

Venture Capital Fintech Startup Investors Report

Middle Eastern Investors and USA Startups

December 2021

Fintech as a sector increased its cross-border capital market activity in 2021. The first 10 months of 2021 saw a 300% increase in capital deployed by Middle Eastern investors into USA startups at 2020 levels. (In this report, startups are classified as private organizations that raise capital through venture capital or growth-stage private equity rounds.) Middle Eastern investors have an appetite to invest in USA-based early-stage fintech companies. Stripe and Square may be grabbing the headlines, but smaller companies have been successful in raising early-stage funding internationally.

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GARETH WALDECK

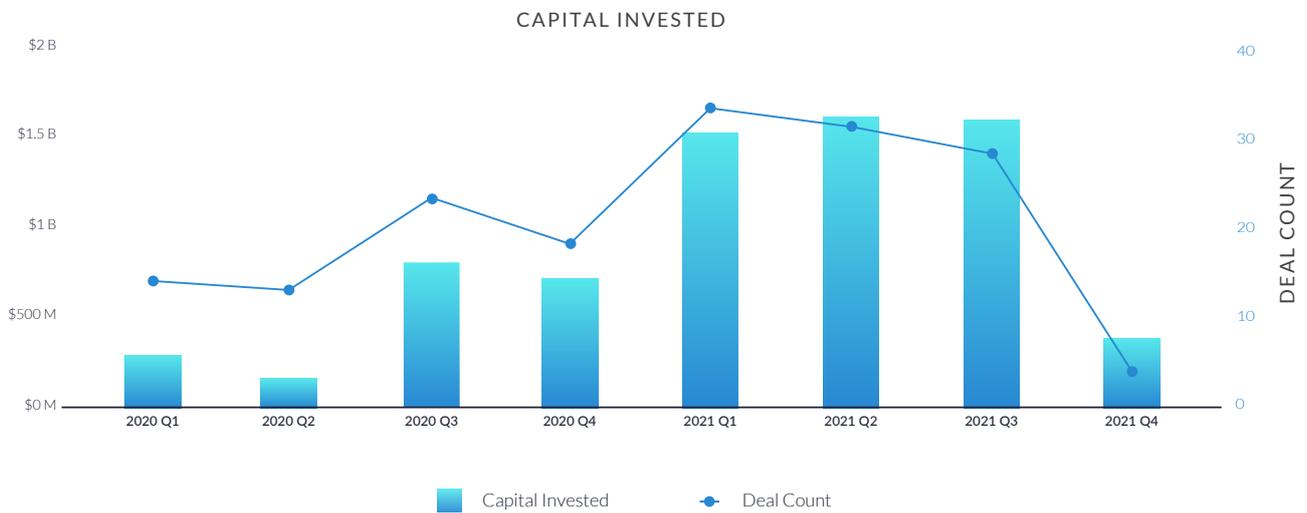
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Capital Market Activity

Middle Eastern investors have deployed approximately \$6.5 billion into early-stage fintech companies based in the USA since 2020. Within the segment, 164 announced deals have been conducted.

Middle Eastern investors' desire to diversify their portfolios away from oil and natural gases and into high-growth private companies drives the increase in market activity.

Announced Capital Market Deals: USA-Based FinTech Companies and Middle Eastern Investors



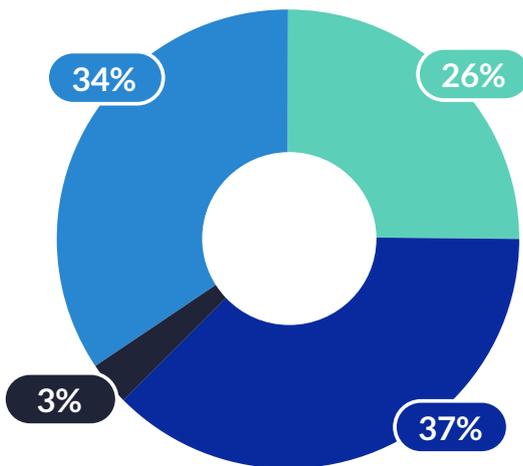
- Deals between USA-based fintech companies and Middle Eastern investors increased significantly between 2020 and 2021. In 2020, a total of \$1.45 billion was deployed across 67 deals. In the first 10 months of 2021, \$5.1 billion has been deployed across 97 deals.
- Between Q2 of 2020 and Q2 of 2021, capital deployment increased 10-fold while deal count more than doubled. In 2020, Q2 was the least active quarter of the year due to the economic effects of the global lockdowns. Deal count and

capital deployment has increased steadily over the remainder of 2020 and 2021.

