



Southeast Asia
Startup Ecosystem
Report 2018

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ABOUT

e27

From the moment of inception, it was very clear what e27 was setting out to accomplish: give every startup a winning chance.

e27 started in 2007 as a blog to keep track of Singapore's spouting startups. It has since evolved into a platform – both online and offline – designed to help us deliver our mission of empowering entrepreneurs with the tools to build and grow their companies.

We produce content that cover the tech ecosystem around APAC, highlight innovative startups in the region, and bring forward insights from thought leaders.

We connect the ecosystem via events that bring the community together, and collaborate with groups and organisations whose goals help us provide startups with the insight, connection, talents, and opportunities to get the funding they need.

Stay up-to-date on news about APAC tech ecosystem via e27.co.

Share your story on our platform. Join our contributor programme - [begin now](#).

Reach out to us if you're looking to boost your access to the APAC tech community through media, events, and other partnership opportunities.



A QUICK NOTE FROM THE EDITORS

While Southeast Asia's startup ecosystem is still a growth market, the horizon portends a problem the region has never faced before: navigating maturation.

Let us explain.

The 2018 Google/Temasek report predicts the internet GMV will account for eight per cent of the region's total GDP by 2025. In 2018, this number is just 2.8 per cent.

While this number suggests rapid growth, it will feel like a slowdown for industry veterans. Indonesia, which saw the highest growth rate of market size in the recent years, will drop from a 49 per cent growth rate between 2015 and 2018 to 28 per cent between 2015 and 2025.

The region's two richest countries, Malaysia and Singapore, will see growth rates in the 13 to 16 percent range. Newer ecosystems like the Philippines and Vietnam are growing at a 25 per cent rate and should now be considered "growth markets" and not frontier markets.

For people trying to break new ground, countries like Cambodia, Myanmar, Brunei and Laos still offer an opportunity to get in on the ground floor. However, compared to regional neighbours, those ecosystems lag far behind.

Mature markets mean the industry now has veterans with immense knowledge of the ecosystem. The days of simply launching a marketplace and raising millions of dollars are long gone. Even in cutting-edge technologies like blockchain, the refrain we hear most at e27 is that investors are more educated, and thus, the startup's value proposition must be clear and concise.

This can make life more difficult for a budding entrepreneur, but it also raises the quality of the ecosystem as a whole.

In general, stakeholders should feel very proud of Southeast Asia's ecosystem. The hard work of building this ecosystem over the past ten years seems to have stuck, and while there will be bumps along the way, it is clear the startup economy is here to stay in Southeast Asia.

METHODOLOGY

e27 used internal data to drive much of the narrative. Although not perfect, we have created a [database](#) of around 26,000 companies, which is a large enough sample size to draw reasonable conclusions.

After crunching the numbers, we conducted surveys, interviews and external research to ensure we were on the right track. Then we iterated, iterated and iterated again.

A disclaimer: These statistics paint a picture, but are not exact figures for startups in Southeast Asia. It is reliant on inbound participation and we are fully aware there are startups who do not have any engagement with e27.

Having said that, anyone who takes a deep dive into our startup pages will quickly realise that we have done a good job accommodating as many relevant companies as possible.

The number of companies on e27 is large enough to assume that the trends translate

beyond our internal data, albeit at larger numbers.

There is also the issue of funding. Our funding numbers are also reliant on our users updating their information. A lot of companies refuse to disclose their funding amount, and we have made an executive decision to exclude them entirely from the overall numbers.

Our funding information is a mix of public articles (our database is updated when e27 writers cover a funding announcement) and individuals updating their company profile. We cannot ask every founder for their financial reports to ensure they are not fabricating their profiles, so a certain amount of the funding data is built on the honour system.

Finally, we have worked hard to integrate other authentic external reports/data into our conclusions, and have clearly provided reference, citations and due credits to them.

INDONESIA

From 30,000 feet

If there is a major theme that defined the Indonesian tech ecosystem in 2018, it would be expansion. This is best exemplified by the country's four unicorns: Go-Jek, Tokopedia, Traveloka, and Bukalapak.

For years, they were laser-focussed on the local market. In 2018, Go-Jek finally kickstarted its regional expansion with a launch in [Vietnam](#), [Thailand](#) and [Singapore](#).

