

TECH STARTUP ECOSYSTEM



Global Trends in Tech Startups

Over the past decade, technology has moved from being an afterthought to becoming the defining element of business activity. That transformation was led by a number of startups who disrupted their respective industries; Uber changed the way we moved; Facebook and WhatsApp how we interacted with people; YouTube and TikTok where we spent our free time.

Consequently, the tech sector has emerged as one of the biggest drivers of business activity and makes up for some of the most valuable companies. This was only accelerated in the wake of coronavirus. Adoption of digital platforms like Zoom and Clubhouse skyrocketed, triggered by sudden behavioral shifts.

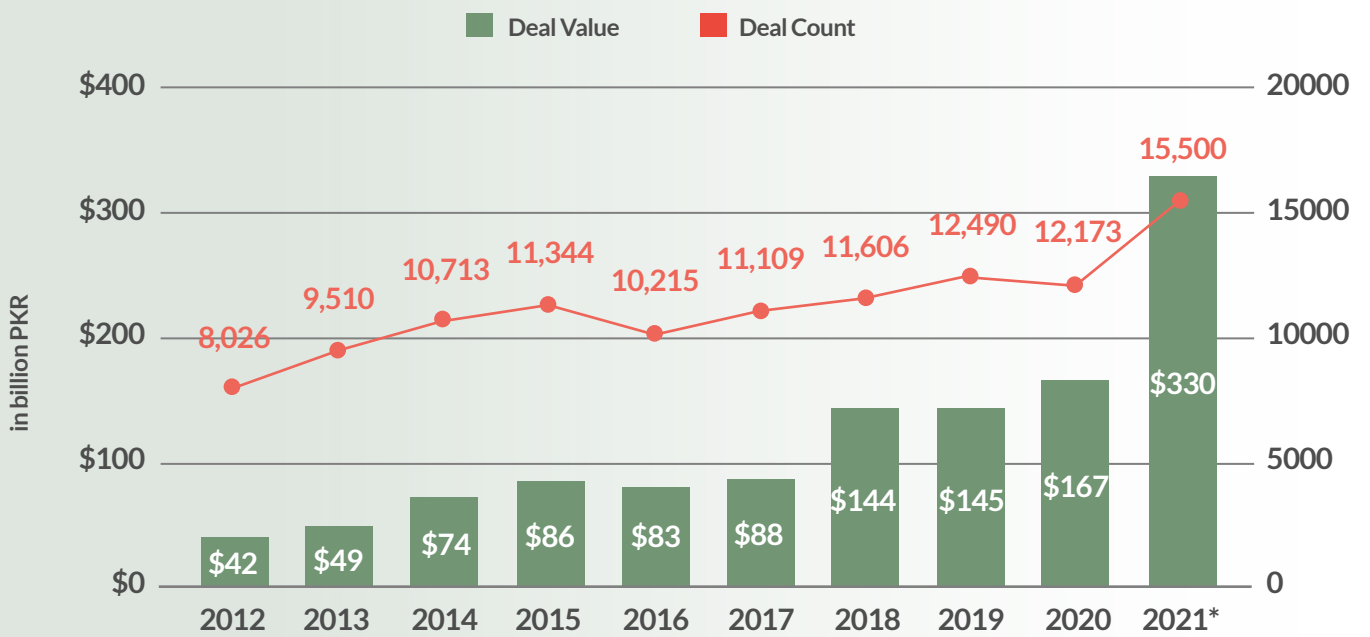
E-commerce sales went up as retail outlets were shut down, quick commerce gained popularity as people ordered groceries and foods to avoid any exposure to the virus, and school closures paved the way for online learning. Due to the behavioral shift, markets rallied behind technology stocks as NASDAQ-100 outperformed the other two indices.

Exit activity surged as 1,043 companies turned to the public markets and raised a cumulative \$306 billion in 2021, almost doubling in terms of both amount and deal count. That sentiment extended to the private markets where investors coughed up money at record pace, as VC investments almost doubled to \$330 billion in 2021, up from \$167 billion in 2020.



