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Introduction

Bringing innovation from within Saudi Arabia to the world

Saudi Arabia is opening its door to a whole new level of innovation, creating a strategic opportunity to drive meaningful change in its workforce. Misk Foundation's Startup Census aims to document and understand the innovation landscape of Saudi Arabia for policymakers to make data-driven decisions and channel valuable resources in the right direction.

The creative age has arrived in Saudi Arabia and it is here to stay. Misk Startup Census was created in response to a need for a more detailed and localized understanding of Saudi Arabia's innovation eco-system.

In recent years, Saudi Arabia has seen a significant surge of entrepreneurship activity fueled by government and private funding, programs, incubation centers and universities. The first and one of its kind in Saudi Arabia, Misk Startup Census has brought to light important factors that will affect how policies and investment decisions are made in the future. It asks: what role can entrepreneurship and innovation play to get us closer to our vision? Which businesses have the best long term viability and competitive advantage to succeed and position Saudi Arabia as a global leader in years to come?

Without a clear understanding of where we stand today, it is impossible to know where to go from here. The Startup Census will act as a catalyst to help Startups make the best decisions to benefit the population and economy at large. It will provide the necessary baseline and help decision makers understand what to avoid to save valuable resources. The breadth of geographical coverage of this survey will yield unique insights and trends about the innovation ecosystem in Saudi Arabia.

To understand long-term trends and measure ongoing success, we intend to run this Misk Startup Census every year, to maintain momentum and pace in this ever evolving, fast-moving innovation eco-system.

Mission

To document and understand the innovation landscape of Saudi Arabia so that the correct resources can be channeled to the right places.

Our Vision

To assist in delivering the purpose-driven innovation to make Saudi Arabia a world leader in entrepreneurship, innovation and startups.

Our Goals

- To help promote sustainable growth through innovation, empowerment and inclusion, which will be driven by well-informed policymakers and community leaders.
- Gain insights from the diverse and talented community who share our passion and vision for innovation.
- Use this Census to benchmark Saudi Arabia against regional and global players.
- Identify challenges to address and signpost opportunities for transformative change to further the cause and growth of sustainable innovation.

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Methodology

Misk Foundation's Startup Census online questionnaire had 37 questions and was designed to provide an in-depth overview of Startups in Saudi Arabia. The questions were organized into thematic blocks: Location, Founders, Team, Connectivity, Commute, Office, Funding and Community & Government Help. The questionnaire asked multiple-choice questions with predefined answers or space was provided to input the answer. The survey is one of the first conducted in Saudi Arabia, and responses came from a mix of direct email invitations and a 6-week social media campaign targeting Saudi based Startups

A total of 568 Startups responded to the online questionnaire, of which 461 responses were selected to prepare the findings of the report after data cleansing and based on completeness of the responses. This is an evolving methodology and will change based on future surveys.

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Executive Summary

Saudi Arabia is the largest economy in the MENA region with a GDP of \$782 billion. While SMEs make up a small proportion of the economic activity in Saudi Arabia, contributing around 20% to GDP, the figure is predicted to increase with considerable resources being allocated to develop the startup and entrepreneurship ecosystem.

The total Startup funding in the MENA region jumped by 31% over 2017 figures, with a record number of 366, Startup deals being signed across the region that amounted to a cumulative investment of \$893 million¹.

The increase in accelerators and incubators is providing attractive incentives for Startups and early-stage entrepreneurs – including co-working spaces, education programs, and funding.

From BADIR, a tech incubator program to accelerate the growth of the tech industry, to the Misk 500 Accelerator program, which helps pre-seed and seed-stage Startups to create successful companies and help them scale, Saudi Arabia provides entrepreneurs with a multitude of support. Monshaat also works with relevant authorities to remove administrative, regulatory, technical, procedural and informational obstacles faced by the sector. Additional initiatives such as licensing opportunities for venture capital firms and Startups, investment in local VC funds and funding platforms for SMEs, are all playing their part in shaping the Kingdom's vibrant startup ecosystem.

Misk Foundation's Startup Census has highlighted that Saudi Arabia today is a cornerstone for innovation and entrepreneurship in the Arab World with the plethora of homegrown Startups making strides in the Kingdom.

Findings



With respect to locations, this study's finding highlighted Riyadh as the most favored location to establish a new startup. Most funded startups are based in Taif while startups those we are generating more revenue are from Riyadh. Angel Investors, Friends, and Family is the main source of funding for most of the startups.

This report also highlights the industries which are the top in the market in terms of funding and revenue. There has been an overall increase in the number of new startup establishment since 2015. 200% more startups are established in 2016-2019 than 2000-2015. The technology sector dominates the market in terms of new startup and revenue.

This study underlined the founder's education and gender. 68% of surveyed founders were between 15 to 35 years old at the time of survey. Which means majority of a founders were young founders while less than 1% were over 50. Results also showed that younger founders are able to generate more revenue than all other age groups. Females are also making a stride by establishing new startups, 300% more startups are established in 2015-2019 compared to 2000-2014.

The gender gap of founders in startups is highlighted in this report. Results from the surveyed data showed that business led by men generate more revenue. Moreover, there's a positive trend in the establishment of startups by females. 300% more female-led startups were established from 2015 to 2019 as compared to 2000-2014. Startups from 2019 have one of the highest males to female ratio as 40% of startups established in 2019 having female founders. Also, female led startups of 2019 generated 12.84 million in revenue, which was 76% of the combined revenue generated from previous years.

66% of the startup in startup census consider themselves as social startups, 95% believe they are working towards creating an impact on the world while 99% believe that they are contributing towards Vision 2030.

Saudi Arabia is the region's biggest market, and the most populous country in the GCC with a GDP of \$782 billion.² Moreover, it has one of the highest average incomes per capital in the region. As a result, the country seems to have several lucrative industries for Startups.

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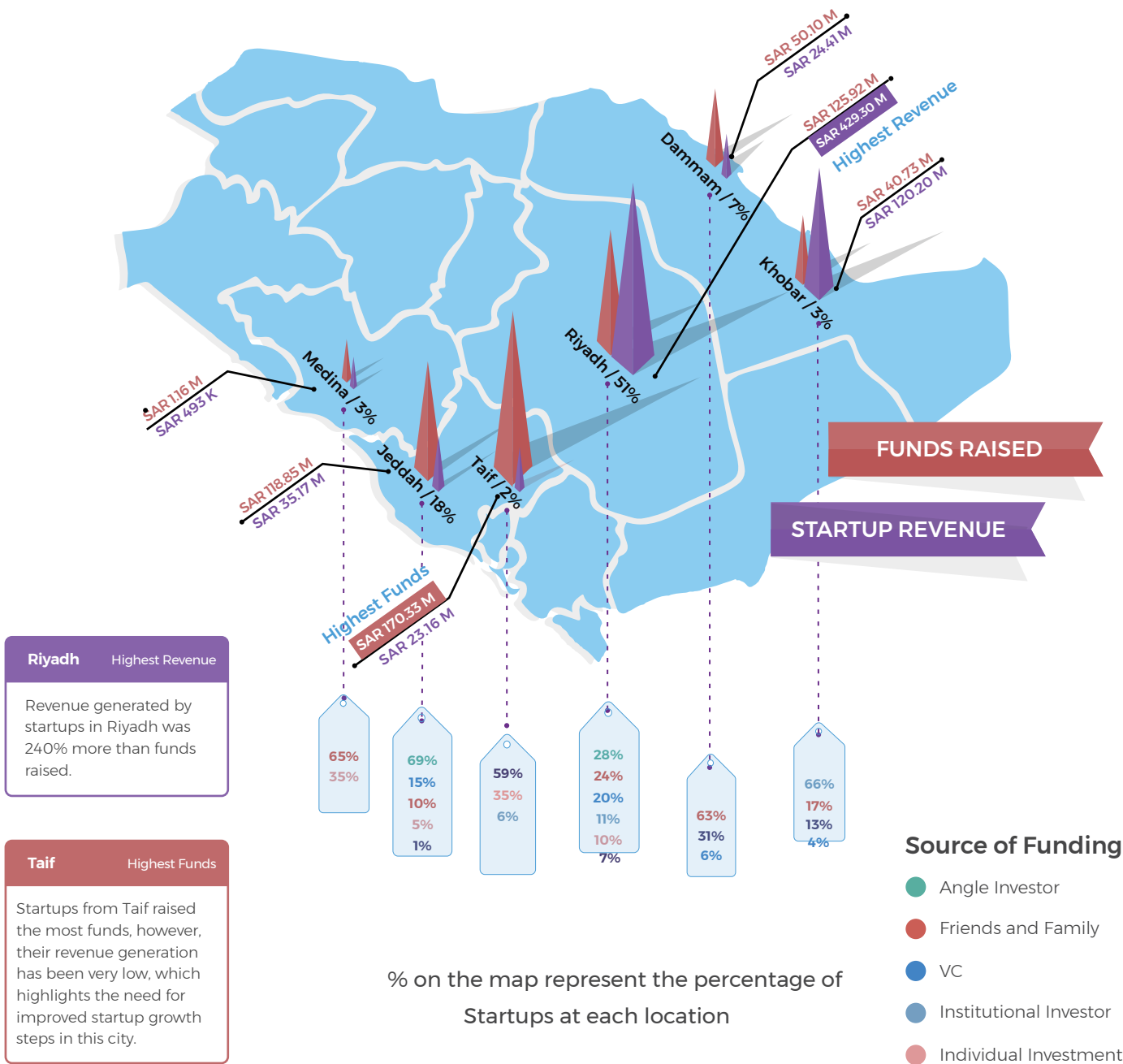
Top Locations