In 2017, e-commerce companies made big bets on fintech. In 2018, they seemed to have paid greater attention to the O2O vertical (For instance, Tokopedia introduced [Mitra Tokopedia](#)). Bukalapak, Kudo, and Kioson had previously introduced a similar model of integrating mom-and-pop stores with digital services.

Last year also saw Indonesians finally embrace cashless payments, with competition among Go-Pay, Tcash, [OVO](#), and Dana. E-money

adoption was driven by the rise of ride-hailing services and road toll payments in the country.

In terms of government regulation, consumer protection was a focal point, highlighted by the recent crackdown of [227 illegal fintech startups](#). The financial services authority has also been pushing for fintech companies to register their lending and cashless payment services.

In terms of funding, since 2017, investors have been focussing more on later stage funding rounds, and they are mostly centered around the four unicorns. In fact, on December 12, Tokopedia confirmed that they raised a [US\\$1.1 billion round](#) led by SoftBank Vision Fund and Alibaba Group. Go-Jek has also been [fundraising](#).

Since 2017, the Indonesia Stock Exchange (IDX) has also seen a growth in tech IPOs. However, it is important to note that the majority of these IPOs seem to be centered around subsidiaries of just one company, [Kresna Graha Investama](#).

Indonesia

US\$4.7B recorded funding raised



847 startup profiles created on e27

38 industry verticals represented

e27 Indonesia data

As per internal e27 data, there were 847 Indonesia startups created/updated in 2018, with 38 industry verticals represented. Of which, 46 startups raised a total of US\$4.07 billion across 18 industry verticals, which makes the average deal size of US\$88m per startup.

The top 5 industry verticals by number of fundraising deals are as follows: E-commerce

(10), Fintech (9), Enterprise Solution (3), Education (3) and Healthtech (3).

The top 5 industry verticals by average deal size recorded are as follows: Logistics and Supply Chain (US\$2.7 billion), E-commerce (US\$1.1 billion), Fintech (US\$182 million), Platform (US\$30 million), and Enterprise Solution (US\$19 million).

Adrian Li, Managing Partner of Convergence Ventures, says one of the notable trends in 2018 was the flooding of global funds into

Indonesia, which helped the market close its Series B funding gap.

“The concern that people have had in the past about Southeast Asia’s ability to produce a company of significant value as a collection of markets has been brushed away,” he said.

Takeaways

The most interesting takeaway from e27 internal data about Indonesia is that while e-commerce remains the most popular vertical for investors, it is actually the supply chain and logistics industry that raised the most funding (US\$4.4 billion in 2018 alone).

E-commerce, consumer and finance companies inked the most deals in 2018, at nine each. They were followed by enterprise solutions, which closed five deals within the year.

While neighbouring countries such as Singapore have begun dabbling in deep-tech, e27 data confirmed that Indonesia remains focussed on consumer-facing services. Sectors such as healthtech secured four deals in 2018,

while Big Data, hardware, and IoT sealed only one deal apiece.

A recent Google-Temasek Report showed that online media and ride-hailing were the fastest growing verticals in Indonesia at 66 per cent and 58 per cent CAGR, respectively. The country's online travel market is also the largest in Southeast Asia with US\$8.6 billion in gross book value (GBV) in 2018. The report also said that together with Singapore, Indonesia continued to attract the majority of funding in Southeast Asia, with a total of US\$6 billion

raised since 2015. It also has the largest number of deals closed, another tie with Singapore.

Beyond Jakarta

Indonesia enjoys thriving startup communities outside of its capital city.

Bandung and Jogjakarta are perceived as the country's other two major tech hubs, thanks to the availability of startups, co-working spaces,

