

ENTREPRENEURS
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Monk's Hill Ventures

The Emergence of Entrepreneurship Ecosystems Across Southeast Asia: Views of a Venture Capitalist Part 2 of 4

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Agenda

Overview of SEA Internet economy

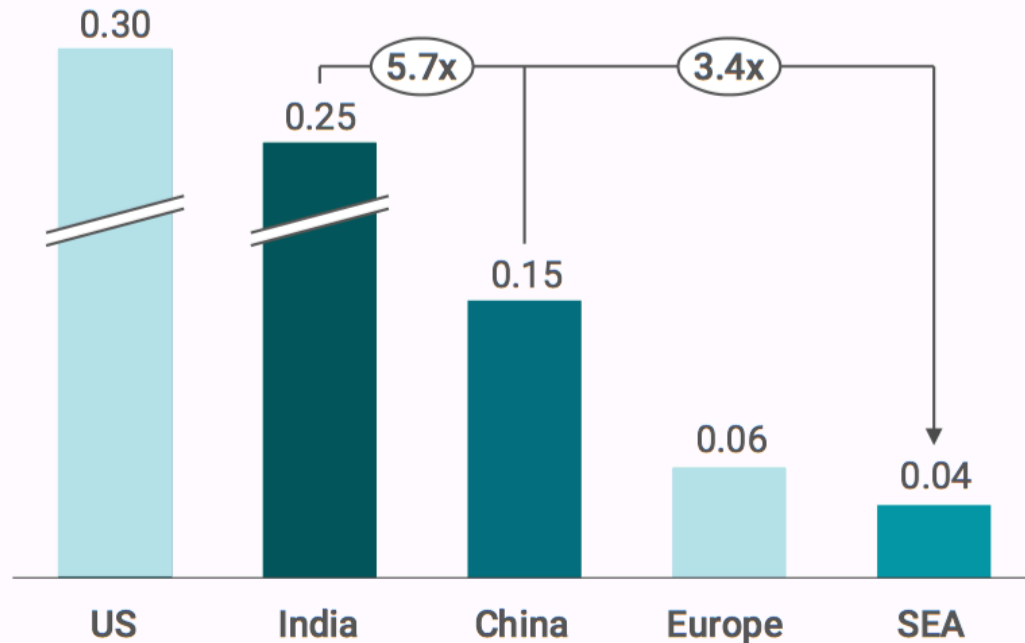
The SEA internet opportunity

SEA VC and startup landscape

Challenges to overcome

Capturing the \$200 billion SEA internet opportunity will require ~\$40-50 billion of investment over next 10 years

VC investment as a percent of GDP¹ (% , 2014)



























- **Investments levels in SEA are lagging India and China;** although SEA had a larger GDP¹ than India in 2014 (\$2.4 trillion vs \$2.1 trillion), it received less than a fifth of the funding
- **SEA's funding profile must catch up to that of India's by 2025** in order for the online economy to reach \$200 billion
- **This implies an investment of ~ \$40-50 billion over next 10 years,** assuming SEA GDP¹ growth of 5.3% and a straight line CAGR growth of VC investment as a % of GDP¹ from 0.04% to 0.25% from 2014 to 2025

A total of ~\$40-50bn of investments must be injected over next 10 years to make SEA a ~\$200 billion internet economy in 2025

What can we learn from these numbers?

	SEA	India	SEA / India
VC investment (US\$M)	1,600	7,700	
Internet population (M)	250	350	
VC investment per internet user (US\$)	6	22	0.3x
Average GDP per capita for top/metro cities (US\$)	~18,000	~6,700	2.7x

SG currently most active country for VC; ID and VN have potential to drive significant value creation with appropriate investments

Summary of landscape	ID 	MY 	SG 	PH 	TH 	VN 
Emerging startup destination with increasing number of centaurs	Relatively successful startup scene, especially in terms of exit	Most successful in the region	Nascent startup scene	Nascent startup scene with strong potential in eCommerce and logistics	Challenging to scale; eCommerce has biggest traction	
Small startups - <\$10m (#)	 2010	 749	 1807	 377	 348	 1529
Little Ponies - >\$10m (#)	 16	 7	 27	 7	 8	 9
Centaurs - >\$100m (#)	 7	 3	 12	 1	 2	 3
Unicorns - >\$1b (#)	0 → 3	0 → 1	4 6 months ago... All unicorns currently in SG	0	0	0