Cities of Saudi Arabia where most startups were established are Riyadh, Jeddah and Dammam.

Startups in Riyadh generated

64%

more revenue than startups from all other cities in Saudi Arabia.





”

Main Funding Sources

for startups in Medina and Dammam are through “Friends and Family”. The main investors for startups in Riyadh and Jeddah are through “Angel investors”, startups of Kobar city raised most of their funds from “Institutional Investors”, while startups in Taif usually raised funds from other resources.

30%

of startups have remote offices in other countries. Most of which are in Egypt, USA, China, and UAE.

Top Industries by Location

Riyadh:	Technology
Jeddah:	Technology
Dammam:	Technology
Medina:	Consumer products and services
Kobar:	Consumer products and services
Taif:	Technology

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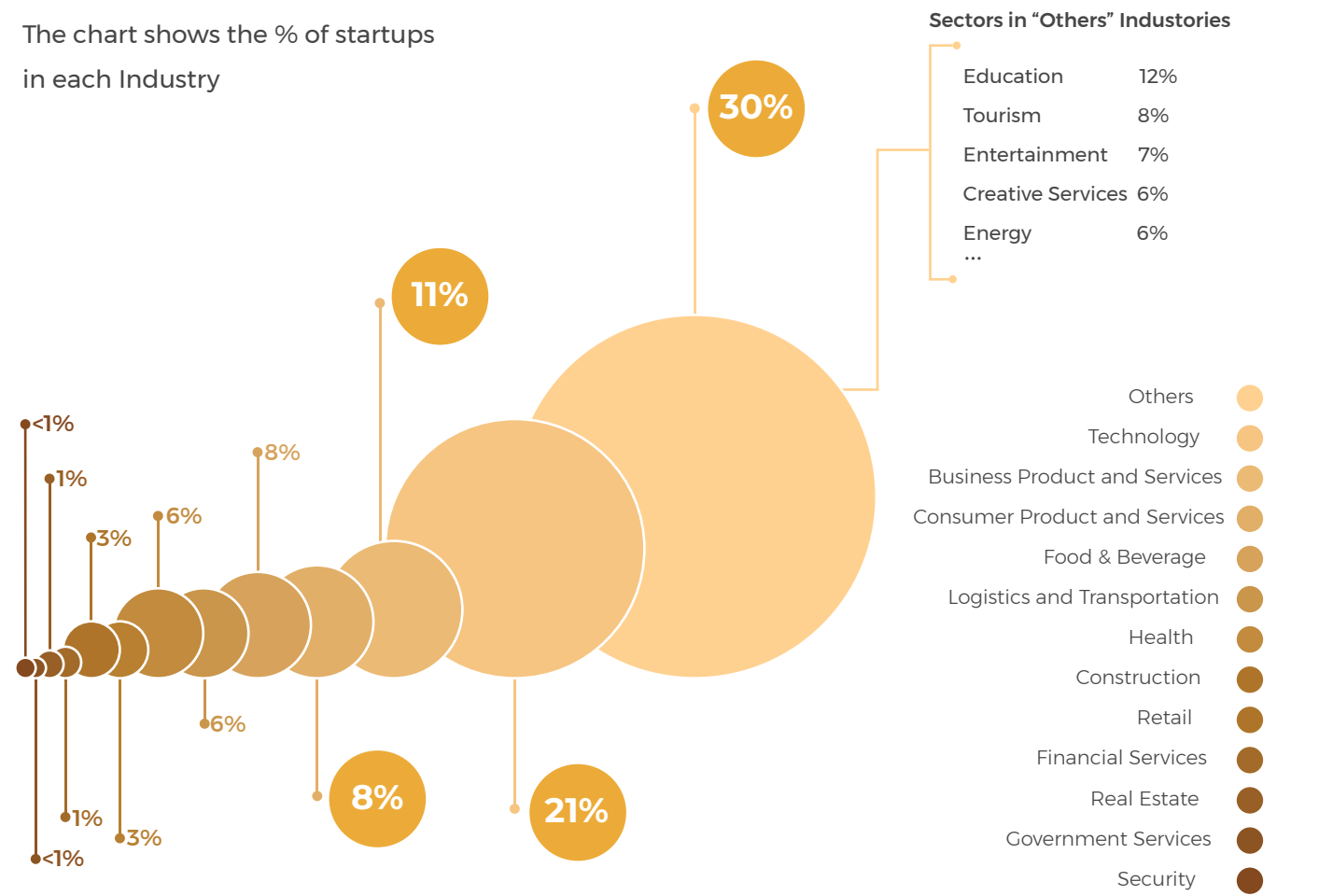
Industries

The majority of the startups in Saudi Arabia are technology companies, followed by those related to Business Products & Services and Consumer Products & Services.

