

Investment Report in Internet & Technology Startups in the Arab World

2010 - 3rd Quarter 2011

A Sindibad Business Report
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The Arab Spring has drawn everyone's attention in the Arab world to the power lying behind the internet and the opportunities it provides

Introduction

The Arab world is going through a big dynamism shift on the political scene. This dynamism is characterized by the revolutions of the Arab youth, fed up with the absence of job opportunities as well as the spreading of corruption and unemployment in high rates, add to that the monopolization of job opportunities by the privileged few. It came as no surprise that youths and adults representing more than 50% of the overall population in the Arab world would start their revolution out of repression and oppression.

Under the tight control and the close supervision over traditional media by governments and ruling parties in the Arab world, the internet has emerged as an effective tool and weapon used by the youth to organize their peaceful and civilized protests, communicate with each other and get their voice out to the whole world. For the first time in our Arab world everyone started to notice the power lying behind the internet and the opportunities it provides.

Although there are no accurate statistics on internet penetration rates in the Arab World, most studies show that the number has reached 70 million users out of a population of 350 million in the Arab world. This is considered to be a major improvement when compared to the number of users five years ago, which accounted for just 15 million users. Internet penetration is most likely to continue its fast growth in the next couple of years, which is forecasted to reach 150 million users by year 2015.

With the big expansion in internet penetration in the Arab world, a new generation of entrepreneurs started emerging. A generation hungry for knowledge and passionate about technology is now thriving to leave their mark on this new industry. Although 70 million Arabs currently use the internet, the content available for them in Arabic is still very limited compared to other languages, as the percentage of Arabic content on the internet barely reaches 1% of the global available content.

About Sindibad Business

Sindibad Business is a new online business portal covering entrepreneurship, new economy and creative industries in the Arab world.

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A New Phase

The soaring number of investments represent a quantum leap in the industry

The financial crisis of 2008 has redefined the concept of safe investments in the region

Yahoo Maktoob deal has changed the perception of online investment

The Arab Spring has pushed the internet into mass consumption

While working on this report, we couldn't help but notice the soaring number of investments that took place this year 2011. And when compared to last year which witnessed only 17 investments, 48 investments took place by end of August of this year. We believe that this increase in the number of investments represents a true economic trend rather than a mere coincidence due to several economical and geopolitical factors that started to shape up since the beginning of the economical crisis back in 2008 up until the Arab Spring revolutions.

Five factors paved the way and created the suitable environment for these investments to take place and we expect these numbers to continuously improve with time and with the prospected stability of the political scene after the Arab Spring:

1. The Economic Crisis:

The financial crisis of 2008 has had a huge effect on the Arab capitals, were they big or small. What seemed to be safe investments in land and real estate have lost most of their value within a year; let alone financial markets and stocks that crashed in markets that lack scientific evaluation methods of shares and that rely immensely on naïve speculations. This was further attributed by our Arab financial markets lack of quantitative and qualitative diversity in the available listed companies. Apart from banks, financial companies, petrochemicals and real estate companies, there is no real existence of other opportunities.

At a time where investment in internet and technology startups was considered to be a big risk compared to investing in land and real estate which was considered to be safe, what happened during the financial crisis has altered these convictions.

2. Yahoo Maktoob Deal

The news that the online US giant Yahoo acquired Maktoob website for 165 Million Dollars back in 2009 had surprised the business and finance communities in the Arab world. As the atmosphere of investment was gloomy and depressing back then as a result of the financial crisis that continued to provide new surprises and bankruptcies every month, the online website Maktoob was able to generate huge revenues for its investors in the region's first substantial exit for an online company. For the first time, it became acceptable to look at the internet industry as an emerging sector that can offer investors high returns.

3. Group Buying Phenomenon

In the beginning of 2010, group buying websites started to emerge in our region, gaining huge popularity in a short period of time. The big savings that these websites offered attracted a large number of users which gave e-commerce a big push in the region. These websites broke the barrier of fear that used to prevent users from using their credit cards on local and regional websites.

4. The Emergence of Technology Incubators

Technology Incubators have played a major role in the investments that were defined. Out of 65 investments that took place, the incubators have catalyzed 27 of them. This outlines the important role that incubators play in fueling the industry.

5. Arab Spring

Arab Spring protests that covered the streets of Arab cities have drawn the attention of both governments and the public to the power of the internet and its benefits. For the first time we can say that the internet has entered all houses and has reached mass consumption. Internet is no longer exclusive for the young tech savvy and the business class.