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6 big challenges must be overcome in order to make SEA a \$200bn internet market

CHALLENGE

DESCRIPTION

1

Talent / Engineering

- **Limited developer and leadership talent** in the region. Most successful startups have relied on talent from China or U.S, with VCs consistently highlighting the need for strong, senior talent, especially for CXO and senior development roles

2

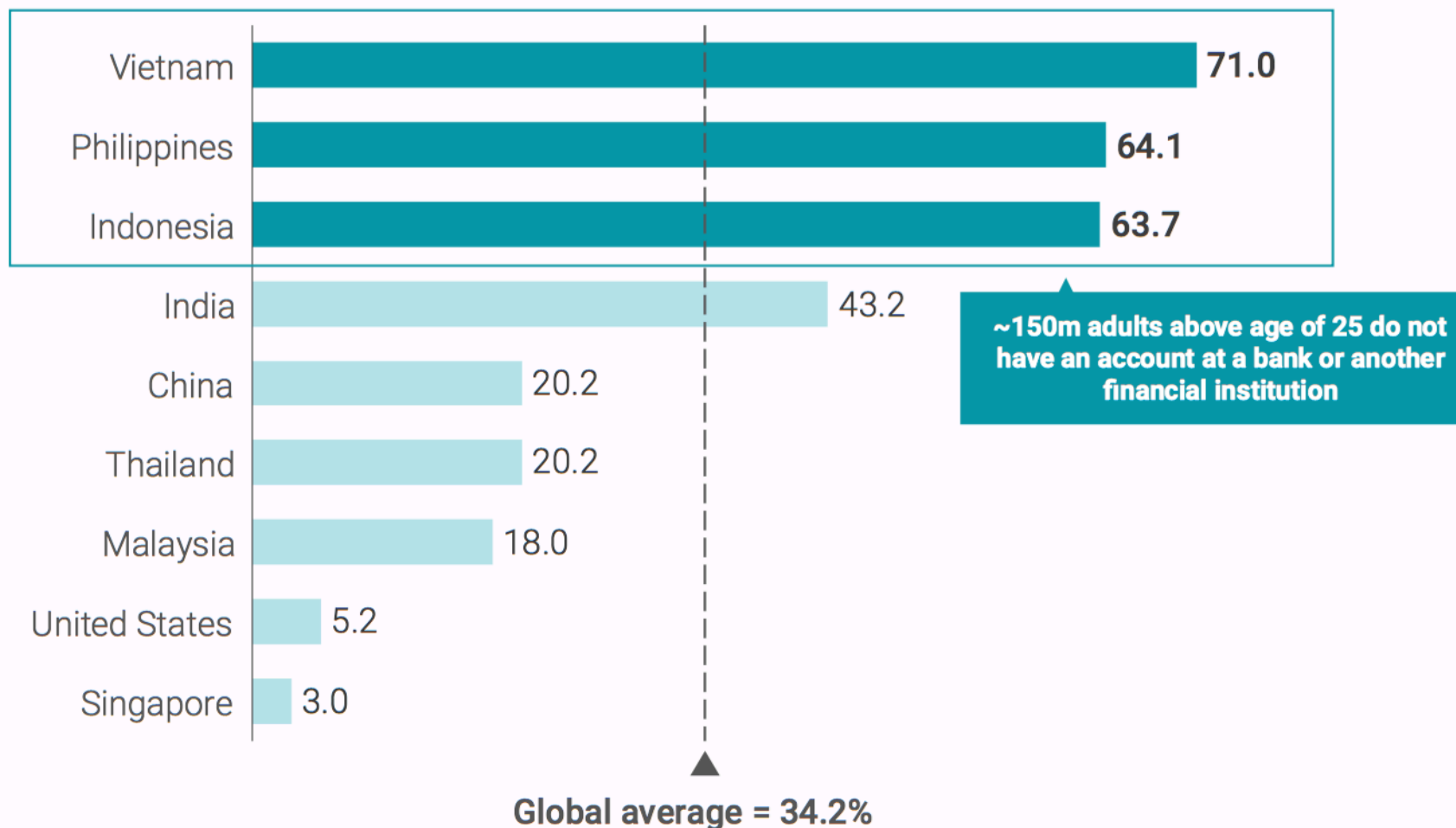
Funding Capital

- Most funds are focused on seed stage investments than in early stage investments; <7% have raised funding post seed
- **Lack of a healthy M&A system** (~70 acquisitions between 2010 and 2015); most large players in SEA build from scratch rather than buy out start-ups

