneurs who are facing challenges due to COVID-19
Netherlands	EUR 50 000- EUR 2 million	Corona bridge loans for start-ups and scale-ups; for amounts above €250,000, 25% co-financing is expected from the shareholders or other investors.
Denmark	EUR 296 million	Loan schemes with subsidised interest rates for start-ups.
Switzerland	CHF 154 m	Loan guarantee scheme where the federal government guarantees 65% of a loan and the respective canton the remaining 35%.
Malaysia	RM100 million	To support early stage startups.

Sources: Country authorities and public sources, as of June 2, 2020

MENA Region

The MENA governments have instigated several measures to support Small businesses including startups. In broad contours, the instruments used include soft loans, tax reduction, deferring loan instalments and grants to small businesses. These policies will effectively meet the immediate cashflow requirements of the small businesses and maintain employment, additionally governments have also provided exemption for utility and rent payments. Bahrain's Business Continuity Support Program, Kuwait's liquidity measure through joint financing from local banks and Kuwait National Fund for SMEs, Morocco's liquidity support to MSMEs, Dubai and Abu Dhabi's credit guarantee programmes are case in point. In order to offset the impact of the COVID-19, some governments have also stipulated procurement related measures like increasing purchases from SMEs (Abu Dhabi earmarked 15% of procurement spending and annual contracts to MSMEs)⁷.

In the case of Saudi Arabia, the SAR 50 billion Private Sector Financing Support Program supports SME's cash flow requirements and working capital. This includes (1) a Deferred Payments Programme (depositing around SAR 30 billion in banks and finance companies to delay the repayments for a period of six months); (2) Funding for Lending Programme (granting SAR 13.2 billion for banks and finance companies to grant loans for business continuity and maintain employment; and (3) Loan Guarantee Programme (depositing SAR 6 billion to enable banks and insurance companies to relieve SMEs from finance costs)⁸.

Furthermore, some MENA countries offer support for innovation by startups, the policy actions encourage startups to find solutions to the COVID-19 pandemic. For example Saudi Arabia's Social Development Bank launched a "healthcare portfolio" to support SMEs and startups in the healthcare sector⁹. Also, the Saudi Federation for Cybersecurity Programming and Drones (SAFCSP) launched the Homathon Challenge Contest to promote innovative solutions to meet the current circumstances of the Coronavirus pandemic.

Exhibit 10: MENA region policy response for small businesses (SMEs)

Country	Type of support package	In detail
Saudi Arabia	Loan guarantee Concessional lending Deferral of loan payments Rent/utility bill reduction Tax deferrals	Private Sector Financing Support Program support SME finance that includes (1) a Deferred Payments Programme (depositing around SAR 30 billion in banks and finance companies to delay the repayments for a period of six months); (2) a Funding for Lending Programme (granting SAR 13.2 billion for banks and finance companies to grant loans to support continued business continuity and maintaining employment; and (3) a Loan Guarantee Programme (depositing SAR 6 billion to enable banks and insurance companies to relieve SMEs from finance costs).

⁷ The National

⁸ Saudi Arabian Monetary Authority (SAMA)

⁹ Arab news

Country	Type of support package	In detail
Kuwait	Concessional lending Deferral of loan payments	Liquidity support programme allows Kuwaiti banks to provide SMEs with financing at 2.5% interest (The National Fund for SME Development will provide 80% of the funding at no interest for up to three years, banks to finance 20% (at 2.5% interest for 3 years)). Central bank lowered the credit risk for SMEs from 75% to 25% to calculate the capital adequacy ratio.
Bahrain	Business Continuity Support Program Rent/utility bill waiver Deferral of loan payments	Financial grants to SMEs with an active CR or a valid license.
UAE	Credit support Deferral of loan payments Rent/utility bill reduction	Abu Dhabi- AED 3 billion SME credit guarantee programme; Performance guarantees for projects up to AED 50 million waived for startups; 15% of government procurement spends and annual contracts to be allocated to MSMEs and entrepreneurs. Dubai- DH 20 million capital guarantee scheme backing peer-to-peer loans
Egypt	Loans with reduced interest rate Deferral of loan payments Rent/utility bill reduction Tax reduction/deferrals	Interest rate for loans to SMEs reduced from 10% to 8%.