The Objective of the Report

This atmosphere characterized by the absence of data and transparency in the industry does not encourage nor stimulates its growth

The main reason for doing this report is because the emerging internet industry in the region lacks any type of research or studies that allow us to measure its improvement and development or serve as guidance for entrepreneurs and workers in the field. And normally companies and investors working in the field don't provide information or statistics on the growth of the industry and the latest trends. The industry is still in the hands of a limited number of companies, individuals and investors.

Under the absence of data it became difficult to estimate the industry size, its growth and its progression; let alone analyses that address its most recent trends and directions. In addition, companies and investors abstain from declaring the amounts of investments, their conditions and their provisions in most of the deals they make.

This atmosphere characterized by the absence of data and transparency in the industry does not encourage nor stimulates its growth. This is what motivated us, at Sindibad, to prepare and issue this report and collect the largest number of acquisitions and investments that were pumped into the internet sector as well as analyzing them in special tables and charts to help observe future developments.

The Arabic Language on the Internet

The internet is considered to be a promising sector that provides excellent investment opportunities

The Arabic language is currently ranked at number seven in the list of the most used languages on the internet and it is expected to reach number four by 2015; that is due to the expected growth in the internet penetration among Arabic users. Thus the internet and online industry represents a promising sector with good investment opportunities. The sector has the potential to create jobs and is very suitable for women to work in especially in conservative societies.

The following table shows the ranking of the most languages that are used online:

The list of the Ten most used languages on the internet						
Rank	Language	Online Language Users (%)	Language Online Growth Between 2000-2010	Number of language users out of internet users worldwide (%)	Number of language users online	Language Speakers Worldwide (estimations 2010)
1	English	27.3	281.2	42.0	536,564,837	1,277,528,133
2	Chinese	22.6	1,277.4	32.6	444,948,013	1,365,524,982
3	Spanish	7.8	743.2	36.5	153,309,074	420,469,703
4	Japanese	5.0	110.6	78.2	99,143,700	126,804,433
5	Portuguese	4.2	989.6	33.0	82,548,200	250,372,925
6	German	3.8	173.1	78.6	75,158,584	95,637,049
7	Arabic	3.3	2,501.2	18.8	65,365,400	347,002,991
8	French	3.0	398.2	17.2	59,779,525	347,932,305
9	Russian	3.0	1,825.8	42.8	59,700,000	139,390,205
10	Korean	2.0	107.1	55.2	39,440,000	71,393,343

According to the last data provided by the American Statistics Bureau and The Internet World Stats

For this report, we have identified investments according to the funding pumped in standalone startups and ideas

Our Policy

In writing this report, we have relied on monitoring the news published and declared by the companies starting from January 2010 up until the end of August 2011. We have built the report around available and published information; we realize that there are some investments that we missed due to lack of information and data on them.

As for the amount of investments in these startups, we tried our best to get the official numbers from their sources, in the many cases that we couldn't acquire the official numbers, we estimated them based on our market research and to the best of our knowledge. There is a reference in the report to these investments' approximate value.

The report based its definition of the term (investments in the startups) on the external investments injected in existing or new projects whether in the form of individual investment or professional one or through raising the capital or pumping a new cash flow in the company.

The Report Main Results

65 investment deals have been carried out from the beginning of 2010 up until now

These investments created around 450 new jobs

Incubators proved their effectiveness with 27 investments out of the total 65 investments

Online group buying sector got the highest interest from investors

Here are the main conclusions and observations of the report:

