

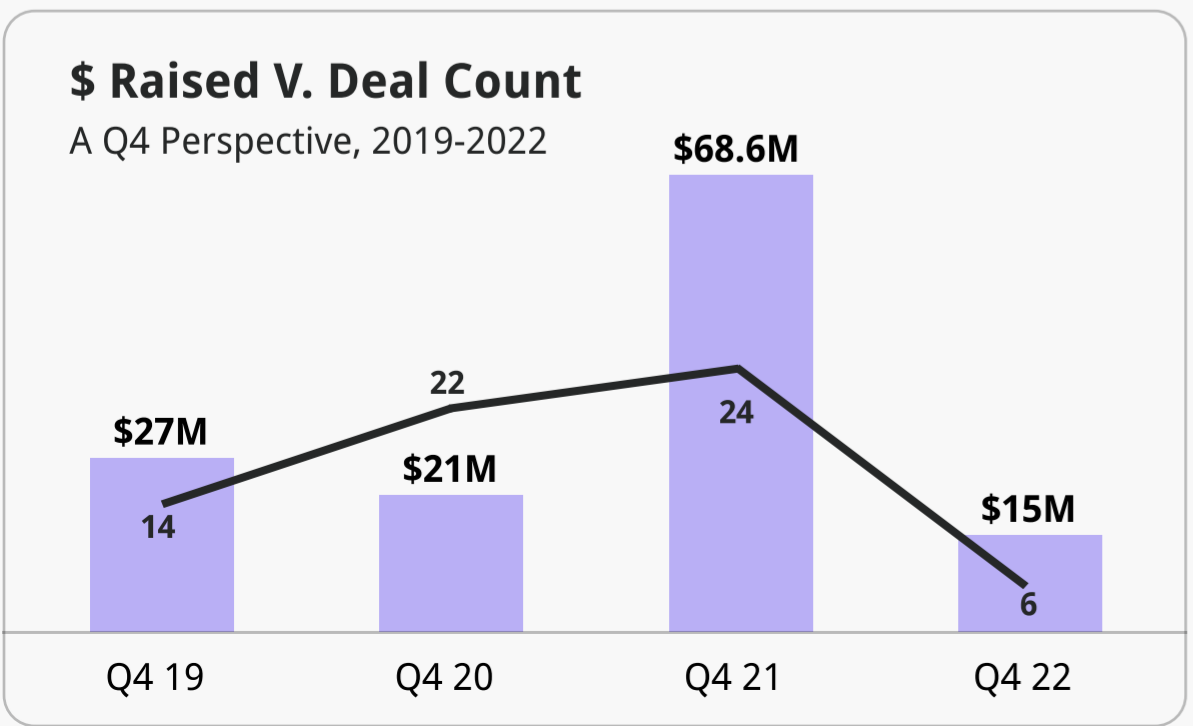
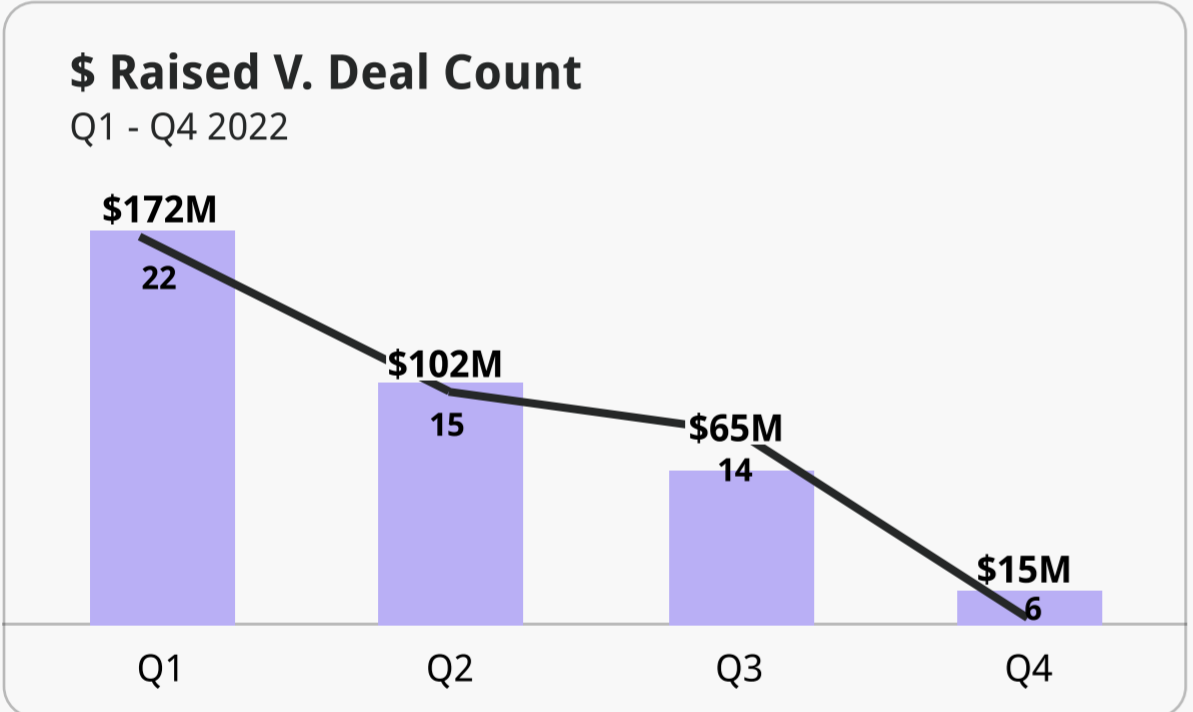
# **EOY Roundup 2022**

Q4 marked a significant slowdown in terms of deal flow. The amount raised for Q4 2022 was down 78% compared to the previous year while deal count was down 73%. This marks a four year low for Q4 in both amount raised and deal count. The reasons for this slowdown are discussed in the following slides.