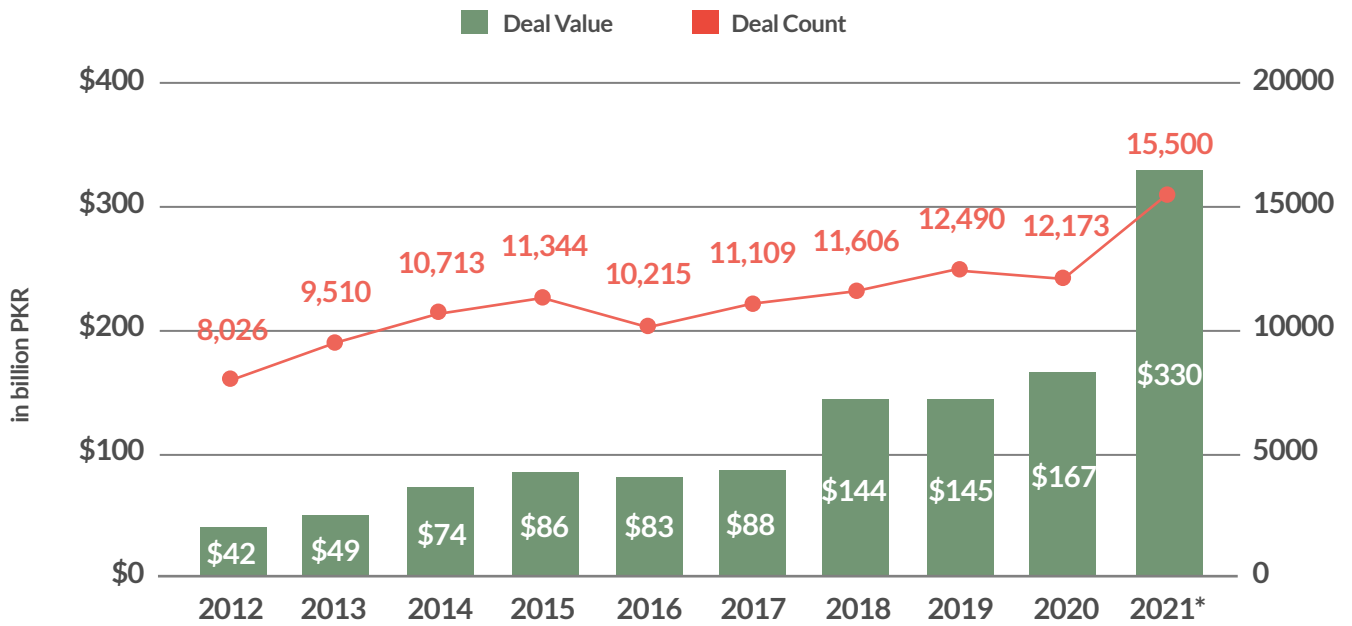


US Venture Capital Activity

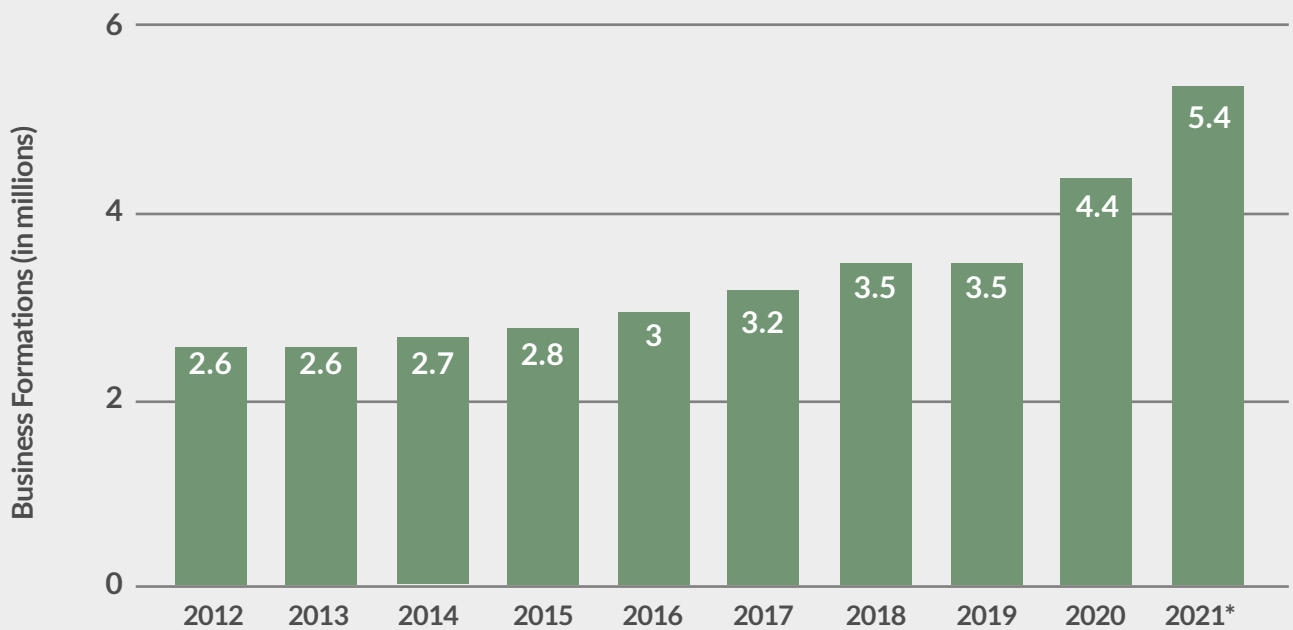


Source: Pitchbook

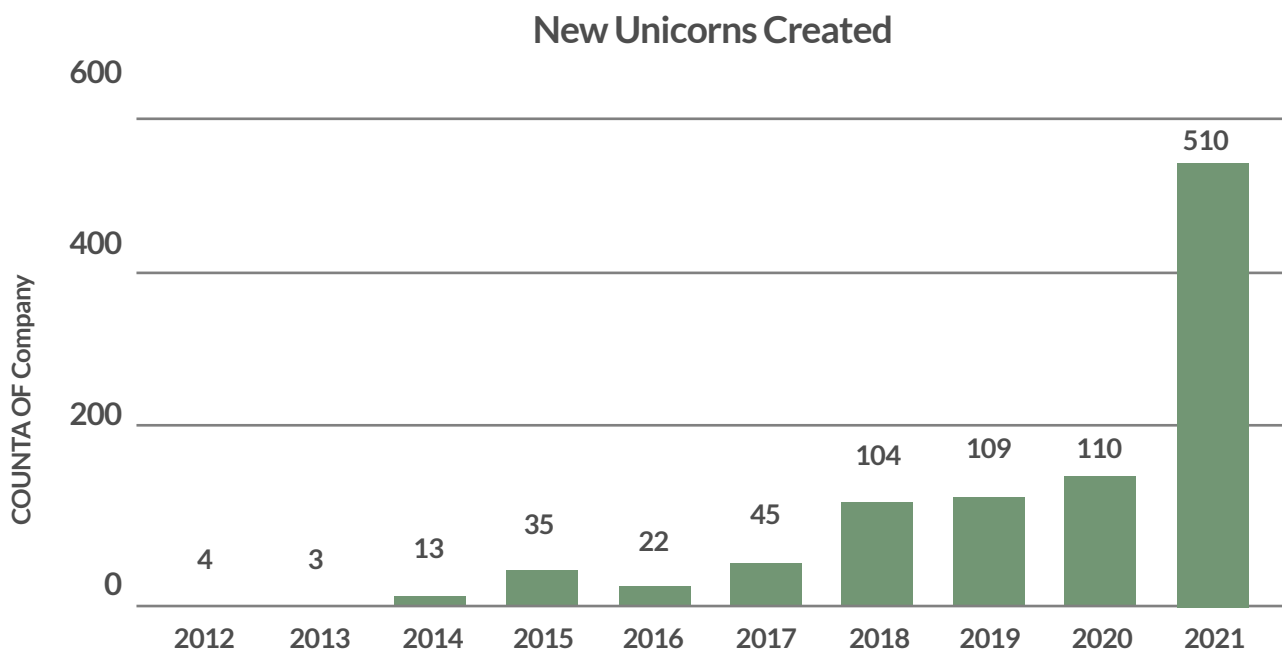
US Venture Capital Activity



New Business Formations in the US

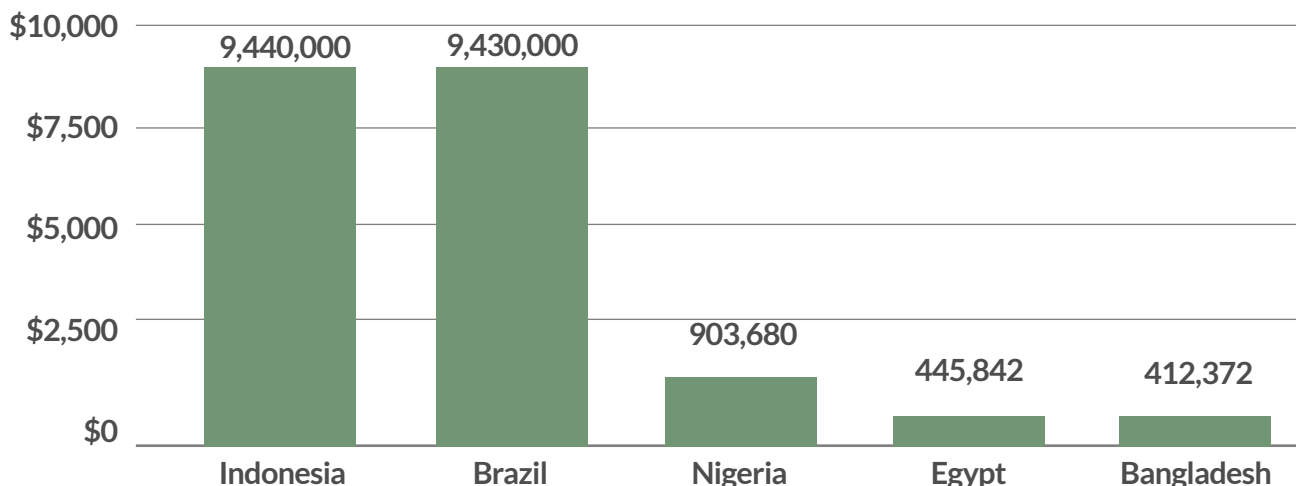


As a result of such high liquidity in the market, valuations surged across the board. More unicorns were minted in 2021 than the nine years preceding that combined.



While the US was indeed the biggest beneficiary as well the source of this capital frenzy, the