- The report covered the investments that took place between January 2010, until the end of August 2011 (20 months)
- 65 investments have been carried out in internet and technology startups by 13 companies specialized in financing and funding startups in different phases
- The total value of investment pumped into these companies is estimated at 24 Million Dollars
- Jordan attracted the largest number of investments with 30 startups followed by UAE with 11 startups and then Egypt with 9 startups
- UAE startups have attracted the largest amount of investments with an overall estimate of 11 Million Dollars which accounted for 47% of the total investment flow. It was followed by Jordanian startups at 9 Million Dollars
- Saudi Arabia startups have attracted only 583,000 Dollars
- The number of jobs created by these investments is estimated at 450 jobs. This number is likely to increase if these companies continue to grow and attract further investments
- The first quarter of 2011 had the highest number of investments with 23 deals, more than what have been monitored during the entire year of 2010
- Oasis 500 was ranked first in terms of the number of companies it invested in during the study with 20 companies, followed by Plug & Play Egypt with 6 companies. This clearly shows the importance of incubators in building the eco-system of the industry
- Intel Capital pumped the biggest amount of investment with an estimate of 3,250,000 Dollars, followed by Twofour 54 of Abu Dhabi with an estimate of 2,210,000 Dollars investment
- One of the most prominent events that occurred during the first half of this year was the entry of two world companies to invest in two companies from United Arab Emirates. The American group buying website Livingsocial acquired GoNabit. Also the classified website Dubizzle got an investment from a South African company called Naspers through its investment arm MIH. These two investments can be considered as an encouraging initiative to draw the attention of foreign companies to invest in the internet industry in the Arab world
- Group buying websites got the highest level of interest from investors, as nearly 10 Million Dollars were pumped in the sector out of 24 Million Dollars, the total investment amount

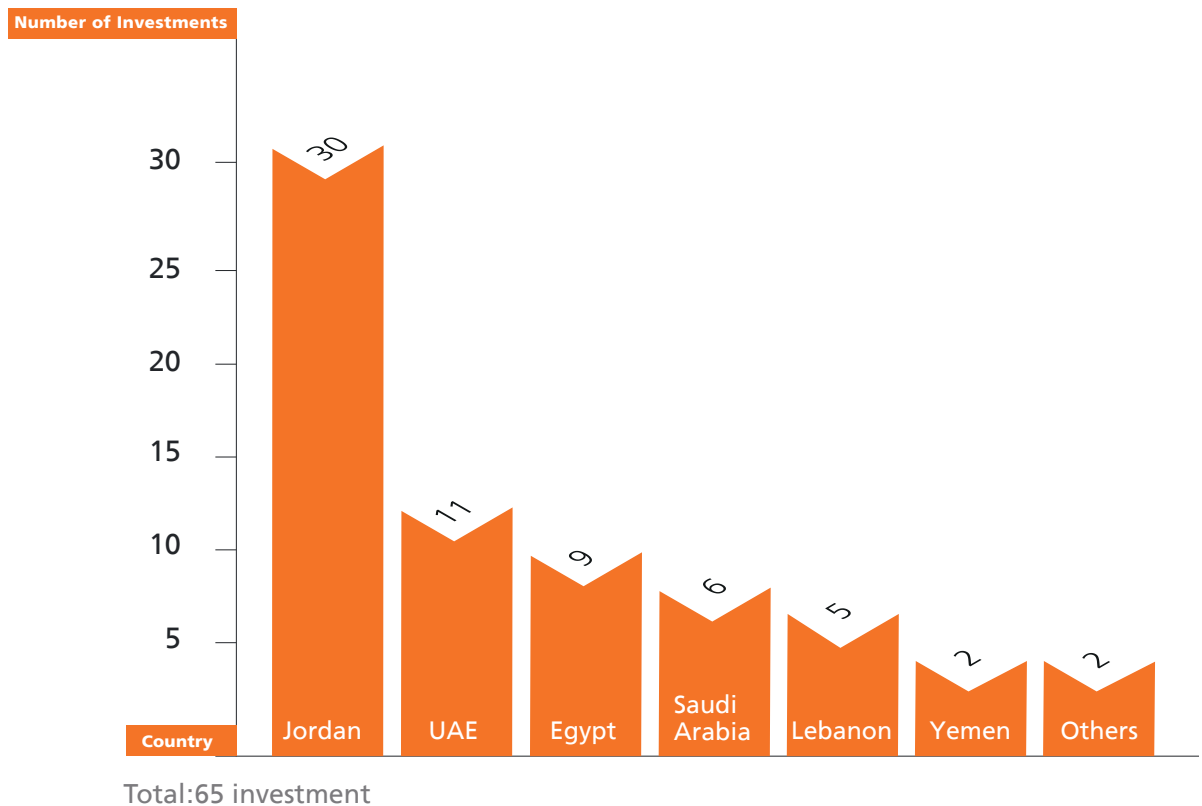
The Number of Startups by Country

Jordanian startups received the largest number of investments with 30 companies. It was followed by UAE with 11 companies then Egypt with 9 companies. Oasis 500, the Jordanian incubator had the most influencing role in terms of financing the largest number of companies. It invested in 20 companies and contributed in attracting a second round of investment for four companies.