Sources: Country authorities, World bank, public sources, as of June 2, 2020

In the first classification, sectors whose impact is both structurally and cyclically positive offer the most attractive opportunity for VCs. Many of these sectors are in the consumer marketplace like telemedicine, biotech, online groceries, food delivery, e-commerce, streaming music/Video, online video gaming and online Education. Start-ups in these sectors will benefit from Covid-19 accelerating a trend towards these sectors that was already underway.

On the other end of the spectrum are sectors where the structural and cyclical impact is expected to be negative. They are sectors in the sharing economy and gig economy like ride-sharing, co-working and vacation-rentals. They had already been plagued by high cash burn, premium valuations and Covid-19 has further put the brakes on the sharing economy due to the virus scare.

Then there are those sectors where cyclical impact is negative and structural impact is expected to be positive. They are passion economy, freelance, telecom/hosting and real-estate. They are expected to be negatively impacted cyclically due to Covid-19 disruptions; however, the long-term structural impact is expected to be positive.

Exhibit 12: Classification based on the ability to navigate the Covid-19 crisis

Type of Impact/Recovery	Sectors
Net Positive	Consumer health (Tele medicine), Education, Gaming, Online Groceries, Food Delivery, Staples e-commerce, Passion economy, Freelance
Short-term Impact (V- shaped recovery)	Proptech, Lending, Banking & Insurance, Micro-mobility
Prolonged Impact (L- shaped recovery)	Travel, Shared Mobility, Events, Blue-collar gigs

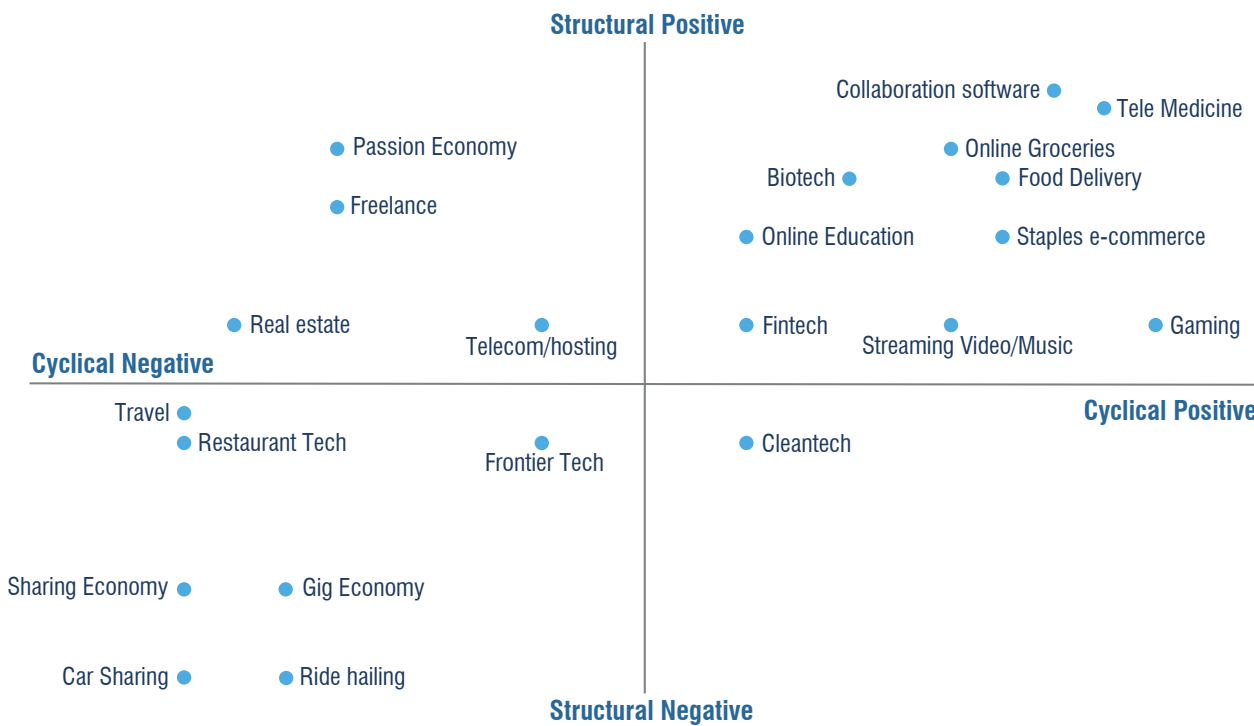
Source: Dealroom.co

The sectors having a net-positive impact due to the crisis are expected to benefit and continue their gains. Sectors having a short-term impact like Proptech, Lending, Banking & Insurance, and micro-mobility are expected to be negatively impacted in the short-term. They are also expected to make a quick V-shaped recovery when the economy recovers from the crisis. Sectors like Travel, Shared Mobility, events, and blue-collar gigs are expected to suffer from a prolonged impact and the recovery is expected to be a slow L-shaped recovery.

