



STARTUP PANORAMA

EDITION 8.0

FUNDING YOUR STARTUP IN DUBAI

دبي للمشاريع الناشئة

DUBAI STARTUP HUB

AN INITIATIVE OF DUBAI CHAMBER OF COMMERCE & INDUSTRY

STARTUP FUNDING: BANKS

**E20 (BETA)**

Digital bank to enable startups, sole proprietors, freelancers, gig economy workers, fintech firms, insurance startups and SMEs to carry out day-to-day banking through a mobile app

- > Digital 'Know-Your-Customer' (e-KYC)
- > Digital tools that will generate invoices, track receivables, give expenses and cash flow insights in P&L statements, deliver information on VAT returns, support payments to vendors/suppliers

EMIRATES NBD API SANDBOX

Simulated banking space for startups and developers to experiment and create real world apps and services

THE LAUNCHPAD

Bank-facilitated deals platform that connects local and regional start-ups with world-class investors

PREFERENTIAL BUSINESS BANKING FOR UAE SMES, STARTUPS ON EXPO 2020 DUBAI ONLINE MARKETPLACE

Customised Expo 2020 Dubai business banking package for UAE-based SMEs and startups that offers:

- > Minimum average balance requirement in UAE of AED10,000
- > Trade Finance support for short term financing requirements
- > POS (point of sale) and e-commerce solutions via Network International

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Digital bank for SMEs, startups and entrepreneurs

- > 24/7 online banking, ATMs, interactive teller and cash deposit machines
- > Free 6 month subscription to Zoho Books, VAT Compliant Accounting Software
- > Mobile Point-Of-Sales that transform devices into instant payment terminals
- > Payment Getaway that can integrate with your e-commerce portal and allows you to accept card payments
- > Digital 'Know-Your-Customer' (e-KYC)
- > Digital assistant chatbot 'Emma'

STARTUPBOOTCAMP FINTECH DUBAI ACCELERATOR

Collaboration providing startups mentorship, advice, industry expertise

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E-banking solution that allows clients to manage the complex intricacies of entrepreneurship in one easy-to-use portal.

- > Single window to perform a wide range of banking transactions, such as payroll processing, bulk payments, local and international telegraphic transfers and access to account statements.
- > Integrates bills and transactions with national departments - including Dewa and Etisalat, for example - through a single, efficient account.
- > Agreement with Emirates Development Bank (EDB)
- > Partner bank for EDB's Dh100 million Credit Guarantee Scheme to support the growth of Small-to-Medium Enterprises (SMEs) in the UAE.
- > Agreement with the Dubai Department of Economic Development (DED)
- > Support for holders of DED e-Trader licences.

www.emiratesislamic.ae

**RAKSTARTER SME BANK ACCOUNT**

Zero balance account - RAKstarter for all the budding entrepreneurs and startups

- > Free business insurance, free cloud accounting package, full-feature low cost Mobile POS machine at preferential pricing

SMESOUK

Digital platform to support SMEs by connecting them with complimentary industries for a comprehensive suite of non-banking value added services such as licensing, accounting, insurance and trade requirements

TIRAKVALUE SME - CASH MANAGEMENT SERVICES

Banking benefits such as free remittances as well as preferential exchange rates, cash pick-up service, cheque pick up service, cheque scanning facility at your office

rakbank.ae/wps/portal/business-banking/smesouk

STARTUP FUNDING: INVESTORS

For a detailed list of funding providers in Dubai, check out Dubai Startup Hub Panorama Publication 4.0 which can be found here:

dubaichamber.com/dubaistartuphub/entrepreneur-education/publications-reports-library

Below we deep dive into some helpful tips from the experts.

Make sure you have your ducks in a row before you start - **corporate structure, legal setup and a company bank account**. That's a simple but important starting point for any founder embarking on their fundraising journey, according to **Sonia Weymuller**, founding partner of Dubai-based investment platform VentureSouq (VSQ).

"Have a data room ready with all relevant materials - investor deck, company documents [including] licenses, bios, employment contracts and IP, [as well as] financials, capital structure and deal terms," she recommends.

"You can also include a folder dedicated to a deep dive into the sector you're in, competitive landscape and benchmarking. Make it as seamless an experience for potential investors as you can with one repository they can access for all relevant information. This will preempt questions investors may have and show that you are investment ready."

