



Southeast Asia

Hunt for next Grab, Gojek on as investors flock to Southeast Asian tech firms

Despite global economic uncertainty from the US-China trade war, firms in the region have raised US\$7.6 billion in funding in the first half of 2019

The report by Singapore's Temasek, Google and Bain & Company shows Southeast Asia is rich in 'aspiring unicorns'

Topic | Singapore



Dewey Sim

Published: 12:00pm, 3 Oct, 2019 ▼



[Southeast Asian technology companies \[1\]](#) have remained in the sights of international investors despite global economic uncertainty, with firms in the region raising US\$7.6 billion in funding in the first half of 2019, up 7 per cent from the same period last year, according to a new report.

With about US\$37 billion flowing into the region's [internet \[2\]](#) economy in the past four years, more than 60 per cent of those funds – around US\$24 billion – have gone to 11 unicorns, or companies valued at more than US\$1 billion. Members of this club include [Singapore \[3\]](#)-based ride-hailing platform Grab and its Indonesian competitor Gojek, which are respectively bankrolled by major Chinese and American tech giants including Didi Chuxing and Google.

But there are also nearly 70 companies valued between US\$100 million and US\$1 billion that are getting investors excited, with US\$5 billion in funds raised since 2016.

[Grab and Gojek vie for Southeast Asia's booming food delivery market](#)

These aspiring unicorns include iFlix, a Malaysia-headquartered video streaming company; Singapore's consumer-to-consumer marketplace Carousell; and Vietnamese e-commerce marketplaces Sendo.vn and Tiki.vn.

These findings were revealed on October 3 at the launch of an economic report by Singapore's state investment firm [Temasek](#) [5], Google and management consultancy Bain & Company.

Titled e-Conomy SEA, the report – now in its fourth year – noted how rising protectionism from the trade war between the US and China had clouded the global outlook, with venture funding around the world nosediving about 17.5 per cent in the second quarter of this year from the same period in 2018.

Rohit Sipahimalani, joint head of Temasek's investment group, said “less than half” of the aspiring 70 unicorns were probably in Singapore, with “the balance ... in the other markets, possibly in Indonesia and a number of them in Vietnam too.”

He said Singapore was attractive to startups because of its infrastructure and property laws and because of the ease of attracting talent to the city state.

Foo Maw Der, a professor of entrepreneurship at Singapore's Nanyang Technological University, said one reason these tech start-ups seemed particularly attractive was because people in the region were comfortable adopting the latest technologies.

He pointed to how Chinese mobile payment platform Alipay quickly became popular because there were many mainlanders who did not own credit cards when it was released.

“Southeast Asia can similarly allow companies to leapfrog to new technologies,” Foo said.

Authorities in the region also support entrepreneurship and start-ups, with many schemes to incentivise such funding, Foo added, noting the tax incentives for the venture capital (VC) industry announced by Malaysia last week.

[No country for unicorns: why Philippine start-ups are struggling](#)

A spokesperson from Malaysian-based food delivery platform Dahmakan, which secured funding of US\$5 million in May, said this growing interest in the region was apparent.

“Southeast Asia is the fastest growing internet region globally and the VC interest is growing rapidly,” said the spokesperson. “Many new US and Chinese funds [are] opening up offices [in the region] for the first time and existing VCs [are] raising larger funds.”

The e-Conomy SEA report noted that the region’s access to the internet had grown significantly over the past decade. While almost four in five Southeast Asians had no or limited internet connectivity 10 years ago, 90 per cent of them can currently go online using their mobile phones.

This has fuelled the unprecedented growth of the region’s internet economy, which rocketed to US\$100 billion this year – a threefold jump over the past four years.

[This Singapore firm is using blockchain tech to build a smart city](#)

[7]

Notably, the internet economies of Singapore, [Malaysia](#) [8], the [Philippines](#) [9], and Thailand have grown about 20 to 30 per cent annually since 2015, while Indonesia and Vietnam lead the pack with growth of 40 per cent.

Indonesia’s internet economy was valued at US\$8 billion in 2015, and hit US\$40 billion this year – it is likely to reach US\$133 billion by 2025. In Vietnam, the report said the boom had unlocked opportunities for millions of entrepreneurs.

“Investor confidence in Vietnam, the third most-funded economy in the region after Indonesia and Singapore, is also on the rise. In the last four years, Vietnam’s internet economy has attracted almost US\$1 billion in funding, with 2019 in line to be a record year.”



A Gojek driver displays the ride-hailing app on his phone. Indonesia's internet economy is projected to be worth US\$133 billion by 2025. Photo: AFP

The report also said start-ups in the e-commerce and ride-hailing industries drew the most attention from investors, but online media and travel businesses had most room for growth.

The number of active e-commerce users grew from 45 million in 2015 to 150 million today, it said, while ride-hailing saw a fivefold surge in users, from 8 million to 40 million, over that period.

Meanwhile, digital financial services are gaining traction in the region and are expected to cross the US\$1 trillion mark by 2025 – by which time every two dollars spent online would be paid through such platforms.

Experts say the good news for enterprises in the region is that this boom showed no signs of tapering off.

Foo said the bullish outlook would continue. Given how start-ups in Silicon Valley were fully valued, he said, Southeast Asia would remain an attractive region for VC investment.

Asia's digital economy is booming. So why is Singtel struggling?

[10]

Shantanu Bhattacharya, a professor of operations management at Singapore Management University, said even though the large market potential was not new, the pace of innovation had quickened due to digitalisation.

“This makes the region the perfect one for investment in start-ups ... low market base, high market potential, and existence of talent for start-ups,” he said.

Bhattacharya expects the boom to continue for at least the next decade, citing how the region is “at the beginning of the digitalisation ecosystem explosion”.

He noted that even though there were regulatory constraints that had hampered cross-border flows of capital, such as a lack of common standards or a common customs union, authorities were overcoming these issues.

“As governments in the region work to overcome these constraints, the potential for innovation – and, hence, start-up funding – will only grow at a faster pace,” Bhattacharya said.

Source URL: <https://scmp.com/news/asia/southeast-asia/article/3031312/hunt-next-grab-gojek-investors-flock-southeast-asian-tech>

Links

[1] <https://www.scmp.com/topics/technology>

[2] <https://www.scmp.com/topics/internet>

[3] <https://www.scmp.com/topics/singapore>

[4] <https://www.scmp.com/news/asia/southeast-asia/article/3025775/grab-and-gojek-vie-southeast-asias-booming-food-delivery>

[5] <https://www.scmp.com/week-asia/economics/article/3019322/singapore-temaseks-results-spark-discussion-chinese-investments>

[6] <https://www.scmp.com/week-asia/economics/article/3027171/no-country-unicorns-why-philippine-start-ups-are-struggling>

[7] <https://www.scmp.com/week-asia/society/article/3021867/forget-bitcoin-singapore-firm-using-blockchain-tech-build-smart>

[8] <https://www.scmp.com/topics/malaysia>

[9] <https://www.scmp.com/topics/philippines>

[10] <https://www.scmp.com/week-asia/politics/article/3018435/asias-digital-economy-booming-so-why-are-singtel-and-co>