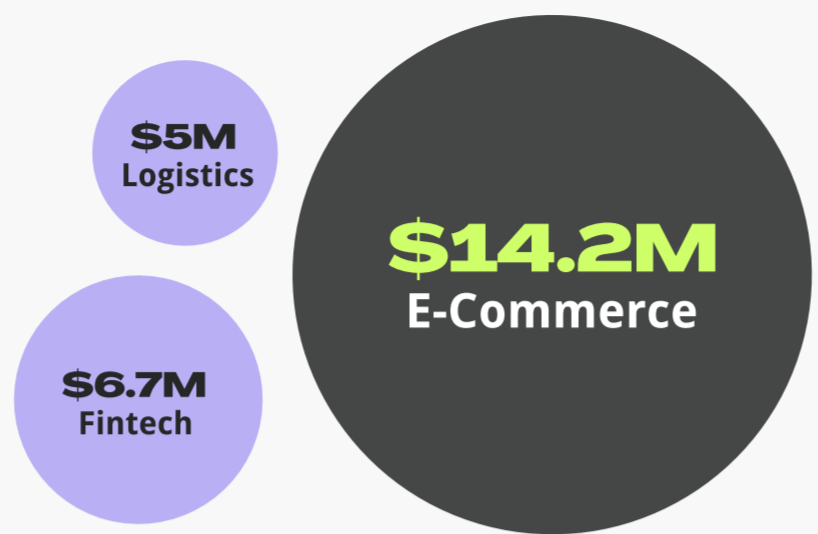
### Investment Overview

**\$355M**  
57 deals  
Raised in 2022

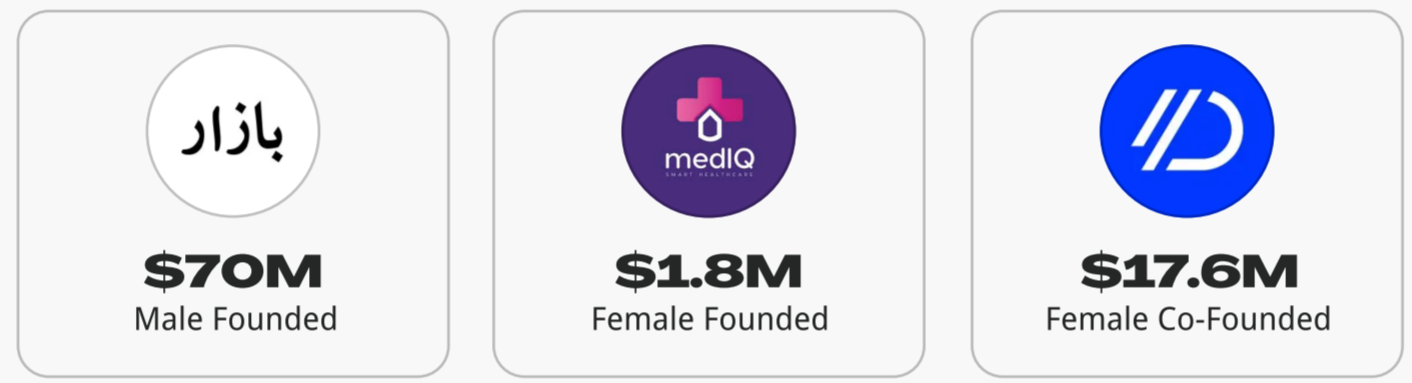
**11 M&As**  
190 investors  
Recorded in 2022