BUILD RELATIONSHIPS EARLY

But before launching a first self-funding round, **Sam Quawasmi**, co-CEO and co-founder of Dubai-based global equity crowdfunding platform Eureeca, advises founders to get validation from their network of supporters.



Sonia Weymuller, founding partner, VentureSouq

"You can start by building out your existing channels such as your contact base and social network," he says, asking founders not to underestimate the time and effort that goes into fine tuning their investor memorandums and honing their pitches. "The expression of interest to invest in your company will give you the final push and confidence required to kick-start your campaign. **Even in business, people make quick judgements. Make sure your first impression is the right one.**"

Fundraising takes time and involves building trust in both team and product, Weymuller adds, which is why it's also never too early to start researching and building relationships with investors.

DO YOUR HOMEWORK

When considering equity crowdfunding, Quawasmi adds that founders need to be thorough in their research because not all crowdfunding platforms are the same. "Key differences are in the type of business ideas they accept, the commercial requirements, the people they reach and how they can help support you," he explains. Unlike VC firms and angel investors that come with a minimum net worth profile, the equity crowdfunding allows investors of nearly all profiles to buy equity - also known as shares - in growth-oriented private businesses.

Eureeca's crowdfunding platform, which has received regulatory approval from the UK's Financial Conduct Authority - with a Branch Office in the Netherlands authorized by the Netherlands Authority for Financial Markets - and the Malaysian Securities Commission, also makes it possible for businesses to access funding from an international pool of investors.

"This broadens the investor base and also means that businesses can leverage this network for strategic connections and expansion into new geographic markets," Quawasmi says.



Sam Quawasmi, co-CEO and co-founder, Eureeca

Research is also critical to making a case that a company fits the specific investor's thesis, Weymuller adds. "It shows you've done your homework and you're not 'spraying and praying' – sending cold emails to every single investor in town hoping one will catch the bait," she explains. "Just as investors diligence you, you also need do diligence them – who are the investors who have invested in your space previously, who may have a better understanding of your product and the vision you have for

your company and who do you feel can add the most value as you look to scale vertically, horizontally and across geographies."

BE HONEST ABOUT THE COMPETITION

Meanwhile, when talking to investors, Weymuller highlights that founders often make the mistake of making it seem as though there is no competition in their space.

"Direct or indirect it is very likely there are companies trying to solve for the same problem you are, whether regional or international," she says. "Be honest and transparent – it shows you have

an understanding of your sector and of the competitive landscape and it's up to you to demonstrate how best your product stands out and provides a different, more efficient and scalable offering."

Quawasmi adds that founders need to ensure they pitch their products or solution around the problems it solves rather than just stating the benefits. "For a startup to create value, it's not enough to see a gap in the market and steamroll into developing a solution," he explains.

"You need to understand whether that gap is sufficient enough not to be able to be filled by existing solutions.

And not only does your proposition need longevity - a fad is not sustainable as a value proposition - but you need to see your product through your customer's eyes. Don't make too many assumptions on what they want." Another important tip to remember when talking to crowdfunding investors is to be clear about what their investment is supporting, Quawasmi says, adding that founders also need to be mindful not to "ignore" investors after raising capital.

"They are invested in helping your business succeed and often have lots to offer such as advice, market knowledge and networking opportunities. Don't forget that this is also a fantastic opportunity to showcase your business, which can help to drive sales as well as secure future investment further down the line." Weymuller cautions startups not to ignore their business during the process either.

"Fundraising takes time," she stresses. "You think it will be over in 3 months but it's very likely it will take longer than that especially if this is your first venture and you're building your reputation in this space for the first time. Don't take your eye off the ball though – while fundraising takes time you also need to ensure you're not neglecting your business and its growth because of it."

THE FUNDRAISING JOURNEY

Would you be able to hear the word 'no' more than 200 times and still keep on going? That's approximately the number of times **Sebastian Stefan**'s pitch was rejected as he worked to raise funds for his startup.

"I stopped counting after that," the founder and CEO of Dubai-headquartered shipping and transportation marketplace LoadMe says jokingly as he recalls his journey.

It took Stefan a year and a half of persisting to close his first round of funding – a Series A round of \$1 million in

2018, deployed by family office establishments from Saudi Arabia and individual investors in the UAE.

But looking back, the founder believes he focused on fundraising "too much and too early".

"I spent too much time on fundraising," he says.

