

أرامكو السعودية
saudi aramco
entrepreneurship



THE WA'ED NEWSLETTER

Q3 2022



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NEWS FROM WA'ED



Wa'ed co-leads investment in global spacetech company OQ Technology

Reaffirming our mission to position the Kingdom at the center for global tech ventures, Wa'ed has co-led a EUR13 million Series A round in OQ Technology, a global IoT satellite operator, with the Greek 5G Ventures' managed Phaistos Investment Fund.

OQ Technology, which will use the funds to further develop its solutions, acquire further licenses, and grow its 5G IoT low Earth orbit satellite constellation, will also establish one of the largest data and network operations center in the Middle East for 5G satellite services and the first space network operations center of its kind in Saudi Arabia and in the MENA region, in addition to one in Greece under the name 'OQ Technology Hellas'.

Wa'ed co-leads Series A round in Saudi-based Elevatus

In partnership with Global Ventures, Wa'ed has co-led a \$10.5 million round in the Saudi-based HR technology company which provides industry-leading video interviewing and recruitment software for the HR sector.

The round, which saw the participation of the Oman Technology Fund, will support the startup to accelerate its business expansion in its offering of integrable solutions for companies to tackle hiring challenges and conduct secure and unbiased video interviews.

Wa'ed leads latest round in European AI innovator Alteia

Expanding our reach to attract new industries to the Kingdom, Wa'ed has led a funding round in Alteia, the European leader in vision AI and industrial software innovation, based in France.

The investment will support Alteia's trajectory as an AI ecosystem leader, adding weight to the "value of contextualized, actionable visual data as the foundation to shape a more efficient, more sustainable industrial future," according to Alteia's CBO and co-founder Benjamin Benharrosh.

Wa'ed to operate a new co-working space in partnership with Monsha'at

Wa'ed has partnered with Monsha'at to operate a new co-working space in the heart of Al Khobar, providing portfolio companies a dedicated office location, conference rooms, workshop facilities, and other services. The partnership between Wa'ed and Monsha'at will further the extensive support Wa'ed has provided to startups with the goal to encourage greater collaboration and growth within the region's entrepreneurial ecosystem.

Wa'ed signs a Strategic Partnership with the Saudi Venture Capital and Private Equity Association

To further support venture capital growth across the Kingdom, Wa'ed has strengthened its membership with the Saudi Venture Capital and Private Equity Association (SVCPEA) by signing as a strategic partner. The industry body, created under a Saudi Council of Ministers' resolution, aims to stimulate the venture capital and private equity ecosystem in Saudi Arabia.

Q3 Highlights

**SAR111.33 million
(\$29.69MM)** venture
capital deployed



**Five sectors invested
in through VC deals:** AI,
Construction, Fintech,
Healthtech, and Spacetech

HEALTHTECH FOUNDERS NEED TO FIND THE RIGHT BUSINESS PARTNER TO SCALE

Digitalization across the local healthtech market is relatively nascent, with active progress only scraping the surface of the sector's opportunities through aggregation and digitization. And while innovation globally has been catalyzing growth in the healthcare sector, niche areas such as genomics are yet to be tapped.

There are numerous examples of this growth, to be sure. For instance, insurtech is alleviating the limited access to insurance; and surgical procedures and recovery times are being reduced with the assistance of ultra-precise robots, which are also making some procedures less invasive. Doctors are now using virtual and augmented reality (VR/AR) to practice new surgical techniques or provide exposure therapy in mental health. And telemedicine apps are also having a significant impact on the industry with the adoption of apps to facilitate the accessibility to counselors and healthcare professionals.

Within the Kingdom, the Health Sector Transformation Program, part of the Saudi Vision 2030 Realization Programs, was launched by the Council of Economic and Development Affairs in 2018. It was established to promote quality care by overcoming incorrect or overdue diagnoses and tailoring experiences by infusing tech into genetics, pathology, and other critical diagnostic fields.



Huda M AlAkkas, Investment Associate

This is just one example of the importance the government of Saudi Arabia is placing on the healthcare sector, which has seen significant investment and stimulus to encourage growth and advancements across the Kingdom. According to Omnia Health, the government has allocated ~ \$1.5 billion (SAR 5.63 billion) toward healthcare IT and digital transformation programs and is targeting the healthcare sector for privatization.

