

Bangladesh Startup Investments Report

Q'3: Road to Recovery

October 2024

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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 any error or inaccuracy, please contact Bijon Islam, Co-Founder and CEO at LightCastle Partners at bijon.islam@lightcastlepartners.com.

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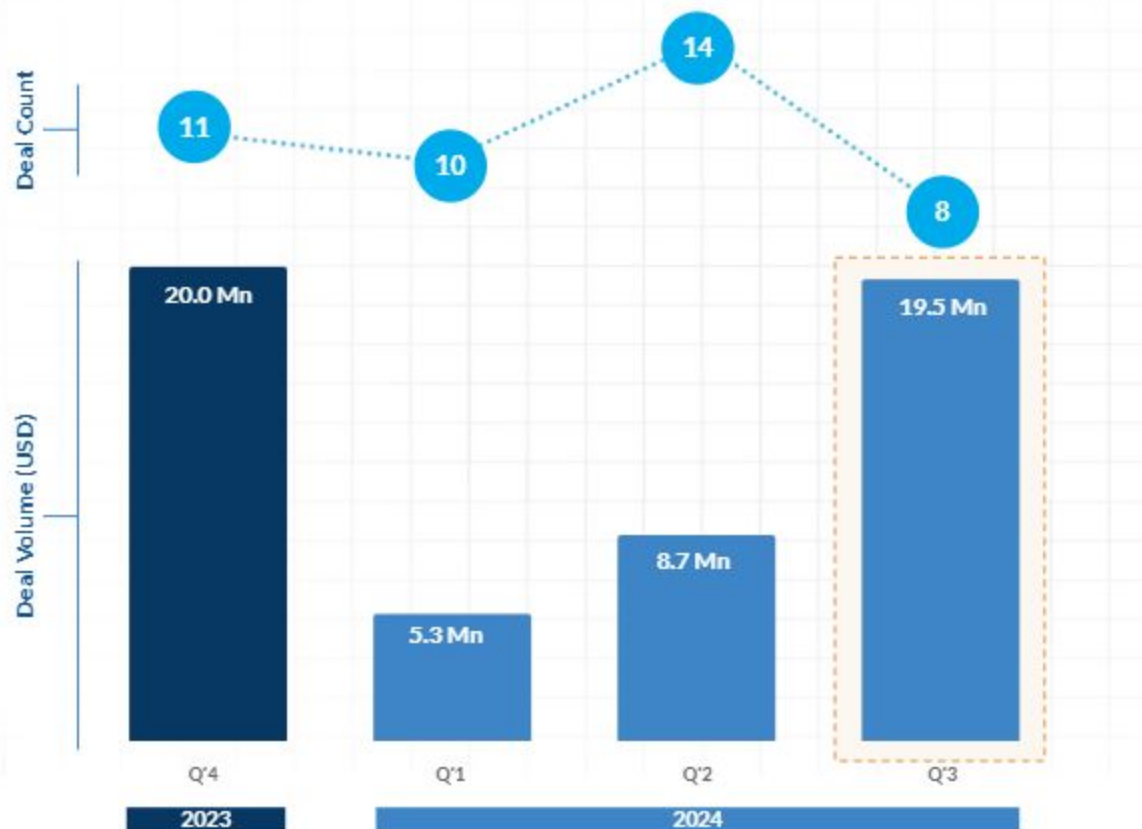
Executive Summary

- Bangladesh witnessed a **shift in its political landscape** triggered by protests against a controversial quota system, economic instability, and growing public dissent over authoritarian governance. The movement escalated into a mass uprising, leading to a formation of an interim government to steer the nation towards reform and stability.
- Amidst this turmoil, the startup ecosystem in Bangladesh continued their path to resilience, with **Q'3 reporting a 1.2x Q-o-Q growth**, underscoring the state of investor confidence even during uncertain times. While deal activity has declined in recent quarters, the average deal size has shown an upward trend, with Pathao securing the largest investment in Q'3.
- There was a notable **567% rise in late-stage funding**, which constituted majority of total investments during the quarter. The ecosystem's maturity has been further highlighted by a sharp decline in early-stage funding by 91% from USD 5.8 Mn to USD 553K.
- **Global investors took center stage in Q'3, contributing nearly 99% of the total quarterly funding, amounting to USD 19 Mn.** Logistics and mobility sector emerged as the highest-funded sector, pooling in over 60% of total investments, with financial services securing majority of the remaining share. Venture capital funding mirrored the overall growth, doubling QoQ to USD 18.5 Mn, demonstrating renewed confidence among institutional investors, particularly in late-stage ventures.
- Bangladesh's startup ecosystem is proving its resilience and adaptability amid political and economic changes, as investors (both global and local) continue to see it as a promising landscape for long-term growth. With an increasing focus on scaling established ventures, the ecosystem is positioned to drive the necessary contributions to national development and economic stability. In summary, **Q'3 was characterized by a sharp pivot toward higher-value, late-stage investments, driven by global investor participation.** However, the declining activity in early-stage funding and local investments suggests a need for ecosystem recalibration to balance growth across stages.



