



Bangladesh Startup Ecosystem Update Q'3 22

Navigating Global Funding Undercurrents

October 2022



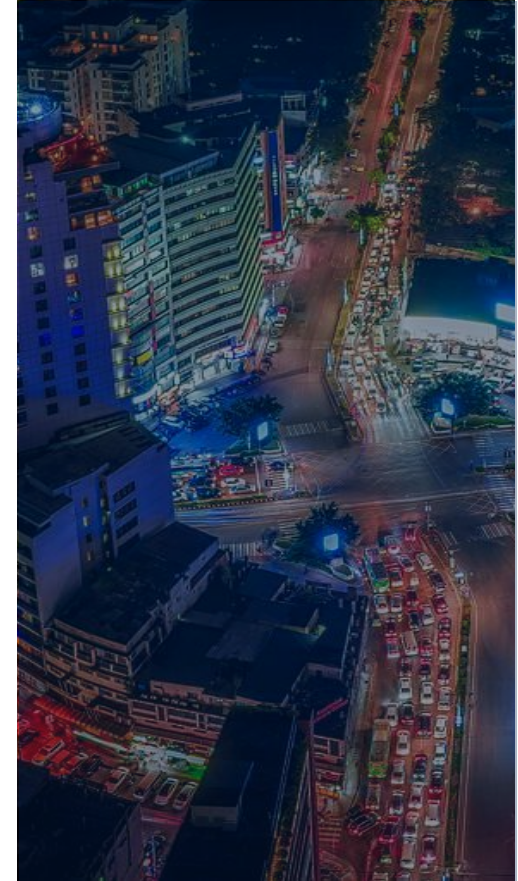
Table of Contents

1	The Global Economic Context and Challenges	4
2	Funding Trends Around the World	5
3	Funding Trends for Bangladesh in Q'3 2022	6
4	Quarterly Highlights	7
5	Investment Source and Sector Breakdown	8
6	Trends in Investor Type and Rounds of Investment	9
7	Key Events in 2022	10
8	The Way Forward for Bangladeshi Startups	11



Executive Summary

- **Post-pandemic recovery, the Russia-Ukraine war, harvesting and production challenges, and supply-chain disruptions are leading to economic downturns worldwide.** This has led to the global startup investment landscape seeing a slowdown in funding rate - with the greatest decline in Quarter 3 of 2022. Silicon Valley has raised the lowest amount this quarter since the end of 2019, and global funding has gone down by 34%, from USD 113 Bn to USD 75 Bn.
- **The growing gap in global funding has also been felt by Bangladeshi startups,** who raised a total of USD 4.99 Mn in Quarter 3 - 5% of the total amount (USD 95 Mn) raised so far this year. Global investments to the Bangladeshi startup ecosystem has slowed as uncertainty rose. This has led to the proportion of global funds compared to total investments decreasing to 38%, from a decade average of 94%.
- **As investments from global sources slowed, homegrown Venture Capital funds have picked up most funding in Q'3 of 2022,** contributing to 61% of all investments raised. Notably, Startup Bangladesh Limited, the country's first flagship venture capital fund by the Government of Bangladesh, contributed to most of the deals made this quarter. Nine out of 16 deals in Q'3 were by Startup Bangladesh Limited, contributing to 82% of all local funding disbursed.
- **The majority of funding (34%) funneled into Seed rounds of investments.** Meanwhile, Venture Capital fund investments were also saturated in **Series-A and Series-B rounds.** Accelerators and Corporate investors invested in the Seed rounds of startups, while Development Financial Institutions contributed with grants and equity funds.
- **Recent activities and initiatives indicate increasing support for homegrown startups.** Bangladeshi investors are cautiously optimistic about the future. However, for Bangladeshi startups to navigate these challenges, **support from investors at home as well as the government are crucial** to mitigate the impact of decelerating global investments. Startup founders need to rely on **strategic investment raising and improved business and revenue models** to survive the funding undercurrents ahead. Building resilience in the ecosystem requires urgent action from all players in the ecosystem.