spillovers extended to other markets, especially emerging markets. India, Brazil, Indonesia and other

big developing countries saw major progress in their respective tech startup ecosystems, which was complemented by healthy investment activity.



Sources: Disrupt Africa, Deal Street Asia, Statista, Lightcastle Partners

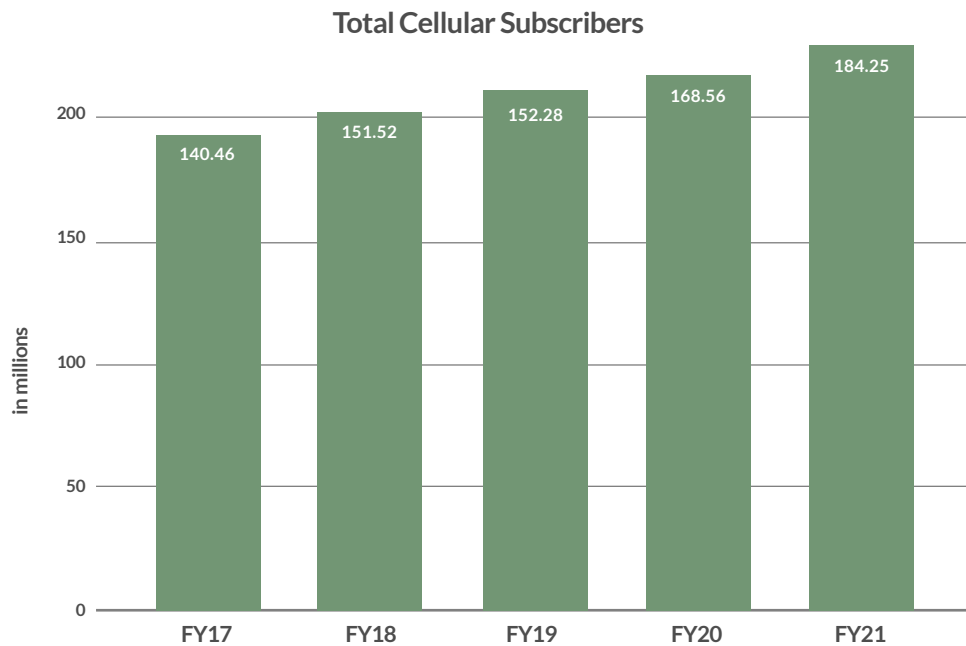
¹ <https://www.pta.gov.pk/en/telecom-indicators/1#cellular-subscribers>

² <https://insights.datadarbar.io/2021-the-year-when-pakistani-startups-saw-an-unprecedented-growth-spurt>