3

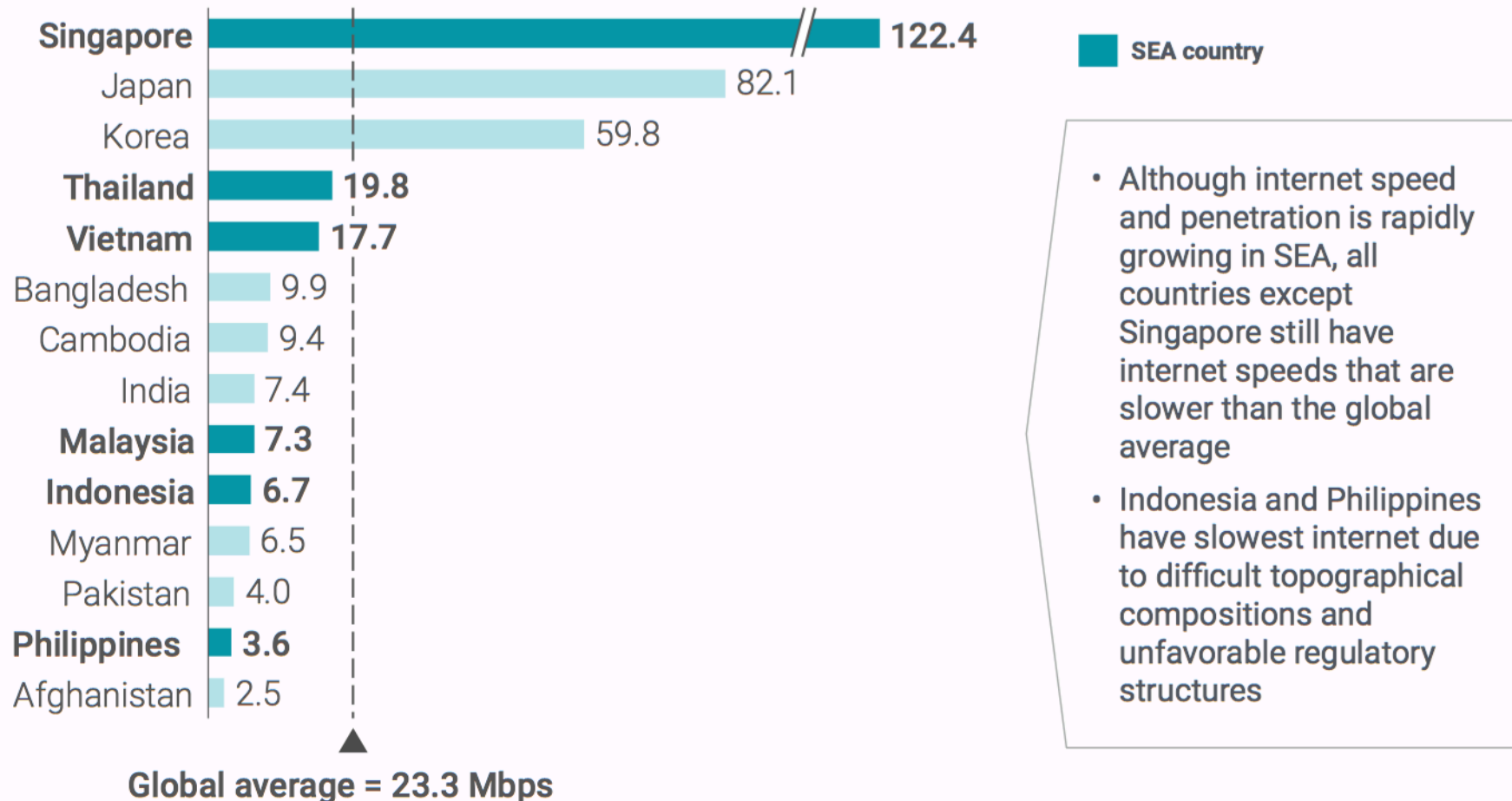
>150m adults 25+ in SEA are unbanked, with >100m existing in Vietnam, Philippines, and Indonesia