The Global Economy Is Nearing An Economic Slowdown And Startups Across The World Are Experiencing Its Impact

Induced by the recent global pandemic and rising geopolitical tension

COVID-19 Pandemic and Lockdowns

Russia-Ukraine War Creating Geopolitical Tensions

Climate Change Exacerbating Production and Harvesting Challenges

The world is experiencing an economic recession as inflationary pressures rise

Supply Chain Disruptions Leading to Global Inflation and Recessionary Pressures

Leading to a slowdown of investments that is being felt in even the biggest startup hubs

Global Startup Investments Dropped by 34% in Q'3 Compared to Q'2 in 2022

56% Fewer Investments from Top 3 Investors Globally in Q'3 than the Previous Quarter

Silicon Valley Saw a QoQ Investments Drop of 36%, while New York Experienced a 27% Decrease in Funding

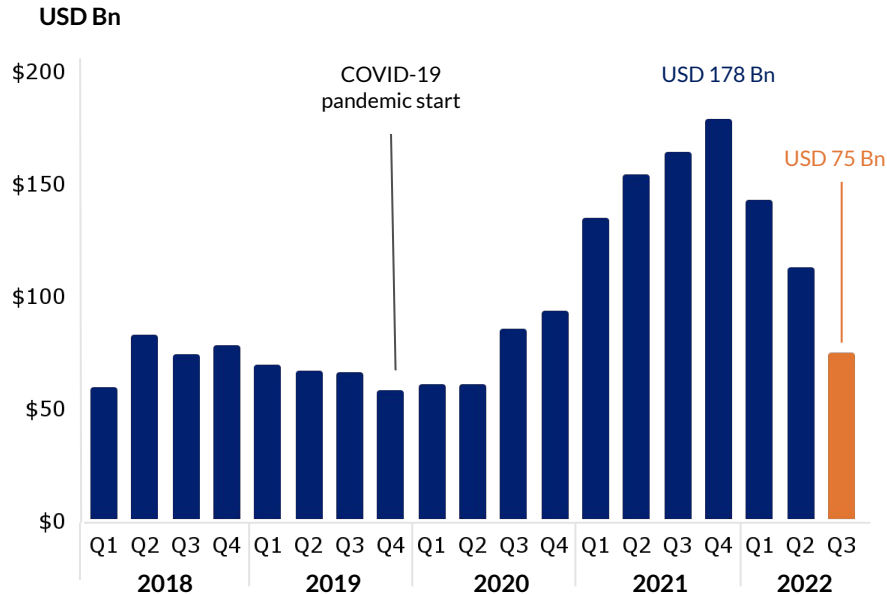


Startup Funding Has Been On A Downward Trend

With Asian Startups Predicted To Face The Largest Effects

Global investments have seen a 34% quarter-on-quarter drop in **Quarter 3 of 2022**, from USD 113 Bn to USD 75 Bn. Although the impact of a funding slowdown is felt globally, Asian startups are predicted to see the largest drop in investment.

While investments picked up quickly in the post-pandemic recovery, recent global events have pushed funding down globally in 2022



As uncertainty rises around the world, global attention to **Bangladeshi startups have already decelerated**. The Bangladeshi startup ecosystem relies heavily on global sources of investment, making up around 94% of all investments on average in the past decade. As investments decrease globally, homegrown startups are predicted to experience:

- **Smaller ticket sizes** and valuation
- **Increased early-stage funding** replacing larger late-stage valuations
- **Local angel investors filling in** the gap of global investors

The downward trend in startup investments is felt by both Bangladesh and its South Asian peers such as Pakistan

	Pakistan GDP of USD 346 Bn 2021-22		Bangladesh GDP of USD 461 Bn 2021-22	
	Amount Raised USD	% Change QoQ	Amount Raised USD	% Change QoQ
Q1	173 Mn	▲ 144%	22 Mn	▼ 92%
Q2	103 Mn	▼ 41%	68 Mn	▲ 209%
Q3	55 Mn	▼ 47%	5 Mn	▼ 93%
Total	331 Mn		94 Mn	