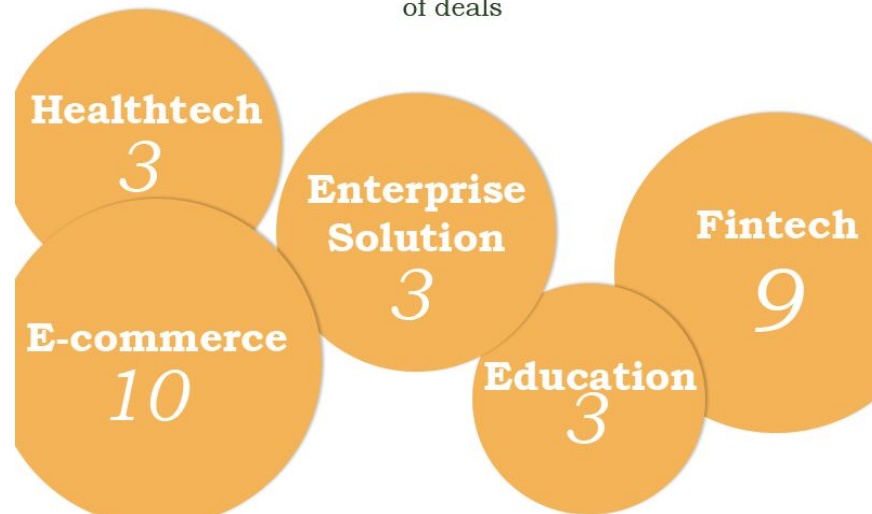
incubator/accelerator programmes, communities and events, as well as international exposure.

Both cities were chosen for the launch of NUS Enterprise's and Salim Group's new branches of their co-working space and incubator programme called BLOCK71. Many years before, French gaming company Gameloft chose Jogjakarta as its base in Indonesia. The two cities are seen as hotbeds for talent with the availability of top colleges and universities in the area. Many high-profile startups such as Go-Jek and Sale Stock (now known as Sorabel) have experimented with setting up their engineering and R&D centres in Jogjakarta (though the former's centre was closed in 2016). Bukalapak also opened its R&D centre in Bandung in 2018.

Another important point about Bandung is that the city saw high-profile exits and funding rounds in 2018. This includes UrbanIndo's acquisition by Singapore's 99.co in January, Prelo's acqui-hiring by Bukalapak in October, agritech startup eFishery's US\$4 million

Indonesia

Verticals with the most number of deals



fundraise in November and CROWDE's raise of an undisclosed round in October.

Another emerging city in the Indonesian startup scene is Surabaya. The city is catching up with Jakarta in terms of infrastructure, and it has begun to host international startup events. We have yet to see any high-profile exits or funding rounds in 2018, although media startup IDN Media raised an undisclosed sum in a Series C round in early 2019.

Medan is also an up-and-coming city in the Indonesian startup scene. The city is home to KinerjaPay, which went for a public listing in the US in 2016. In 2017, Medan saw the acquisition of co-working space Clapham Collective by COCOWORK (formerly EV Hive).

Startups in the city have participated and won several international competitions, and they tend to build services and products that cater to local population's specific needs.

Of all the startup hubs in Indonesia, Bali has rather unique characteristics. Home to Tokobagus, which saw one of the country's first

major international acquisitions in 2014, Bali has been known globally as a hotspot for the digital nomad lifestyle. Many startups that are based in Bali tend to be founded by foreigners, and it was only in 2018 that the island began to see startups, founded by local founders, getting media attention.

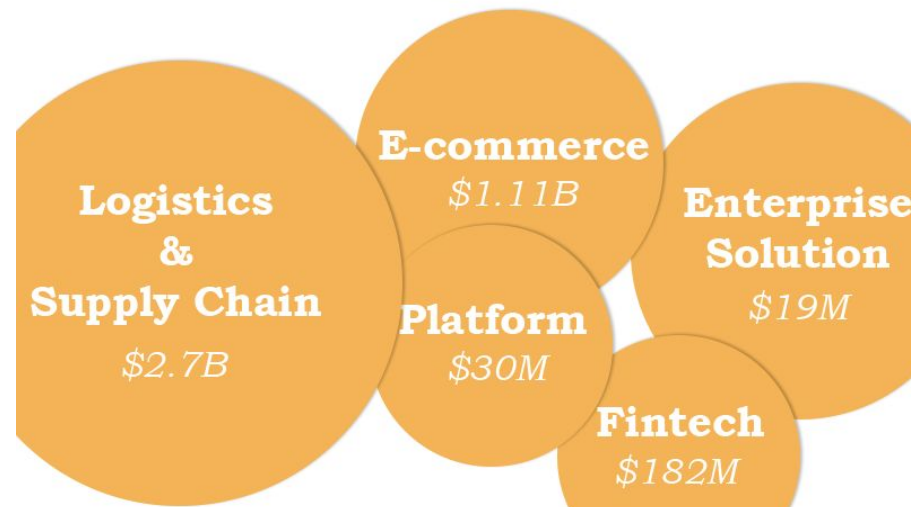
Another unique proposition of Bali is the popularity of cryptocurrency. However, the government has intensified its crackdown, which had led to the shutdown of several cryptocurrency startups in the island. INDODAX

(formerly known as Bitcoin.co.id) is one of the leading cryptocurrency startups based in Bali; it raised an undisclosed round from East Ventures in 2017.