Promising new VC Opportunities in MENA

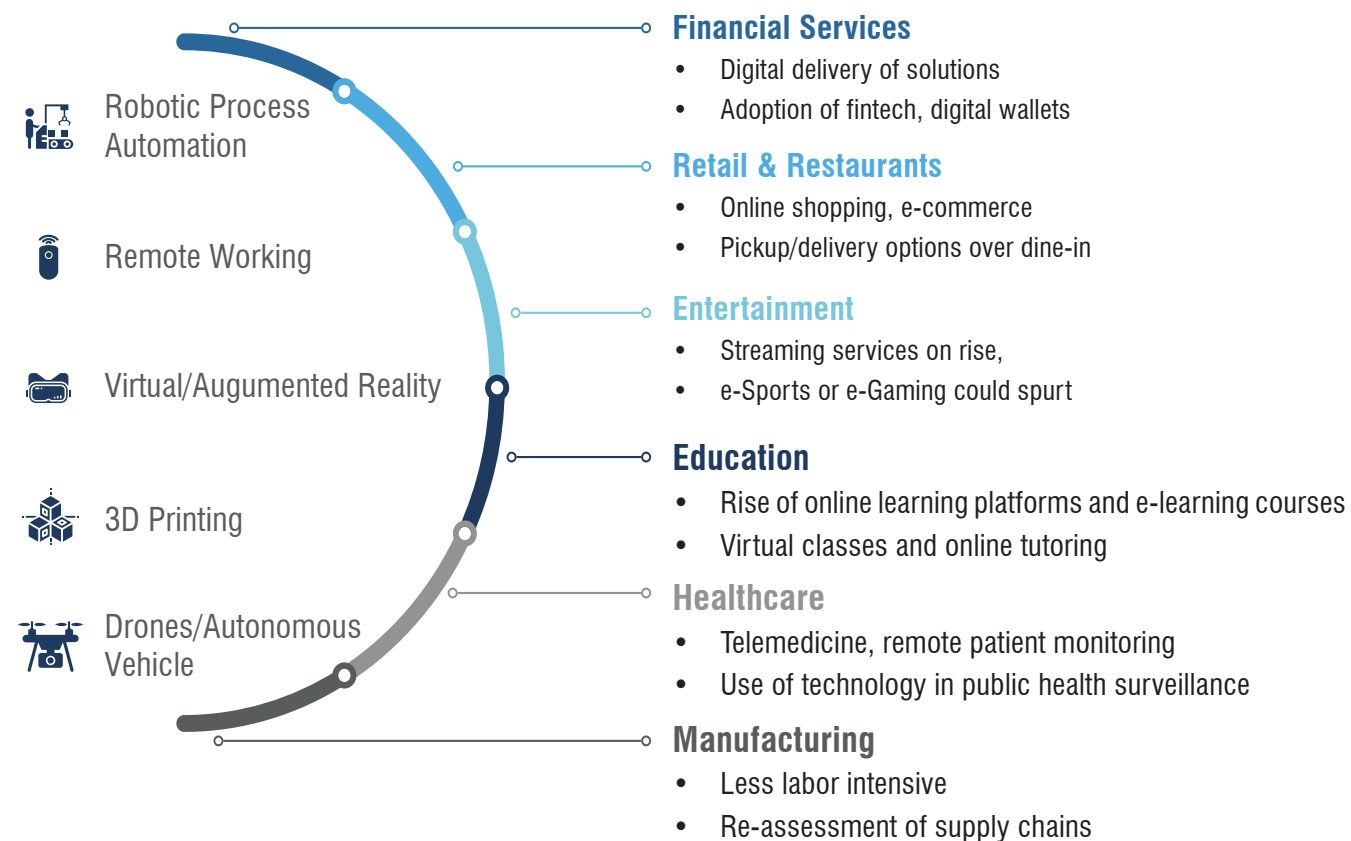
Considering the impact of Covid-19, we can broadly classify start-ups in two ways. The first based on whether the Covid-19 impact on the sector is structural or cyclical. And the second based on the expected recovery from the Covid-19 downturn.