As for Egypt, Plug & Play Incubator invested in six projects through its branch in Egypt during the first quarter of 2011.

It is expected that Jordan will maintain its leading position in the coming years especially that Oasis 500 will be busy achieving its goal of investing in 500 startups within 5 years. It is an ambitious plan that will make a huge impact on the internet landscape in the Arab world if it succeeds.

The following chart shows the number of investment deals by country from the beginning of 2010 until the end of the 3rd quarter of 2011.



Investment Volume by Country

The total investment in the Internet industry during the period covered by the study from the beginning of 2010 to the end of the third quarter of 2011 is estimated at 24.2 million dollars, which is a small number compared to the size of the online market in the Arab world, which has about 70 million users. Startup companies in the UAE have had the biggest share of these investments of about \$ 11.5 million, which represents 47% of the total investments. The main reason behind this is that the UAE, especially Dubai represents the window by which foreign investment companies can identify emerging regional companies, investments by the US company Living Social in the group buying website GoNabit and the South African Naspers in the classified website Dubizzle is a good example of this.

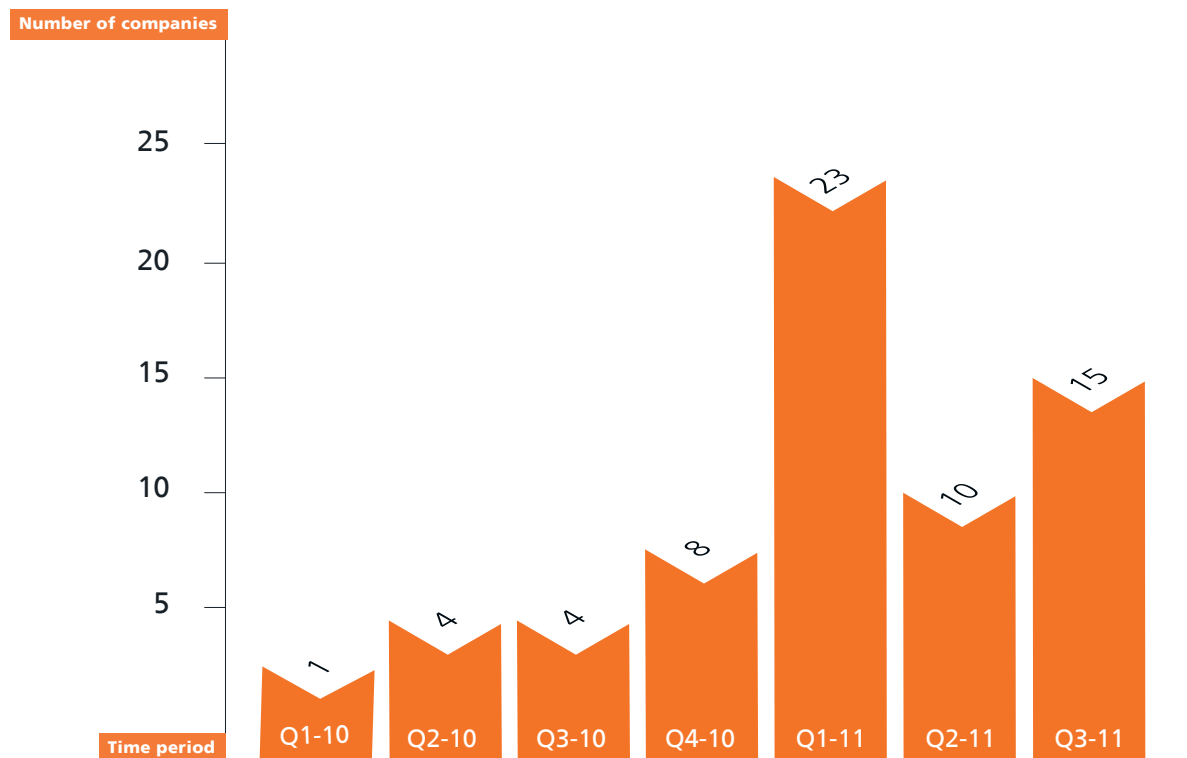
The following table shows the amount of investments by country. Note the small amount of investments in internet companies in Saudi Arabia. It came as a surprise knowing that Saudi Arabia has one of the most active user bases in the Arab world.