As a gateway to Eastern Indonesia, startup communities in Makassar have started to gain media attention. Like in Medan, startups in the city are providing localised services and products, but we have yet to see any high-profile exits or funding rounds.

Indonesia

Verticals ranked based on average deal size



MALAYSIA

From 30,000 feet

The year 2018 has been eventful for the Malaysian startup industry. It saw the emergence of thousands of startups across different tech verticals and the government announcing new schemes for young ventures.

The country also witnessed a major political change, with veteran politician and former Prime Minister Mahathir bin Mohamad coming back to power in a surprise election victory.

And with that, the fate of tech-related initiatives such as MaGIC, which was founded during former Prime Minister Najib Razak's tenure, became uncertain. However, in November, [Mahathir reaffirmed](#) his government's commitment to high tech transformation, so those fears were allayed.

Still, the surprise election results caused ripple effects in the business world. According to a study by global valuation and advisory firm Duff & Phelps, the corporate deal activity in 2018 saw a significant reduction in mergers and

acquisitions (M&A) deals. PE, VC and IPO deals also fell to US\$12.5 billion from US\$20.3 billion the year before.

A study, titled "Transaction Trail Annual Report 2018", said that it could be attributed to the political changes and businesses taking a wait-and-see approach on strategic growth initiatives.

Within the ecosystem, there were some high-level executive changes. [Ashran Ghazi, CEO of MaGIC](#), and [MDEC Chief Yasmin Mahmood](#), stepped down from their positions. In 2019, MDEC appointed Surina Shukri as the new CEO. Also, the [sudden death](#) of former Cradle Fund CEO Nazrin Hassan in June this year came as a shock for the industry.

Since 2007, Hassan was instrumental in putting the country on the global startup map and is also credited with discovering and growing Grab, the most valuable startup to have originated in Malaysia.

According to Malaysia Digital Economy Corporation (MDEC), the number of VC

Malaysia

US\$232M recorded funding raised



**Average
deal size
per startup**
US\$11.2M

1592 startup profiles
created on e27

43 industry verticals
represented

management corporations (VCMC) in the country jumped to 68, up from 58 the year before, representing a 15 per cent increase.

It also said that most of the active VCs have been sourcing deal flows and investing in companies in the pre-Series A and Series A categories.

e27 Malaysia data

As per e27 data, There were 1592 Malaysia startups created/updated in 2018, with 43 industry verticals represented. Of which, 30 startups raised a total of US\$232 million across 16 industry verticals, at an average deal size of US\$11.2 million per startup.

The top 5 industry verticals by number of fundraising deals are as follows: Fintech (6), E-commerce (4), Consumer (3) Enterprise Solution (3), Healthtech (2).

The top 5 industry verticals by average deal size are as follows: Media (US\$133 million), Automotive (US\$19 million), Fintech (US\$6.8 million), Cybersecurity (US\$4 million), Consumer (US\$2.5 million).

According to a top executive of Malaysia-based VC firm NEXEA, it received nearly 800 applications for its accelerator programme in 2018, a 20 per cent rise from the previous year.

Based on this, it is fair to assume there is a rising number of startups in Malaysia.

Takeaways

The new government has been very supportive of the startup industry in 2018. A number of initiatives were announced in the new budget, including the earmarking of RM2 billion (US\$488.34 million) in matching grants for local

startups with wider and better selection of funding options.

It has also announced RM50 million (US\$12 million) for startups in the P2P lending and equity crowdfunding space, which is expected to benefit a number of new startups.

The Malaysian digital economy has experienced healthy growth in recent years. According to a Google/Temasek report, its e-commerce market

grew from US\$1 billion to US\$2 billion from 2015 to 2018, representing a 27 per cent jump.

