VIRTUAL CFO

Season 2

Welcome back to our blog series dedicated to the exhilarating world of startup pitching! Following the success of our analysis of Season 1, we're excited to dive into Season 2 of Shark Tank Egypt, where innovation and entrepreneurial spirit continue to thrive. This season has brought forth a fresh wave of startups eager to captivate the panel of investors with their groundbreaking ideas and business models.

In this Blog, we will dissect the pitches of the new cohort of entrepreneurs, examining their valuations, investment requests, and the outcomes of their funding endeavors. As we explore their journeys, we aim to provide valuable insights into what makes a pitch successful and the strategies that resonate with investors. Join us as we uncover the stories and lessons behind the 43 startups that participated in Season 2, illuminating the path for aspiring entrepreneurs in Egypt and beyond.

Season 1 and Season 2 of Shark Tank Egypt aired in January 2023 and October 2023, respectively, with a nine-month gap between the two seasons. Season 1 featured 43 startups, of which 25 (58%) received investment offers from the sharks. Among those, 21 accepted the offers, representing about 49% of all participants, while 4 declined. In contrast, Season 2 showcased 62 projects, reflecting a 45% increase in the number of startups. Out of these, 51 (82%) received investment offers, 9 project from them chose to decline the offers. Building on our analysis of Season 1, our current focus on Season 2 aims to explore the evolving dynamics and trends in investor behavior and startup performance in this vibrant entrepreneurial landscape.

62 Project

51 Got Offers

42 Funded

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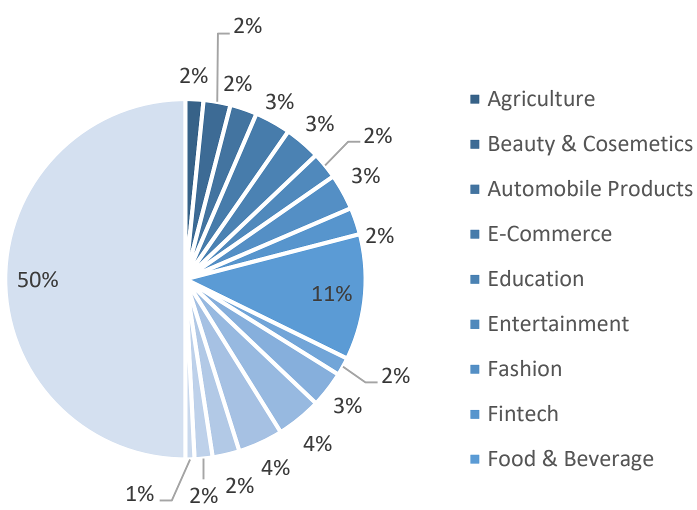
OFFERS RECEIVED ACROSS DIFFERENT SECTORS

Sector	Quantity
Agriculture	2
Beauty & Cosmetics	3
Automobile Products	3
E-Commerce	4
Education	4
Entertainment	3
Fashion	4
Fintech	3
Food & Beverage	14
Furniture	2
Green Energy/Products	4
Health Care	5
Home Décor	5
Recruitment	3
Shipping & Transport	2
Sports	1
Total	62



The comparison between Seasons 1 and 2 of Shark Tank Egypt reveals significant shifts in sector representation. In Season 1, key sectors included E-Commerce (4), Food & Beverage (3), and Education (3). In contrast, Season 2 saw a notable rise in the Food & Beverage sector, with 14 projects accounting for 21% of pitches, reflecting increased consumer interest.

New sectors such as Beauty & Cosmetics, Entertainment, Fashion, and Furniture emerged, highlighting diversification in entrepreneurial ventures. While Education slightly increased to 4 projects, Fintech remained steady at 3 projects across both seasons. The consistent presence of Agriculture (2) and stable in E-Commerce (4) suggest a maturation of certain markets. A rise in Home Décor (5) & Health Care (5) Overall, Season 2 showcases a broader array of investment opportunities, adapting to changing consumer trends and preferences in the Egyptian market.

In Season 2, 17 businesses received two offers, accounting for 28% of the total 62 pitches, which indicates strong investor interest. Additionally, 13 projects secured three offers, representing about 21% of the total, highlighting a competitive appeal among the sharks. Remarkably, only 6 businesses received five offers, making up roughly 10% of the total pitches, showcasing exceptional enthusiasm for these ventures. This level of interest reflects the sharks' confidence in the viability and potential of these projects, as receiving multiple offers often validates a startup’s credibility.