Investment Volume by Country			
Country	Investments \$	Percentage of Total investments	Total investments
UAE	11,355,000	47.1%	
Jordan	9,300,000	38.5%	
Lebanon	1,665,000	6.9%	
Others	750,000	3.1%	
Saudi Arabia	583,000	2.4%	
Yemen	260,000	1.1%	
Egypt	220,000	0.9%	
			24,133,000

The Growth in Number of Startups Receiving Investments

The table below clearly shows that there was an unprecedented increase in the number of startups that received outside investments during the first quarter of 2011. 23 startups received outside investments in the first three months of this year, a number that supersedes the total number of investments that took place in 2010.

It is hard to predict the future outlook for investment in the final quarter of this year as this would depend on the stability and the improvement of the political climate in the Arab world. We expect, however, that the Jordanian startups will keep on attracting the largest number of investments as a result of Oasis 500 efforts as well as expansion of National Net Ventures (N2V) in Jordan as it is likely for the company to invest in several Jordanian startups.



List of Internet and Technology Startups that Received Funding

Start Ups	Country	Line of Business	Investor	Investment Size \$	Date
Tahadi.com	Jordan	Online gaming	Twofour54	Undeclared (approx 1,000,000)	August-11
Jawaker.com	Jordan	Website specialized in playing cards online	Twofour54	Undeclared (approx 1,000,000)	August-11
Shroum Studios	Jordan	Gaming company	Oasis 500	15,000	July-11
Jamalon.com	Jordan	Selling books online like Amazon.com	Oasis 500	15,000	July-11
Mustaqil.com	Jordan	Website for sourcing freelancers	Oasis 500	15,000	July-11
Zaytouneh.com	Jordan	Website specialized in short cooking vidoes	Oasis 500	15,000	July-11
Fakker.me	Jordan	Online gaming that helps in recruitment	Oasis 500	15,000	July-11
Madfoo3at.com	Jordan	Online payments gateway for utilities and other services	Oasis 500	15,000	July-11
Ebshir.com	Jordan	Online guide for cars for sale in duty free zones	Oasis 500	15,000	July-11
Weddings Arabia	Jordan	Website helps in weddings planning & services	Oasis 500	15,000	July-11
Sajilni.com	Jordan	Website that facilitates registration and payments processes for conferences and events	Oasis 500	15,000	July-11
Progressive Generation	Jordan	Animation and cartoon studio	Oasis 500	15,000	July-11
Aqar-estate.com	Jordan	Online real estate market	Oasis 500	15,000	July-11
Calendar Note	Jordan	Online calendar	Oasis 500	15,000	July-11
Pricfinder.ae	UAE	Website that provides comparison data on best insurance offers	Individual Investment	15,000	July-11
Gonabit.com*	UAE	Group buying website	LivingSocial	Undeclared (approx 5,000,000)	June-11
Dakwak.com*	Jordan	Websites translation services	IV Holdings	Undeclared (approx 100,000)	June-11
Curlstone.com	Jordan	Animation studio	Al Nabil Investments	Undeclared (approx 100,000)	June-11
Dubizzle.com	UAE	Online Classifieds	MIH	Undeclared (approx 2,000,000)	June-11
Wheels-express.com*	Jordan	E-commerce and delivery website	Imad Malhas & Kawar Group	Undeclared (approx 50,000)	May-11

* Companies that got more than one round of investment

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Start Ups	Country	Line of Business	Investor	Investment Size \$	Date
Markavip.com	Jordan	Online shopping club	Hummingbird Ventures	3,000,000	May-11
Twittermail.com	Saudi Arabia	Email sharing service on twitter	Oqal	Undeclared (approx 20,000)	May-11
Shakwa.net	Saudi Arabia	Online complains website	Oqal	13,000	May-11
Cinemoz.com	Lebanon	Video on demand services	Seeqnce	Undeclared (approx 50,000)	April-11
Electrony.net	Saudi Arabia	Online product reviews service	N2V	Undeclared (approx 100,000)	April-11
Aqarmap.com	Yemen	Online real estate classifieds service	N2V	Undeclared (approx 250,000)	March-11
Qaym.com	Saudi Arabia	Website to review restaurants	N2V	Undeclared (approx 100,000)	March-11
True-gaming.net	Saudi Arabia	Online gaming website	N2V	Undeclared (approx 100,000)	March-11
Falafel-games.com	Hong Kong	Online gaming platform	Middle East Venture Partners	Undeclared (approx 500,000)	February-11
Droidshield.com	UAE	Enterprise platform for managing Android based services	Middle East Venture Partners	Undeclared (approx 500,000)	February-11
Ishra7.com	Jordan	Studio specializes in explanatory video clips	Oasis 500	15,000	January-11
Curlstone.com	Jordan	Animation studio	Oasis 500	15,000	January-11
Wheels-express.com	Jordan	E-commerce and delivery website	Oasis 500	15,000	January-11
Dakwak.com	Jordan	Websites translation services	Oasis 500	15,000	January-11
Alnassah	Jordan	Software development company	Oasis 500	15,000	January-11
Menwayn.com	Jordan	Production comparison website	Oasis 500	15,000	January-11
Masmoo3.com	Jordan	Website that offers audio books	Oasis 500	15,000	January-11
GPS Tracker	Jordan	GPS services	Oasis 500	15,000	January-11
Vimov.com	Egypt	Software development company	Sawari Ventures	Undeclared (approx 50,000)	January-11
Alzward	Egypt	Mobile applications development company	Sawari Ventures	Undeclared (approx 50,000)	January-11
Bebasata.com	Egypt	Online shopping website	Plug and Play Egypt	Undeclared (approx 10,000)	January-11
Books.com.eg	Egypt	Selling books online	Plug and Play Egypt	Undeclared (approx 10,000)	January-11