Online media also saw significant growth, skyrocketing to US\$1.6 billion in 2018, up from US\$600,000 in 2015.

Overall, though, its growth trajectory is smaller than that of larger markets such as Vietnam and Indonesia. In addition, its internet economy, at US\$5 billion, is the second smallest.

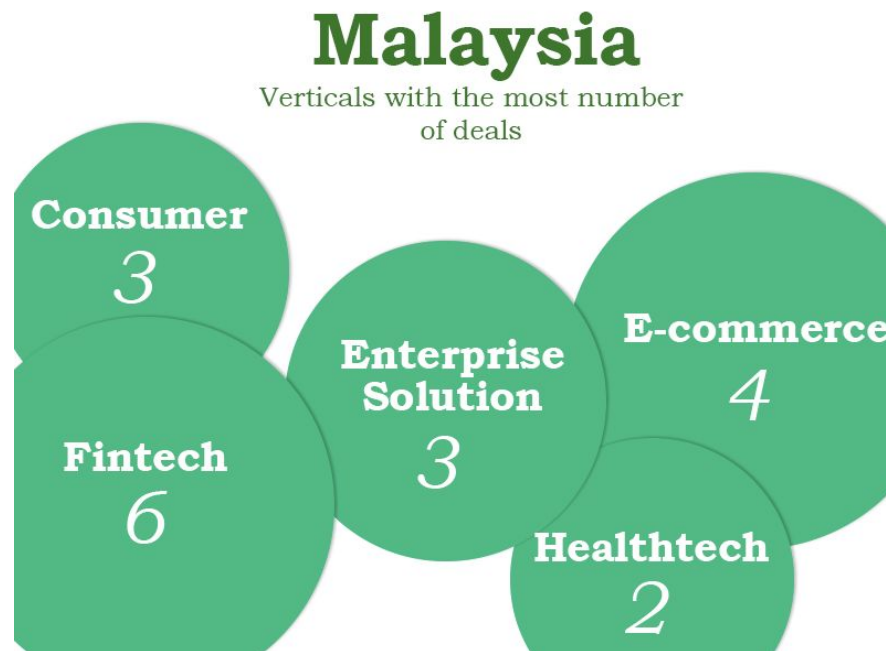
in the region, although it takes up 2.7 per cent of the country's GMV.

Beyond Kuala Lumpur

Penang is known as the "Silicon Valley of the East" due to a strong base in manufacturing. The city has a background in technology particular to the manufacturing sector, therefore many startups there are building products that involve hardware manufacturing and the Internet of Things.

In January 2018, the Penang state government set up a US\$1 million (RM3.9 million) Industry 4.0 (I4) seed fund specifically for tech startups in the state. Former Penang Chief Minister Lim Guan Eng said that the incentive fund is to further accelerate the state's tech startup ecosystem.

Piktochart is the belle of the ball, having grown into a truly global startup that still calls Penang home. Beyond Piktochart, Penang is also home to localised startups like DeliverEat, which raised US\$450,000 in funding in 2017 from Gobi



MAVCAP's ASEAN Superseed Fund. These examples indicate that there is vast potential for startups in Penang.