However, despite the focus on the sector, healthtech entrepreneurs, who are mainly medical experts, are still facing challenges, especially those looking to address the genomics gap. As with any startup, founders are often specialists and while they believe in their product, they often neglect to bring in a business development expert who brings with them the technology and business-focused acumen to support the technology's case with business viability and its scalability. This is a vital step in driving the business case forward to market, showcasing the investment opportunities, and developing a market-ready solution.

Careful consideration needs to be made to navigate the evolving nature of regulatory framework



One of the key issues for genomic startups, and one which is stagnating growth, is that they are largely operating under larger umbrellas – often universities and R&D centers within government hospitals – limiting their ability to scale and commercialize their services. The Kingdom has successfully attracted an ever-growing resource pool of genetic counselors, dietitians, molecular scientists, and bioinformaticians. The next step requires partnerships with business-focused specialists to build a solid business model, equipped with the right hardware and resources to appeal to investors.

Data deluge is an additional challenge which some founders often struggle with, and one which is impacting genomics establishments. Through the implementation of the right computing capacity, startups will be able to manage a large amount of data to provide real scientific insights to advance not only the business but the product itself. A business-focused specialist may have a local strategic partner as a service provider outsourcing supercomputing services at lower costs and ensuring information is being held against the necessary regional security and privacy protections. Establishing such structures is key to attracting government interest in pilot projects and creating track records which can build market trust.

Ultimately however, healthtech founders in the Kingdom are well-placed to leverage government support in growing SMEs and connecting with the right individuals. Direct examples of this government support in action include the Global Health Exhibition in Riyadh, hosted under the patronage of the Ministry of Health, in addition to the Privatization Program, established to foster partnership between the private and public sector as part of the Kingdom's Vision 2030.

This is representative of the Saudi Government's efforts to continue to support a wide range of sectors, but it also reflects its desire to shape the future, rather than be defined by the past. As a result, Saudi Arabia is laying the groundwork for the way the healthtech sector will begin to operate as the Kingdom begins to achieve its ambitions, and it is up to those passionate health-focused entrepreneurs to not only persevere, but to align with the right partner to fully realize their product or solution.

Huda M AlAkkas

THE STARTUP VIEWPOINT

Where do you believe there are current support gaps in the startup ecosystem?

“There has been tremendous support lately for startups, which has led many of them to grow phenomenally. Nevertheless, many startups lack the vision and support for achieving sustainability. It’s a gap of how to build a company that lasts beyond five years with consistent demand for its product, unique value proposition, and maintaining its talents. Support for long-term challenges is needed in order to build impactful companies on a global scale.”



Khalid Alkenaa, CEO at Mohtwize



“Earlier, there weren’t any accelerators focused on startup investments in Saudi and venture capital to support startups was limited. However, Fintech Saudi, which launched in 2018, has been a suitable catalyst for developing the fintech industry in KSA, and we are a proud part of their network. VC investment in the region was also limited earlier but has now taken off significantly; for example, Saudi Aramco’s Wa’ed Ventures has ramped up its plans; it aims to invest \$100 million this year after having invested \$50 million over the past nine years to capitalize on the growth in expected sectors in the Kingdom. We at Lamaa are proud to be a portfolio company of Wa’ed Ventures. With the increased laser focus on investments and accelerator programs, the critical challenges of not being able to unlock investment and valuation potential, can be addressed.”

Sumeet Khutale, founder and CEO at Lamaa.

I would not call them gaps, but some areas are less mature than others. One area that can be improved is the friendliness-to-startups legal infrastructure here in Saudi Arabia. The current options for startups when incorporating aren’t the best which leads many founders to incorporate their companies outside.”



Salem Bin Ghanem, Co-Founder and CEO at Faheem

ACCELERATED REGULATION NATURALLY CREATES TEETHING PROBLEMS



Government initiatives have encouraged startups especially within Fintech, however there is still a requirement for clarity

Over the course of the past decade, the entrepreneurship ecosystem has continued to thrive across the Kingdom of Saudi Arabia. During the first half of this year, more than \$584 million* was raised through venture capital investments. This, coupled with government-led initiatives, such as Monsha'at, Saudi Venture Capital, and the venture capital VCPE Association, all launched within the last six years, and the creation of multiple sandboxes, the Kingdom has been positioned at the forefront of enabling entrepreneurs and innovators in the region.

