



WA'ED VENTURES
Newsletter | Q4 2022

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News from Wa'ed Ventures

Achievements and Milestones

Latest Update From Wa'ed Ventures

This quarter, Wa'ed Ventures launched its specialized Arabic podcast 'Al Riyadhah.' The podcast delves into concepts related to venture capital and startups and is sponsored by Wa'ed Ventures. 'Al-Riyadah' features some of the leading venture capitalists, legal experts, and founders and is aimed at enriching local Arabic content to drive entrepreneurial knowledge in the Kingdom.

Wa'ed Ventures Co-Leads Euro 13 Million Series A Funding for Global Space Tech Company "OQ Technology"

Wa'ed Ventures and Phaistos Investment Fund co-lead a Euro 13 million Series A funding round for OQ Technology, a global space tech company. OQ Technology is the first 5G operator to combine satellite and terrestrial networks, positioning them as the region's leading 5G IoT operator. The funding will fuel OQ's global expansion, further develop its innovative technologies, and support establishing subsidiaries, including one in Saudi Arabia. Wa'ed Ventures' investment in OQ Technology aligns with its mission to position the Kingdom of Saudi Arabia as a center of gravity for global tech ventures and fosters the growth of the space tech ecosystem in the region.

Wa'ed Ventures and STV co-lead the SAR 106 Million Series A Funding round in Manafa, the Saudi leader Driving Financial Innovation for SMEs

Manafa, a Saudi fintech powerhouse, has secured SAR 106 million in Series A funding led by STV and Wa'ed Ventures. The funding will be used to launch new products and expand Manafa's offerings across various sectors. By doing so, Manafa is contributing to achieving Vision 2030 by bridging the financing gaps for SMEs and providing investment and financing solutions through their platforms.

News from Wa'ed Ventures

Achievements and Milestones

Wa'ed Ventures partners with MCIT to support the third edition of the Tech Champions program

Wa'ed Ventures partners with the Ministry of Communications and Information Technology "MCIT" as the funding partner supporting its third edition of the Tech Champions accelerator program. Under the program's multiple tracks, Wa'ed Ventures chose to support the Metaverse Track, offering potential investment opportunities for qualified startups innovating in this emerging sector.

Q4 Financial Highlight

SR 121.38 million
(\$32.37 million)
venture capital deployed



Sectors Invested in through VC deals:
Spacetech, HR tech, Visual data and artificial intelligence, E-commerce, Fintech



News from Wa'ed Ventures Events Insights

Wa'ed Ventures at GITEX Global 2022

At this year's GITEX Global event, Wa'ed Ventures sponsored exhibition slots for a wide selection of their portfolio companies, including iRama, Walaplus, Ynmo, Hazen, Grintafy, Faheem, Bonat, and Bubble, to empower their ecosystem growth at the region's largest tech show.

Wa'ed Ventures at Rise Up

With the event's inaugural presence in Saudi Arabia, Wa'ed Ventures took the opportunity to offer exhibition slots for a number of its portfolio companies to take part in this regional flagship event. The Wa'ed team also participated in a panel discussion with leading local VC figures to discuss. The panel highlighted funding gaps, venture debt, and the pivotal role of entrepreneurs in shaping the ecosystem.

Hosting the Fintech Tour 2022

Wa'ed Ventures collaborated with Fintech Saudi to host the center's Fintech Tour 22 roadshow. The event took place at the Startup Hub in Al Khobar, with an interactive session on the fundamentals of financial technology. This collaboration with Fintech Saudi was an opportunity to provide emerging founders in the Eastern province with valuable insights into the financial technology revolution happening in Saudi Arabia.

OPINION PIECE

Hardware's Healing Touch: Exploring the Value of Medical Device Investments

The venture capital (VC) industry has played a pivotal role in the growth and innovation of medical device companies over the past five decades. In recent years; however, software investments have taken center stage, while hardware investments in healthcare have been overlooked and undervalued.

In the 1970s, VC funding became a vital source for startups, particularly benefiting established leaders like Medtronic, founded in 1949. In 1974, Institutional Venture Partners (IVP) injected \$1.2 million into Medtronic, providing a significant boost for expansion. The 1980s saw a continued influx of VC funding, exemplified by Boston Scientific, established in 1979, securing \$1.2 million in Series A funding in 1982. This investment played a pivotal role in the development of the company's first cardiac pacemaker. The 1990s and early 2000s witnessed a technological revolution with companies like Intuitive Surgical, founded in 1995, leading the charge in robotic surgery. In 1996, Intuitive Surgical received \$5.2 million in Series A funding, a milestone in the company's growth.

Recent years have witnessed a convergence of technologies, with companies like Verily Life Sciences driving innovation at the intersection of healthcare and technology. In 2022, Verily raised \$1 billion from Alphabet, demonstrating the growing interest in the intersection of healthcare hardware and technology.