### Top Funded Sectors by Avg Ticket Size 2022



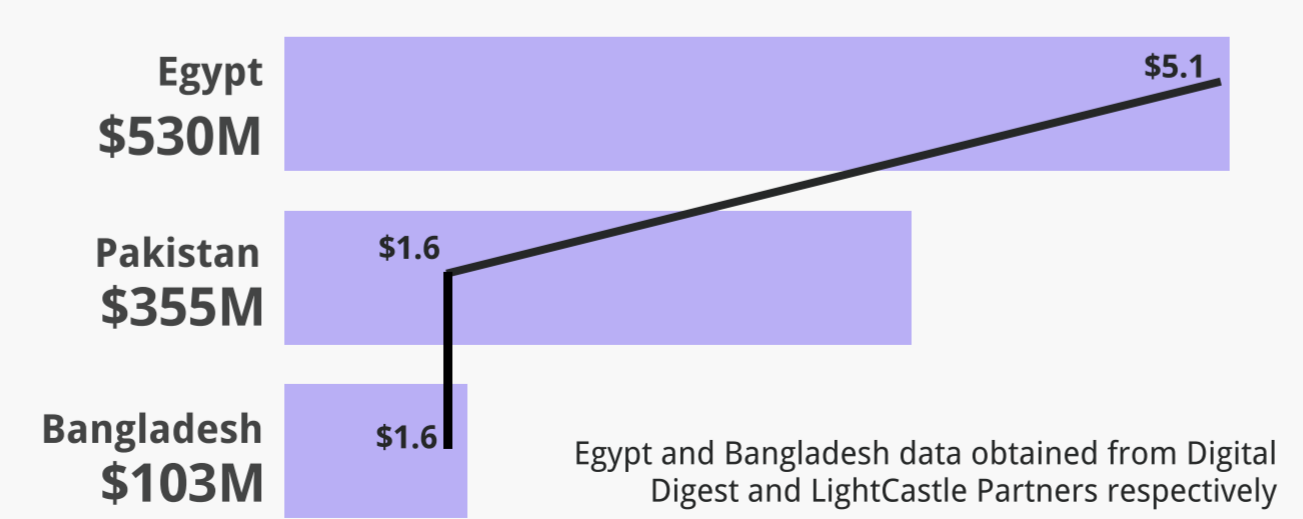
### Top Deals by Gender 2022



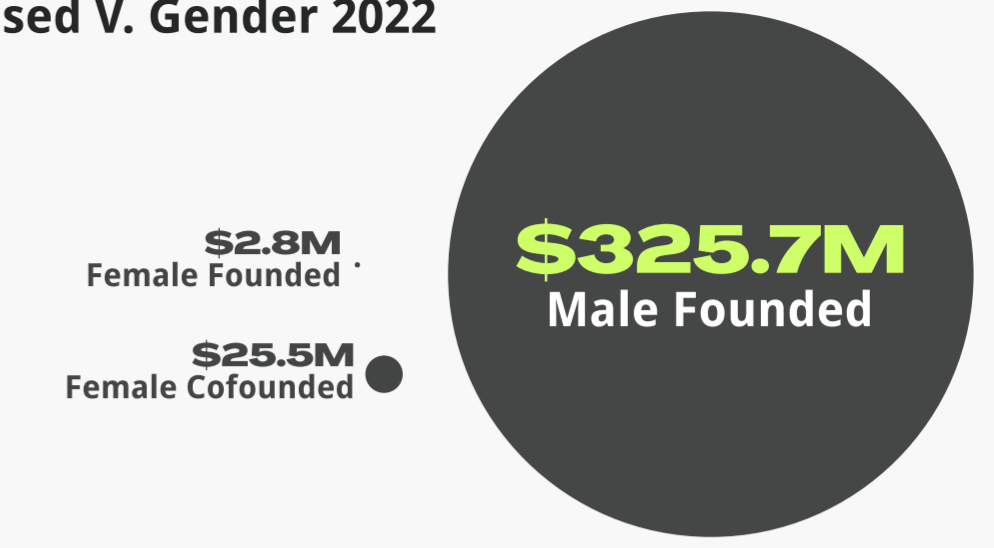
### Investor Type Across Deals 2022



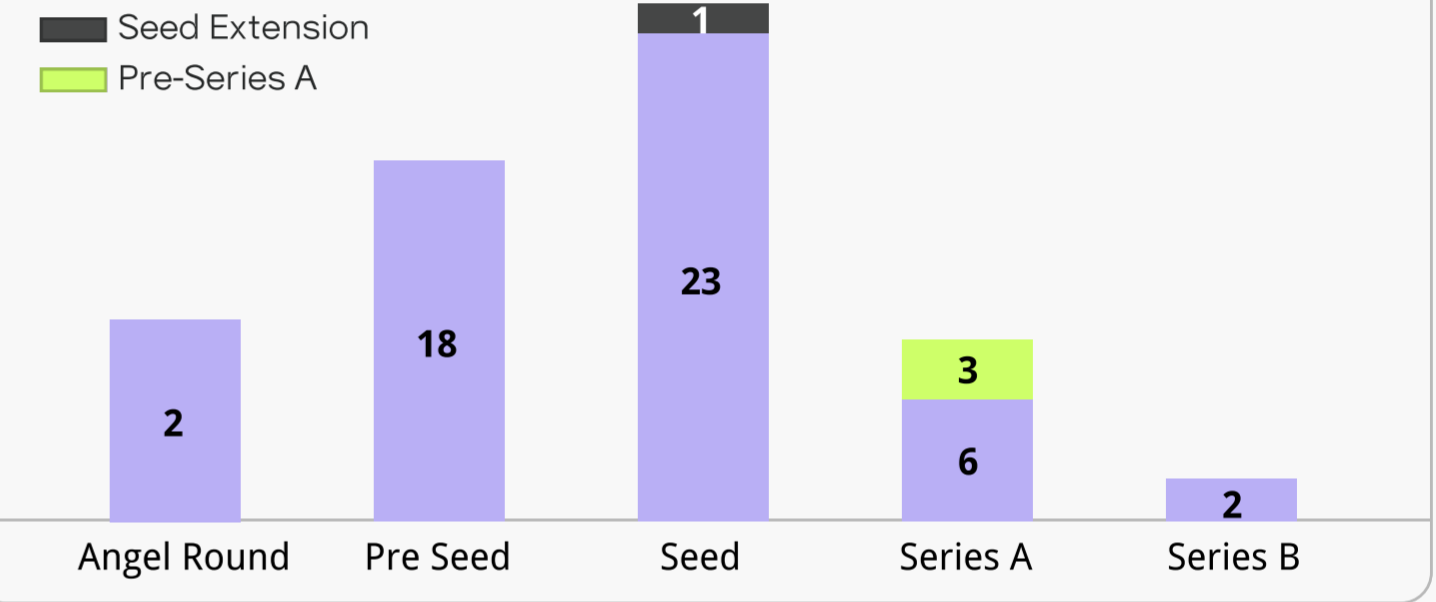
### \$ Raised V. Funding per Capita 2022



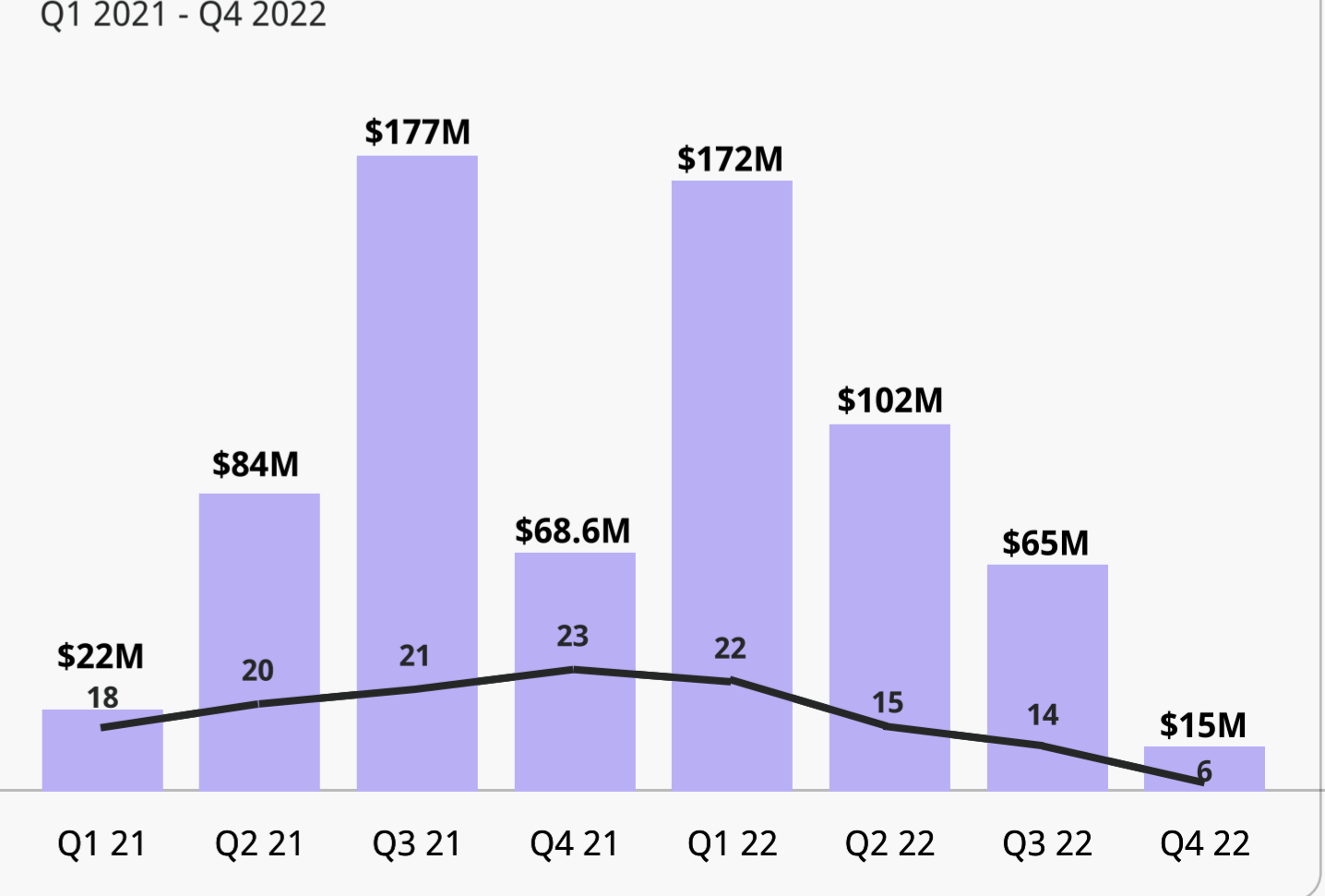
### \$ Raised V. Gender 2022



### Deal Count V. Stage 2022



### \$ Raised V. Deal Count Q1 2021 - Q4 2022



# Entering a recession?

## Global Investment Landscape:

In 2022, a major land war in Europe overlapped with the aggressive course correction by the US Federal Reserve creating the “perfect storm” for the investment landscape.