Startup Investments Grew By 1.2x During Quarter 3

Amounting To USD 19.5 Mn Across 8 Deals



- During the second half of this year, the country witnessed a shift in its political landscape, culminating in the resignation of the ruling government and the establishment of an interim administration. To know more, read our report [here](#).
- Amidst such adversities, Q'3 saw a notable rise in investments from the previous quarters combined, accounting for **58% of the year's total startup funding** so far.
- While deal activity has declined in recent quarters, the average deal size has shown an upward trend, with **Pathao securing the largest investment in Q'3**.

Quarterly Trends At A Glance

Surge In Late-Stage Investments And Average Ticket Size Signals Increased Market Maturity

Despite a drop in early-stage funding and deal count, Q'3 witnessed a surge in late-stage funding and average ticket size, suggesting a maturing investment landscape focused on scaling established ventures.

	Q'4 2023	Q'1 2024	Q'2 2024	Q'3 2024	QoQ Change
Deal Volume	USD 20 Mn	USD 5.3 Mn	USD 8.7 Mn	USD 19.5 Mn	▲ 123%
Deal Count	11	10	14	8	▼ 42%
Early Stage Funding <small>Grant, Pre-Seed, Seed, Pre-Series A</small>	USD 20 Mn	USD 4.5 Mn	USD 5.9 Mn	USD 553 K	▼ 91%
Late Stage Funding <small>Series A, Series B+, Debt & Venture Capital</small>	—	USD 500 K	USD 2.8 Mn	USD 18.9 Mn	▲ 567%
Global Investments	USD 19.8 Mn	USD 5 Mn	USD 8.4 Mn	USD 19.3 Mn	▲ 129%
Local Investments	USD 216 K	USD 303 K	USD 303 K	USD 200 K	▼ 33%
Average Ticket Size	USD 1.8 Mn	USD 534.3 K	USD 623 K	USD 2.4 Mn	▲ 291%
Venture Capital Funding	USD 19.6 Mn	USD 4.7 Mn	USD 8.3 Mn	USD 18.5 Mn	▲ 123%

Global Investors Drive Funding Growth in Q'3

Accounting For 99% Of Total Investments Raised



- Global investors constituted nearly all quarterly funding at **USD 19.3 Mn** with local investors taking a backseat in Q'3.

- Local investors accounted for only **1% of total funding** with just one deal, highlighting a significant reliance on international capital.

- 7 out of the 8 deals this quarter were global investments, **with a heavy focus on late-stage deals amounting to 97% of the total quarterly funding.**