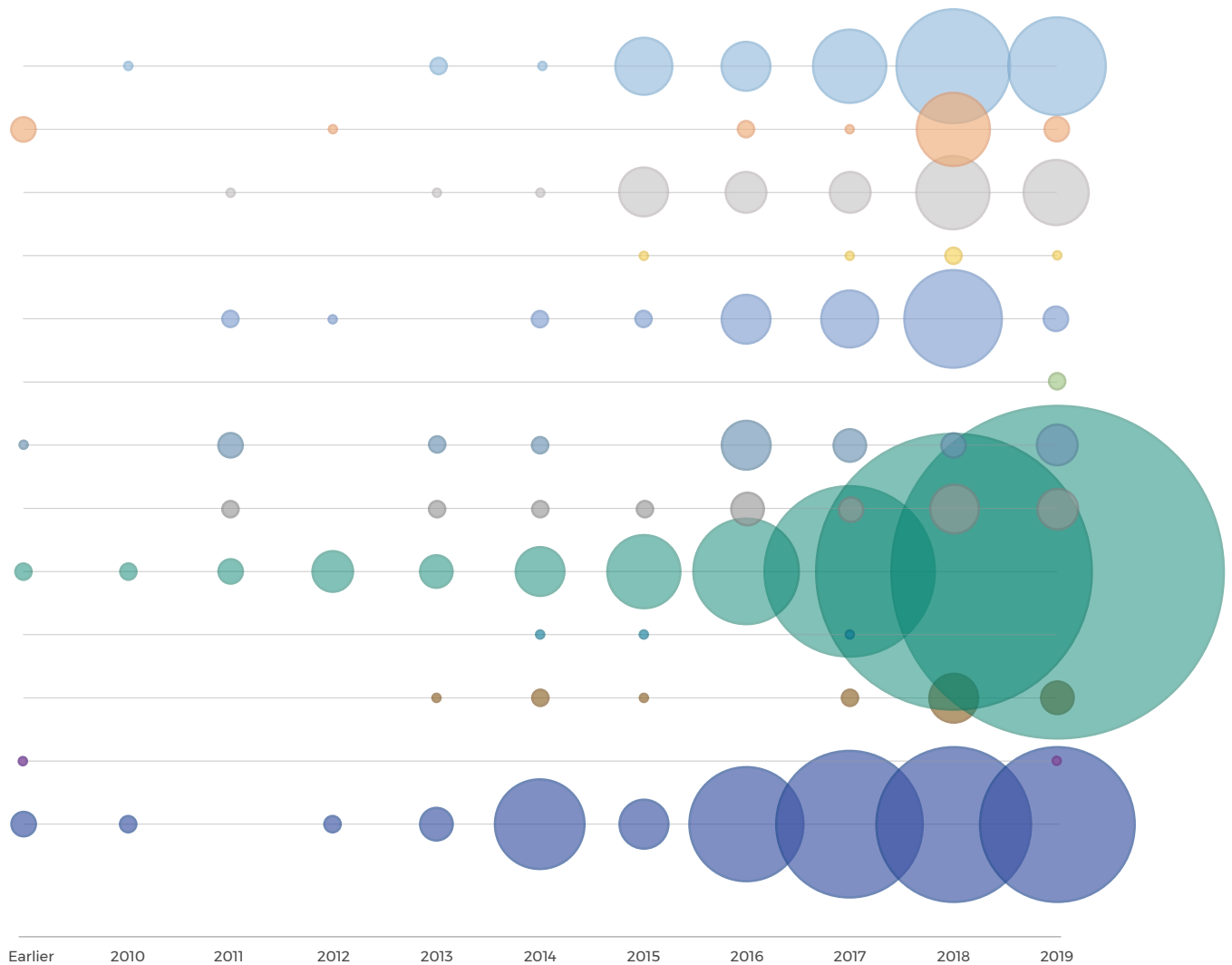
Top industries for startups



Education, Tourism, Entertainment, Energy and Creative Services are the top 5 sectors that fall under the industry category labelled ‘others’.



Startups established over the years



Size of circle represents the no. of startups established

- Business Products and Services
- Construction
- Consumer Products and Services
- Financial Services
- Food & Beverage
- Government Services
- Health
- Logistics and Transportation
- Other
- Real Estate
- Retail
- Security
- Technology

200%

more startups were established in 2016-2019 than 2000-2015.

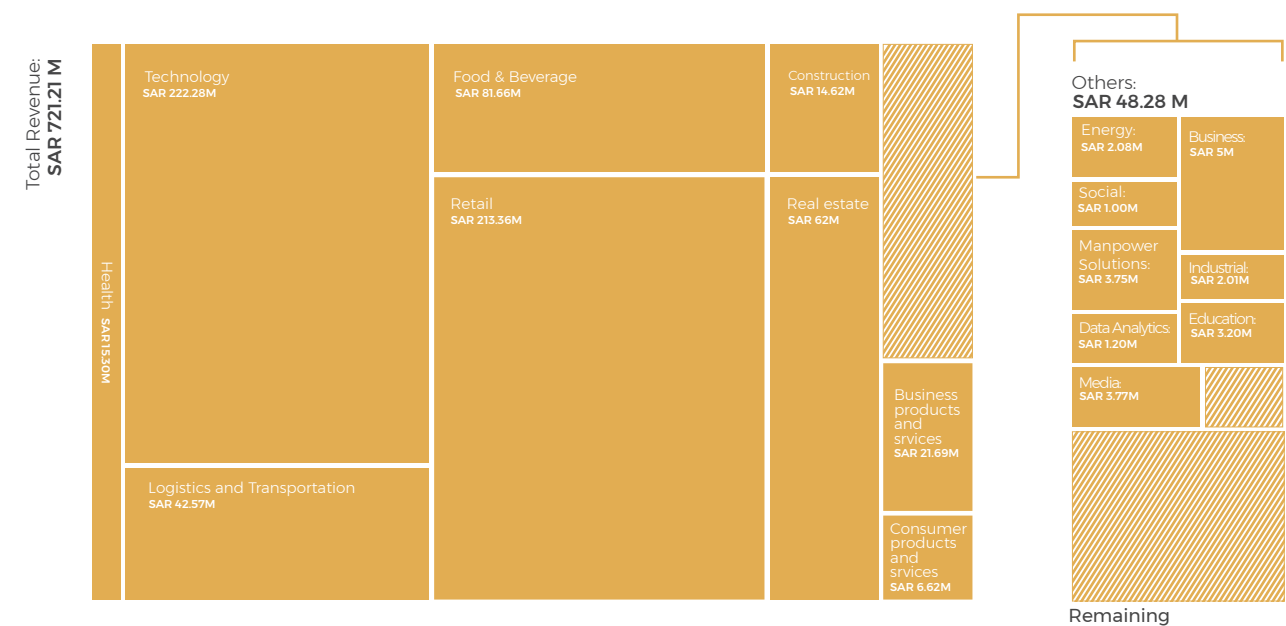
The study revealed that 76% of startup businesses in the MISK startup census are registered companies.

Based on our census data, the establishment of new startups show a positive trend as we see massive growth in 2016-2019.

Revenue by Industry

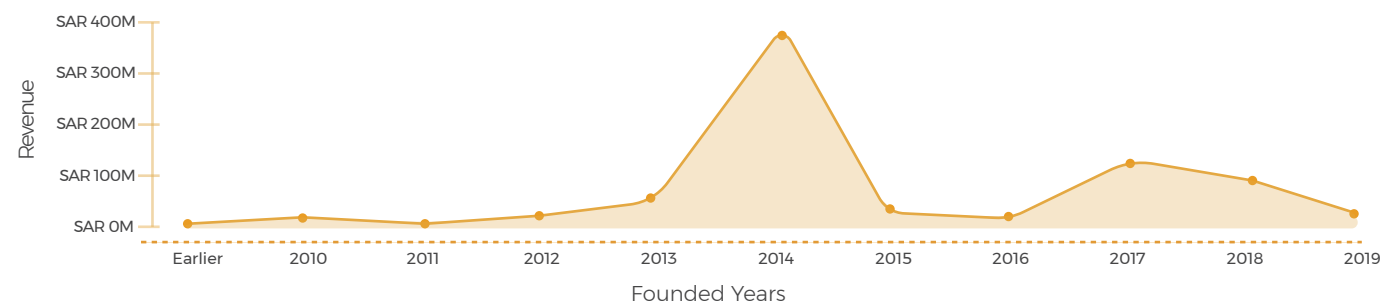
The technology industry holds the lion’s share with a revenue of SAR 222.28M followed by Retail with revenue of SAR 213.36M.

Top 5 high revenue sectors under the “Other” industry are Tourism, Business, Media, Man Power and Education.



Startup revenue-to date

The highest revenue that was generated is from startups established in 2014 which was SAR 380.96 Million, followed by startups established in 2017 with SAR 138.41 Million.