## Local Investment Landscape:

Pakistan, with an elevated external debt profile and a persistent external account imbalance, was also inflicted with major political upheaval and disastrous floods in 2022.

- The local currency depreciated 21% against US\$ over CY2022, despite import restrictions placed by the SBP in the latter half.
- The policy rate was also increased by 800 bps to contain the double-digit inflation.

## Outlook:

Going forward, the PKR may continue depreciating against the US\$ and Inflation may continue to be in the range of 20 to 23%. Extending runaway and improving unit economics is crucial for founders heading into 2023.

Global inflation  
**8.8%**  
Projected for 2022

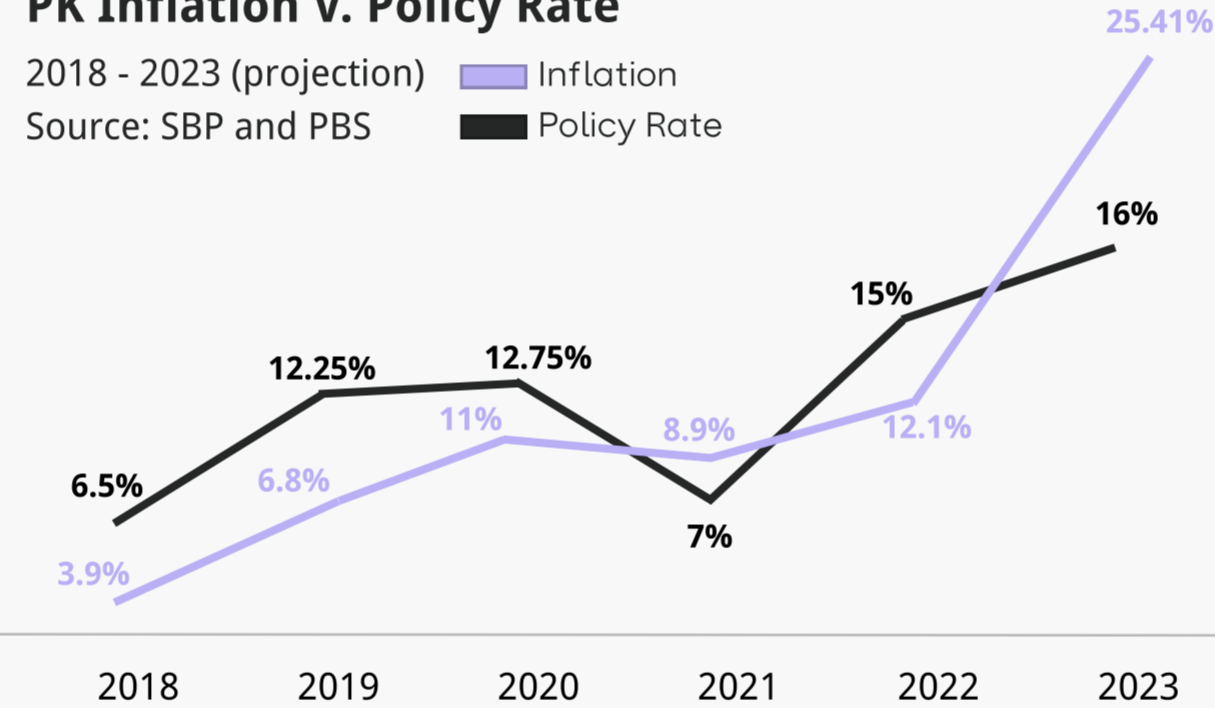
Inflation in Pakistan  
**23.84%**  
As of Nov 2022

Interest Rate in Pakistan  
**16%**  
As of Nov 2022

Federal Reserve Interest Rate  
**4.4%**  
Highest in 15 years

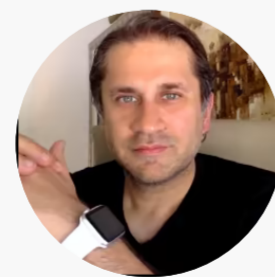
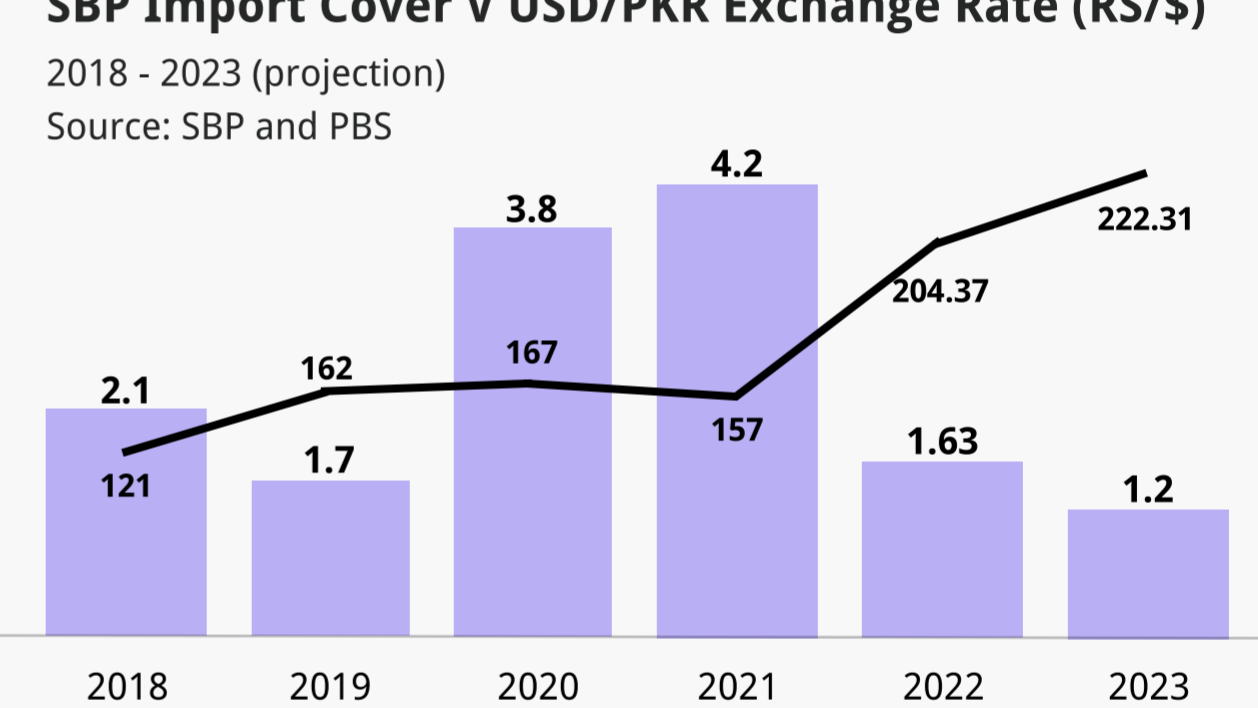
### PK Inflation V. Policy Rate

2018 - 2023 (projection)  
Source: SBP and PBS



### SBP Import Cover V USD/PKR Exchange Rate (RS/\$)

2018 - 2023 (projection)  
Source: SBP and PBS



“Looking ahead we’re entering a global recession and a tough year as global rates will remain relatively high for most of 2023. Pakistan’s economy will be in stagflation, debt restructuring and political chaos. The startup ecosystem will see more pain than 2022 as many startups will run out of capital with no incremental funding in sight most likely before Q2 2024. Those that survive will be the funnel for the next investment cycle.”