In comparing Shark Tank Egypt's Seasons 1 and 2, notable trends emerge regarding investment offers. Season 1 featured 43 startups, with 25 (58%) receiving offers, including 14 that secured single offers. In contrast, Season 2 expanded to 62 startups, with 42 (68%) receiving offers, showcasing a higher overall interest from investors. However, while Season 1 had a significant number of startups receiving single offers, Season 2 saw none, as 17 startups attracted two offers and 13 received three. Additionally, Season 2 highlighted a competitive edge with 6 startups receiving five offers, reflecting a shift toward more robust investor engagement and confidence in the evolving entrepreneurial landscape.

Overall, Season 2 demonstrated a higher level of competition among investors, with more startups attracting multiple offers compared to Season 1. This shift suggests an evolving landscape where investors are increasingly willing to invest in startups they believe in, reflecting growing confidence in the entrepreneurial ecosystem.

CASH ASK VS. CASH OFFERED

540M **Cash Asked**

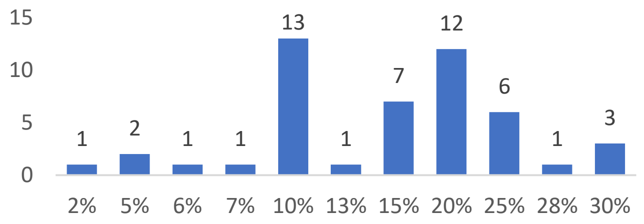
380 M **Cash offered**

In Season 2 of Shark Tank Egypt, entrepreneurs requested a total of 514 million EGP, while the sharks offered 380 million EGP across 62 projects. This contrasts sharply with Season 1, where the 25 startups that received offers requested a total of 106 million EGP, and the sharks provided 110 million EGP, exceeding the requests.

- The significant disparity in Season 2 can be attributed to several factors. Many entrepreneurs presented inflated cash Ask, likely influenced by the success from Season 1, where sharks were more willing to meet or exceed funding requests. However, in Season 2, the sharks did not fall into the trap of unrealistic ask; instead, they recognized these inflated figures and the potential cash runoffs associated with them.
- Additionally, the quality of business plans varied, with some startups lacking the necessary detail to convince the sharks of their viability. Some sharks also expressed uncertainty about specific sectors, indicating they felt ill-equipped to provide meaningful support. This highlighted a gap in confidence regarding the entrepreneurs' projections and the overall sustainability of their business models. The sharks' expertise allowed them to identify these issues, leading to a more cautious approach in Season 2.
- Convincing the sharks to invest is no easy task, as they require strong justification for the funding requests made by entrepreneurs. It greatly helps if entrepreneurs provide a solid foundation to support their asks, including well-researched business plans, realistic valuations, and clear projections. Typically, entrepreneurs will not ask for less money than they genuinely need to grow their businesses, and similarly, investors will not invest less than what they perceive the business is worth. This alignment of expectations is crucial for fostering a successful investment relationship.