Exhibit 11: Classification based on structural or cyclical impact



Source: Dealroom.co

Exhibit 13: Sectors that can benefit from transformative trends underway



Promising opportunities in Saudi Arabia

Opportunities in the crisis: Start-ups involved in fighting COVID-19 in Saudi Arabia

Several start-ups incubated in the Badir Biotechnology Incubator, specializing in the health, medical, pharmaceutical, environmental and agricultural sectors, have developed new medical technologies in line with the Saudi government's initiatives to curb the spread of COVID-19. The most promising medical technologies is the new equipment in disinfection and infection control, besides other technological innovations to check the quality of medical and home sterilizers. The number of incubated projects stood at 35 by the end of 2019. The total sales from the incubated companies reached SAR 100 million in 2019 such as:

Voxel Plus Company

Voxel Plus Company, one of the incubated projects in Badir Biotechnology Incubator, has developed an "Economical Disinfection Gate" that is designed to completely sterilize health practitioners before and after contact with the patients. In addition, the company developed digitally customized face masks which adapt to the facial characteristics of the health practitioner. Moreover, Voxel Plus has designed multiuse respirators using 3D printing technology. These masks are made of antiviral and antibacterial materials to maintain insulation and reduce the number of face masks used. Another innovation of Voxel Plus is the "Face Mask", which is a tool carrying a transparent plastic shield to protect the face of health practitioners from becoming infected in case of direct contact with patients. The "Virus Test" is another innovation designed by the company using 3D printing technology, and FDA approved materials. It is an alternative tool in case the virus tests run out. Besides these innovations, Voxel Plus has come up with products like "Disinfection Ring" and "Elbow Door Key" which can be used in non-hospital settings to prevent spread of infection.

Another MENA success story has been Vezeeta, which had one of the largest funding rounds of any tech startup in the MENA. It provides a free of charge medical search platform for end-users by integrating information about medical practices and doctors' individual schedules. Currently operating in Saudi Arabia, Egypt, Jordan and Lebanon, the platform generates 4 Million annual appointments, and claims to have tripled in size year over year¹⁰.

¹⁰ Techcrunch

What lessons could the MENA region draw from the impact on China's VC Industry performance

By drilling down on the Chinese VC industry's performance trend, we review the following

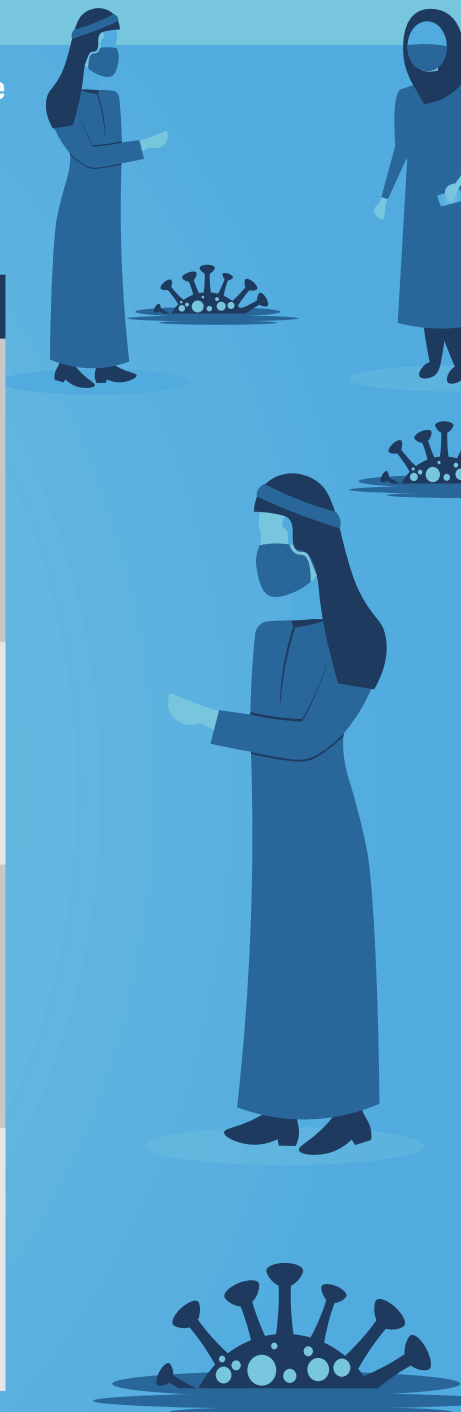
Exhibit 14: Trends and lessons learnt from China's VC Industry performance post lockdown