**Faisal Aftab - Zayn Bitrate Fund**

# Staying Positive

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Despite the macroeconomic landscape and uncertainty, in 2022, corporations, investors, and other stakeholders still showed confidence in and support of Pakistan's startup potential. This was seen through a wave of collaborations on various fronts – both local and international. More broadly, this sheds light on how far the ecosystem has progressed since its nascence nearly a decade ago. Greater digital maturity, more enabling policies and increased capacity for innovation and disruption have spearheaded this welcome change. **Note:** The following collaborations are by no means exhaustive and are based on the most widely reported news.



Seedstars launched an investment platform to develop VC fund managers in emerging markets, with the support of Swiss-based xMultiplied

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The IFC, a member of the World Bank Group, launched a VC Platform to invest \$225 million in startups in Africa and Pakistan

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A \$50 million dollar fund, for investing in Pakistani startups called the Pakistan Katalytic Fund was launched

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Google announces a startup accelerator to facilitate startups and non-profit organizations in Pakistan, Asia-Pacific, and North America

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500 Global and JS Bank partner to support startups in Pakistan. 500 Global brings its startup/investor education programs to Pakistan with this collaboration

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The British High Commission launched the Climate Finance Accelerator, which is looking for ten projects at the pre-feasibility stage and are seeking an investment of at least \$4 million.

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The Securities and Exchange Commission of Pakistan registered 7 new private funds in 2022

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# Case Study: BusCaro

Globally, logistics was one of the most severely impacted sectors this year. Maha Shahzad, the former Pakistan GM of MENA-headquartered Swvl, launched BusCaro at a time when “ride hailing was no longer everyone's darling”. With logistics startups recalibrating left and right, the impact was felt by a significant number of customers, many of whom are women – who are often dependent on ride hailing to get to schools, colleges and work. The unconducive environment did not slow Maha down, but rather pushed her to innovate. **After SVWL shut down its Pakistan operations**, she started running pricing experiments and brainstorming efficient ways to continue what she thought was a very important business in this ecosystem, and, as a result, BusCaro was born.



**Maha Shahzad,**  
**Founder, BusCaro**



## Funding Journey

The pace of fundraising in 2022, particularly in the latter half, was painfully slow. Yet, BusCaro still raised \$500K in November. However, this capital was by no means easily attained. Maha recalls being rejected over 400 times, before finally landing her first investors. Apart from her sheer resilience, for BusCaro, the solution lay in approaching investors who fulfilled 2 criteria: those that either understood a) the mobility space, b) the economics of running a mobility startup c) had previously backed mobility businesses.



## Experience as a female founder

In 2022, only 8% of funding raised was attributed to female founded and co-founded startups. Evidently, women founders still face significant challenges in raising investment as compared to men. In Maha's experience, even though a large portion of people were neutral on the gender front and showed support - even she had to face investor bias in a few cases, despite her having a decorated CV in the mobility space. The odds were stacked against Maha as a) she was a solo female founder b) the mobility space is usually not associated with women. Maha is hopeful that the ecosystem is evolving and in the future, decisions to inject capital will be made irrespective of gender.



## What success means for BusCaro

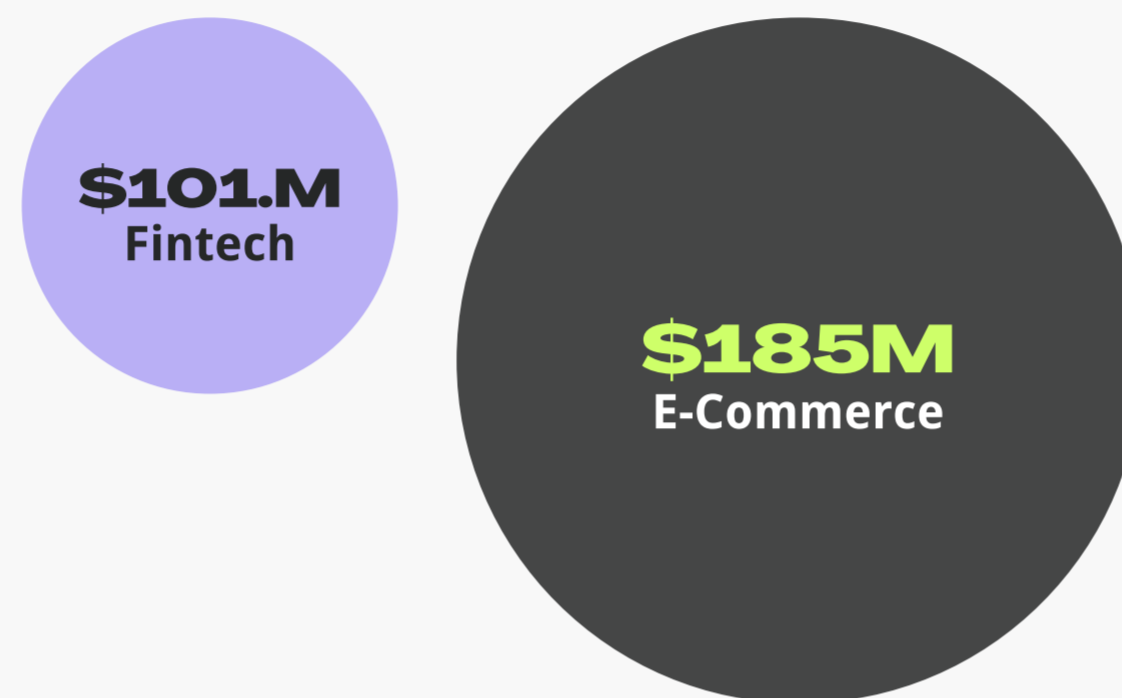
In theory: Sustainable growth rather than growth at all costs. In practice: Building in other avenues into the business model to ensure that profitability is attainable from day one. For example, BusCaro launched an ancillary vertical business from the very get-go to make money off advertising.