The Coming of age for Pakistani Startups

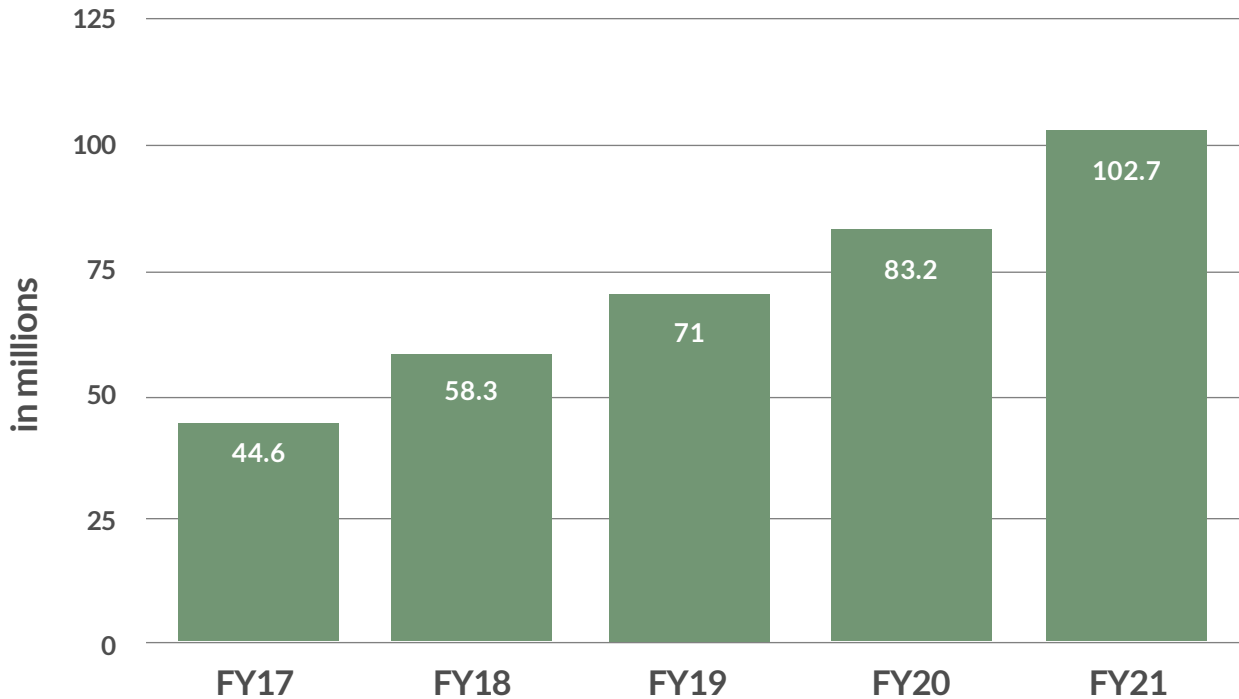
Pakistan’s tech startup ecosystem has also matured considerably since the early days when classified platforms like Pakwheels, Zameen and Rozee were among the few players operating at scale and had managed to raise any meaningful investments. However, the landscape has progressed considerably with a number of factors culminating at once.

First of all, the digital economy has grown on the back of new users. The number of cellular connections reached 193 million¹ in March 2022 – of which 113 million were 3G/4G – from 162m in June 2019. Similarly, broadband subscribers increased to 116 million from 71 million during the corresponding period.



¹<https://www.pta.gov.pk/en/telecom-indicators/1#cellular-subscribers>

Broadband Subscribers



At the same time, corporate activity has considerably paced up. New IT company registrations have been increasing at a compound annual growth rate of X% over the past five years and reached Y as of June 2021. The rate of incorporation for e-commerce has held steady too after the Securities and Exchange of Pakistan introduced it as a separate category in FY20 with over Z entities to have come online since then.



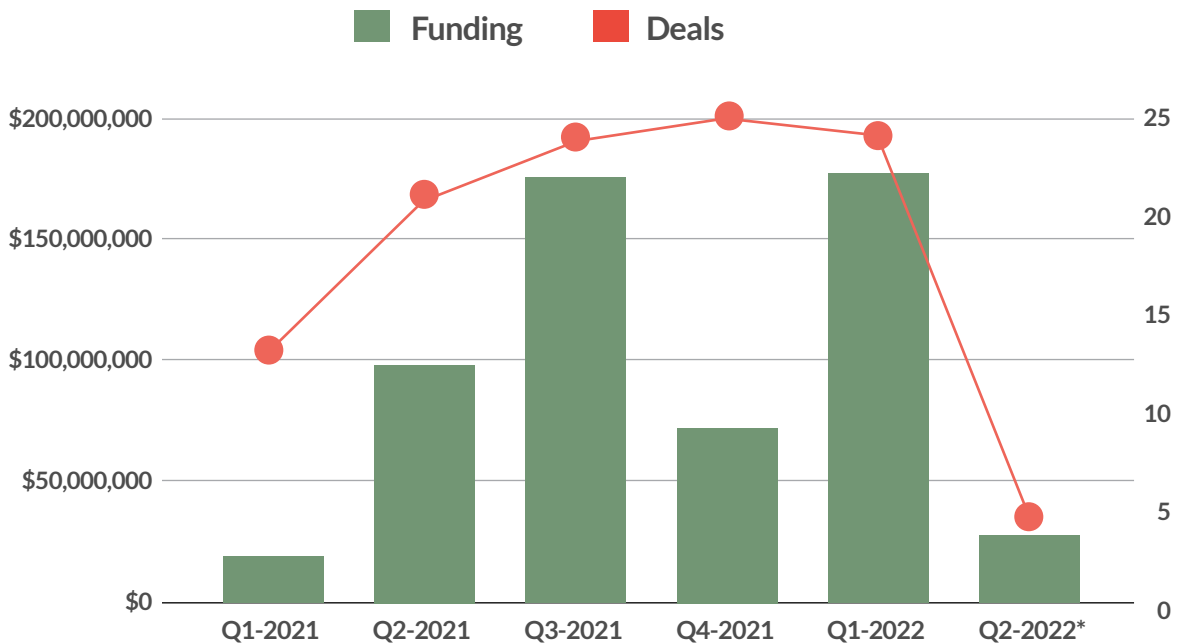
The Funding Boom

Most importantly, venture capital has become more accessible as Pakistani startups had a record 2021 – raising over \$366 million² – registering a staggering 450% growth compared to \$65 million in 2020. The number of deals also increased to 82, up 67% from 48 the year before. As a result, the average size of a deal rose by 290% to \$5.30 million, from \$1.36 million.

This included participation from both local and international investors including some of the most prominent names such as Kleiner Perkins and Tiger Global Management. Among the Pakistan - focused funds, Zayn Capital had the most deals at X, while Fatima Gobi Ventures followed with Y.