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Founders



Number of Founders in startups

57%

1 founder

29%

2 founders

10%

3 founders

5%

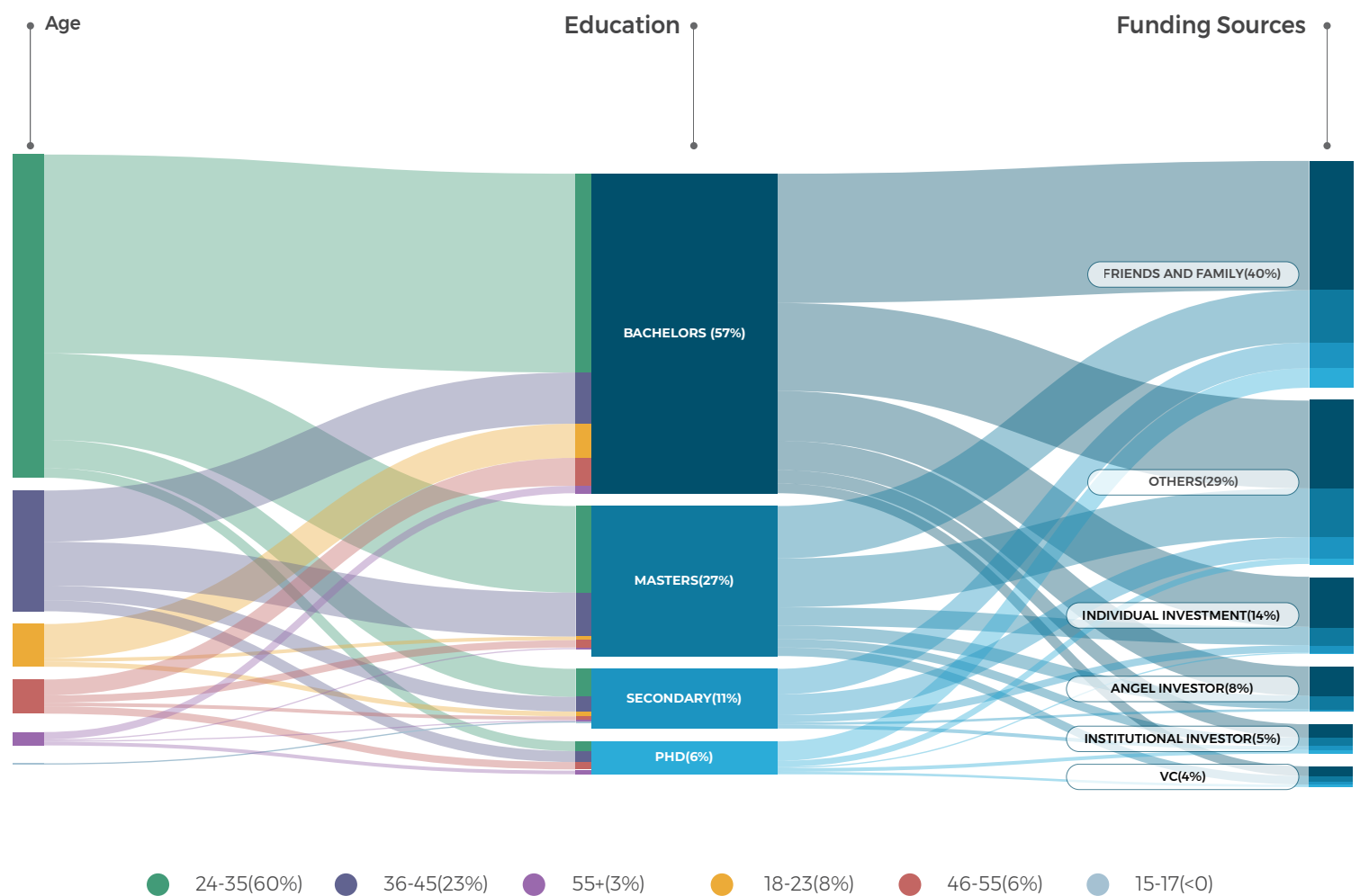
4 founders

Based on our census data, Angel Investors are most likely to invest in startups that have a single founder.

Education of Founders

The majority of founders surveyed 57% had a Bachelor’s level degree, 27% had a Master's level degree, 11% attained a Secondary level qualification and 6% had been awarded a Postgraduate doctoral degree Ph.D.

Founders with Bachelor’s degrees raised the most funds SAR 304.56M.



Founders that had a bachelor’s degree raised their funds from multiple sources, 40% being from ‘Friends and Family’, 9% from ‘Angel Investors’ and only 3% from ‘Venture Capitalist’.

The startups who raised funds from Venture Capitalist, 47% of the founders held a bachelor’s degree, 41% held a Masters, 12% held a Ph.D.

Young Founders

68%

of startups are being run by young founders which are between the ages of 15-35 years.

Founder Age at Time of Startup

74%

of founders were under the age of 35 years at the time the company was set up and just 4% were over the age of 50.

Gender of Startup Founder

78%

of Start-up founders are Male while 22% are female.

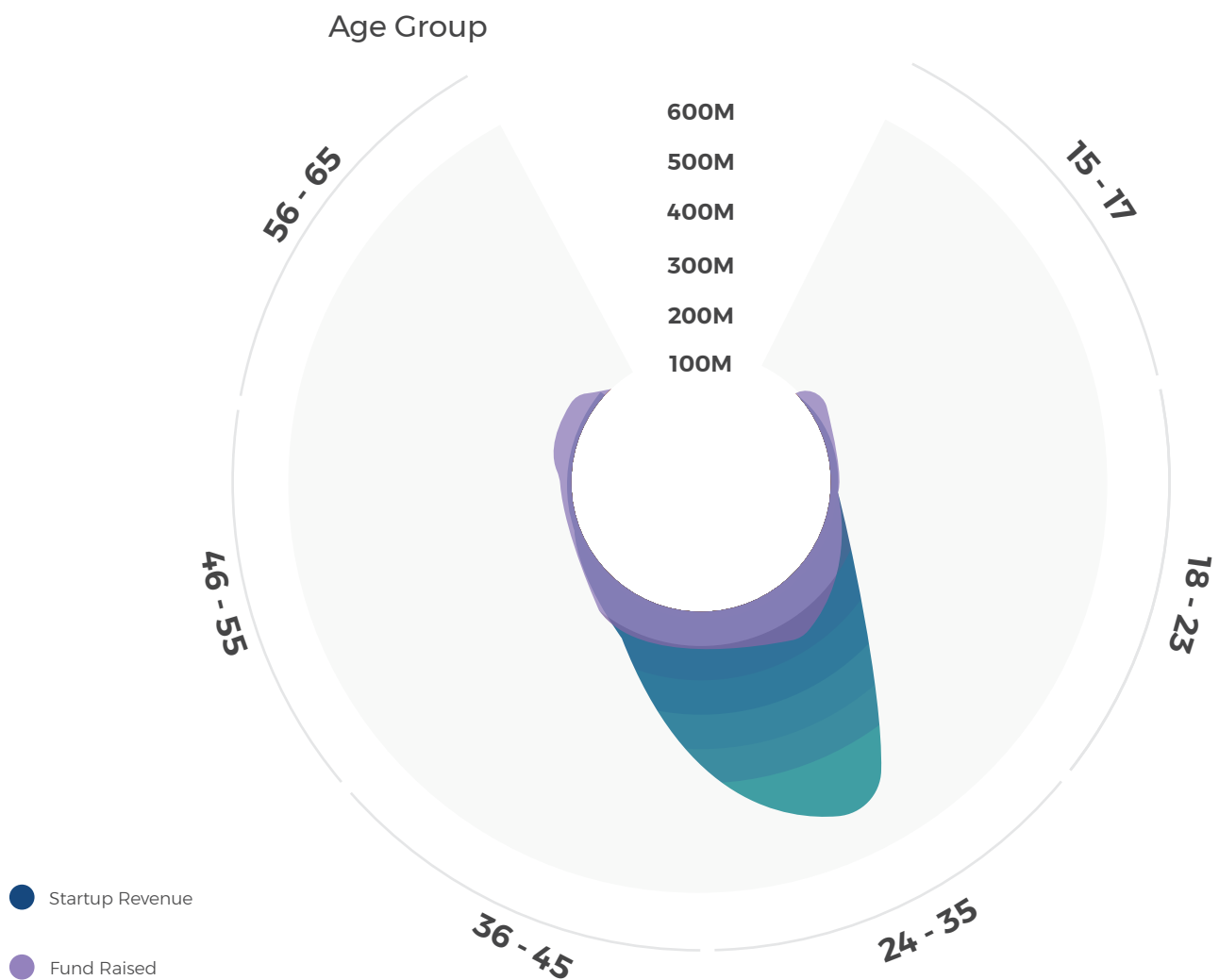


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‘Technology’ and ‘Business Products & Services’ are the industries preferred by male founders whereas females prefer to start a business in the “Consumer Products & Services” and “Food & Beverages” sector.

Funds and Revenue by Age Group

- Founders who are between the ages of 24 to 35 raised more funds and generated more revenue than any other age group.
- Founders between the ages of 24-35 raised 6% more funds and generated 343% more revenue than all other age groups combined.
- Startups where founders are younger than 18 years raised funds of up to SAR 80K however generated no revenue.