Total Investments Raised Decreased in Quarter 3

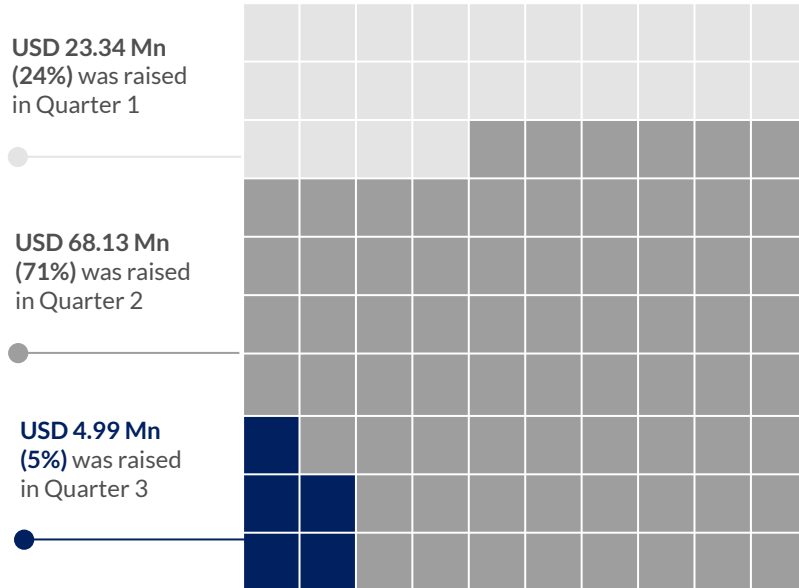
Leading To A Smaller Average Ticket Size Than Previous Quarters

Quarter 3 made up around 5% of total investment in 2022.

In comparison, 71% of total investments of 2022 was raised in the second quarter, owed to the Ecom Express' investment in PaperFly and ShopUp's Series B4 funding from Valar Ventures and Flourish.

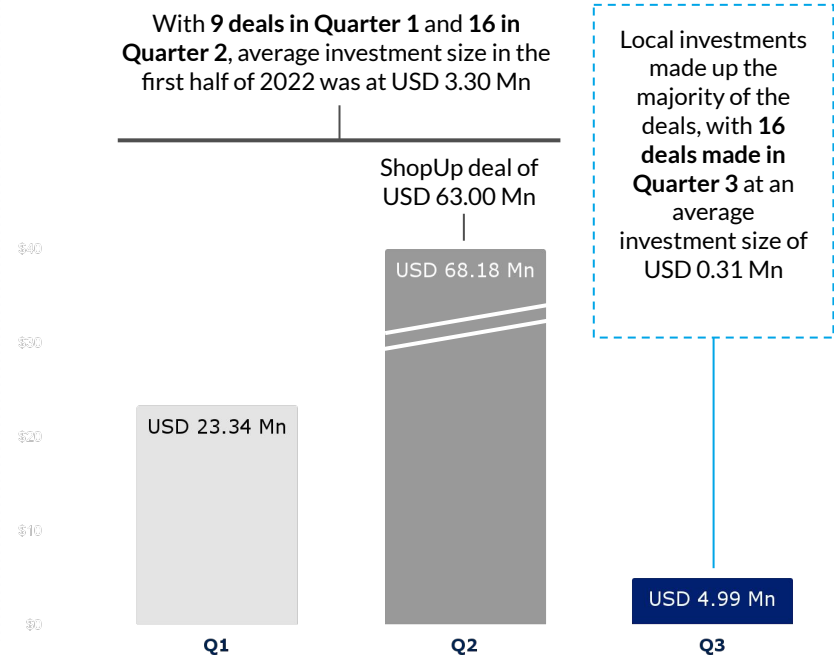
Around 95% of the total funding raised in 2022 were through deals in the first half of the year

Out of **USD 96.50 Mn** raised in 2022 till date...



Despite a consistent number of deals, Quarter 3 was behind in terms of total investment raised compared to previous quarters of the year. This led to the average investment size falling in Quarter 3, making up 9% of the average investment size in the first half of 2022.

While the number of deals remained the same in Q3 compared to Q2, the average ticket size decreased



USD 4.99 Mn Was Raised In Investments in 2022 Q'3

Across 16 Deals Made In 15 Startups

2022 Q'2 Recap

USD 68.18 Mn

Total Funding Raised in Q'2 2022
Including ShopUp Deal of USD 63.00 Mn

16

Deals Made in Q'2 2022
Out of 41 deals in the first 3 quarters of 2022

2022 Q'3 Highlights

USD 4.99 Mn

Total Funding Raised
Out of USD 96.50 Mn raised in 2022
▼ 93% QoQ Change from Q'2