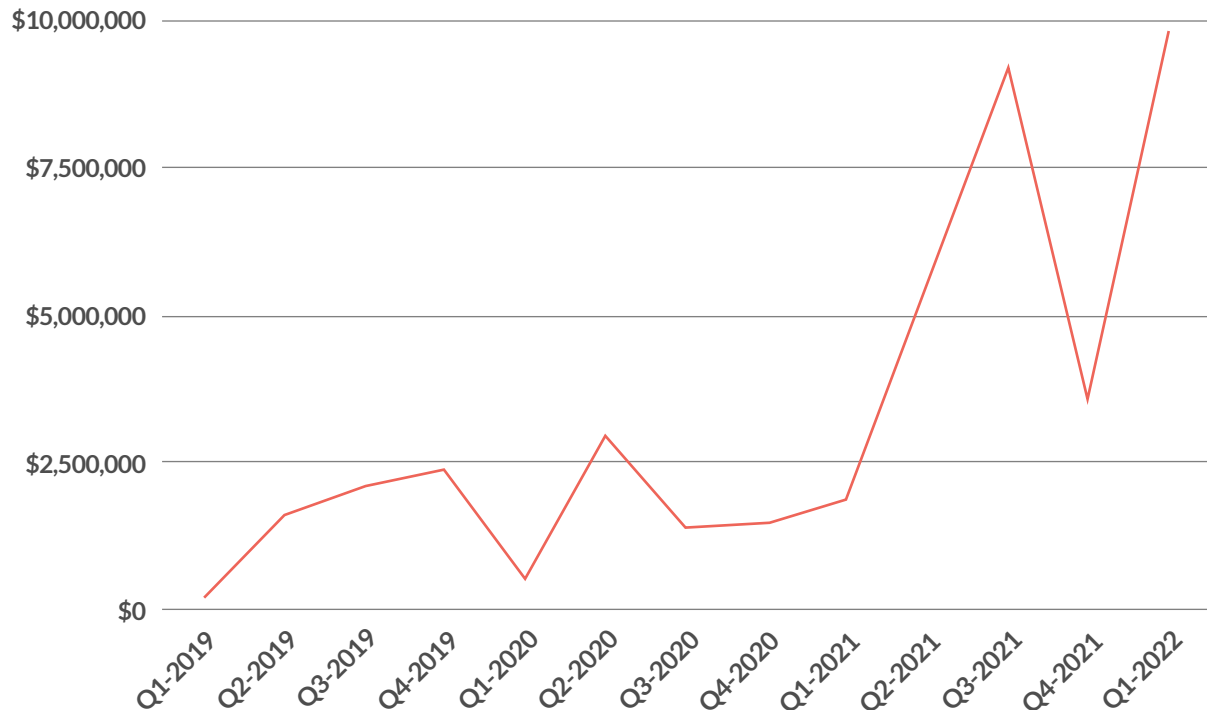
Funding and Deals



Source: Data Darbar (Q2 numbers to be finalized at the time of publishing)

²<https://insights.datadarbar.io/2021-the-year-when-pakistani-startups-saw-an-unprecedented-growth-spurt>

Average Ticket Size of Investments

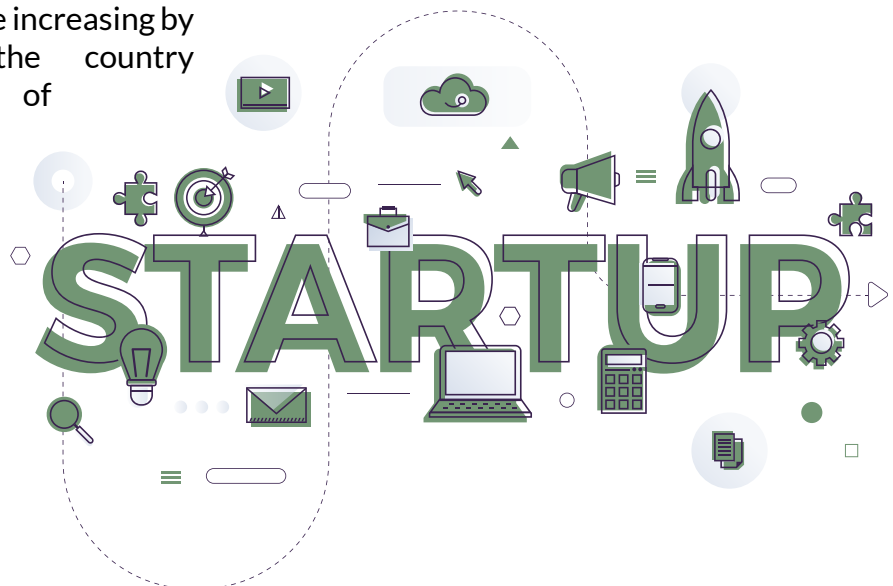


Source: Data Darbar

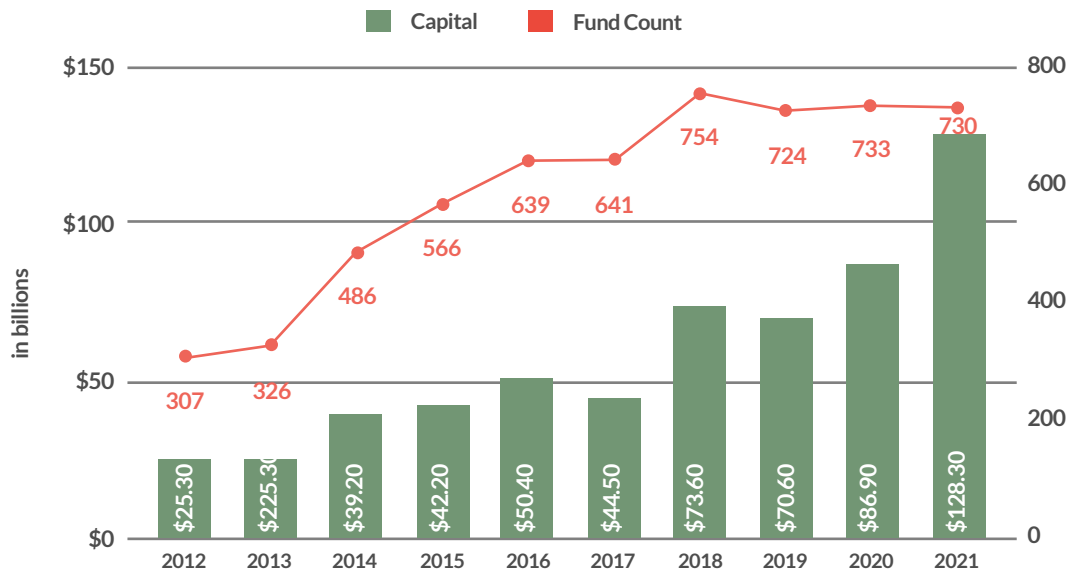
What Made Pakistani Startups Tick Off?

While the ecosystem had been growing steadily for the better part of the past few years, 2021 saw many leaps at once. Multiple reasons have been offered to explain the rise: the sheer size of the untapped opportunity and the increasing by digital economy that the country represents, the success of regional and international players like Careem and Foodpanda in Pakistan, and the quality of founders - especially those with experience in leading tech companies abroad to return and launch their own startups.