# E-Commerce Vs. Fintech

Taking a deeper look at the highest performing sectors in Pakistan's startup space, fintech and e-commerce, there are several valuable takeaways. As expected, most startups that raised in both sectors were early-stage deals (pre-seed and seed), though most notable was Bazaar's \$70M Series B round, which was announced in March 2022. Dastgyr and Jugnu similarly raised sizeable Series A rounds (\$37M & \$22.5M respectively).

Similar to 2021, there was a higher **number** of deals in fintech compared to e-commerce in 2022, though e-commerce raised the most amount thanks to some of the aforementioned later stage deals. B2B e-commerce businesses also attracted the most amount of capital (compared to B2C). For fintech, while straight B2C models seemed to attract the most amount of capital (\$46.9M), fintech startups that used a B2B, a combined B2B & B2C, and a B2B2C approach in total raised more -- \$54.3M. Looking at fintech startups globally, where B2B attracted more capital in 2022, this trend is echoed in Pakistan.

## Fintech & E-Commerce \$ Raised 2022



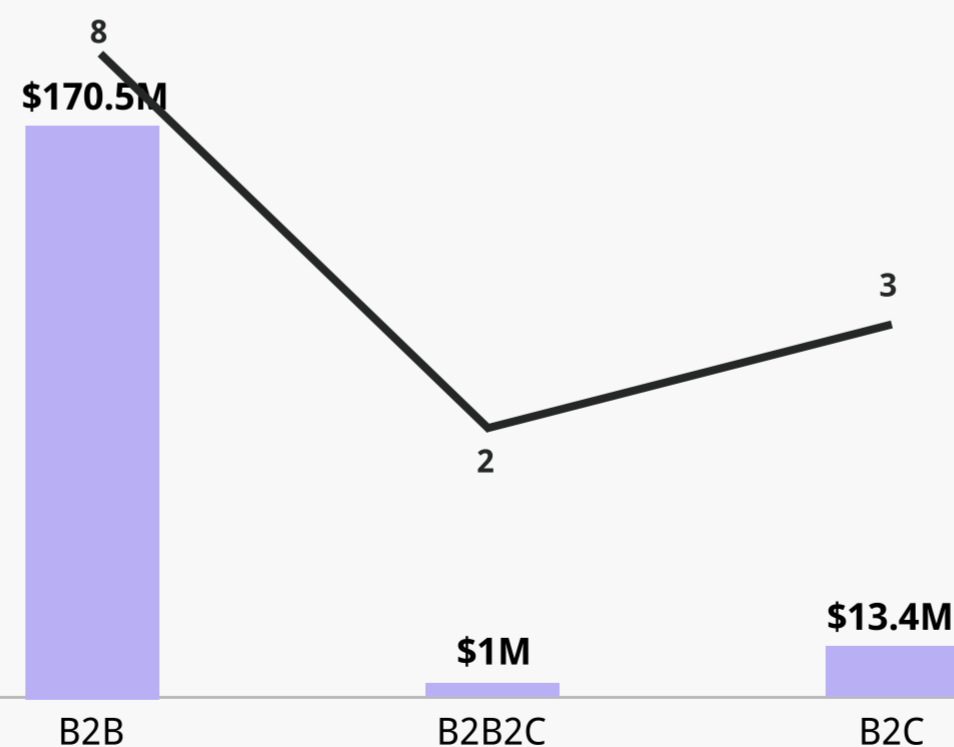
E-commerce saw **13 deals** in 2022

Fintech saw **15 deals** in 2022

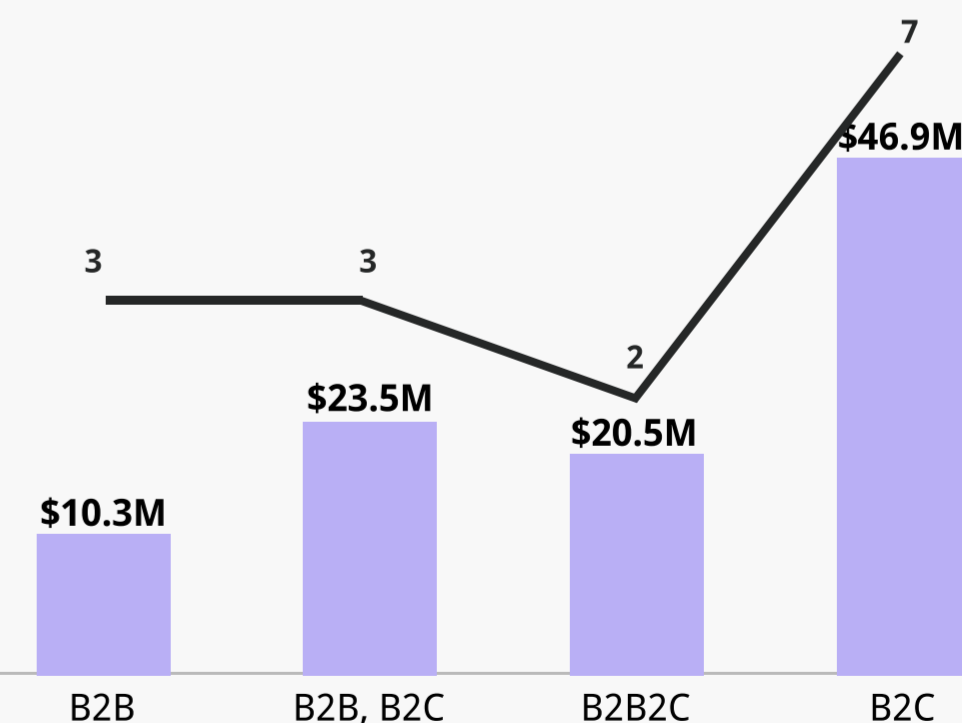
Amount raised YoY **fell 12%** for E-commerce

Amount raised YoY **rose 6%** for Fintech

## E-Commerce Business Models 2022



## Fintech Business Models 2022



# Case Study: abhi

In April 2022, Abhi, a financial wellness platform, raised \$17M in their Series A round. The deal was led by Speedinvest, marking the international VC fund's first investment in Pakistan, and also included Global Ventures, VentureSouq, VEF, Sturgeon Capital, Rallycap and FJ Labs. Existing investors and Pakistan-focused VCs, Fatima Gobi, Sarmayacar and i2i Ventures, all participated in this funding round, the 2nd largest raised by a fintech startup in Pakistan in 2022 (Dbank raised the most with \$17.6M).



## Expanding Beyond Pakistan

Abhi is a notable deal to highlight because at a time of macroeconomic uncertainty, the startup took bold measures to expand its products beyond earned wage access, its initial offering, and also grow outside of Pakistan. In partnership with Payriff, the startup launched Abhipay to allow businesses to accept payments instantly. They also announced their expansion to the UAE market in December 2022, and are growing to Bangladesh.