16

Deals Made
9 deals made by Startup Bangladesh Limited
0% QoQ Change from Q'2

USD 312 K

Average Ticket Size
Despite a consistent number of deals
▼ 92% QoQ Change from Q'2

15

Startups Funded
Through 15 deals with 5 leading investors.
▼ 12% QoQ Change from Q'2

USD 3.09 Mn

Locally Raised investments
Making up 11 out of a total of 16 deals
▼ 5% QoQ Change from Q'2

USD 1.90 Mn

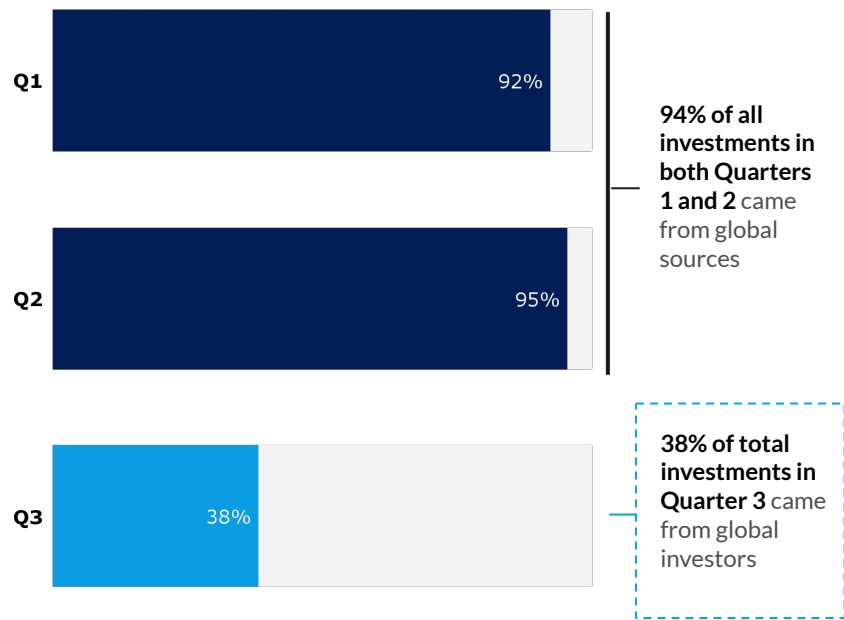
Globally Raised investments
Down from USD 43.20 Mn in the first half of 2022
▼ 97% QoQ Change from Q'2



Investors At Home Stepped Up To Support Startups Funnelling To Enterprises Across Seven Sectors

Global investments made up only 38% of total investments in Quarter 3 - a drop from a 94% average in the first half of the year. With global funds declining, homegrown investors such as Startup Bangladesh Limited took the lead in Q'3. Overall, this brings the proportion of global sources of funding to 75% for 2022 till date.

Global Investments dropped by 59% in Q'3 from the first half of 2022



Consumer Services, Fintech, and Logistics & Mobility accounted for 60% of all funding raised in Quarter 3. Consumer Services has been the leading sector throughout the entirety of 2022, followed by Fintech and Logistics & Mobility.

