

J&A Cross Border Capital Market Report

The USA Technology Sector in 2022: Market Overview

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Investors in emerging markets are performing an increasingly important function in funding early-staged USA-based technology companies. Capital invested by Middle Eastern and Southeast Asian investors in the sector increased by 85% between 2021 and 2022, with venture capital transactions responsible for 57% of all investments in the industry in 2022.

Economic growth has continued in emerging markets such as the Middle East and Southeast Asia, prompting early-stage technology companies to be mindful of international fundraising opportunities.

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The Decline of the USA Technology Market in 2022

Publicly listed technology stock in the USA fell by 30% in 2022 ([Forbes.com](https://www.forbes.com)). Economic uncertainty, inflation, and increased interest rates to reduce excess liquidity within the market were driving

factors in the decline. The decrease in investor appetite for technology stocks has led to a sharp reduction in valuations, and decreased access to funding from USA markets.

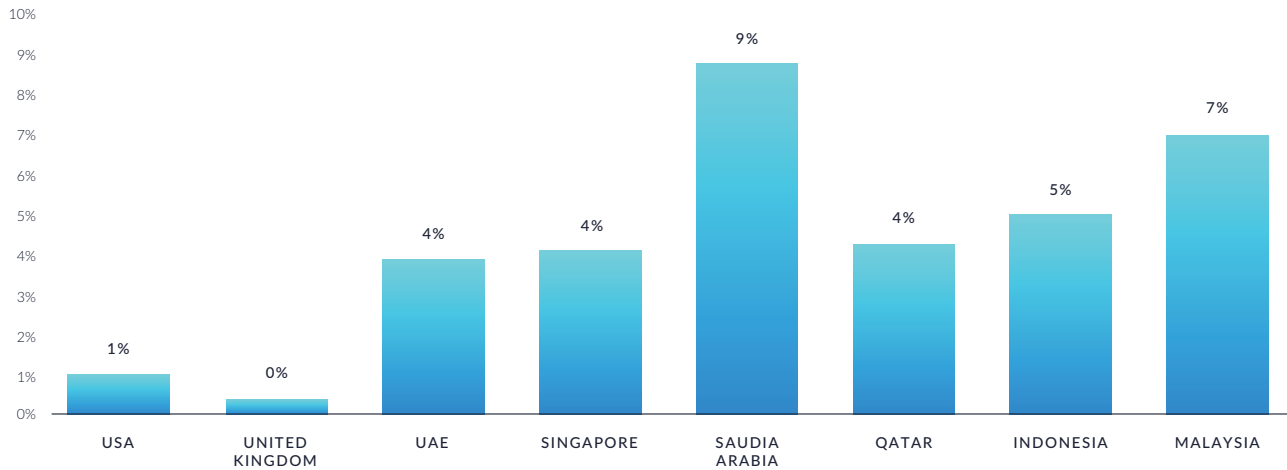
Dow Jones U.S. Technology Index in 2022



- The Dow Jones U.S. Technology Index was down by over 35% in 2022, in contrast to 2021, which was a landmark year for the index, setting a record high of 4,866.69 on December 27, 2021 ([SPGlobal.com](https://www.spglobal.com)).
- Other technology-focused indexes illustrated similar diminishing returns, with the Nasdaq Composite falling 33% in 2022 ([Forbes.com](https://www.forbes.com)), indicating a reduced appetite for technology stocks.
- Valuation negotiations between founders and investors have altered drastically. Valuation based on projected revenue multiples is no longer the norm, and early-stage investors increasingly utilize traditional price-to-earnings ratios ([TechCrunch.com](https://www.techcrunch.com)).

Growth of Emerging Markets in 2022

GDP Growth Rate 2022 (Y-o-Y Q4)