- The largest deal in the sector was SpotOn's \$300 million Series E round. Mubadala Investment Company participated in the round, alongside Andreessen Horowitz and a consortium of other investors. The Series E saw SpotOn's valuation increase from \$1.875 billion to \$3.15 billion, and the funds will be allocated towards acquisition financing.

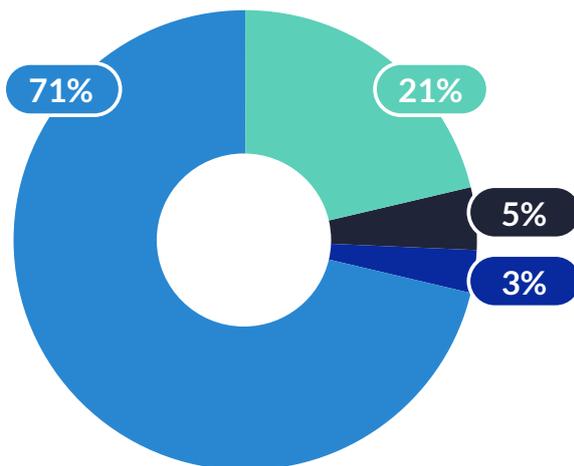
Active Type of Transactions and Company Sizes

Deal Count by Type



- Later-stage venture capital deals dominated capital deployed by Middle Eastern investors into USA-based fintech companies. Later-stage venture capital accounted for 69% of capital deployment and 34% of the deal count within the sector.
- Growth and early-stage venture capital deals saw the largest percentage of deals with 36%, while accounting for 20% of capital deployed.
- Incubators, pre-seed, seed, and angle rounds were not a significant contributor in the sector. This highlights the need for a proven business model, established products and services, and small yet stable income streams before raising capital from international sources.

Capital Raised by Type



Active Investors and Their Latest Deals

Israeli venture capital funds lead the region with respect to deal count in the sector. Connections between the USA and Israeli capital markets remain strong with significant activity across

software and technology sectors. Investors from the United Arab Emirates and other Gulf states are also increasing investments in USA-based fintech companies.

INVESTOR	HQ LOCATION	DEALS	LATEST DEAL	DEAL DATE	DEAL TYPE	INVESTMENT
AltaIR Capital	Israel	14	EquityBee	Sept. 2021	Early-Stage VC	\$55M
Viola FinTech	Israel	10	Alviere	Oct. 2021	Early-Stage VC	\$70M
Mubadala	United Arab Emirates	8	TIER Mobility	Oct. 2021	Later-Stage VC	\$200M
VentureSouq	United Arab Emirates	8	PostEx	Oct. 2021	Seed	\$1.5M
FinTLV Ventures	Israel	7	Sproutt	Sept. 2021	Early-Stage VC	\$26M
Aleph	Israel	6	Empathy	Sept. 2021	Early-Stage VC	\$30M

- AltaIR Capital, a Tel Aviv-based venture capital firm with \$600 million in assets under management, has conducted 14 deals with USA-based fintech companies since 2020.
- Mubadala Investment Company, Abu Dhabi's sovereign wealth fund, invested in eight USA-based fintech startups. The group maintains a median check size of \$200 million across sectors.
- VentureSouq is the only investor on the most active list whose most recent deal in the sector was a seed-stage investment. The Dubai-based venture capital fund has made 141 investments since its inception in 2013 and has a median check size of \$4 million.

Overall, the fintech sector is progressively increasing its capital market activity. Despite the pandemic slowing down other businesses' activities, fintech deals from the USA received over \$5 billion in capital in the first three quarters of 2021 from the Middle East alone. As the need for strong technology increases in the Middle East

J&A expects deal size and deal count to increase over the upcoming years. As the early-stage companies develop and establish new technology trends, funding for acquisitions will increase for the entities with a longer presence in the international markets.