Fintech and Logistics & Mobility continued as top sectors in Q'3

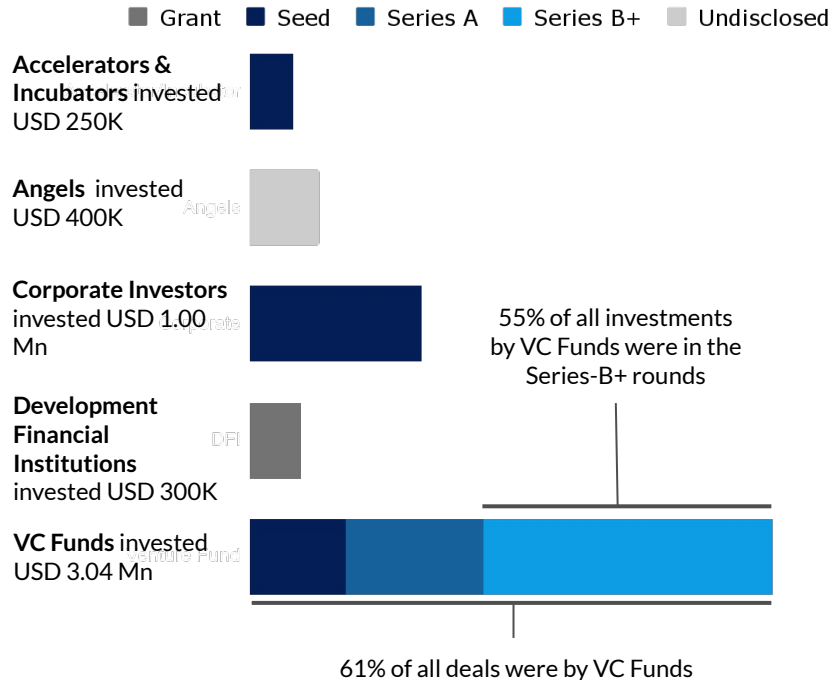
Sector	USD Mn Raised			Sector Total
	Q1	Q2	Q3	
Fintech		65.10	1.00	66.10
Logistics & Mobility	14.04		0.83	14.87
Education	6.00	0.15	0.44	6.59
Ecommerce/Retail	2.70	0.25	0.50	3.45
Healthcare	0.30	1.90	0.20	2.40
Consumer Services			1.16	1.16
Food & Agriculture		0.73		0.73
Real Estate & Property	0.30	0.05	0.21	0.56
Software & Technology	0.30	0.05	0.21	0.56
Quarter Total	23.34	68.17	4.99	

Local Venture Funds Led The Investment Landscape

With Investments Saturating In Seed And Series B Rounds

Venture Capitalists made up the largest segment of all investments in Quarter 3. 36% of all investments in Quarter 3 were made in Seed rounds, followed closely by 34% Series B rounds.

Venture Capital (VC) Funds were the leading investors in 2022 Q'3



"Qualified founders solving real problems for a country of 170 million people should not have issues raising capital. The dollar amounts are still relatively small, and international investors are keen on exposure to Bangladesh's strong macroeconomic story — and it's possible that a high-quality Bangladeshi startup can outperform shiny tech stocks like Tesla and Snowflake in the next few years, which is not something we could have said easily a year or two ago."



Rahat Ahmed
Founding Partner & CEO
Anchorless Bangladesh



Adnan I. Halim
Founder & CEO
Sheba Platform Limited

"As the world economy is pushing unfavorable tides towards us, we need to be like sailors against the angry sea, going into survival mode. An integral part of building this resilience is **managing cash flows for keeping the business sustainable**. Startups coming out of this difficult scenario will be able to tackle any other problems in the future."



Nirjhor Rahman
CEO
Bangladesh Angels Network

"I'm cautiously optimistic to see **more companies raise international investments** in the coming year and adding to the total raised by the ecosystem, as I know of **several companies already negotiating and trying to conclude rounds with regional and international VCs.**"



Notable Activities in 2022

Q'1

Paperfly (USD 13 Mn; Ecom Express)
Shikho (USD 4 Mn; Wavemaker Partners)
Shajgoj (USD 2.5 Mn; Surge)
10 Minutes School (USD 2 Mn; Undisclosed)
Zantrik (USD 0.78 K; Bangladesh Angels Network)
MyFuelPump (USD 300 K; Bangladesh Angels Network)
Sharetrip (USD 300 K; Startup Bangladesh Limited)
10 Minute School (Undisclosed; Startup Bangladesh Limited)
Best Aid Limited (Undisclosed; YY Ventures)
Bangladesh Women Investor Network launched
Shikho acquires Mainly Coding , a platform to learn programming
DSE-SME, the small cap board, eased participation rules for buying and selling of SME stocks
Startup Bangladesh Limited invests USD 1.7 Mn in 8 startups

Keys:

Deals (Amount; Lead Investor)
Events
Mergers & Acquisitions
Government Initiatives