This was partly due to the cheap liquidity available globally amid low interest rates which propelled VC as an asset class to new peaks, as total capital raised by US funds alone hit \$128 billion in 2021.



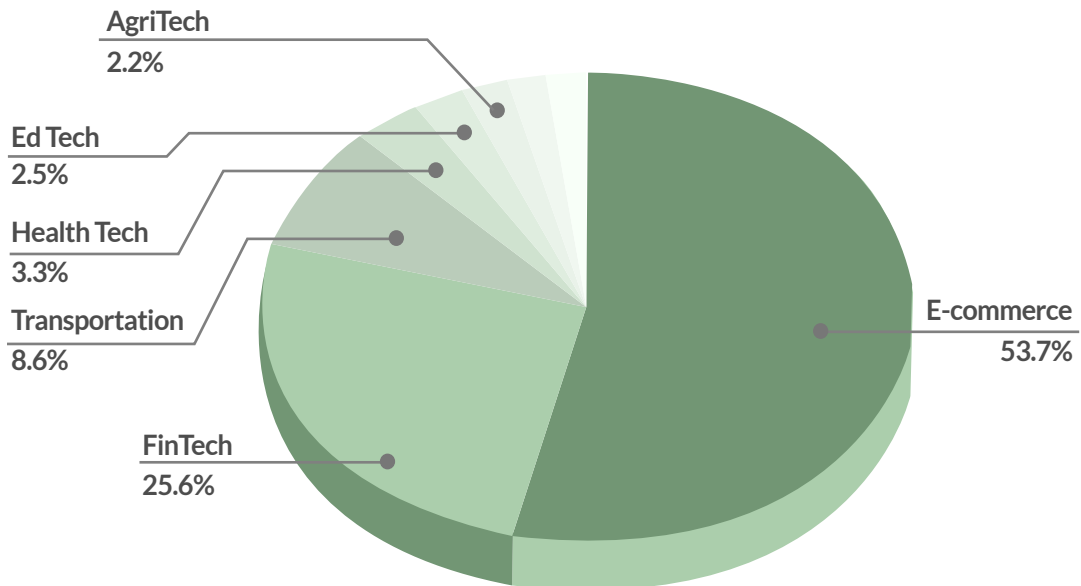
Foundraising by US VCs



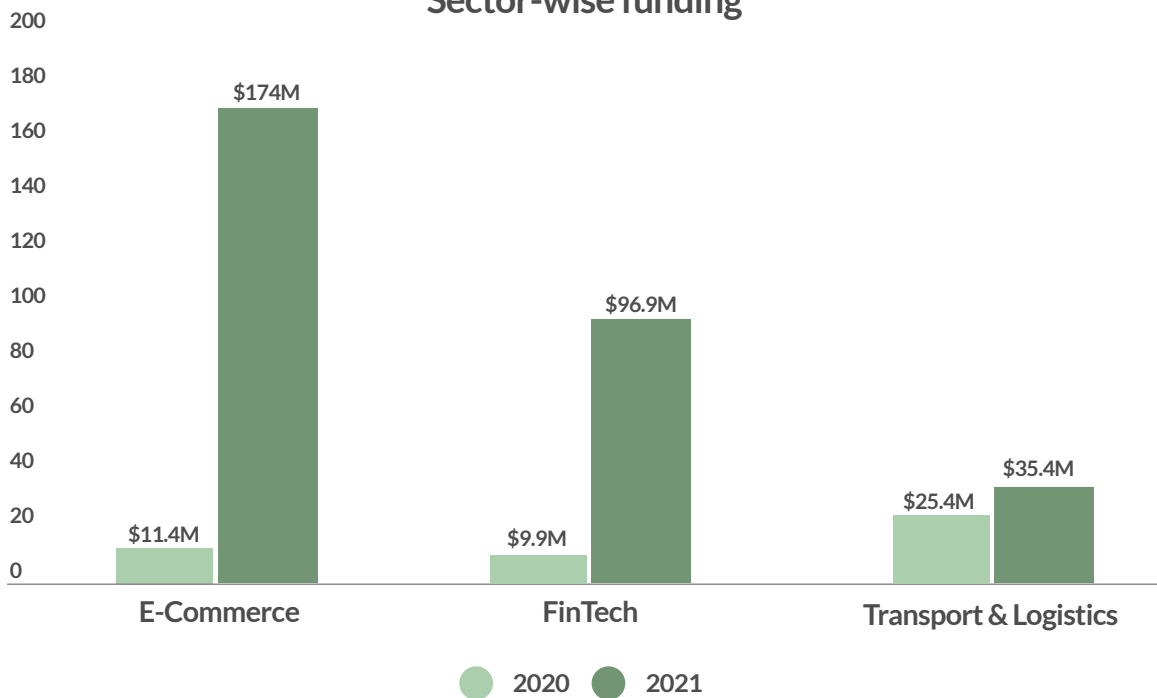
Source: Pitchbook

Deconstructing Investment Trends

Most of the capital was allocated to e-commerce startups that raised \$175 million across 20 deals, becoming the highest-funded sector. Meanwhile, fintech led in terms of deals, at 25, with investment of \$97 million. Transportation and logistics followed with \$35million and eight deals.



Sector-wise funding




The funding trajectory has also held up in 2022, with total investment of \$223m across 36 deals so far, including a record peak in Q1. Sector-wise, a similar trend persisted as the largest share of money was allocated to e-commerce, with fintech in the second place. If the fundraising continues at this pace for the rest of the year, Pakistani startups are on track for another record year.





Regional Startups Look for Opportunities in Pakistan

Given the size of the opportunities thanks to the largely untapped market, Pakistan has also come on the radar of regional players to blitzscale. The likes of Careem and Swvl have cumulatively invested hundreds of millions of dollars in the local market since their expansion and house large commercial and tech companies across major cities.

