

STARTUP PANORAMA

A viewpoint on the UAE's entrepreneurial landscape

EDITION 01

دبي للمشاريع الناشئة
DUBAI STARTUP HUB

AN INITIATIVE OF DUBAI CHAMBER OF COMMERCE & INDUSTRY



140 companies | **200** members

Preferred business models



Top industries startups are active in



Capital raised by incubated startups so far (cumulatively) **\$16 million**

25% female founders | **37** nationalities



Validated over **150** ideas | Incubated over **35** startups

Graduated over **30** startups

Preferred business models

Most startups are service-based businesses, while others are product- or subscription-based.

Top industries startups are active in



Capital raised by incubated startups so far (cumulatively) **\$11 million** with **\$8 million** in recurring sales

45% female founders | **25** nationalities



138 companies

Preferred business models

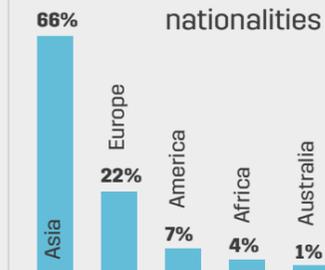
- Freemium
- Subscription
- Mark-up
- Project Fee

Top industries startups are active in



26% female founders

43 nationalities



Number of companies

TOP 30 first contest;
TOP 20 second contest,
OVER 50 in events,
 and 8 to 12 for incubation

Preferred business models

- Subscription
- Project Fee

Top industries startups are active in



815+ companies

Preferred business models



Top industries startups are active in



149 companies

Top industries startups are active in across all sectors presented by our government partners



15% female founders | **30+** nationalities

Bringing together large corporations from around the world, and increasingly SMEs and startups, both homegrown and international, the UAE has built a reputation of an environment conducive to risk-taking. Among other reasons, its excellent infrastructure, safe-haven status, business-friendly economy, and sound regulation have contributed their bit to this- the World Bank's *Ease of Doing Business 2018 report* revealed that the UAE is ranked 21st globally and among top of Arab countries for the fifth year in a row.

The UAE's appeal has now been further burnished with H.H. Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, recently announcing the Cabinet's decision to soon allow 100% foreign ownership of companies in the country.

Indeed, just in terms of setting up a company, the UAE offers a huge number of choices- its 45 existing free zones, of which 30 are in Dubai, and another 10 under construction offer 100% foreign ownership in companies, no corporate taxes, no import and export duties, 100% repatriation of revenues and profits, reduced documentation and smoother recruitment and visa processes for employees. Over the last few years, the UAE has also become home to 17 accelerator programs, 12 incubators and 7 co-working spaces, according to MAGNiTT, a data platform of startups and investors in the MENA region. But for entrepreneurs to continue to thrive in this landscape, more definitely needs to be done, says Philip Bahoshy, CEO and Founder, MAGNiTT. "In my opinion, for the ecosystem to flourish, we need to create an environment where it is cost-effective for startups to set up, cost-effective to

potentially fail, and yet still be incentivized to set up again. Currently this is not the case. The high costs to incorporation and bureaucracy surrounding licensing, visa and real estate requirements creates an inhibitor to growth for Dubai-based startups. This creates a ripple effect when looking at the challenges for funding, talent acquisition and scalability. Having said this, I know it is something dear to the government, and it is being addressed."

A major push towards making the emirate the entrepreneurial capital of the region comes from the Dubai Chamber of Commerce and Industry and its Entrepreneurship Strategy 2021, which aims to expand the scope of support to startups, entrepreneurs, and youth in Dubai. "As a representative of the private sector, Dubai Chamber does a lot with regards to policy advocacy, which has helped us better understand the needs and concerns of the