Adults over the age of 25 that do not have a bank account (% of total)



4 SEA internet speeds outside Singapore range from 3.6 to 19.8 mbps (vs global average of 23.3 mbps)

Average download speed (Mbps)



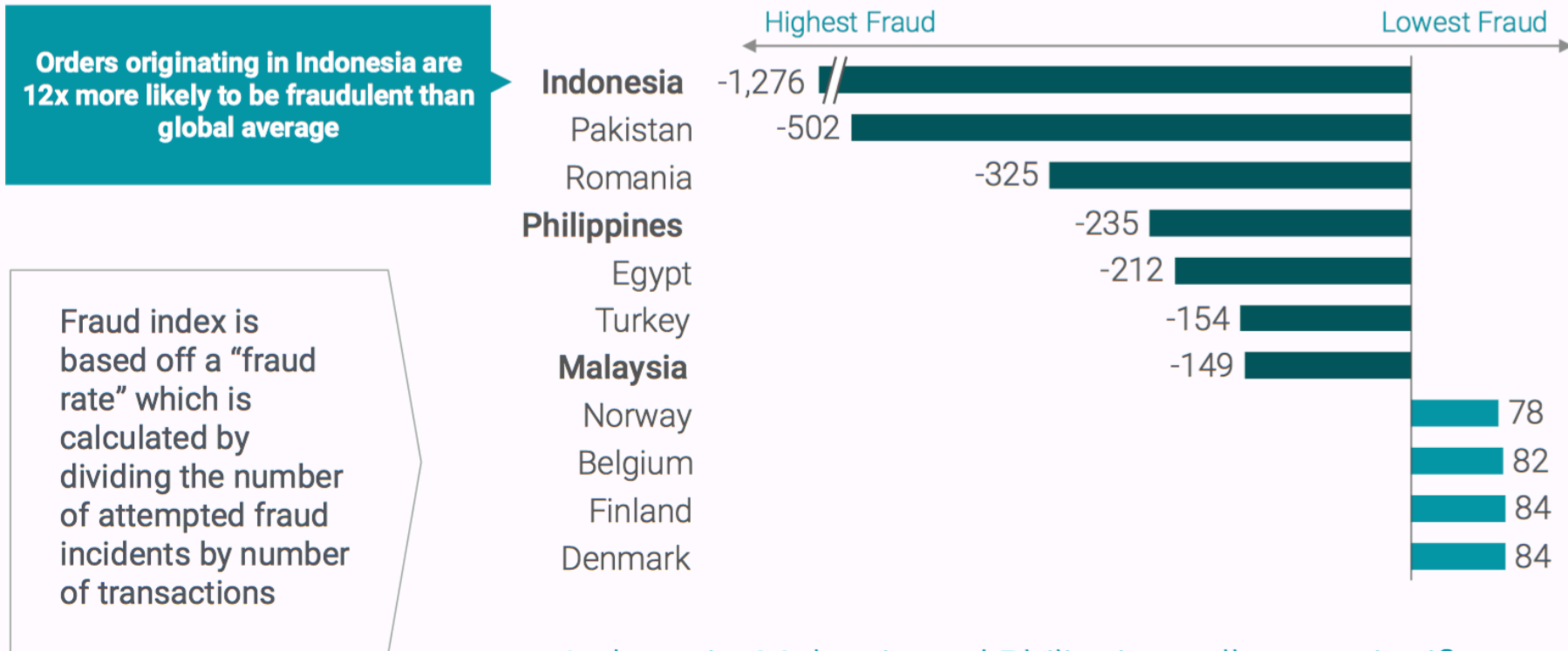
5

Logistics Infrastructure

- **Weak last-mile delivery options** across all markets outside Singapore, especially in a region where 'Cash on Delivery' is a predominant channel of payment
- **Challenging topographical structure**, with 2 major markets being archipelagos consisting of thousands of islands (e.g., in Indonesia, delivering goods outside of Java can take more than 10 days and sea freight costs can exceed \$1,000 for a 20 ft container)

6 Some SEA countries see a significant amount of fraudulent activity, leading to poor consumer sentiment

The countries that experience the most fraudulent activities by buyer's billing address (Fraud Index)



Indonesia, Malaysia and Philippines all see a significant amount of fraudulent activity