Top Global Investors

VENTURESOUQ



USD 12 Mn
investment in Pathao

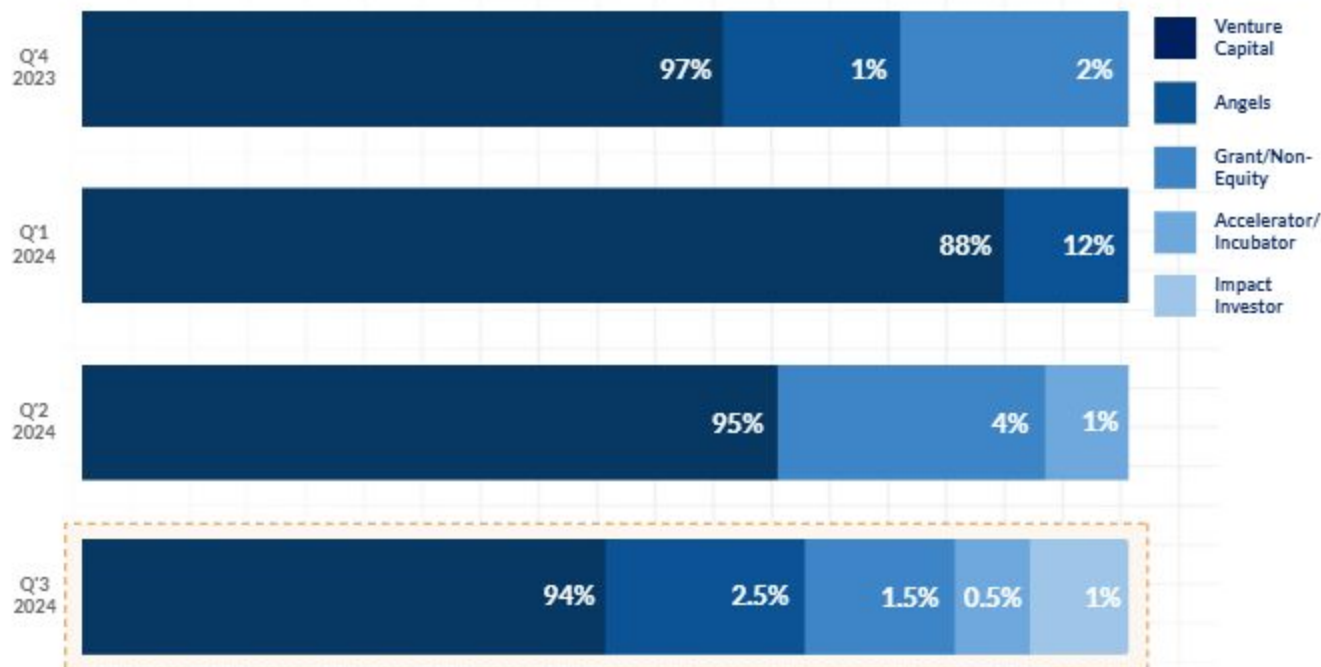
SAISON
Investment Management



USD 6.5 Mn investment in
ShopUp

Venture Capital Retains Its Dominance in Q'3

Accounting For 94% Of Total Quarterly Investments

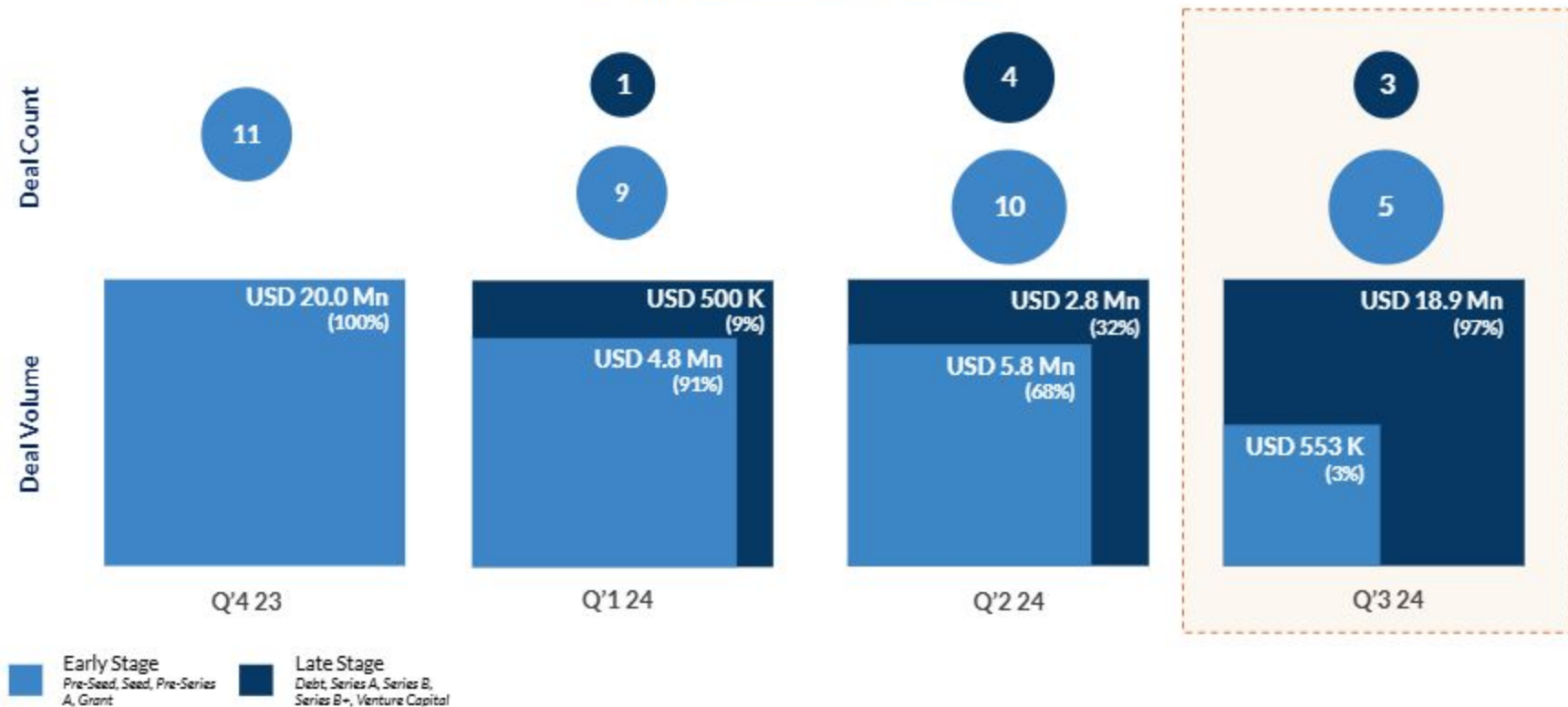


- Although Venture Capital funding saw a dip in the previous two quarters, it witnessed a **1.2x Q-o-Q increase** during Q'3.
- Venture Capital funding amounted to **USD 19.5 Mn** in Q'3 2024, accounting for the majority of the quarter's funding
- Other funding sources, such as angel investments and grants, contributed much less, highlighting **limited diversification** in funding streams. This also underscores a lack of **robust early-stage investment** compared to the dominance of late-stage venture capital funding

Late-Stage Investments Amounted To USD 19 Mn In Q'3

Maintaining A 5.6x QoQ Growth

Since Q'2, late-stage funding has accounted for the majority of investments, while early-stage funding has seen higher deal activity, albeit with smaller ticket sizes.



Logistics And Mobility Garner The Highest Funding In Q'3

Marked By Pathao's USD 12 Mn Deal From Global Investors



- **Logistics and Mobility** emerged as the highest funded sector in Q'3 driven by Pathao's **USD 12 Mn funding round**. This marks a **700% increase** from USD from Q'2.
- Financial services also saw a notable increase **from no funds raised in Q'2 to USD 7.1 Mn across 3 deals in Q'3**.
- The strong quarter-on-quarter growth in both sectors underscores **increased demand and consumer adoption in fintech and logistics**, positioning them as Q3's top-performing verticals.

Key Investors in Q'3 2024

Contributing to Bangladesh's Growing Startup Ecosystem

Accelerator /Incubator USD 53 K		
Grant/Non-Equity USD 300 K		Venture Capital USD 18.5 Mn
Impact Investor Amount Undisclosed	Undisclosed	SAISON Investment Management
Angel Investors Amount Undisclosed	Undisclosed	VENTURESOUQ  ANCHORLESS BANGLADESH  OPENSOURCE



Way Forward In 2024

Navigating New Institutions And Reforms