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DUBAI CHAMBER'S ESSA AL ZAABI
ON THE STATE OF BUSINESS IN THE UAE

"The UAE's strong focus on innovation and entrepreneurship has helped boost its appeal as an attractive startup hub. In fact, the country has positioned itself as a test bed for startups from around the world that bring with them cutting edge technologies and solutions. In recent years, we have seen closer cooperation between public and private sector stakeholders on innovation-focused initiatives. Within the UAE's business community, startups are a major source of innovation as they are quick to identify market gaps and develop effective solutions and services to meet such demands. Leading corporates have realized the importance of engaging with the startup community and more companies are now partnering with startups to fulfil their procurement needs. We are seeing a lot more diversity in terms of the demographics of entrepreneurs in the UAE. More young entrepreneurs than ever before are launching startups and businesses, many of whom are fresh graduates or still at university. At the same time, we have observed a growing number of private sector employees, including former C-suite executives who have left the corporate world to start their own ventures."

business community," says Essa Al Zaabi, Director of Entrepreneurship Department at the Dubai Chamber. "Access to finance still remains an area of challenge for startups and SMEs, however this situation is gradually improving as banks improve their understanding of the startup up business model which requires long-term investment. Major steps have been taken to improve ease of doing business in Dubai, and strengthen the emirate's appeal as a preferred business hub. **Dubai Chamber recently unveiled two new initiatives to support Dubai's new economic stimulus plans** in line with the directives of H.H. Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai. Among the new initiatives launched by the Chamber are plans to coordinate with other government entities to review services and fees, with the aim of reducing the cost of doing business

in the emirate. In addition, an advisory board has been established by the Chamber to **boost the contribution of global companies in shaping the regulatory landscape.** The council will represent business interests, strengthen investor confidence, and play a key role in developing the local economy. These initiatives are prime examples of progress which can be achieved through close cooperation between Dubai's public and private sectors, and we expect such measures to boost confidence in the Dubai market and enhance the emirate's competitiveness in the long run."

It must be noted here that the Dubai Chamber itself has seen a staggering growth- starting with just 450 members in 1965, its membership has grown exponentially over the decades to exceed 210,000 today. And **Dubai has a specific target for those growth-oriented enterprises: to bolster SME contribution**

to GDP from 40% in 2017 to 45% by 2021. But Sonia Gokhale, Partner, VentureSouq, a GCC-based venture investing platform, notes a challenge there for companies at that growth stage. "A big challenge for startups in Dubai is figuring out a strategy on how to scale and grow their businesses exponentially," she explains. "At VentureSouq, we are interested in investing in companies that have the potential to become half-a-billion or billion-dollar businesses, and in order to get there, companies need to think about other markets in the MENA region, such as Saudi Arabia or Africa. A great example of this is in our portfolio is Fetchr, which is a homegrown Dubai company, but has grown significantly over the last few years, because of its aggressive and well-thought out expansion plan. Companies in larger and more developed markets such as the US are also trying to figure out how to access other markets, such as the MENA



Sonia
Gokhale

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VENTURESOUQ'S SONIA GOKHALE
ON DUBAI'S AMBITIONS TO BECOME
AN INNOVATION HUB

“Dubai has a huge head start in a lot of ways for technology startups due to a very supportive government, a fairly young and tech-savvy population, the ability to draw top talent, a very competitive tax regime and macro factors, such as high mobile penetration rates and an increasingly diversified economy. Add good weather and proximity to other interesting markets, and Dubai definitely is headed in the right direction in terms of becoming a major startup ecosystem. In order to keep up the progress, there needs to be continued focus on ease of entry and set-up for startups. Also, we are seeing corporates becoming more active in terms of investing in startups to foster innovation and more international capital paying attention to Dubai and MENA startups, which will continue to strengthen the overall ecosystem here.”

region, so companies based in Dubai need to do the same. Some of the largest emerging and frontier market financial centers are within four to eight hours of the UAE, and these markets should be on the minds of all founders starting businesses in Dubai.”