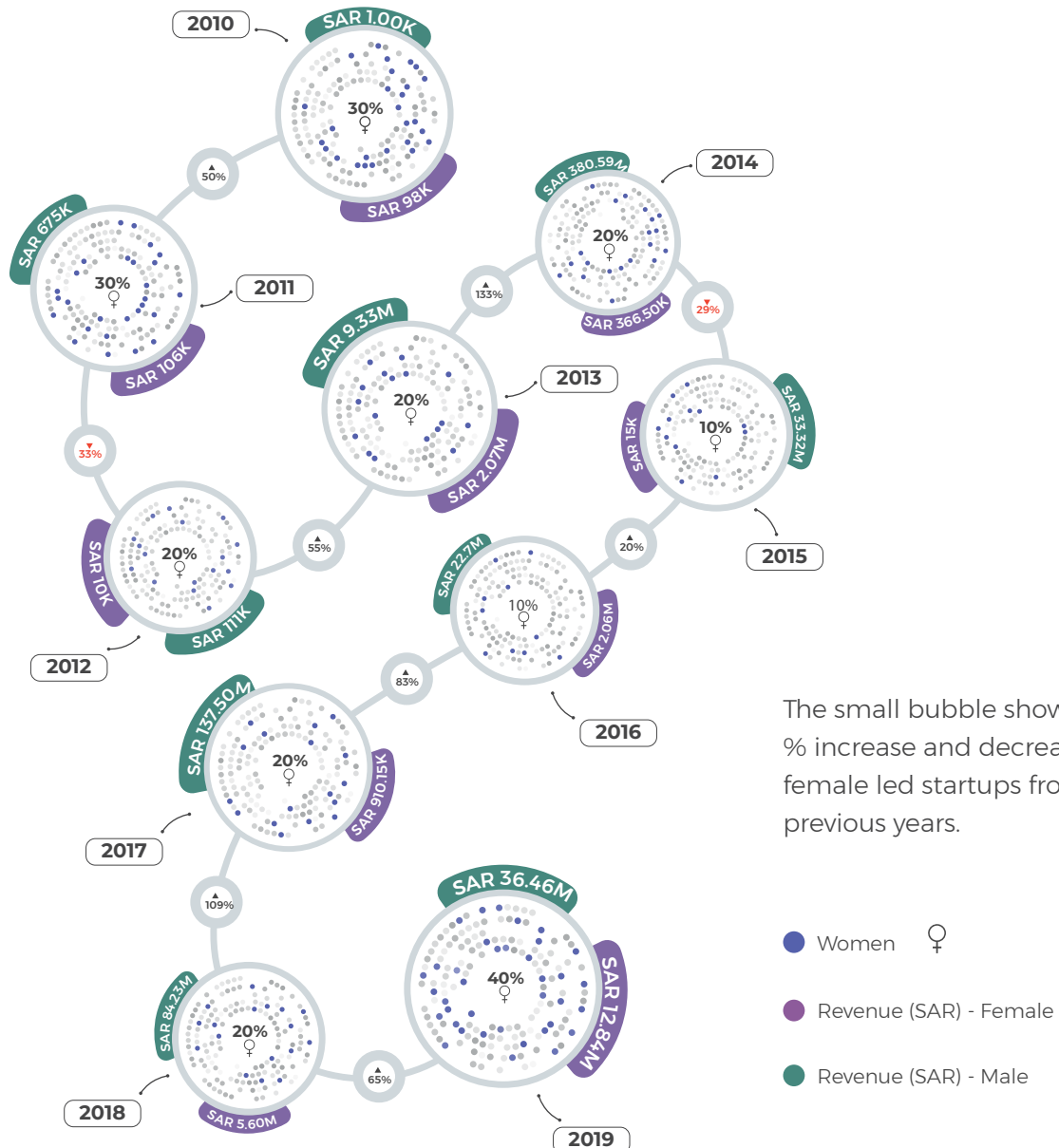
Female Entrepreneurs

Startups having female founder(s) over the years have shown some interesting fact

Female-led startups from 2019 generated 12.84 million in revenue which is 76% of the combined revenue from previous years.

40% of the startups that had been established in 2019 have female founders which are higher as compared to previous years. Startups from 2019 had one of the highest females to male founder ratio.

300% more female-led startups were established from the year 2015 till 2019 as compared to 2000 -2014.



This graph illustrates startups whose founders are female.

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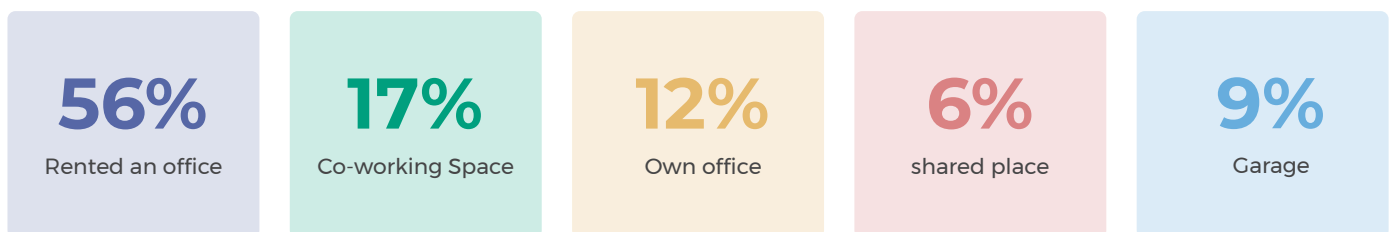
Office Space

It is observed that 43% of office space that is used by startups has a size of 100-999 m².

47 m²

of office space is occupied by each employee in a startup.

Percentages of office space utilized by startups

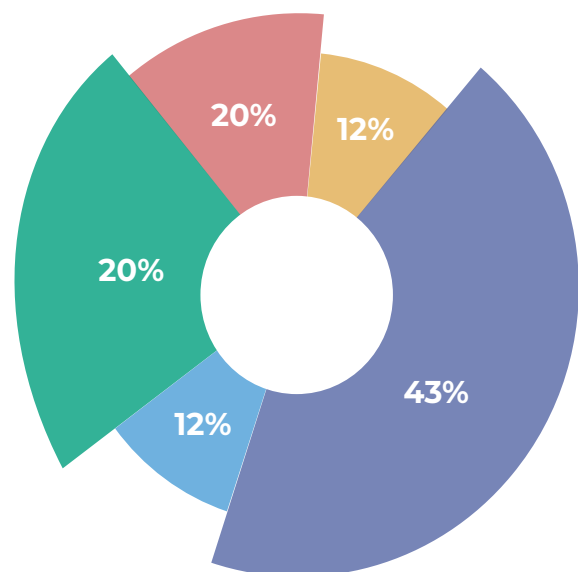


9%

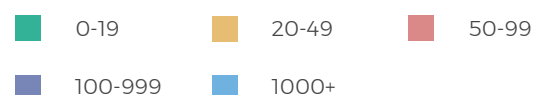
of Saudi entrepreneurs started their business in their garages while more than

55%

of US businesses started in a garage.³

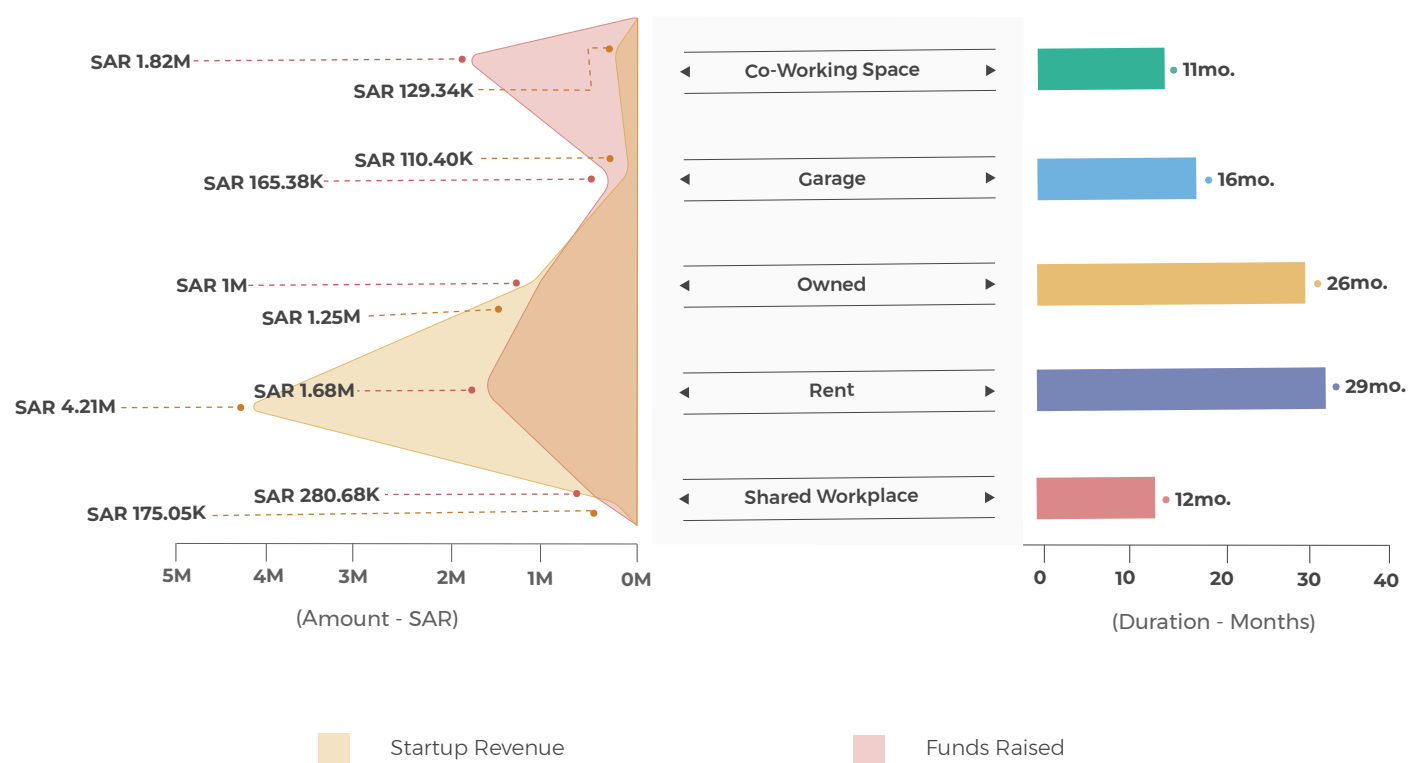


% of startups with offices sizes, in square meter



Office Type

The graph covers the affiliation between the type of office in relation to revenue & funds raised. It also covers the relationship between the office type with the lease length.