Q'2

ShopUp (USD 63 Mn; Valar Ventures, Flourish Ventures)
iFarmer (USD 2.1 Mn; IDLC)
Arogga (USD 1.3 Mn; Hyper)
DoctorKoi (USD 500 K; Verge Healthtech Firm)
Adeffi (USD 235 K; Bangladesh Angels Network)
Nuport (USD 130 K; Bangladesh Angels Network)
Shape (USD 100 K; Undisclosed)
Deal Bazaar (USD 100 K; Undisclosed)
Edutechs (USD 100 K; Undisclosed)
Edvive (USD 50 K; Undisclosed)
Bonik (USD 47 K; Angel Round)
Chalkpencil (Undisclosed; Undisclosed)
14 Startups graduate from YY Goshthi Incubation Program Fall 2021 Cohort by YY Ventures
SM ² Accelerate launched by SBK Tech Ventures,, Orbit Startups, Miaki
Startup Ecosystem Networking Dinner hosted by Biniyog Briddhi*
Idea Incubator held by EMK Center
GoZayaan acquires FindMyAdventure , a Pakistani tourism marketplace
Campus-Based Business Incubator launched in Bangladesh
Startup Sandbox Scheme announced

Q'3

Chaldal (USD 500 K; Startup Bangladesh Limited)
Barikoi (USD 250 K; Undisclosed)
WeGro (Up to USD 100 K in non-repayable investment; Biniyog Briddhi)
Frontier Nutrition (Undisclosed; Startup Bangladesh Limited)
Hello Task (Undisclosed; Startup Bangladesh Limited)
iFarmer (Undisclosed; Startup Bangladesh Limited)
Loop (Undisclosed; Startup Bangladesh Limited)
Shuttle (Undisclosed; Startup Bangladesh Limited)
Truck Lagbe (Undisclosed; Startup Bangladesh Limited)
Zantrik (Undisclosed; Startup Bangladesh Limited)
Startup Venture Studio launched by Turtle Ventures
YY Goshthi Incubation Program Fall 2022 Cohort held by YY Ventures
She Loves Tech Bangladesh 2022 launched
Huawei ICT Incubator 2022 inaugurated
Fit for the Future 3.0 held by EMK Center
Financing for Gender Inclusion and Empowerment Event Held by Biniyog Briddhi
GP Accelerator 3.0 'Demo Day' held by Grameenphone
"Using Information Technology to Empower Women in Today's World" held by BASIS Women's Forum
Bangladesh Impact Investment Strategy and Action Plan (BIISAP) launched
Startup Bangladesh Limited invests in 9 startups

Q'4 (Ongoing)

Agroshift (USD 1.8 Mn; Anchorless Bangladesh, Shorooq Partners)
Agroshift (Up to USD 100 K in non-repayable amount; Biniyog Briddhi)
Vroom (Undisclosed; Startup Bangladesh Limited)
10 Minutes School (Undisclosed; LCMA Ventures)
Huawei ICT Incubator 2022 program announces top 6 startups
Social Impact Lab inaugurated at BRAC University
BASIS National ICT Awards 2022

*Biniyog Briddhi is a multi-year program, supported by the Embassy of Switzerland in Bangladesh and implemented by Roots of Impact and LightCastle Partners.

Ecosystem Players Must Act With Urgency

To Continue To Support Homegrown Startups Through The Funding Slowdown

1.

Startups should **raise early investments with a long runway** and focus on raising, regardless of open rounds, for better leverage in negotiations.

2.

Local angel investors and venture capital funds need to **continue to support homegrown startups** through the global funding slowdown and build investor confidence in the Bangladeshi startup ecosystem.

3.

New business and revenue models can help startups achieve stable cash flows and better product market fit to weather through the current market.

4.

Government support is crucial, and **advances in ease of doing business and investments** can go a long way to help local startups.



Sami Ahmed
Managing Director
Startup Bangladesh Limited

*"It's an exhilarating time for the startup ecosystem in Bangladesh as we see a lot of innovations coming to us for funding. We're working to implement the **government's vision of Smart Bangladesh** by supporting the ecosystem to develop at least **five unicorns in Bangladesh by 2025.**"*

*"In 2022, we have seen many top VCs, LPs, and other institutions visit the country to understand the startup landscape further. I strongly believe that with the current conversation changes taking place in the ecosystem in terms of policy, entry and exit strategy for global investors, **startup IPOs at an early stage and others will provide the foreign investors with much needed confidence** to come and invest in the Bangladeshi startups."*



Sadia Haque
Founder & CEO
Sharetrip



Sinthia Islam
Co-Founder and Chief
Content Officer
Shajoj Limited

*"With an active war in Europe, post covid global supply chain disruption, and multiple trade wars, the outlook for global financial is bleak. I believe the capital will be scarce for some time. In this scenario, A company should think about **running independently and focus more on to attained profitability** rather than rapid growth. This situation will also **make us more resilient**, which can help us to fight any future challenging case."*