“Dubai's entrepreneurial eco-system has matured and evolved considerably in recent years, and today, it is a hotbed for startup activity,” adds Al Zaabi. “Evidence of this trend can be seen in the growing number of incubators, accelerators and investment funds and entrepreneurship programs which cater to this community. The growing number applications (around 100 per month) we receive from startups applying for various Dubai Startup Hub programs is an encouraging sign reflecting the strong appetite for entrepreneurship in this part of the world. Just as Dubai Chamber has scaled up its support for startups and

entrepreneurs with Dubai Startup Hub, we are encouraged to see that many other companies and government entities in Dubai have done the same. Such efforts send a positive message to entrepreneurs and investors around the world that Dubai not only welcomes new ideas, but also commits to supporting the development of its startup community. Dubai is home to a significant number of top-funded startups in the MENA region, and for good reason. The emirate provides many unique incentives and advantages, including its strategic geographic location enabling companies to expand their global reach, world-class infrastructure, investor-friendly environment, and attractive free zones. To add to that, **economic indicators remain strong as the city's fast-growing population and rising income growth support consumer demand.”**

The funding landscape for startups, especially those in the digital space, has been changing rapidly, with MAGNiTT reporting that the Middle East and North Africa attracted \$650 million of funding in 2017, with 76% going to UAE-based firms. *The State of Digital Investments in MENA 2013-2017* report, jointly prepared by Dubai SME, the agency of the Department of Economic Development (DED) and ArabNet noted that the UAE continued to be the leader in driving digital startups across the region, both in terms of number of investors and deals- the UAE accounted for almost one-third (32%) of all MENA investors. Together with Saudi Arabia, Lebanon, and Egypt, it also contributed to 70% of all investments in digital startups in the region in 2017. With respect to the investors landscape, Bahoshy notes, “Bureaucracy and legal frameworks have been inhibitors



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MAGNiTT'S PHILIP BAHOSHY ON HOW DUBAI'S STARTUP ECOSYSTEM CAN BE BOLSTERED

“A strong foundation for interaction and engagement is essential for the ecosystem. The UAE has seen the emergence of multiple accelerators, incubators, co-working spaces, venture capitalists and government initiatives across the Emirates. However, one challenge is that they are all geographically spread out. This creates a logistical barrier to engagement and knowledge sharing. There is also a lack of transparency about benefits that are available for comparison across free zones and institutions. Creating standardized requirements to be eligible for benefits including discounted licenses, visas and banking requirements will create an equilibrium matching founders and their support services. The UAE also needs to look beyond its borders and see how to bridge founders to international markets. Scalability and access to markets is essential for the growth of startups. Building relationships with counterparts to ease access, transport and licensing in neighboring countries and vice versa will further help fuel the startup ecosystem development.”

to the growth of the angel community. There is a need to greater incentivize angel investors in the UAE to take this risk through similar models to those found in the UK and EU which provide capital guarantees and in-kind benefits for their investments. On the other hand, venture capitalist firms across the region have undertaken a huge responsibility of fueling the startup ecosystem to date- in the absence of a strong angel community, they have played the role of early stage investors as well as late stage investors. A challenge to date is that there have yet to be large exits from portfolios to realize returns for LPs. Lastly, later stage investors have generally come from larger institutions, either as corporate venture capitalists or international players looking to invest regionally in success stories such as Careem and Souq, and I believe that they have a greater role to

play along the whole value chain. **Creating smaller funds that can allocate smaller tickets across the value chain will help grow startups looking for cash at earlier stages to become interesting late stage investments and potential exits by startups or institutions from outside the region.”**

Bahoshy expects more exits in the future as startups move up the investment cycle and scale across the region, reminding that it takes on average seven years for a startup to exit- according to MAGNiTT's 2017 MENA evolution report that 70% of MENA's top funded startups were founded between 2012 and 2015, and the year 2015 saw a peak in exit activity in recent times with 16 startup exits, and says 2017 has already had a strong start with eight exits in the first six months. According to the study, over the last five years, the region has seen 60 startup exits (disclosed, and part of MAGNiTT's

proprietary data), totaling up to a value of over US\$3 billion. And with agencies like Dubai Startup Hub –the entrepreneurship support arm of Dubai Chamber- leading from the front, one can certainly expect to see more success stories come out of Dubai and the UAE in the near future. It's only a matter of time.

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