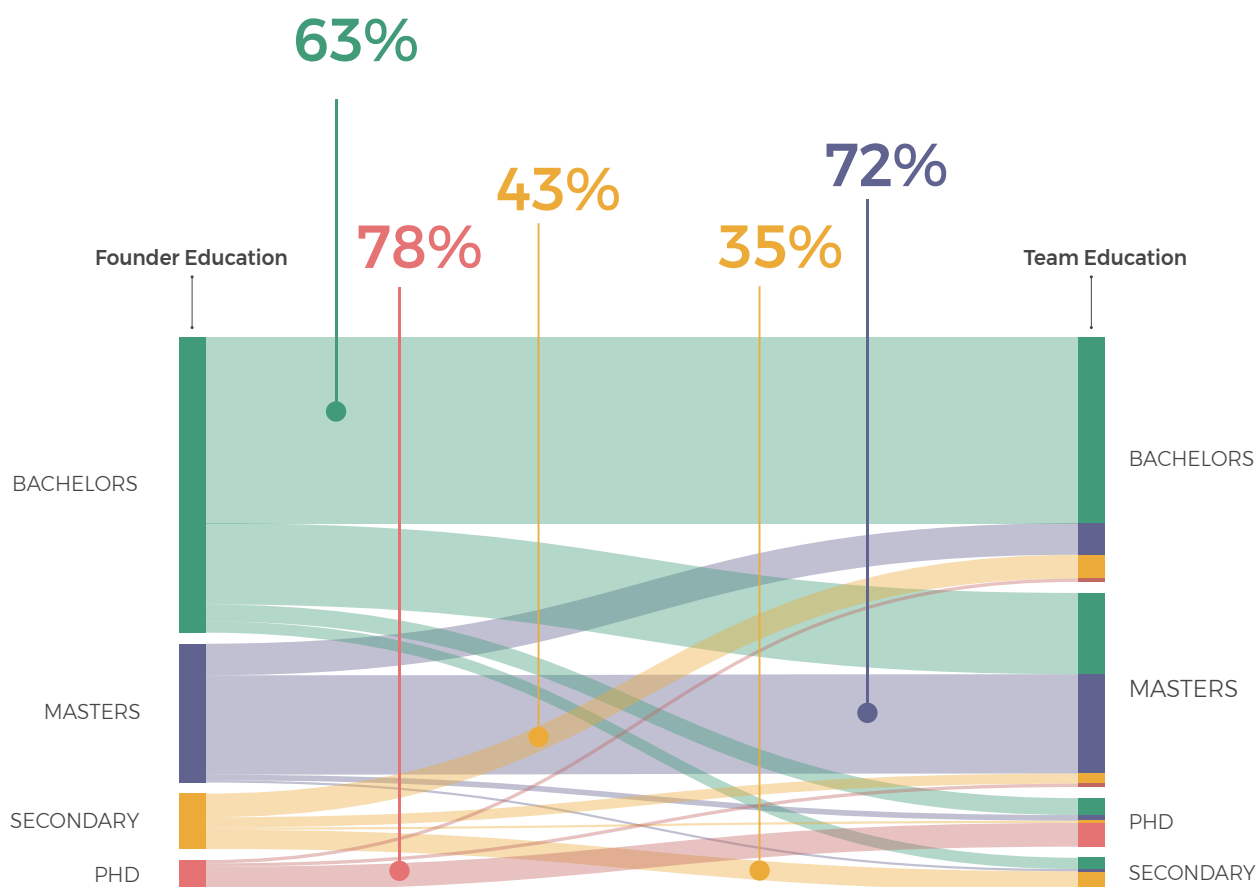
Startups with rented offices generated 153% more revenue than all those that did not use rented space.

Startups in shared spaces raised an average of more funds as compared to those which used other office space options.

Startups who use shared or co-working space usually lease for 12 months while those who rented office space leased for more than 24 months.

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Team



Team percentage based on the founder's education

Founder and Team Education Level

63%

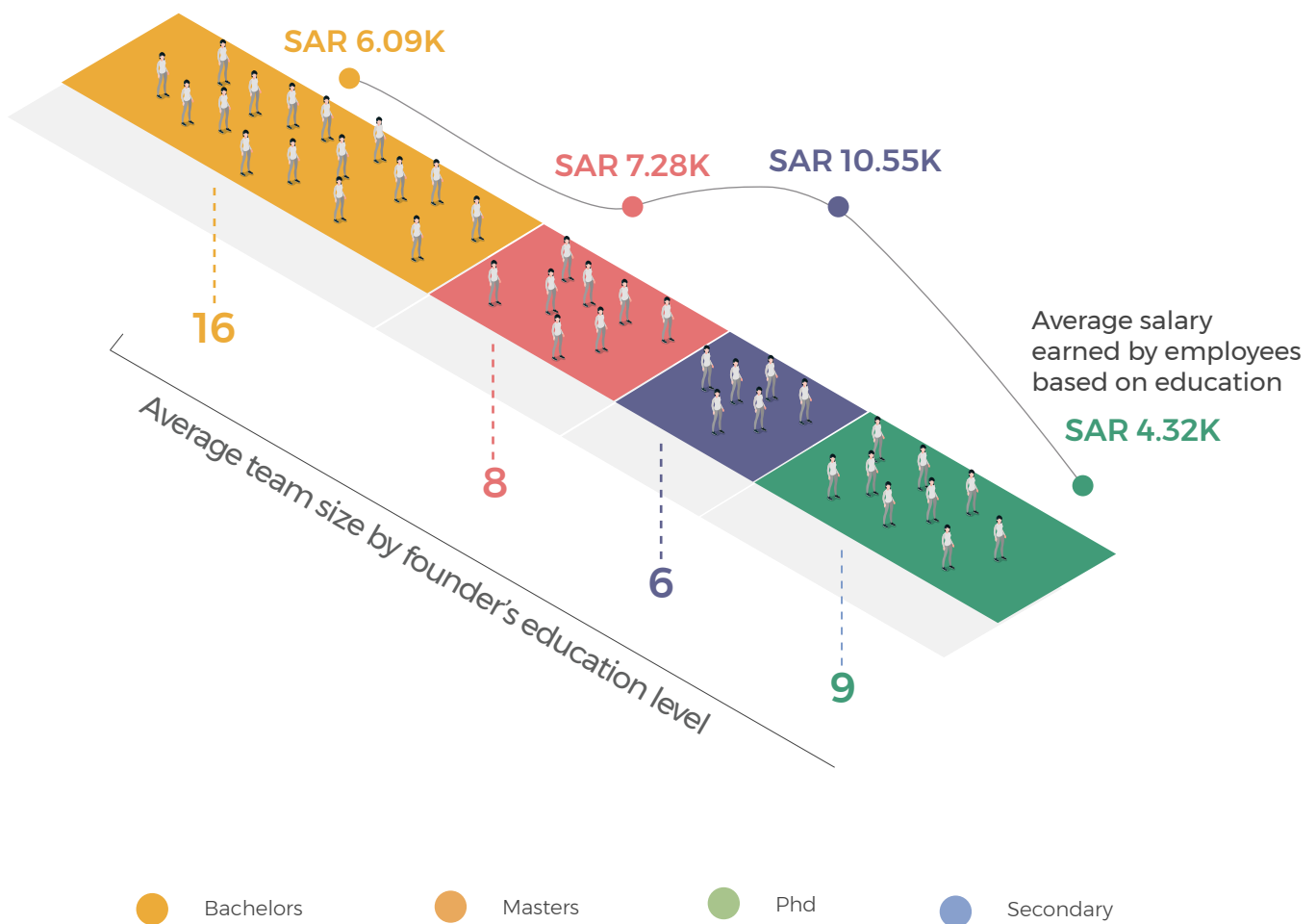
founders who hold a Bachelors degree 63% of them have team with Bachelors as highest level of education, founder who holds a Masters degree 72% of them have team with Masters degree as highest level of education, those who have Ph.D. have 78% of team with Ph.D. as highest level of education while founder with only secondary level education have 43% team with Bachelors and 35% team with Secondary as highest level of education.