Trend	Lessons learnt
Upswing in VC funding post controlling the pandemic. In March, the Chinese companies raised more than USD 2.5 billion, marking a record six-fold rise from just USD 410 million in February ¹¹	More business can be expected due to pricing plunge and controlling the pandemic. Venture funds might take advantage of the lower pricing and gain access to the deals. Willingness to invest for the long term as fundamentals have not changed.
Users adapted to digital activities in biotech and education were substantial ¹²	The present startup cultural ecosystem would be changed as new opportunities arise in EdTech, telemedicine, digital entertainment and retail with the changing trends in consumer behavior.
Venture capital investments seen in financial technology, IT ¹³	Investments in core technologies (cloud, AI), financial technology, ecommerce, enterprise software will likely continue , the pandemic may not change the investors strategy on Traditional sectors
A clear path to profitability will be preferred by investors	As the investors prefer to fund the companies in their existing portfolios, we could expect selectivity; Hence new ventures seeking early stage funding are expected to set prominence on aspects like flexibility and profitability.

¹¹ Financial times

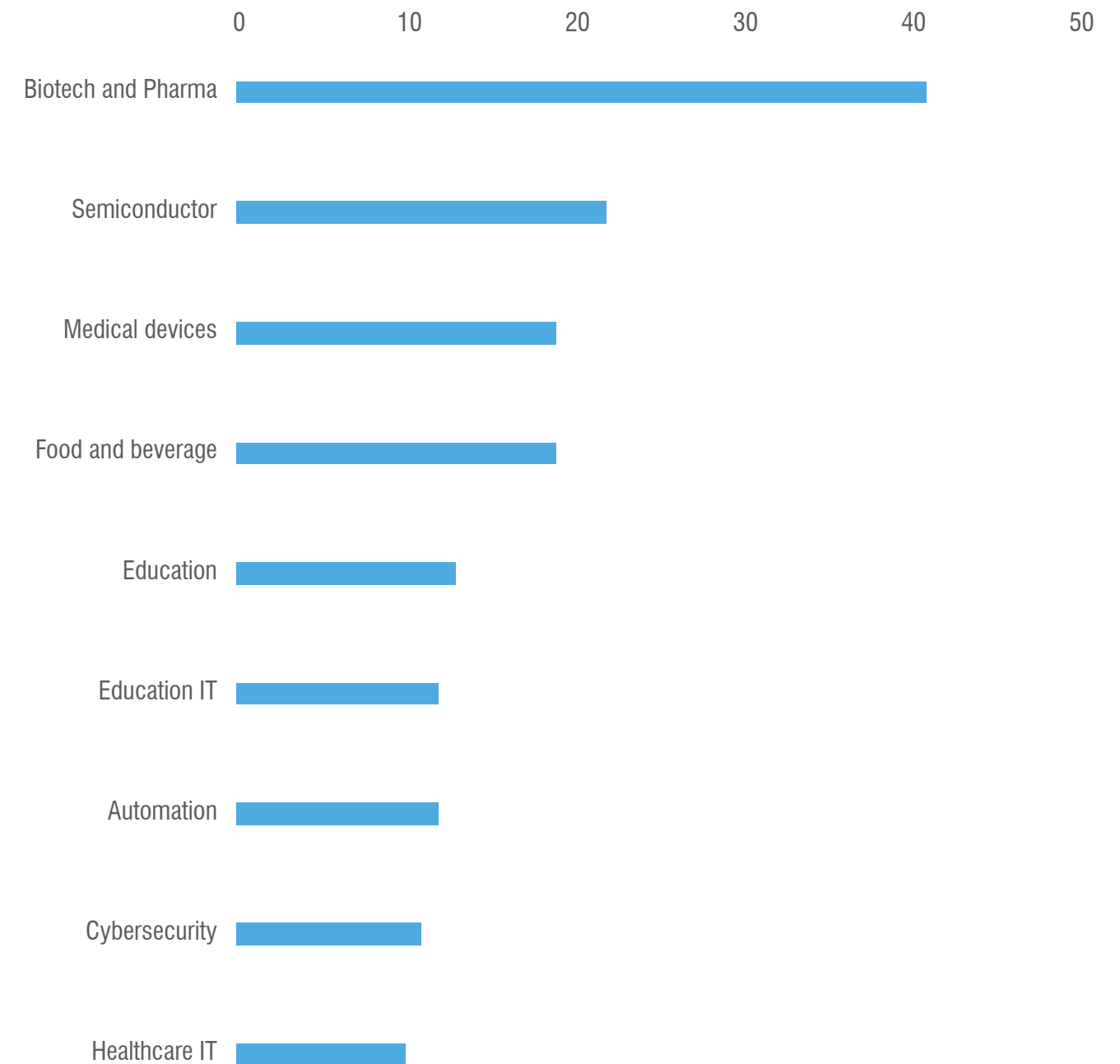
¹² Ibid

¹³ SPGlobal



In China, VC funding rebounded in March compared to February after the virus was contained. Chinese companies raised USD 2.5 billion in March compared to USD 450 million in February. Biotech and Pharma deals dominated with more than 40 deals.

Exhibit 15: Top ten sectors for new investments in Q1 2020 in China by number of deals



Source: Financial times



Trends and Projections for VC industry post Covid-19

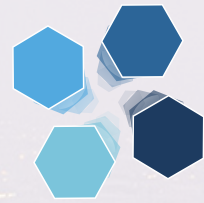