Promote Diversification in Funding Channels

Ecosystem enablers should encourage the development of alternative funding sources, including venture debt, blended finance, and corporate partnerships. This diversification can mitigate the impact of funding downturns and ensure access to capital for startups at varying stages of maturity.

Strengthen Late-Stage Funding Pathways

With late-stage funding seeing immense growth, startups must align their business models with investor expectations for scalability and market readiness. Ecosystem players can support this by fostering industry partnerships, providing access to mentorship, and creating policy incentives for late-stage investments.

Adapting to Macroeconomic Challenges

Startups should adapt to the evolving macroeconomic challenges by optimising operational costs, prioritising profitability, and building financial buffers. Strategic financial planning, such as managing burn rates and securing longer runways, will ensure resilience amidst political transitions and global economic uncertainty.

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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



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



ExitStack is an online platform featuring stories, deal news, and analysis about Bangladeshi and diaspora startups. It aims to share insights on companies and founders to everyone, including potential investors and partners, around the world. ExitStack's thesis as a knowledge sharing platform is rooted on the ambition to broadcast Bangladesh's narrative and minimize the information asymmetries prevailing in the ecosystem.

Know more @ www.exitstack.co



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.



Bangladesh Startup Investments Report: Decade in Review

October 2024



Bangladesh Startup Investment Report 2023: Year in Review

January 2023

Bangladesh Startup Investment Report: H'1 2024

July 2024





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**.

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