“Despite the macroeconomic uncertainty, we actually felt this was the opportune time to build market share, as market share is won during downturns and not upturns. There’s still a lot of very good clients who needed working capital and employees that needed help when it came to their wages, and it was a good time to build brand equity when people and businesses needed us the most. Herd mentality has never paid off if you look across emerging markets, so we believe that though it’s a risky move, that is the exact need for the moment, to come out on the other side looking stronger than we did going into this crisis.”

**Omari Ansari - CoFounder/CEO, Abhi**

# Investor Activity

Although there was significant slowdown towards the end of the year particularly in terms of deals funded by international investors, 2022 saw the entry of various & notable international investors such as Sequoia Capital, Speedinvest, Sturgeon Capital, and Reflect Ventures. Pakistan-focused funds and regional players continued to do deals this year. In 2022, there were 190 investors, 132 who invested in the market for the first time (in terms of disclosed deals).

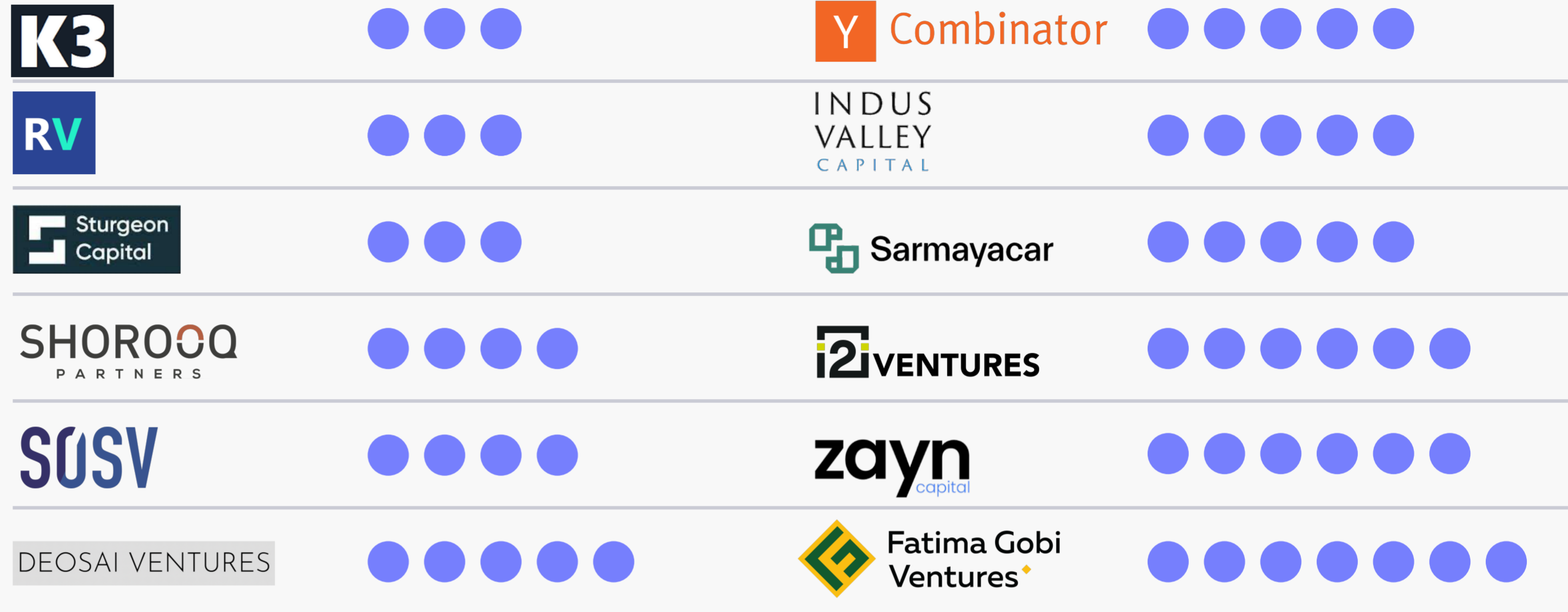
"From Sturgeon's perspective, our long term investment thesis on Pakistan has not changed. Technology will still play a large and important role in resolving many of these fundamental issues the country faces. We believe that as startups solve these problems they will unlock significant impact and value for all the stakeholders in the system. Our recent hire, Saad Hassan, is a signal of our belief in and commitment to the Pakistani venture ecosystem. We remain active if cautious in the short term, but committed and optimistic for the long term opportunity in Pakistan."



**Robin Butler - Sturgeon Capital**

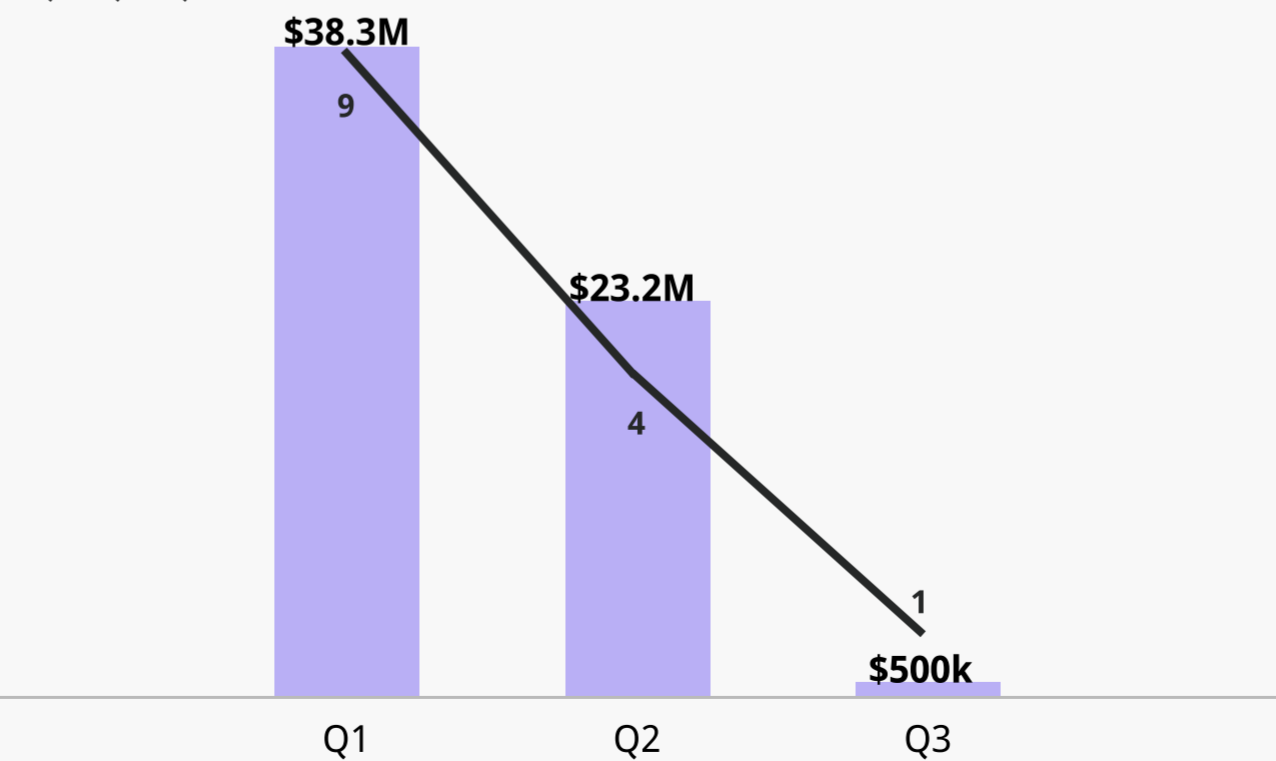
## Prolific Investors by Deal Count 2022