While hardware startups can have the potential for high impact and returns, here are some factors that have considerably scared VCs from investing in hardware startups:



Ezekiel Kwenda
Investment Manager at Wa'ed Ventures

- **High upfront costs:** Hardware startups often require significant upfront capital to develop and manufacture their products. This can make it difficult for VCs to justify the investment, as it can take longer for hardware startups to generate revenue and profitability.
- **Longer time to market:** Hardware startups often have longer development cycles and a longer time to market than software startups.
- **Manufacturing and supply chain risks:** Manufacturing and supply chain risks can add additional complexity to hardware startups.
- **Fear of Limited Scalability:** Hardware startups are typically limited in scaling their products and business models.
- **Lack of expertise:** For many VCs, hardware may be outside their area of expertise, making it more difficult for them to evaluate the potential of a hardware startup.
- **Commoditization:** In some cases, hardware can become commoditized quickly, making it difficult for startups to maintain a competitive advantage and generate profits.

OPINION PIECE



With Ezekiel Kwenda
Investment Manager at Wa'ed

However, it is time to challenge this perception and explore the immense potential of medical device investments. By understanding the unique value that hardware brings to healthcare, venture capitalists can unlock new opportunities for innovation, improved patient outcomes, and substantial returns on investment.

Investors have yet to fully capitalize on the potential of hardware technology, despite projections indicating that it will make up a significant portion of revenue in the coming years. While hardware may present some unique challenges, it's important for investors to recognize the value of investing in this area and to allocate more resources accordingly. By doing so, we can help accelerate progress and create a better future for all.

The Power of Real-World Impact:

One of the most compelling reasons to invest in medical devices is their direct impact on patient care. Unlike software solutions that exist in the virtual realm, medical devices interact with the physical world, enabling tangible improvements in healthcare delivery. From advanced diagnostics to precision surgical instruments, medical devices hold the power to transform patient outcomes, enhancing both quality of life and overall healthcare efficiency.

Addressing Market Needs and Demands:

Hardware solutions are uniquely positioned to address unmet needs in the healthcare industry. As the demand for personalized and connected care continues to grow, medical devices can play a pivotal role in meeting these demands. From wearable health monitors to smart implants, these innovative hardware solutions provide real-time data, enable remote monitoring, and empower patients to actively participate in their own care. By investing in devices, venture capitalists can tap into a market hungry for transformative solutions.



The VC industry has played a pivotal role in the growth and innovation of medical device companies over the past five decades.



Revenue Generation and Market Potential:

In a 2021 report by EY, the medical device sector demonstrated remarkable growth, marked by a record 288 M&A deals from June 2020 to June 2021, the highest since 2007. Revenues for industry leaders surged by 30%, with 94% reporting gains in early 2021. Public medtech valuations in the US/EU increased by 55%, outperforming most indices except digital health. Venture capital funding reached a decade-high at \$9.1 billion, and IPO funding doubled to \$6.4 billion, with half coming from just two deals. In 2023, deal value ticked up from \$2.5 billion to \$2.8 billion between the first and second quarters, and the number of deals rose from 183 to 189.

Regulatory Landscape and Competitive Advantage:

While navigating the regulatory landscape may seem daunting, it can also provide unique opportunities for hardware startups in healthcare. Regulatory bodies increasingly support innovative medical devices, streamlining the approval process and opening doors for disruptive technologies. Hardware startups can establish a competitive advantage in this dynamic market by focusing on intellectual property, technological advancements, and strategic partnerships.

OPINION PIECE



With Ezekiel Kwenda
Investment Manager at Wa'ed Ventures

Developing The Right Strategy To Overcoming Challenges and Mitigate Risks:

To strategically navigate the medical device sector, companies must adopt tailored approaches. Key strategies include optimizing supply chain and manufacturing costs for competitive bidding, focusing on unique, innovative devices for faster market access, and leveraging technology licensing while managing intellectual property risks. Establishing local manufacturing or joint ventures can enhance market access, utilizing local expertise for regulatory navigation and relationship-building. Acquiring a local startup in the same field offers immediate market presence and cross-selling opportunities. Lastly, adhering to international compliance standards, like the Foreign Corrupt Practices Act for US startups for instance, is crucial while engaging with local regulators and governments.



The global medical device market is valued at billions of dollars, with consistent growth projected in the upcoming years.



The Synergy of Hardware-Software Integration:

An exciting aspect of medical device investments lies in the convergence of hardware and software solutions. The integration of both realms can unlock unparalleled innovation in healthcare. From smart medical devices that collect and analyze data to telehealth platforms that enhance remote patient care, the synergy between hardware and software can revolutionize healthcare delivery, improve patient experiences, and drive investor returns.

It's time for venture capitalists to recognize the immense value of medical device investments in healthcare. By exploring the transformative power of hardware solutions, we can foster innovation, improve patient outcomes, and generate substantial returns on investment. Let us challenge the half-truths and embrace the healing touch medical device investments can bring to the healthcare industry. Together, we can reshape the future of healthcare and make a lasting impact on the lives of patients worldwide.