List of Internet and Technology Startups that Received Funding

Start Ups	Country	Line of Business	Investor	Investment Size \$	Date
Offerna.com	Egypt	Group buying website	Plug and Play Egypt	Undeclared (approx 10,000)	January-11
Dna-eg.com	Egypt	Companies specialized in mobile advertising solutions	Plug and Play Egypt	Undeclared (approx 10,000)	January-11
Emeint.com	Egypt	Mobile applications development company	Plug and Play Egypt	Undeclared (approx 10,000)	January-11
Wstars.com	Egypt	Mobile applications development company	Plug and Play Egypt	Undeclared (approx 10,000)	January-11
Tbreak.com	UAE	Video and cinema online guide	TwoFour54	Undeclared (approx 100,000)	January-11
Me360mobile.com	UAE	Location based directory	Unknown	Undeclared (approx 500,000)	January-11
Kallnat.ae	UAE	Mobile applications development company	TwoFour54	Undeclared (approx 20,000)	December-10
D1G.com	Jordan	Online portal	Riyada Enterprise Development	Undeclared (approx 1,500,000)	November-10
I-level.biz	Lebanon	Advertising services	Middle East Venture Partners	Undeclared (approx 50,000)	October-10
Pin-pay.com	Lebanon	Mobile payment platform	Middle East Venture Partners	Undeclared (approx 50,000)	October-10
Nymgo.com	Lebanon	VoIP services	Intel Capital	Undeclared (approx 1,500,000)	October-10
Jeeran.com	Jordan	Social network to review places and restaurants	Intel Capital	Undeclared (approx 1,500,000)	October-10
ShooFeeTV.com	Jordan	Online TV guide	Intel Capital	Undeclared (approx 250,000)	October-10
Dermandar.com	Lebanon	Online image sharing	Berytech Fund	Undeclared (approx 15,000)	October-10
IdealRatings.com	Egypt	Sharia compliant services ratings	ICT Ventures	Undeclared (approx 60,000)	August-10
Yebab.com	UAE	Online protal specialized in wedding services	N2V	Undeclared (approx 70,000)	August-10
Jeddahbikers.com	Saudi Arabia	Online forum	Unkown	Undeclared (approx 250,000)	July-10
Gate2play.com	Jordan	Online payment gateway	IV Holdings	Undeclared (approx 500,000)	July-10
Ras2ras.com	Saudi Arabia	Comparison website	Individual Investment	Undeclared (approx 10,000)	June-10
Twitvid.com	United States	Video services on twitter	Jabbar Group	Undeclared (approx 250,000)	May-10
Nahel.com	UAE	E-commerce website	Individual Investment	Undeclared (approx 150,000)	May-10
Gonabit.com	UAE	Group buying website	Bayt.com & Individual Investors	Undeclared (approx 1,500,000)	May-10
Cobone.comtz	UAE	Group buying website	Jabbar Group	Undeclared (approx 1,500,000)	February-10

Sindibad Business Reports

This “Investment Report in Internet & Technology Startups” is the first in a series of research reports and studies that we are working on at Sindibad Business. We will also be updating this report quarterly to bring you the latest news and updates on the status of the industry.

If you have any news or inquiries, you can contact us:

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