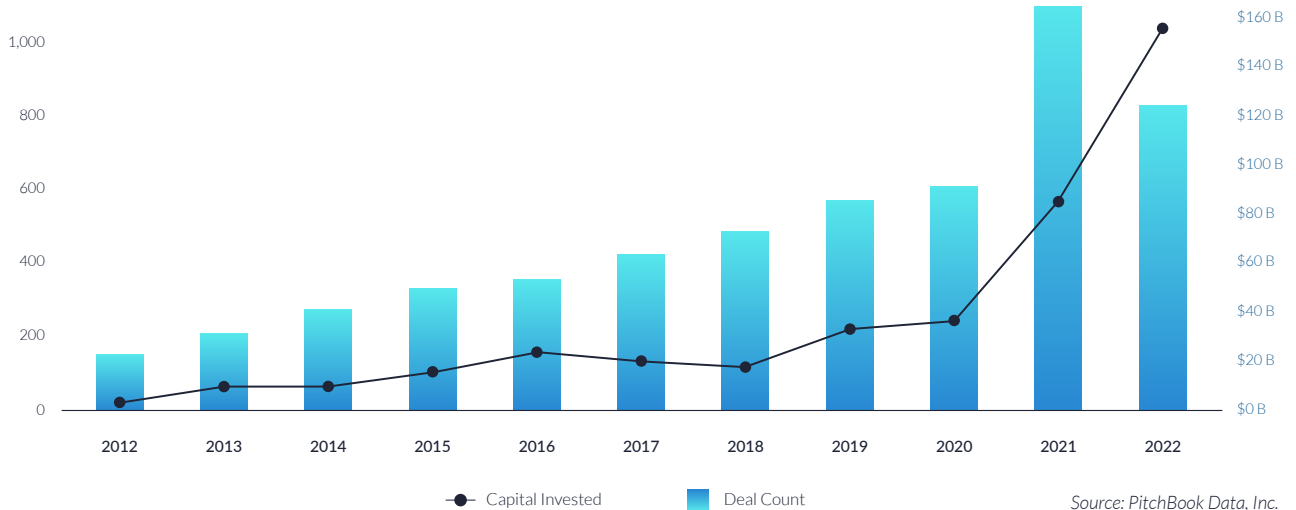


Source: tradingeconomics.com

- Increasing interest rates and escalating fuel prices caused slow growth in developed markets in 2022. The USA and UK experienced GDP (Y-o-Y Q4) growth rates of less than 1% compared to 2021 Q4, with similarly slow growth occurring across the European Union (tradingeconomics.com).
- Conversely, the increase in fuel prices, caused in part by the war in Ukraine, aided the GDP growth of Middle Eastern states such as Saudi Arabia (9% Y-o-Y Q4 GDP), the UAE (4% Y-o-Y Q4 GDP), and Qatar (4% Y-o-Y Q4 GDP).
- Post covid reopening economies, large infrastructure projects, and the tourism sectors' continued development have also contributed to the region's growth.
- Despite challenging global economic conditions, Southeast Asia remains one of the world's fastest-growing emerging regions. Malaysia, Indonesia, and Singapore all grew GDP by over 4% in Y-o-Y Q4 2022, driven by reopening travel routes and increased trade and commerce.



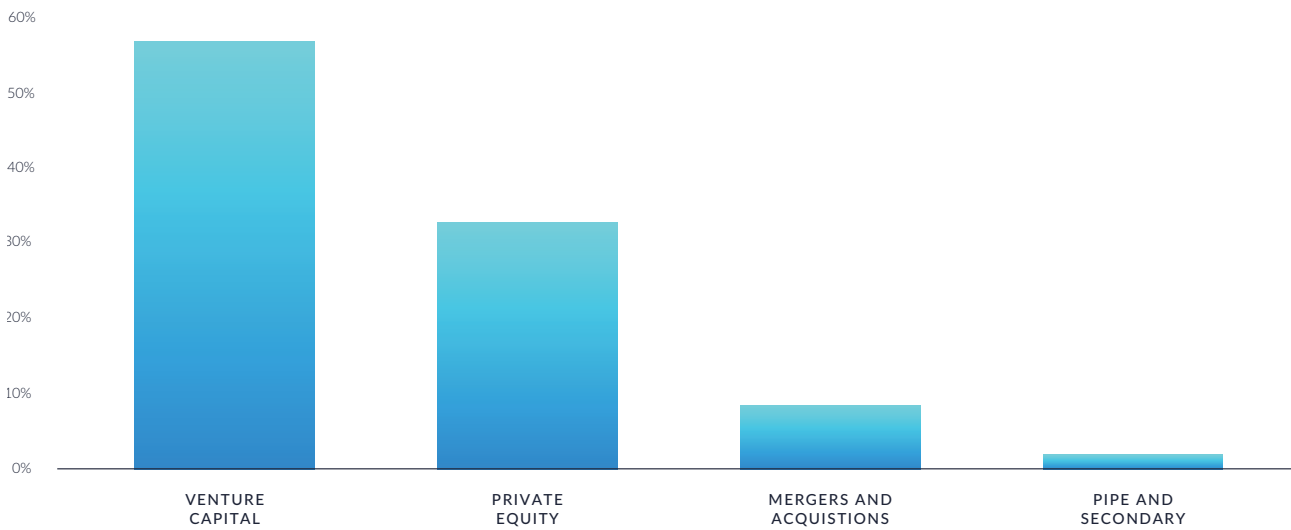
Reported Capital Market Transactions Conducted by Middle Eastern and Southeast Asian Investors into USA-based Technology Companies (2012-2022)



- \$400 billion was invested by Middle Eastern and Southeast Asian investors into USA-based technology between 2012 and 2022, with 60% occurring between 2020 and 2022 and \$155 billion deployed in 2022 alone.
- The deal count conducted by Middle Eastern and Southeast Asian investors into USA-based technology companies increased from under 150 transactions in 2012 to over 1,000 in 2021.
- The sector's deal count decreased by 24% between 2021 and 2022, yet capital invested in the industry increased by 85% during the same period, showing a continued appetite to invest in USA-based technology companies and a leaning towards more significant deals.



Deal Count of Middle Eastern and Southeast Asian Investors into USA-based Technology Companies in 2022 by Deal Type



Source: PitchBook Data, Inc.

- Venture capital transactions accounted for 57% of the deal count by Middle Eastern and Southeast Asian investors into USA-based technology companies in 2022.
- Despite challenging economic conditions, the focus on early-stage companies further

highlights the appetite to invest in USA-based technology companies, showing the strength of the US technology industry and the trust that international investors have in the US financial markets.

Early-stage technology companies from the USA should consider opportunities to raise funds internationally. Uncertain economic conditions in developed economies have reduced capital market activity, particularly for early-stage transactions. Middle Eastern and Southeast Asian investors have an increased appetite for USA-based tech companies, evidenced by the growing amount of capital deployed.