Ezekiel Kwenda

THE STARTUP VIEWPOINT

How Do You Distinguish Your Technology Solutions From Competitors on The Market?

"The construction industry struggles with digitalization because sites are so complex and implementation can take years. Therefore, we have built our competitive advantage by developing true plug-and-play technology that you can start getting value from immediately. Within weeks, our clients can see tangible improvements in productivity and operational efficiency."

Hassan Albalawi
 Founder and CEO at WakeCap



"Collaborations, partnerships, and acquisitions are key factors in developing competitive technology and scaling in new markets. By acquiring local drone service providers and working with technology leaders across uncrewed aircraft traffic management (UTM), UAV LiDAR, and more, we can quickly develop our existing technology, adapt our solutions to new use cases, and integrate new capabilities."

Toru Tokushige
 Founder and CEO at Terra Drone

"As the world's first automated Islamic investing platform, we have a first-mover advantage. Our proprietary algorithm analyzes various investment avenues to create diversified portfolios that adhere strictly to Islamic ethical standards. It is not just about delivering competitive returns. It is about providing a platform where our clients can invest according to their values without sacrificing potential profitability."

Junaid Wahedna
 Founder and CEO at Wahed



DIGITALIZING CONSTRUCTION SITES

The Saudi Market Is Fertile But Competitive Ground for Construction Technology Startups

Globally, the construction industry has been one of the slowest to adopt new technologies. "The sector is cautious by nature, deals with smaller research and development (R&D) budgets than others, and struggles with scaling technology across a diverse range of sites," states Hassan Albalawi, founder and CEO at WakeCap, a construction technology startup that offers real-time visibility and highly accurate project data through its innovative wearable and cloud solution.

"The economic downturn has highlighted a clearer divide in attitudes toward digital transformation," he continues. "Some players have cut down on digitalization to lower costs, while others have invested further in technology to streamline operations. Either way, as businesses look to maximize profitability, expensive technology that takes too long to implement or generate ROI is the first to be removed. In turn, it is more important than ever for startups serving construction businesses to build not just products but solutions that produce real-world value."

"In such a diversified space, our priority is to understand clients' unique challenges and follow an agile methodology to deliver solutions that demonstrate value quickly and efficiently." Albalawi points to VerifyTime, WakeCap's solution for accurate and reliable on-site digital timekeeping. With VerifyTime's real-time data, site owners and contractors can get a precise picture of their site, understand workforce trends, and optimize productivity. "VerifyTime reduces over-reported labor hours by 20-45%, which results in significant cost savings. One major client with a 25,000-strong workforce reported an ROI of 770% over 12 months."

Looking specifically at Saudi Arabia, Albalawi's outlook is optimistic: "Construction technology startups operating in the Kingdom still need to focus on fast, ROI-generating implementation, but there are far fewer market constraints inhibiting growth."

The Kingdom has maintained its position as the largest construction market in the MENA region. This gives startups like ours a thriving customer base to serve - but also results in heightened competition."

With such rapid change occurring on KSA construction sites, Albalawi believes one of WakeCap's most valuable differentiators is its ability to partner with clients to drive organization-wide adoption. "Health, safety, and environment (HSE) directors and management might see the benefits of digital transformation and invest in new technologies, but long-term success relies on achieving buy-in from people and developing sustainable processes."

Albalawi expands: "In the construction industry, adoption - and thus ROI - is challenged by the sheer number and range of independent contractors and suppliers involved in a project. This is a key reason for the industry's hesitancy to invest in new technologies. Especially in the context of complex sites or mega-projects, if a business can provide a realistic roadmap and effective solution for adoption, it is at a marked advantage."

He gives Digital Passport, a custom-built application for Aramco, as an example. The platform allows Aramco to digitize and standardize training, certification record keeping, and employee medical information across sites. "We created Digital Passport for the unique needs of Aramco's contractors and safety teams. To ensure seamless adoption, the application is intuitive, develops upon existing processes, and is integrated into SafeLife, Aramco's mobile application for tracking safety observations." With strong feedback from contractors, HSE teams, and the project management department, Digital Passport has already been expanded from its one initial site to three in total.

Albalawi ends with a word of advice for start-up founders. "Our clients - both site owners and contractors - are our biggest brand champions, and that is a testament to the returns generated by our solutions. Particularly for early-stage startups, that don't have huge brand name recognition yet, those evangelists can be the key to gaining a competitive edge."

About Wa'ed Ventures

Wa'ed Ventures is a \$500 million institutional venture capital firm wholly owned by Saudi Aramco to promote economic diversification and new business growth in the Kingdom by investing in high-growth tech startups across multiple sectors. Established in 2013, Wa'ed Ventures manages a portfolio of 60+ startups, providing end-to-end support to startups from funding to providing access to partner resources.

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