"It takes a lot of time to build a pitch and a business model, and to get meetings with investors. I believe I should have spent that time on the product. If it's a

great product and it's built for success then that success will attract money from customers and investors, and then the fundraising would take less time."

VALUATION MATTERS

But it's easy to get caught up in the hype around fundraising, Stefan admits, advising founders to carefully consider the purpose and timing of the process instead of jumping on the bandwagon.

"You need to find the sweet spot in terms of timing," he stresses.

LoadMe was still pre-revenue when fundraising but the startup demonstrated early traction in terms of traffic. Stefan insists however, that despite the time it took him, fundraising is "amazing" because in addition to the cash it sets up valuation.



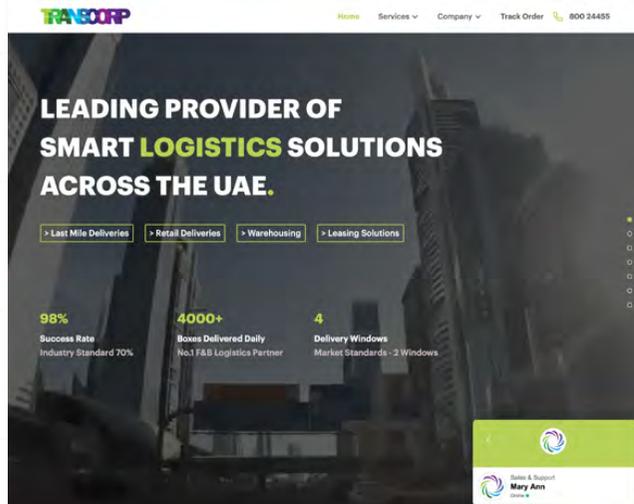
"Usually in an investment round in a tech company, you give away 15 to 25 percent [equity]," he explains. "That will setup a value for your company, and your company will be worth at least four times the investment at that time so you already see a value for your shares. Then that's an anchor point for the next investment round, which can be at a much higher valuation."

DON'T LET GO OF YOUR MAJORITY

But the numbers need to justify the decision too, **Rodrigue Nacouzi** stresses. The founder and CEO of logistics and last-mile distribution service provider Transcorp International earned growth funding in 2018 from CE-Ventures, the corporate venture capital arm of



Sebastian Stefan, founder and CEO, LoadMe



global conglomerate Crescent Enterprises, in exchange for a “sizeable” minority stake. Nacouzi’s says his decision to raise funds came four years into the business, when he couldn’t “sustain growth” on his own and it was “risky to continue without the proper funding”.

“If I would have done it earlier, I would not be able to get a good deal as the size of the company was too small and I would risk losing control since the stake to be sold would have been bigger,” he says. “[My advice to founders is] Don’t let go of your majority [equity] at early stages. [For me] at that time, the numbers were appealing enough for fundraising and getting a good deal, while being able to maintain the majority.”

CHOOSE MINDSET OVER MONEY

But your choice of investor is far more important than the amount you raise or the percentage of equity you give away. “Don’t settle for just any investor,” Nacouzi cautions. “Look for the right and strategic partnership [and] make sure you share the same vision from day one. **Focus on every single clause of the agreement while thinking about how it will affect your business in the long run.**

Money is the easiest bargain but the right mindsets are the toughest.”

Nacouzi advises having “a plan B” or an alternate investor on stand by during negotiations and hiring the right legal and financial consultants even if it comes at a high cost. “It will give you enough strength during your negotiations,” he says. On the other hand, he adds: “Don’t put yourself in a position where you won’t be able to carry on without funding, especially during negotiations, as it will weaken your position.” It’s also important to be aware that investors, whether institutional or individual, may not be familiar with your sector, Stefan says, especially in case of niche or B2B businesses.

“You need to explain your product or service in a way they will understand especially in terms of market size and potential.”

BE HONEST

While the paperwork can feel intimidating at the start, Stefan says he learnt to understand terms and



Rodrigue Nacouzi, founder and CEO, Transcorp International

conditions by downloading standard templates for contracts easily available online.

But the most difficult part of pitching to investors, he says, is sharing your weaknesses.

“So many times I thought, why should I put this slide? But they will always ask. I thought the business is what they invest in but it’s actually the people. They just want to know you’re a good entrepreneur with passion because a good entrepreneur will switch a bad idea, but a good idea with a not so great founder won’t work. So, just be honest.”