Since then, others have followed suit such as edtech Noon Academy, or trucking platform Trella, who have built local operations from ground up. Some have instead looked towards consolidation to establish their footprint, as GoZayaan acquired FindMyAdventure or Abwaab bought Edmatrix

 OPay	\$570M - Nigeria
 TRUKKER <small>ANY TRUCK ANY TIME ANY WHERE</small>	\$270M - UAE
 Rain	\$203M - Bahrain

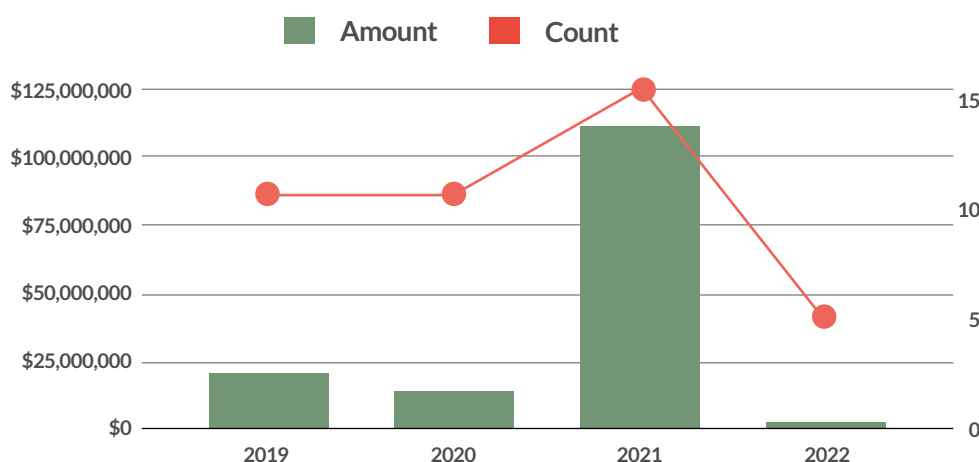
 paymob™	\$69M - Egypt
 trella	\$43M - UAE

In public markets too, technology increased its dominance in the stock exchange as it became the fifth most weighted sector in the all-share index. Strong investor appetite and cheap valuations relative to regional peers attracted new companies to list themselves, including Octopus Digital, Supernet and now Coeus Solutions.

Gender Inclusion

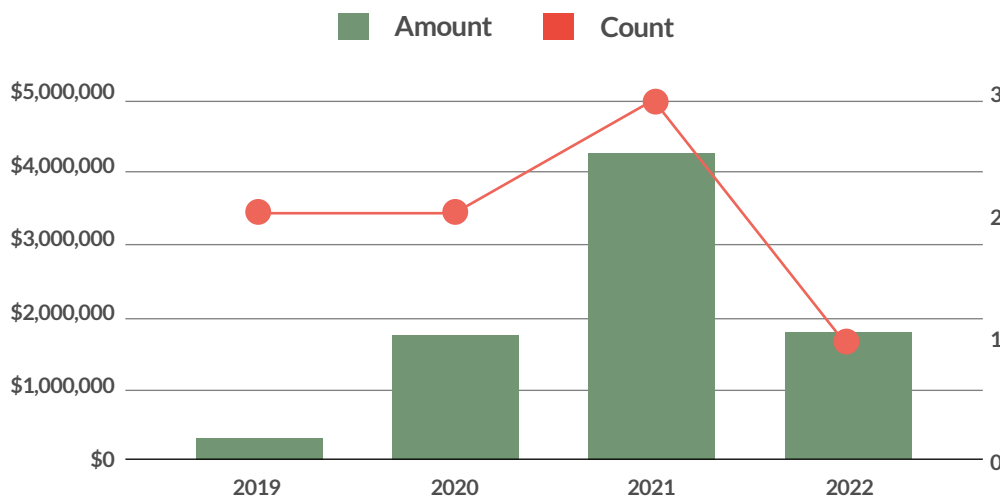
While the investment climate for startups has drastically improved over the past few years, with progress across almost every metric, one area that continues to lag behind is the lack of funding to women-led businesses. Since 2019, female-founded startups have raised only around \$8 million, accounting for just 1.14% of the overall capital deployed in Pakistan.

Investment raised by female-counded startups



On the other hand, female co-founded startups have fared relatively much better, raising \$137.5million across 23 deals since the beginning of 2019. In percentage, this makes up almost 20% of the total capital deployed in Pakistan during the period. However, this was in most part thanks to Airlift’s outsize contribution as it represented over 79% of the amount raised by female co-founded startups.

Investment raised by female-founded startups



The Policy Shift

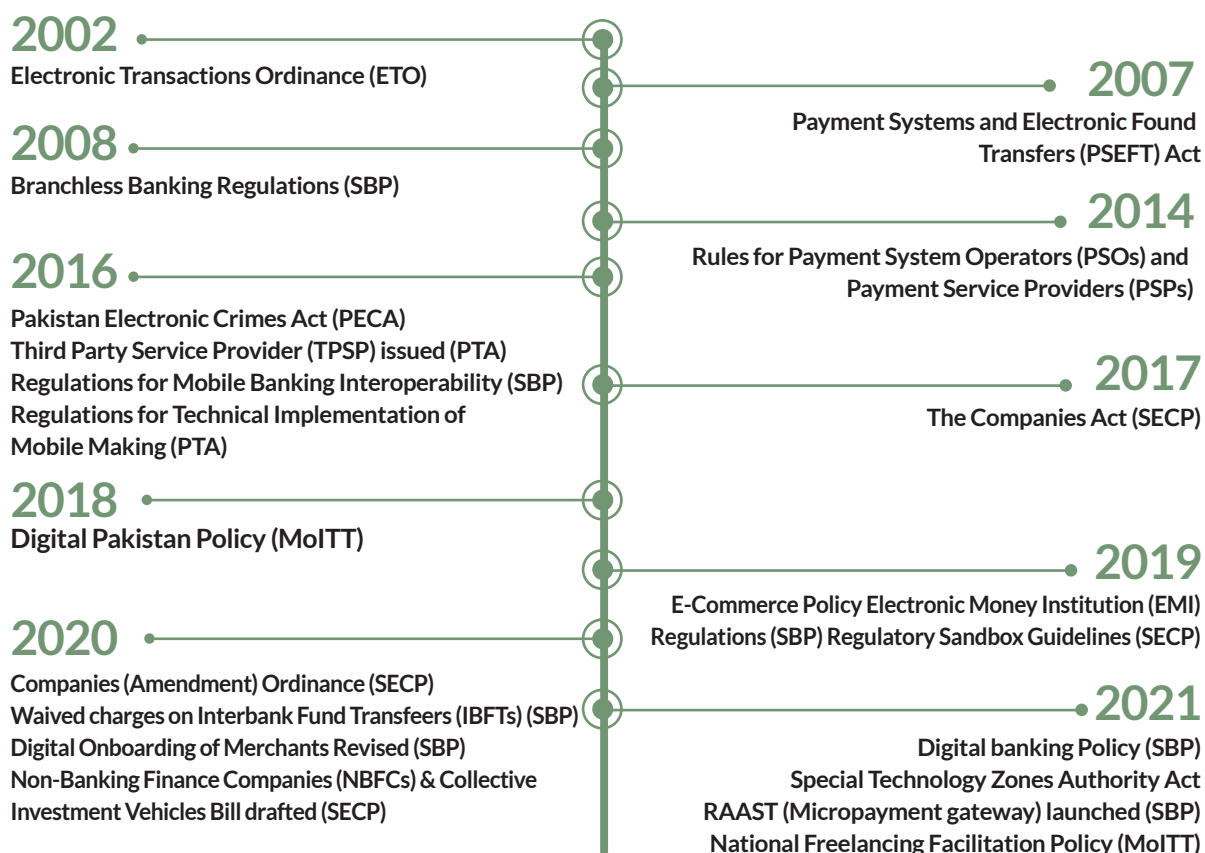
While global headwinds in the VC industry and growing internet population in Pakistan admittedly played their part in accelerating the growth of the startup ecosystem, the regulatory reforms also underwent a 180-degree shift which created a more facilitative environment.