● = 1 Startup

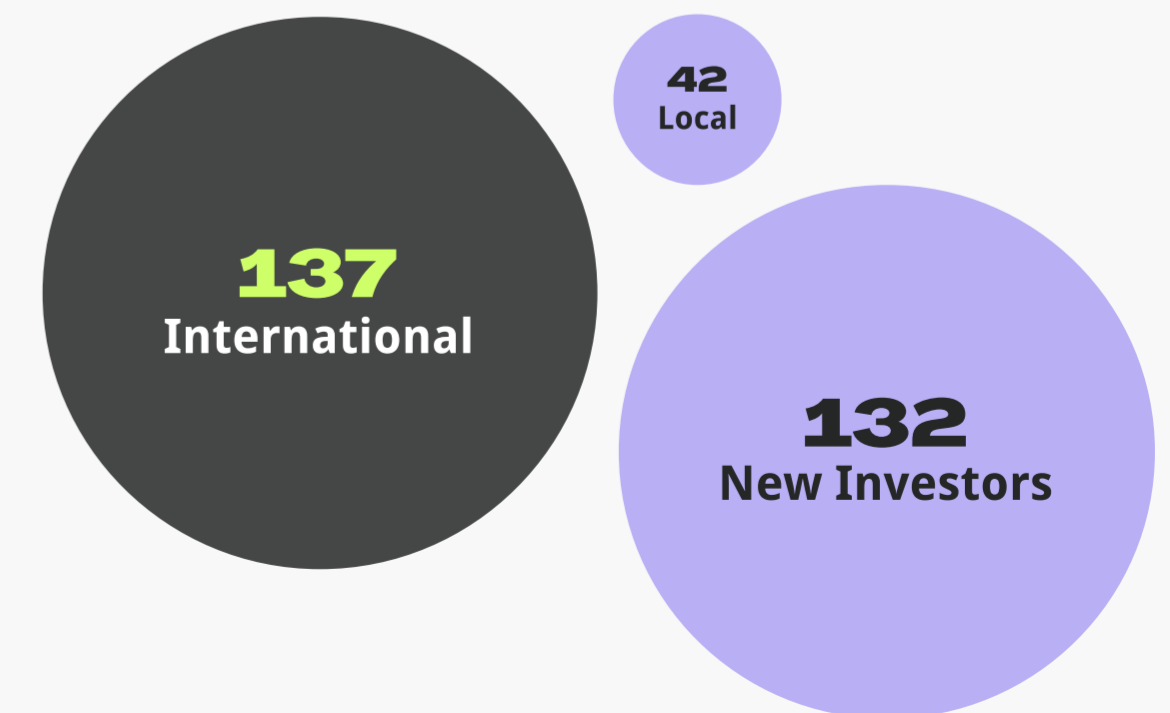


## \$ Raised V Deal Count for International Investors

Q1, Q2, Q3 2022



## Unique Investor Type Breakdown 2022



























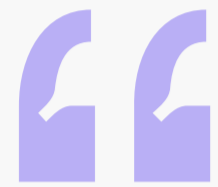
# The M&A Boom

In 2022, a notable trend was an increase in M&A activity, both international companies acquiring local players, local players merging or acquiring other local players, and, in one case, a local player acquiring an international player. We believe this type of consolidation activity will continue in 2023, which is a positive signal for the ecosystem as a whole.

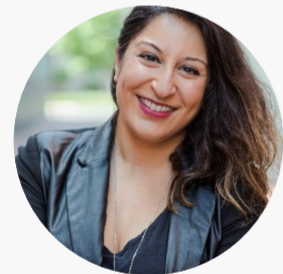
2022's most notable exit was Digital Ocean's acquisition of Cloudways for a reported \$350M. At a time when exits for the Pakistan startup ecosystem is a big question mark, this acquisition was a very strong signal for the overall market.

PK-Based Companies ↓		Notable Aquisitions			
 <b>NAYAPAY</b>	Fintech	<b>Acquired</b>	 <b>wali</b>	Fintech	PK
 <b>وعدو</b> Simplifying Insurance	InsurTech	<b>Acquired</b>	 <b>MICROENSURE</b>	InsurTech	PK
 <b>BaGallery</b>	E-Commerce	<b>Acquired</b>	 <b>emerce.pk</b>	E-Commerce	PK
 <b>nexdegree</b>	Software	<b>Acquired By</b>	 <b>VentureDive</b>	Software	PK
 <b>PostEx</b>	Fintech	<b>Acquired</b>	 <b>Call Courier</b>	Transport	PK
 <b>DevOps Pakistan</b>	Software	<b>Acquired By</b>	 <b>TECBRIX</b>	Software	UAE
 <b>CLOUDWAYS</b>	Software	<b>Acquired By</b>	 <b>DigitalOcean</b>	Software	USA
 <b>jackofdigital</b>	Marketing	<b>Acquired By</b>	 <b>entravision</b>	Marketing	USA
 <b>FINANCIAL SERVICES</b>	Fintech	<b>Acquired By</b>	 <b>ZOODPAY</b>	Fintech	CH
 <b>retailo</b>	E-Commerce	<b>Acquired</b>	 <b>DXBUY</b>	E-Commerce	UAE
 <b>waleo</b>	Marketing	<b>Acquired</b>	 <b>MIRROR</b>	Marketing	UAE

## Looking Forward



In 2023, the funding slowdown will likely continue, though our belief is that good companies with strong business models (i.e., not burning lots of cash indefinitely) will still be able to raise in the coming year. Valuations will also go down to match the Pakistan market realities, which will be necessary given the waning international investor appetite. If you're a founder, focus on executing, and if you need to raise, be mindful that it may take longer than it would have in 2021.



**Kalsoom Lakhani - i2i Ventures**