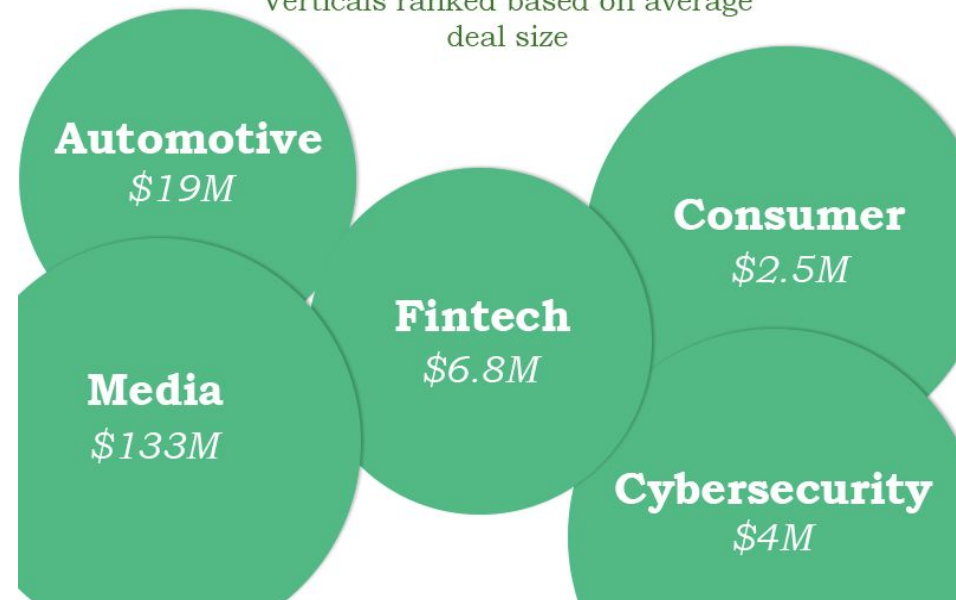
Moving towards to the southern tip of the country, Johor Bahru has less startup activity compared to its more dominating sisters of Kuala Lumpur and Penang. It is definitely a home for startup enthusiasts who are united under the burgeoning co-working shelters, but it has yet to produce a startup rockstar.

Ben Lim of NEXEA observed that most startups with good potential for growth are currently concentrated in the Klang Valley. He says there may be a lack of tech talent in the smaller cities; however there are plenty of entrepreneurial talents.

"As of now, we have not observed a great number of startups from the smaller cities receive funding; and we think one of the reasons is because there isn't enough awareness about VCs as a source of funds yet," Lim says.

Malaysia

Verticals ranked based on average deal size



PHILIPPINES

From 30,000 feet

Of the six major ASEAN internet economies, the Philippines clearly comes in last place and is now playing catch-up with the rest of the region.

However, [government investment and Central Bank policies](#) have laid the groundwork for some positive long-term growth, and there is reason to be optimistic about where the ecosystem could go in 2019. While the country's ease of doing business ranking [dropped](#), the government is [taking steps](#) to address that and make it easier for businesses to operate in the country.

Philippine fintech startups are also doing relatively well, with [some recording positive net revenue](#). According to a McKinsey report, there were at least three fintech deals in 2018, worth a total of US\$26 million.

The Philippines is also one of the earliest blockchain [adopters in the region](#). Lately, there have been a slew of fintech startups [integrating blockchain technology into their platforms](#).

Additionally, the Philippine government is set to launch a [US\\$100 million crypto hub](#) in the country. The government also recently passed a [bill](#) to help grow and develop startups.

But there are also troubling trends: the Philippine government remains a holdout in not fully embracing ride-hailing, with a [moratorium](#) on offering new ride-hailing licenses being reported in October. Recently, Go-Jek [was prevented](#) from expanding into the country.

It also ranked 73rd of 126 countries in the [global innovation index](#), which is troubling because it is a lower number than the year before.

Philippines

US\$304.2M recorded funding raised



449 startup profiles created on e27

38 industry verticals represented

e27 Philippine data

According to e27 internal data, there were 449 Philippine startups created/updated in 2018, with 38 industry verticals represented. Of which, 21 startups raised/recorded a total of US\$304.2 million across 13 industry verticals, at

an average deal size of US\$14.5million per startup.

The top 5 industry verticals by number of fundraising deals raised are as follows: Enterprise Solution (5), Data & Analytics (2), Fintech (2), Information & Communications Technology (2).

The top 5 industry verticals by average deal size raised are as follows: Information & Communications Technology (US\$107.5 million), Fintech (US\$20.4 million), Insurtech (US\$9 million), Enterprise Solution (US\$2.6 million), and Food & Beverage (US\$2.3 million).

The total deal value for 2018 was US\$304 million – definitely a positive sign for the country's growth. Officially, there are currently around 300 startups in the country, though unofficial statistics puts it closer to 1,000.

Takeaways

The Philippine's internet economy ranks last in the region, its GMV is 1.6 per cent of the country's GDP, or US\$5 billion, a 30 percent jump from 2015, according to a Google/Temasek report.

There could be several factors for this, like high underemployment ([18 - 20 percent average](#)) and stagnating wages. The cost of mobile data is also relatively expensive at 1.1 percent of GNI per capita.