Founder Education Level and Team Size

Founders with a Bachelor’s degree usually have an average team size of 16, while those with a Master’s degree have a team size of 8, founders with a Ph.D. have 6 and founders with secondary education have an average team of 9.

Team Education Level and Average Salary

Employees with higher education tend to earn a higher average salary.





Foreign Employees

On average there are 5 non-native employees working per startup.

Employee Age

80%

of startup teams are made of young professionals from the ages of 24 to 35, 11% are 36-45, 6% are 18-23, 2% are 45-55 and only 1% are more than 55.

% of Employees Working Full Time

41%

of startups have 100% full-time employees, 18% have 75% full-time employees, 20% have 50% full-time employees, and 21% have 25% full-time employees.

Employee Salaries

20%

of employees earn over SAR 10,000 per month.

27% of employees earn less than SAR 2500

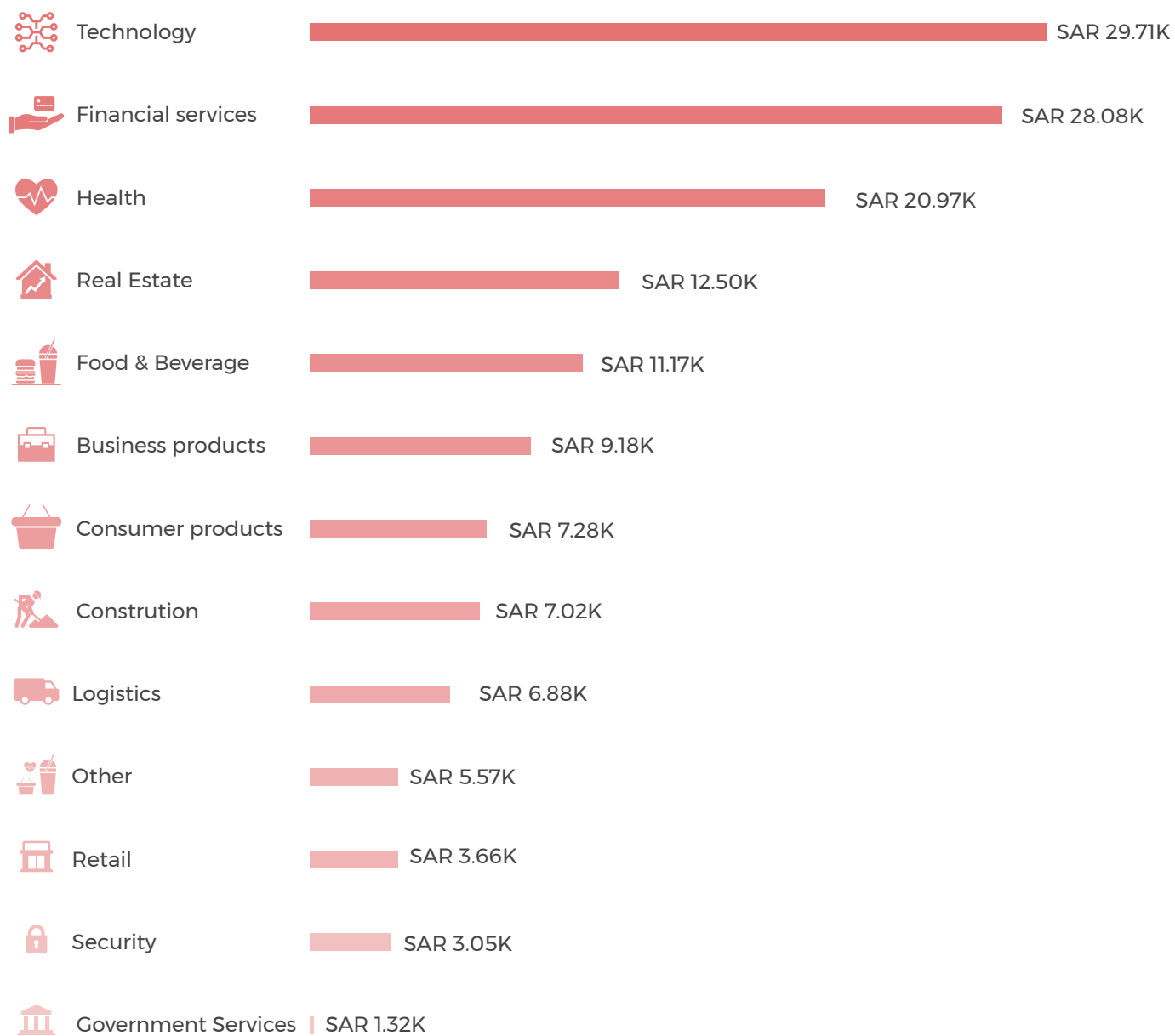
23% earn SAR 2500 - SAR 4999

24% earn SAR 5000 - SAR 7499

6% earn SAR 7500 - SAR 9999 per month.

Average salary per industry

The lowest-paid salary is SAR 1.32k in the Government services sector and the highest paid salary Technology Industry which is around SAR 29.71k.



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Connectivity

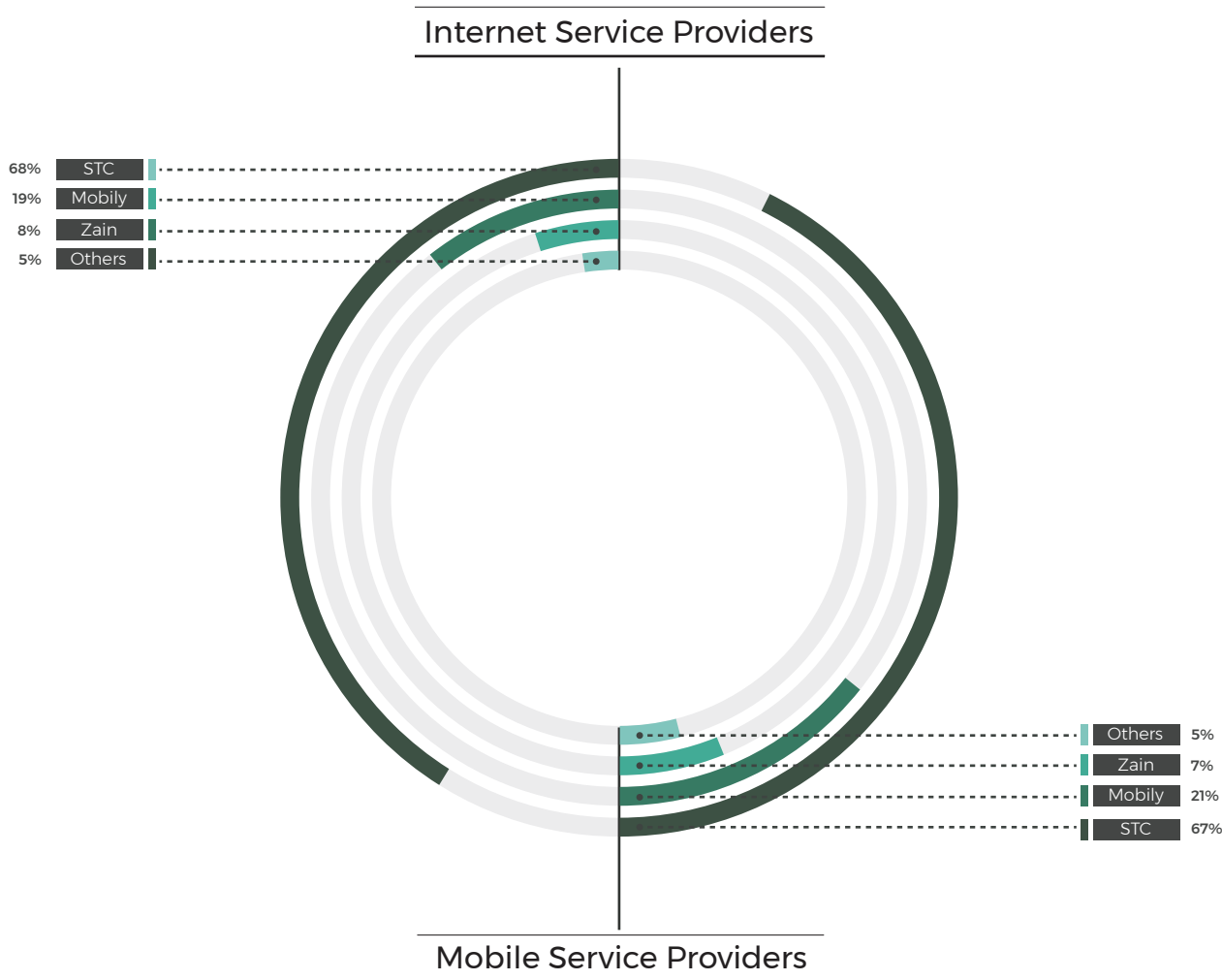
Internet Connection Cost and Services Used