For example, the government introduced a Mobile Phone Manufacturing Policy in 2019 to incentivise local assembly of mobiles, thus making them cheaper and more accessible. Similarly, the Digital Pakistan policy of 2018 industries priority areas from e-governance to healthtech.

Most important has been the amendment in Foreign Exchange Manual which allowed Pakistani tax-residents to be on the cap table of a foreign holding company. This helped significantly in bringing in more money into the country.

The SECP and the SBP have been particularly proactive in spearheading these policy reforms. For example, the former launched a regulatory sandbox to allow fintechs with new business models to test their services in a closed loop environment. It also introduced frameworks for digital insurers and real estate fractionalization through blockchain.

Similarly, the State Bank has introduced a series of measures to push for digitization such as the launch of Raast micropayment gateway, thus reducing the cost of digital payments and encouraging fintechs to build new use cases on top of it. Beyond that too, initiatives such as Roshan Digital Account have helped shift the traditionally undocumented channels of remittances to online platforms.



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Regulatory Overview

Source: Pakistan Startup Ecosystem Report 2021, Invest2Innovate.

KTown Rooms	Travel & Leisure
Batoor	Transportation and Logistics
Edkasa	EdTech
Grandeur	IoT
InstaMall	E-commerce
GoCrazy (Club Mucho)	E-commerce
Jiye Technologies	AgriTech
KraveMart	E-commerce
Munchies	E-commerce
Radical Growth Solutions	AgriTech
TAG	FinTech
Tazah Technologies	AgriTech
Tazah Technologies	AgriTech
Truck It In	Transportation and Logistics
Truck It In	Transportation and Logistics
Y-Pay	FinTech
Zarya	E-commerce
Abhi Finance	FinTech
Clicky	E-commerce
Creditbook	FinTech
Ricult	AgriTech
Sehat Kahani	HealthTech
24seven.pk	E-commerce
Abhi Finance	FinTech
Ailaaj	HealthTech
Bazaar	E-commerce
Bogo	E-commerce
Zaraye	E-commerce

Brandverse (Chikoo)	E-commerce
BridgeLinx	Transportation and Logistics
Chkar Logdings	Travel & Leisure
Creditbook	FinTech
CreditPer	FinTech
Dastgyr	E-commerce
Dawaai	HealthTech
Devnation	EdTech
Digikhata	FinTech
Dot and Line	EdTech
EcoEnergy	AgriTech
Fitoor	E-commerce
Integry	SaaS
Jeeto Naye Andaaz Se	Gaming
KTrade	FinTech
Lettus Kitchens	FoodTech
Maqsad	EdTech
Marham	HealthTech
MKhata	FinTech
Oraan	FinTech
Postex	FinTech
Postex	FinTech
QisstPay	FinTech
Rare Sense	Blockchain
Remotebase	Recruitment
Retailo	E-commerce
Rider	Transportation and Logistics
Sadapay	FinTech
Sadapay	FinTech

Safepay	FinTech
Jugnu	E-commerce
Savoyour	FinTech
Seed Labs	FinTech
SmartChoice	FinTech
Swag Kicks	E-commerce
TAG	FinTech
Trukkr	Transportation and Logistics
Udhaar	FinTech
Unity Retail	SaaS
Vincorp	SaaS
Walee	Media and Entertainment
Yugo	Travel and Leisure
Bagallery	E-commerce
Bazaar	E-commerce
Bookme	Travel and Leisure
Educative	EdTech
Finja	FinTech
GrocerApp	E-commerce
Healthwire	HealthTech
Tajir	E-commerce
Tasdeeq	FinTech
Airlift	E-commerce
Jabberwock Ventures	Transportation and Logistics
EasyFresh Technologies	AgriTech
Jugnu	E-commerce
Abhi Finance	FinTech

Trellis	FinTech
TruckSher	Transportation and Logistics
Oladoc	HealthTech
ezWifi	Advertising and Marketing
Bryt	EdTech
Taro	FinTech
FindMyDoctor	HealthTech
InventHub	SaaS
Retailo	E-commerce
Truck It In	Transportation and Logistics
Find My Adventure	Travel & Leisure
Jomo	E-commerce
Daftarkhwan	Real Estate
Nayapay	FinTech
WebX	E-commerce
MyTM	FinTech
Elphinstone	FinTech
Markaz	E-commerce
Rider	Transportation and Logistics
OkayKer	On-Demand
High Street	E-commerce
Bazaar	E-commerce
Metric	FinTech
COLABS	Real Estate
Jugnu	E-commerce
Mahaana Wealth	FinTech
medIQ	HealthTech
Oware	Transportation and Logistics

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