“The regulatory environment has been quite supportive of startups, especially fintech,” agrees Sumeet Khutale, founder and CEO at Lamaa, which provides financing solutions for SMEs. “The Saudi government has announced plans to triple the number of fintech companies in the Kingdom and grow Riyadh into a global capital of fintech innovation, rivaling London, and Singapore. We believe that having more competition in the market is excellent because it helps create a thriving ecosystem and evens the playing field for consumers.”



“There is still more clarity required on certain fintech activities and whether there are regulations or licenses needed for them.”

Sumeet Khutale, founder and CEO at Lamaa

His comments were echoed by Junaid Wahedna, founder and CEO at Wahed, a New York-based fintech: “There is no doubt about the radical change in the ease of doing business in KSA. A once opaque economy is now on everybody’s radar with the help of the Ministry of Investment of Saudi Arabia and many other government initiatives to spur startups in the region. There is a great mix of capital available, talent, and a huge untapped consumer market making it a top choice for most startups.”

Fintech has been one sector to witness significant growth, attracting 22 percent of VC investments in the Kingdom during H1 2022*. And the government has been keen to encourage this as part of Vision 2030, launching the Financial Sector Development Program in 2017 and the SAMA Regulatory Sandbox

in 2018, which has as of September certified 42 companies, enabling the adoption of their services and products within the financial sector.

Junaid suggests that the increase in Fintech startups is a direct correlation of such initiatives. “The implementation of a regulatory fintech sandbox, the government’s efforts to promote financial inclusion through a saving society, along with the digitization of Saudi Arabia, have all been key changes complementing our vision and mission,” he notes.

Khutale, adds that this has also encouraged funding. “SAMA’s Regulatory Sandbox and CMA’s FinTech Lab have helped support the fintech ecosystem over the past couple of years and increased investor interest and confidence to deploy funds in the region. This is in line with the Kingdom’s Vision 2030, which aims to help diversify the economy and support funding and investment initiatives for the private sector.”

While the sector has evolved at such a quick pace during recent years, this accelerated development does still present challenges and areas of refinement, something that Junaid believes is on the horizon: “It is only natural for there to be teething issues that we have faced which will no doubt be solved in the next few years.”



“A once opaque economy is now on everybody’s radar with the help of the Ministry of Investment of Saudi Arabia and many other government initiatives to spur startups in the region.”

Junaid Wahedna, Chief Executive Officer and Founder at Wahed

Khutale expands on this by saying: “There is still more clarity required on certain fintech activities and whether there are regulations or licenses needed for them. For example, buy now pay later activities are not regulated worldwide but are recently under more scrutiny. Innovative, new business models may require different treatment. It would be great to activate more programs where the startups and regulators work together to develop regulatory strategies for these models.

“Currently, a few of our business lines are still not licensed by SAMA. However, we hope to work closely with the regulator on new initiatives as and when the regulations become more explicit,” he adds.

Though one point both Khutale and Wahedna can agree on is the opportunities that now exist for startups within the Kingdom are endless, with increased funding options available to support growth.

“We are excited about the significant potential in the region and the rapidly developing startup ecosystem. Post the pandemic, the number of startups that have mushroomed across the region catering to different use cases, e.g., grocery delivery, e-commerce, online education, fintech, etc., has been exciting to witness,” Khutale notes.

Wahedna adds: “I love how the KSA ecosystem is not correlated to the US or European startup market. During the recent turbulence in US markets the KSA ecosystem sustained its strength due to the gaining oil prices. This hedge is priceless for startups.”

*Source: Magnitt’s H1 2022 Saudi Arabia Venture Capital Report, sponsored by Saudi Venture Capital

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ABOUT WA'ED

Wa'ed was established in 2011 as the entrepreneurship arm of Aramco to develop a thriving ecosystem by nurturing and investing in innovative entrepreneurs, converting early-stage startups to SMEs through venture investment, business incubation, and access to partner resources.

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