The average cost of broadband access in Saudi Arabia is 95.72 USD per month. Whereas an average of GCC countries is of 115.82 USD and across the G7 countries is 42.77 USD.⁴

Mobile Connection Cost and Services Used

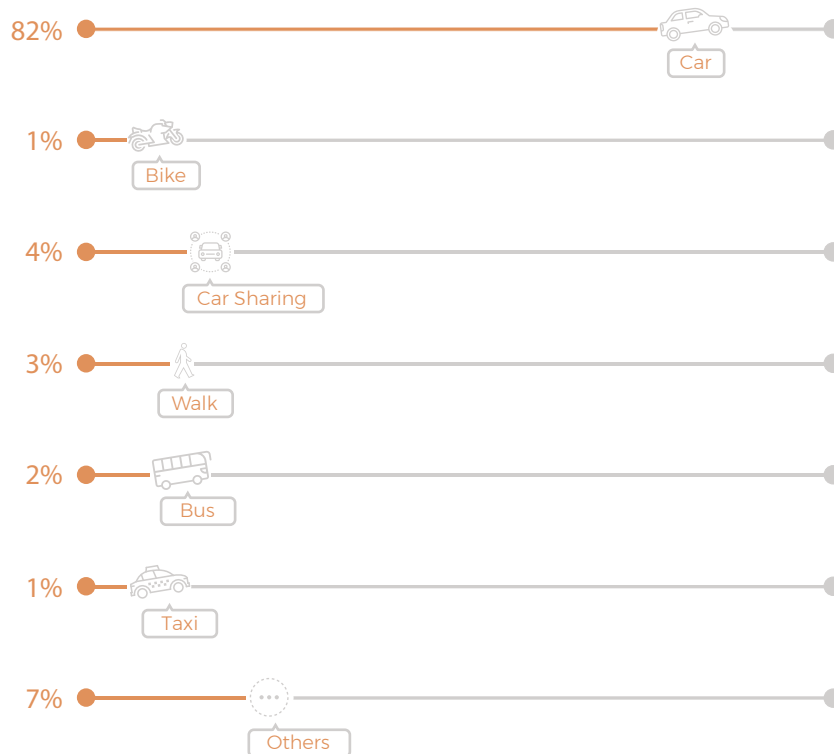
The average cost of mobile data usage in Saudi Arabia is 5.62 USD per GB. Whereas an average of GCC countries of 6.09 USD and across the G7 countries of U7.30 USD.⁵

The most popular (67%) internet and mobile service provider used is a state-owned telecommunications company, STC, followed by Mobily (19% internet service) (21% mobile service) and Zain (8% internet service) (7% mobile service).



10

Commute



% Source of Commute used

Traveling by car (82%) is by far the most popular mode of transport to commute to work. 1% travel by bus and just 1% cycle to work. In the future, car sharing may become more popular with companies such as iDRIVE innovating new transport methods.

Travel Distance

80%

0-19 Mile

13%

20-49 Mile

4%

100+ Mile

4%

50-99 Mile

Around 80% of people surveyed travel less than 20 miles on their commute to work.

Travel Duration

55%

10-30 Min

31%

< 10 Min

10%

31-60 Min

4%

60+ Min

11

Opportunities



Saudi Arabia has one of the fastest-growing venture capital markets in MENA, with total funding climbing 82% year-on-year in the first six months of the year.

A total of \$40 million was invested in start-ups based in Saudi Arabia during the period. It was ranked third in MENA after the UAE and Egypt, where start-ups secured \$311m and \$53m, respectively

Venture capital (VC) investments in Saudi Arabia are growing rapidly, and yearly invested capital has the potential to expand tenfold to \$500 million in 2025 from \$50 million in 2018.

Misk Foundation's 2018 Global Youth Index found that young people today are entrepreneurially minded, with two-thirds interested in starting their own business.

A program for SMEs launched by the Human Resources Development Fund (HADAF) has attracted 140k people since August 2016.

The number of entrepreneurship support organizations in Saudi, including incubators, accelerators, co-working spaces and funds, nearly tripled, growing from 13 between 2006 and 2010 to 36 between 2011 and 2015.

The establishment of Monshaat, Saudi's General Authority for Small and Medium Enterprises has been key in developing and nurturing the SME sector. Monshaat works with relevant authorities to remove administrative, regulatory, technical, procedural and informational obstacles faced by the sector. At the end of 2018, Monshaat set up a support center model for SMEs to provide training, advisory and mentorship services to help entrepreneurs navigate challenges to their growth. The entity also launched a government-owned VC firm the Saudi Venture Capital Company (SVC), with a fund worth \$1.33 billion, that will directly invest in the country's startups and VC funds.

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Vision

The groundbreaking agenda of Vision 2030 is built on three pillars – a vibrant society, a thriving economy and an ambitious nation – that draw on the country's intrinsic strengths to help the Kingdom's citizens realize their aspirations.

Designed to diversify the economy away from oil, the plan entails creating more jobs for citizens, aiding businesses to thrive and adding value to the economy by attracting foreign capital.

New businesses are firmly integrated into Vision 2030 and its aims are to establish an economy based on innovation, leadership and advanced technologies. The Kingdom recognizes that small and medium-sized enterprises (SMEs) are among the most important agents of economic growth; they create jobs, support innovation and boost exports.

One of the commitments of Vision 2030 is to develop and nurture the SME sector and grow the GDP contribution of SMEs from 20% to 35% by 2030. To strengthen this contribution, the Kingdom is encouraging SME entrepreneurship, privatization and investments in new industries.



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Misk Foundation

Misk Foundation aspires to transform Saudi Arabia into a global center for purpose-driven innovation. Applying world-class practices to the unique opportunities available in the Kingdom, Misk Foundation inspires all innovators to elevate Saudi Arabia to the forefront of global innovation. It helps to develop individuals' potential to become leading innovators, find solutions to existing challenges and create innovative ventures that have a truly global reach and stature.

By nurturing the next generation of innovators, Misk Foundation creates a lasting impact on the economy and prosperity of the community, to build the next generation of design thinkers, digital makers, job creators and technology exporters.

It aims to modernize mindsets, transform individuals from job seekers to job creators, and technology consumers to technology producers. In doing so, it will support both the targets and ambitions of Misk Foundation, Saudi Arabia's Vision 2030 reform program and the UN's Sustainable Development Goals, while creating a new model for others to follow.

In order to achieve its objectives, Misk Foundation works with four types of partners:

- The Education Sector
- Research Centers
- Incubators, Accelerators and Venture Capitalists
- National and International Organizations and Enterprises.



Sources

- 1 2018 MENA Venture Investment Report
- 2 World Bank 2018
- 3 <https://fortunly.com/statistics/startup-statistics/>
- 4 <https://www.atlasandboots.com/remote-jobs/countries-with-the-cheapest-internet-world/>
- 5 <https://www.itu.int/en/ITU-D/Statistics/Documents/events/wtis2018/MISR-2018-Vol-1-E.PDF>



Startup census 2020

Comments and Feedback

We would love to hear any feedback you may have.

Please email your comments to Zeeshan@Misk.org.sa