

Market Update – Q1 2023

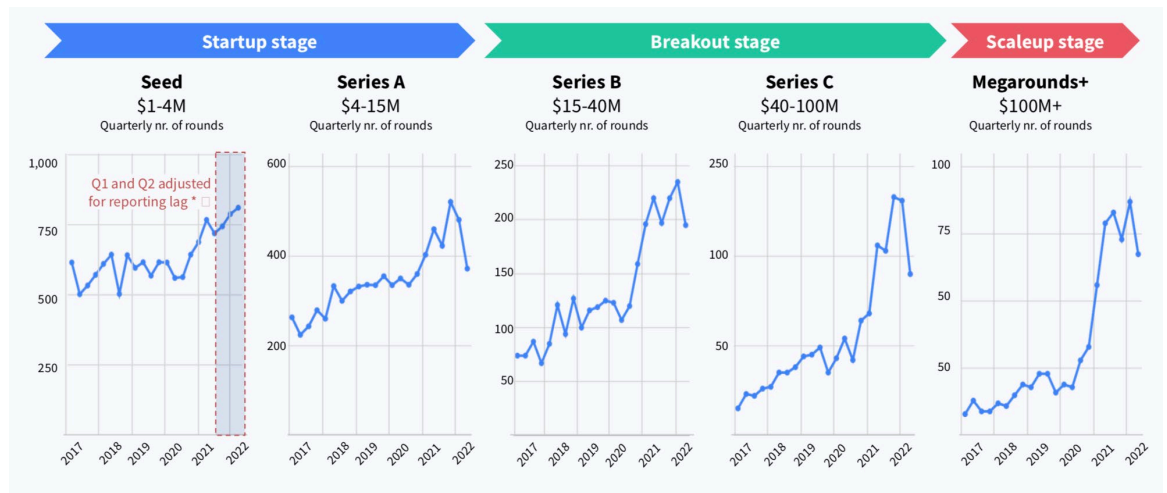
The Industry

2022 was a challenging year for the investment industry at large, with public companies (especially in the tech industry) correcting 40-60%. In the Venture Capital (“VC”) industry, the pace of venture investment and late-stage tech valuations also declined through the year. As investors, it was a sobering time as the hype of the decade long bull run of chasing after deals at high valuations was coming to an end. A mindset shift across the industry has thus taken shape whereby VC’s are now urging portfolio companies to reduce cash burn and seek other ways to extend their runways. We are seeing companies refocus on their core business and cut expenses, such as payroll, advertising and cloud computing.

The ‘Growth at all costs’ mindset has shifted to ‘Profitability with sustainable growth’. The ‘How?’ is the tricky part as founders need to adjust their approach of running their companies and teams, whereby looking deeply at their hiring plans, unit economics and burn.

The good news is that the VC industry is resilient and large, whereby the digital economy and technology is embedded in everything we do. Investors are also sitting on record levels of dry powder waiting to be deployed once the market and valuations stabilize.

Later stages have been the most hyped with valuations correcting the most



Source: Meritech, Dealroom.co. *Q1 and Q2 adjusted by factor 1.25 and 1.50

Aditum Ventures

We continue to work closely with our portfolio companies to ensure their 2023 plans fit the market environment. While the change in macro environment creates new challenges for all startups, we see tremendous opportunity for our portfolio companies, particularly in the B2B software space. Their technology offers their clients cost savings through efficiency gains, an area of growing focus for large and small businesses in 2023.

We welcome the cooling off in VC and feel that the feverish terms seen in 2020 through to 2021 were indicators of the tail end of the bull market. This view led us to a more disciplined approach to valuations that saw us miss some “quick mark-ups” but left us with a more robust portfolio as the market corrected. With ~75% of the fund left to deploy, we see much greater upside investing in the “new” market, with valuation multiples back in line with long term historic averages.

Valuation multiples of high-growth companies are back to historic levels



Source: Meritech

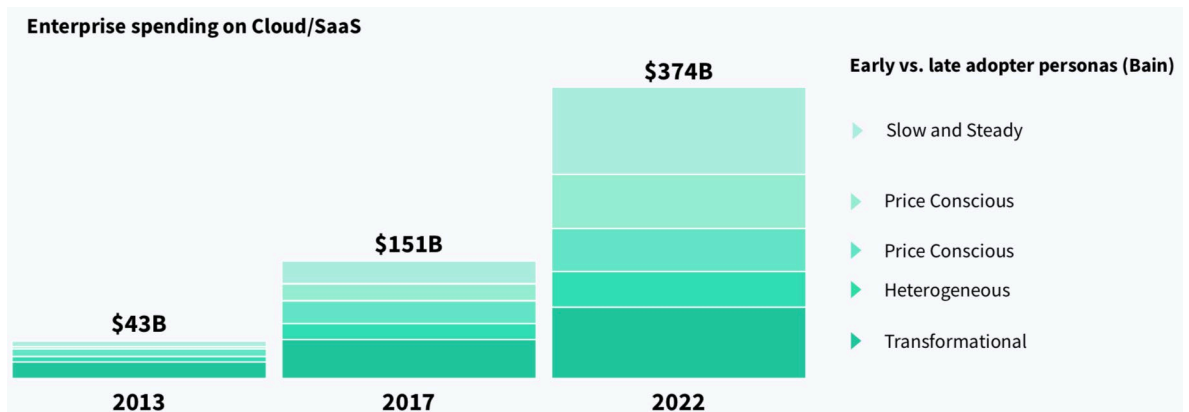
Aditum Ventures completed three investments in Q4 2022. We co-lead Hakbah's Series A round alongside Global Ventures. Hakbah is a social savings platform for groups that digitizes the ROSCA model, based in Saudi Arabia. We lead Revenir's Seed round, a UK based VAT recovery software start-up enabling banks to offer their cardholders fully automated VAT reclaiming when spending abroad. Lastly, we participated in Rain's Series A round. Rain is "earned-wage access" (EWA) provider that offers on-demand wages for employees & contractors. The round was led by QED, one of the top US based fintech focused venture funds.

We continue to focus on FinTech and B2B Software businesses with SaaS based business models being of particular interest. New industry verticals we are looking at include Climate Tech, Big Data/ML/AI and Cybersecurity.

Aditum Venture Capital Fund investments as of 31st January 2023



The biggest wave of Enterprise/Cloud SaaS adoption is happening now



Source: Bain



Growing the Team


In November, Varun Kapur joined the Aditum Ventures team as Investment Manager in. He comes with 15 years of experience in Venture Capital and Entrepreneurship. We are excited to have him onboard as he will accelerate investments while supporting our founders and investee companies.





The Outlook

We see the trend in 2023 move in the same direction as we continue to focus on profitability and margins. It is now increasingly important to increase our 'Top of Funnel' and get access to the best deals in the market, which is where we will be spending considerable efforts by building deeper relationships with the ecosystem at large.

In addition, the MENA region continues to thrive as a center for business with high levels of government support. We believe we are well positioned to take advantage of the current macroeconomic condition as we stay disciplined in the investments we commit to.

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