THE EQUITY REQUESTED VS. THE EQUITY OFFERED

Equity Aquired by Sharks

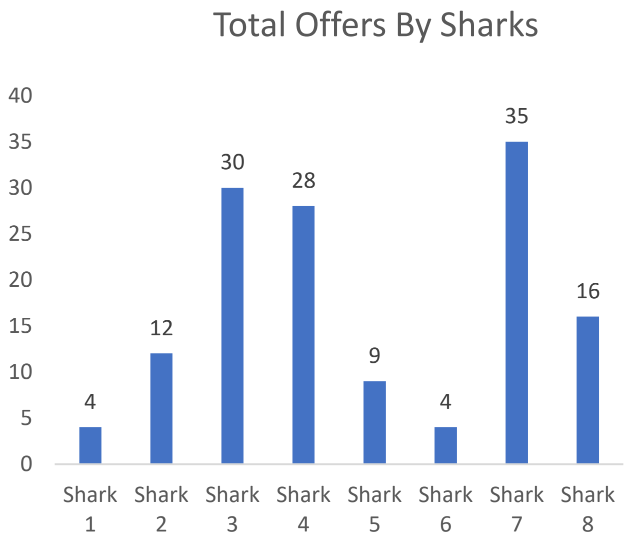


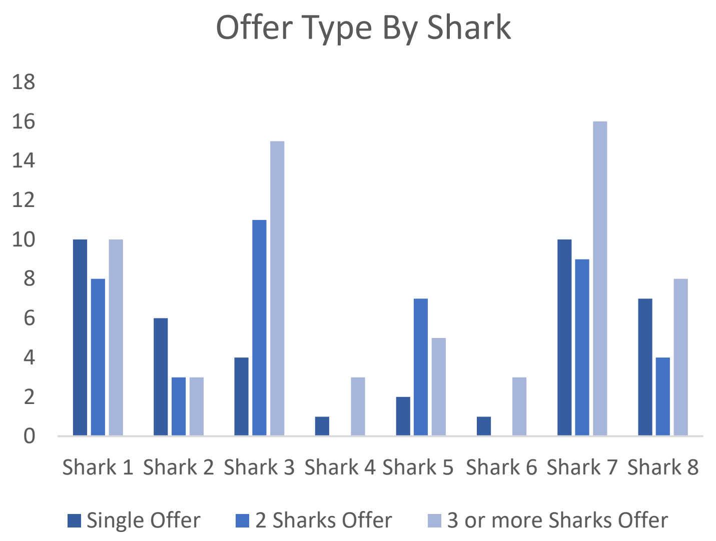
5062B **Founders valuation**

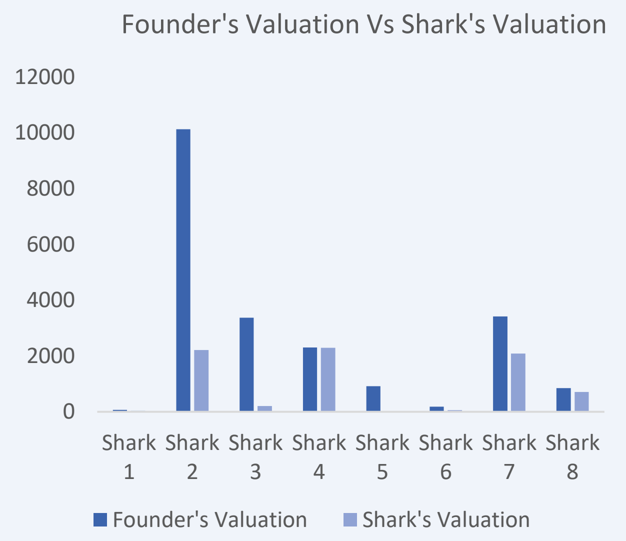
1234B **Sharks Valuation**

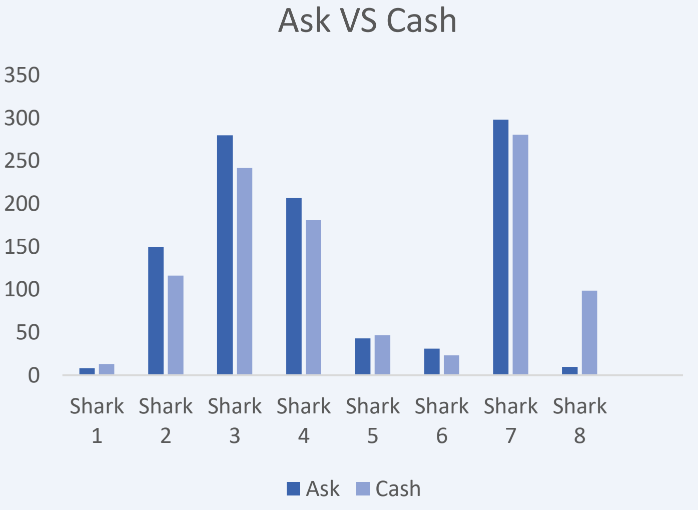
- In Season 2, entrepreneurs step into the tank with hopes of landing a deal that will propel their business to new heights. They come prepared with a pitch, a valuation, and an equity offer, but more often than not, the deal they end up with looks quite different from what they envisioned. Therefore, in 91.3% of cases, entrepreneurs walk away having given up more equity than they initially asked for. Only 8.7% of deals reflect the equity percentage they were hoping to secure.
- Prevalence of unrealistic high valuations among entrepreneurs. Many founders, buoyed by the favorable outcomes of Season 1, came in with inflated figures, expecting the sharks to meet or exceed their funding requests. However, the sharks in Season 2 were more discerning and did not succumb to these exaggerated valuations. Instead, they recognized the risks associated with such high asks, including potential cash flow issues.
- Certain sharks voiced their uncertainty about specific sectors, suggesting they felt unprepared to offer meaningful guidance. This uncertainty created a lack of confidence in the entrepreneurs' projections and the overall sustainability of their business models. The valuation dynamics between Seasons 1 and 2 of Shark Tank Egypt reveal a significant shift in perspectives between entrepreneurs and sharks. In Season 1, 25 projects had a total founder valuation of 900 million EGP, with sharks valuing them at only 300 million EGP, resulting in a 600 million EGP gap and sharks valuing projects at 33.33% of the founders' asks. In contrast, Season 2 featured 62 projects, with total founder valuations soaring to 5062 million EGP against a shark valuation of 1234 million EGP—a staggering 3828 million EGP gap. This meant that sharks valued projects at just 24.4% of founders' valuations, indicating a more critical assessment of proposals.