With the uncertainty created by Covid-19, VC investors are expected to become more risk averse. Thus, the rules of the game may change in the world of VC funding, the investment companies will use alternative investment tools such as fund reinvesting profits and bridge financing between rounds to continue funding startup and mitigate the effects of the economic slowdown¹⁴. New deals activity is expected to recover when understanding the general impact of the Covid-19 pandemic, but at a lower rate than past years.

From another angle, the crisis offers new opportunities and trends such as EdTech, clean energy, healthtech beside the companies based on the digital economy like online food delivery. Particularly interesting would be sectors like Electric Aviation, Autonomous Vehicles, MENA start-ups in these and other niche segments are opportunities for VCs in the region.

With the Covid-19 pandemic contributing to the acceleration of the digital transformation of organizations and individuals, and with the prospect of entering the fifth generation for widespread use globally, technologies such as virtual reality(VR), augmented reality(AR), robots, digital currencies, and online broadcasts will lead the wave of notable trends for this year¹⁵.

¹⁴ E27

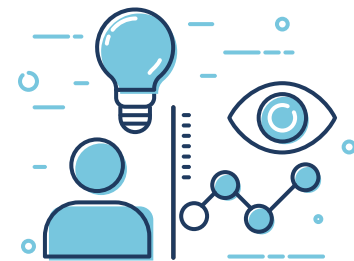
¹⁵ CB insight



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Riyadh Valley Co

Riyadh Valley Company

Riyadh Valley Company established in 2010 by Royal Decree No.116 dated 13/4/1431 AH to be the investment arm of King Saud University in the fields of Knowledge Economy and the university strategic projects.



Vision

To be the regional leader in knowledge-based investment and technology.



Mission

Strategic investor, focused on leveraging the local capabilities, investing locally and globally in growth stage businesses to create financial and strategic returns that will support the future of economic development in the Kingdom.

Investment Sectors:

Venture investment



Healthcare & Life Sciences



Renewable energy & sustainable resources



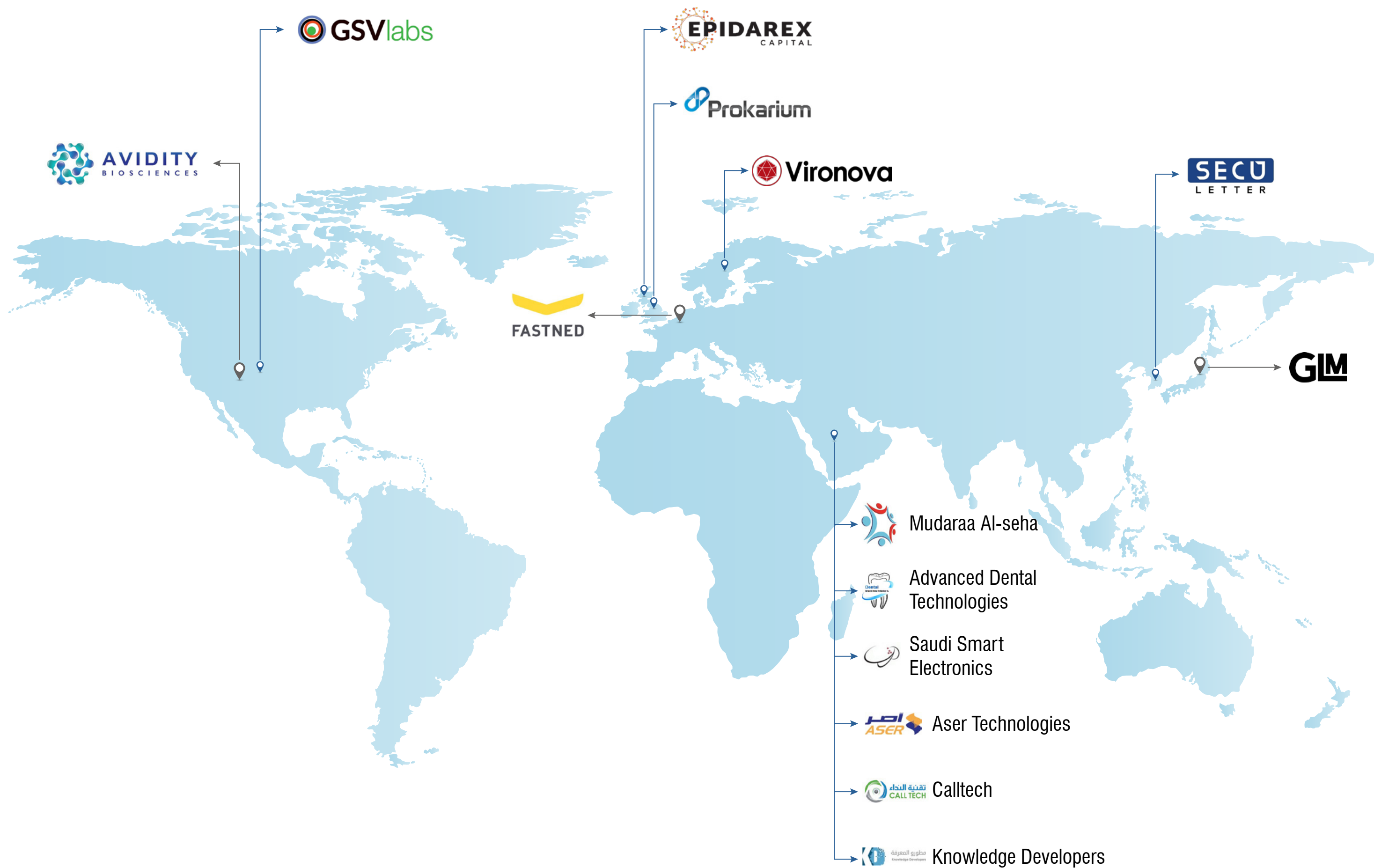
Information & Communication technology

Real estate investment



1. Commercial projects
2. Educational projects
3. Healthcare projects
4. Mixed-use projects
5. Innovation and R&D projects

Venture Capital Investment Portfolio



Real Estates Investment portfolio



Soho Riyadh

Entertainment-Commercial project contains screens on the building and architectural blocks, in addition to areas for live shows.



Awtar Plaza

Commercial project contains various stores near the Common First Year building.



The Esplanade

Cultural-Entertainment project that includes Luxury restaurants, Cafes, Cinemas and green spaces.



The SunSet

Mixed-use project contains office complex, Mall, Restaurants, cafes, and walkway for visitors.



Harat Al-jama'a

The project serves King Saud University Campus residents and surrounding neighborhoods. It includes large areas where events that reflect Saudi culture are held.



Omnia

Commercial project contains various shops.



Arrowad Campus

Educational complex, Arrowad colleges University campus in Riyadh.



Derma Complex

Medical-Commercial project contains several medical clinics, medical products stores, and pharmacies.



BIT Schools

Educational project for Primary Schools



Social Center

Social-Entertaining and sports project



Elm Innovation Center

Innovation Center project for Elm information security company



U Walk

Commercial-Entertainment project gives visitors a different experience, and it includes Restaurants and cafes



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