In Partnership With Invest Bangladesh

Promoting International Investments in Bangladesh



Facilitates inflow of foreign investments by connecting our ecosystem partners with international investors

<https://investbangladesh.co/>



Home Why Invest Sectors Investors Locations Resources News Contact Us



Invest Bangladesh

facilitates inflow of foreign investments by connecting our ecosystem partners with international investors

Contact

- 1 Map out the macroeconomic, industry and regulatory landscape for identifying market entry opportunities
- 2 Develop connections with industry players, academia, government stakeholders, and market entry enablers
- 3 Receive end-to-end market entry support services via ecosystem partners

WHY INVEST IN BANGLADESH?

Bangladesh, the 37th largest economy and one of the fastest growing economies, remains an untapped digital goldmine at the heart of South Asia.

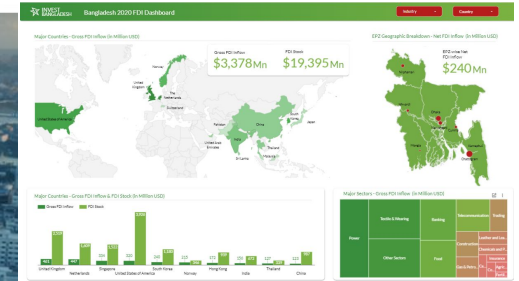
Learn More

Gross Exports

US\$45 bn
52nd in the world
FY 2020 - 2021

Bangladesh exports are expected to grow by an **average annual rate of 10% over the next decade.**

Source: UNCTAD, Trading Economics



Latest Updates

Potentials of a \$400 Billion Small Ships' Market for Bangladesh

Shipyards Industry
The shipbuilding industry of Bangladesh has a long string of history attached to it. However, the global financial crisis in 2007-08, combined with the...



Foreign Ministry Statement Highlights Norwegian Interest in Investments for Offshore Renewable Energy

New Garment Waste Recycling Facility in Bangladesh

HSBC Highlights Bangladesh's Investment Prospects to the US Private Sector

MIGA to Stand as Guarantor to Raise Investment in Bangladesh's Infrastructure

5 REASONS WHY BANGLADESH IS AN ATTRACTIVE INVESTMENT DESTINATION

Strategic Location

Bangladesh lies at the heart of the world's most dynamic region.
Being located between China and India, and within close proximity to burgeoning Southeast Asian economies such as China, India, Indonesia, and Thailand (among others), Bangladesh has the ability to leverage its geographic location through the strategic and economic value it provides. Bangladesh's strategic location allows the potential to reap great opportunities for participation in global value chains.

- The Bangladesh, Bhutan, India, Nepal (BBIN) Initiative is a sub-regional agreement between countries in Eastern South Asia. The main objective of the agreement is to provide member states to enable contact and enhance economic interaction by facilitating cross-border movement of people and goods.
- The Baya-Deep Sea Port in the southwest of Bangladesh is a project in China's One Belt One Road Initiative.
- A major FDI prospect for Bangladesh comes as a byproduct of the tension between the US and China namely, the ongoing trade war and its implications on the global economy.



Source: LightCastle Analytics Wip, Trading Economics UNCTAD

Acronyms

a2i	Aspire to Innovate	K	Thousand
BASIS	Bangladesh Association of Software and Information Services	M&A	Mergers and Acquisitions
BB	Bangladesh Bank	MFI	Microfinance Institution
BAN	Bangladesh Angels Network	MFS	Mobile Financial Service
Bn	Billion	Mn	Million
BBS	Bangladesh Bureau of Statistics	SBL	Startup Bangladesh Limited
GDP	Gross Domestic Product	SME	Small and Medium-Sized Enterprise
GoB	Government of Bangladesh	UN	United Nations
GSMA	Global System for Mobile Communications Association	USD	United States Dollar
ICT	Information and Communications Technology	VC	Venture Capital
IT	Information Technology	WB	World Bank