SHARKS ANALYSIS









11 PROJECTS DID NOT RECEIVE ANY OFFERS

Based on the comments provided by the sharks, there are several reasons why the 11 projects did not receive any offers

- **Challenges in Business Proposals :** Many projects may have presented challenges in their business models or lacked clear value propositions. If entrepreneurs were unable to effectively convey how their businesses would generate revenue or distinguish themselves from competitors, the sharks might have perceived limited potential for a return on investment.
- **Lack of Market Research :** Entrepreneurs who didn’t provide sufficient market research or supporting data to back up their claims could have faced difficulties in convincing the sharks of their business's viability. A lack of evidence regarding target demographics, market trends, or competitive analysis can significantly weaken a pitch.
- **Unrealistic Valuations :** In some cases, project owners set valuations that seemed unrealistic, hoping for high equity offers that did not align with the sharks' assessments of the businesses' potential. When the perceived risks outweigh the potential rewards, the sharks were likely to opt out of investing.
- **Pitching :** The effectiveness of a pitch plays a vital role in attracting investment. Entrepreneurs who may have lacked confidence, clarity, or charisma during their presentations might have struggled to engage the sharks, potentially leading to diminished interest.
- **Misalignment with Investor Interests :** The specific interests and expertise of the sharks can greatly influence their investment decisions. If a project didn’t align with any shark's portfolio or strategic focus, it may have been overlooked, even if it had merit. Additionally, there were sectors where the sharks felt they lacked sufficient expertise, leading them to refrain from investing.. Furthermore, in certain business plans, the sharks didn’t see the potential they were hoping for, believing there were other promising alternatives available in the market.

Lessons Learned

Based on Studying Season 1 & 2, we noted the following :
Business Side

- The comparison between Seasons 1 and 2 of Shark Tank Egypt reveals significant lessons for entrepreneurs seeking investment. In Season 1, 25 startups requested a total of 106 million EGP, and the sharks offered 110 million EGP, exceeding the founders' requests. This favorable outcome created an environment where entrepreneurs felt confident in their valuations and equity asks. However, Season 2 presented a stark contrast. Entrepreneurs requested 514 million EGP, but the sharks offered only 380 million EGP. This shift underscores the importance of realistic valuations and the need for entrepreneurs to align their expectations with market realities.
- One critical lesson is the impact of inflated valuations. Many entrepreneurs in Season 2 seemed to believe that the sharks would replicate the more generous offers from Season 1. However, in 91.3% of cases, entrepreneurs ended up giving up more equity than they initially requested, with only 8.7% of deals reflecting the equity percentage they hoped for. This highlights that sharks are now more cautious and discerning, having learned from previous seasons. They are less willing to accept unrealistic valuations, recognizing the potential risks associated with high asks, such as cash runoffs and unsustainable business models.
- Additionally, the quality of business plans played a vital role in the investors' decisions. Some startups in Season 2 lacked the necessary detail and clarity to convince the sharks of their viability, leading to hesitance in funding. The sharks' expertise allowed them to identify these deficiencies, resulting in a more cautious investment strategy. Moreover, some sharks expressed uncertainty about specific sectors, indicating that they felt ill-equipped to provide meaningful support. This gap in confidence regarding entrepreneurs' projections further affected their willingness to invest.

Lessons Learned

Based on Studying Season 1 & 2, we noted the following :
Investor Side

- **Increased Enthusiasm and Investment Appetite** , In Season 1, the sharks displayed a willingness to engage with entrepreneurs, resulting in 110 million EGP offered against a total cash ask of 106 million EGP from 25 startups. This demonstrated their openness to invest, fostering a positive environment for budding entrepreneurs. However, in Season 2, the sharks' excitement and investment appetite surged remarkably. They offered a staggering 380 million EGP across 62 projects, reflecting an increase of 250% in the total cash offered compared to Season 1. This substantial uptick illustrates the sharks' growing confidence in the potential returns on investment (ROI) and their readiness to back promising ventures.
- **Higher Engagement with Startups :** The number of projects pitched also increased by 44%, from 43 startups in Season 1 to 62 in Season 2. This expansion in opportunities allowed the sharks to diversify their investments and explore a broader array of sectors, such as the notable rise in Food & Beverage and the introduction of new categories like Beauty & Cosmetics and Entertainment. The sharks' willingness to allocate more funds indicates a robust appetite for investment, driven by their belief in the potential for substantial returns when the business models presented were compelling and well-founded.
- **Discerning Investment Strategies :** Despite the increased enthusiasm, the sharks in Season 2 demonstrated a more discerning approach compared to Season 1. While they were eager to invest, they also exercised caution, particularly regarding inflated valuations. Many entrepreneurs entered the tank with unrealistic expectations, believing that the sharks would replicate their previous generosity. However, the sharks did not fall into this trap; instead, they critically assessed the viability of the startups based on their projections and market understanding.

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