Authors



Raidah Morshed
Lead Author
Business Analyst
LightCastle Partners



Fariha Kabir
Support Author
Business Consultant
LightCastle Partners



Mustafa Hamid
Support Author
Business Consultant
LightCastle Partners



Farhana Yasmin
Design Support
Creative Design Lead
LightCastle Partners

Editors



Sami Ahmed
Managing Director
Startup Bangladesh
Limited



Rahat Ahmed
Founding Partner & CEO
Anchorless Bangladesh
Limited



Nirjhor Rahman
Chief Executive Officer
Bangladesh Angels
Network



Mohi Zaman
Principal
Anchorless Bangladesh
Limited



Mehad ul Haque
Project Manager & Sr.
Business Consultant
LightCastle Partners



Ahmed Jawad Yusuf
Advisory Lead
Bangladesh Angels
Network



Ivdad Ahmed Khan Mojlish
Managing Director
LightCastle Partners



Bijon Islam
Chief Executive Officer
LightCastle Partner

Key Partners



Startup Bangladesh Limited is the flagship venture capital fund of ICT Division and the first and only venture capital fund sponsored by the government of the people's republic of Bangladesh. Starting its journey on March 2020 with an allocated capital of BDT 500 crores (USD 65 million), this effort aims to enable the nation to innovate faster, create new jobs, develop technical skills, and realize the vision of Digital Bangladesh. The fund supports technology-based innovations to create new employment opportunities, promote under-represented tech groups, foster entrepreneurship culture and bring transformational changes to lives of millions

Know more @ www.startupbangladesh.vc



Bangladesh Angels is the country's first angel investing platform, founded with a mission to elevate the country's startup entrepreneurs to the highest level. To be registered as an independent, not for profit company, it is a collaborative endeavor bringing together the leaders in the local entrepreneurial ecosystem and global partners – who share a passion to create value and growth for the startups.

Know more @ www.bdangels.co



Anchorless Bangladesh is a New York-based early stage venture capital fund dedicated to investing in fundamentally critical businesses required to empower Bangladesh's socio-economic growth. Led by a diverse team of internationally experienced investors working with exceptional founders, the fund activates unique opportunities across the country by harnessing global capital to deliver outsized financial returns while optimizing for social impact. They invest across industries, with a focus on fintech, healthcare, agriculture, garments, education, logistics and SaaS, primarily at the seed stage, and work actively with local partners to further accelerate the quality and growth of the ecosystem.

Know more @ www.anchorless.vc



BD Startup Founders Group is the leading startup community of Bangladesh that connects the prominent active startup founders and ecosystem builders in the country. The group strives to serve as a common platform for all startups, aiming to be the voice of the startup community and support founders in their journey as well as connect to key private and public stakeholders.





Disclaimer

All rights reserved by LightCastle Partners, Startup Bangladesh Limited, Anchorless Bangladesh, BD Startup Founders, and Bangladesh Angels Network. LightCastle Partners reserves the right to distribute this publication via all of their media properties and channels. No part of this publication may be reproduced by a third party in any form or by any means - graphic, electronic, or mechanical, including photocopying, recording, taping, and information storage and retrieval systems - without the express written permission of LightCastle Partners.

Contents of this publication are based on information from sources believed to be reliable, but accuracy and completeness can not be guaranteed. This material does not purport to contain all of the information and is not to be relied upon as such or used in substitution for the exercise of independent judgment.

Data and assurance integrity

Considering the opaque nature of the Bangladeshi market, we strive to constantly update our data to maintain accuracy. If you spot an error or inaccuracy, please contact Bijon Islam, Co-Founder and CEO at LightCastle Partners at bijon.islam@lightcastlebd.com.

Copyright LightCastle Partners © 2022



At LightCastle, we take a **data-driven** approach to creating opportunities for growth and impact. We consult and collaborate with development partners, public sector and private organizations to promote **inclusive economic growth** that positively changes the lives of **people at scale**.

Our services include Management Consulting, Entrepreneurship Ecosystem & Investments, Market Entry Advisory and Digital Transformation. Till date, we have consulted for **150+ development partners & private organizations** on **250 + projects**, collaborated with **500+ SMEs & startups**, mobilized **USD 150 million+** in investments and supported **40+ accelerator/ incubator programs** across Bangladesh.

LightCastle also hosts the largest market and industry datasets in Bangladesh across **30+ industries**.

For any queries, please contact Bijon Islam, Co-Founder and CEO at LightCastle Partners at bijon.islam@lightcastlebd.com.

Know more @ www.lightcastlebd.com