And despite the swaths of fintech innovations in the country, mobile payment adoptions remain low at 21 per cent. The country's only unicorn, Revolution Precrafted, is more of a real estate company than an internet firm.

The Philippines's status as a developing market is unchanged and government policies need to

be more effective to enact change and achieve meaningful results.

A [recent survey](#) showed that Philippines entrepreneurs find capital-raising to be the greatest challenge, followed by regulatory challenges and market conditions.

Beyond Manila

Davao City has the second largest economy in the country, just after Manilla. There has been some activity to generate startups, but so far it does not seem to have produced any substantial results.

In 2014, the Davao City Chamber of Commerce and Industry Inc. (DCCCII) announced the creation of "The Cube," a space where startups and individuals working at online jobs can [collaborate for a small fee](#).

Generally, the Philippine government recognises [Davao City as a potential launchpad](#) for new startup ideas owing to the pool of talent from the universities. The Department of Trade and Industry-Export Marketing Bureau (DTI-EMB) also wants to [deepen startup ties in Davao and Cebu](#).

Cebu appears to be a [hotspot for social enterprises](#). This is due to a large availability of

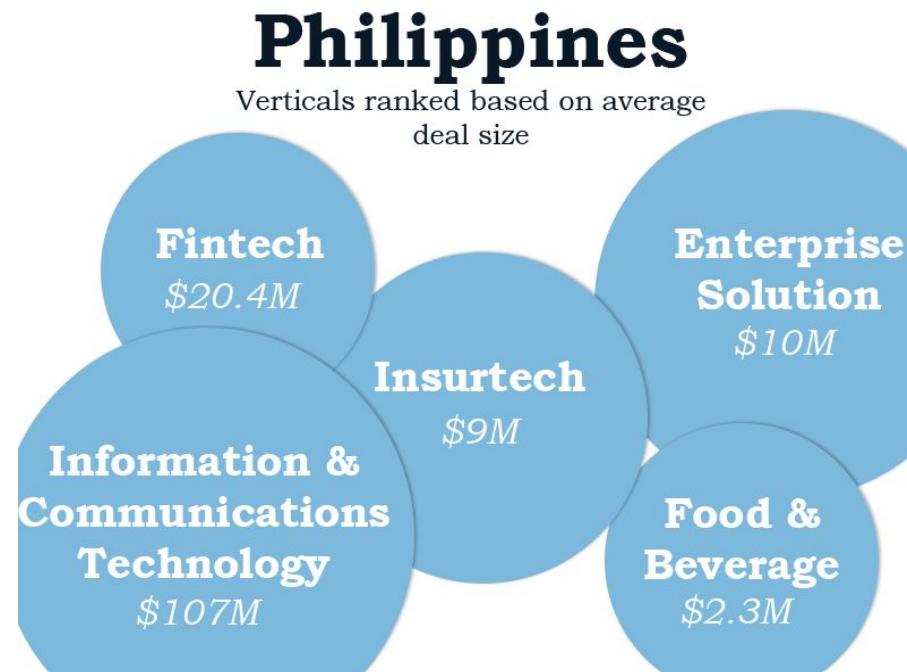


talent, including expats and locals. It is also relatively affordable to build, test, and launch products over there (it is quite cheap to do business in Philippines in general).

The [Department of Trade and Industry \(DTI\)](#) also launched StartupIsland.PH Batch 2 on October 23 at Cebu City. StartupIsland.PH is a nine-week mentoring programme for startup

founders to develop their product, and Batch 2 will start in February 2019.

Additionally, there is also a developer community in the city called [StartupOasis](#).



SINGAPORE

From 30,000 feet

Singapore is arguably the capital of startups in Southeast Asia. With its business-friendly environment the city-state has become the nesting ground of many young international startups and large international firms looking to reach out to other parts of the region.

Like the rest of Southeast Asia, Singapore is seeing a massive influx of co-working spaces, with [WeWork being the dominant player](#).

The government continues to [apply a light touch](#) to cryptocurrencies, and even the country's central bank, the Monetary Authority of Singapore (MAS), is [exploring ways](#) to leverage blockchain as a means to trade tokenised assets.

Fintech continues to be a core driver of innovation in Singapore, with 62 funding deals in 2018, according to McKinsey. Singapore continues to see healthy dealflows, but some challenges remain.

American tech giants like Facebook and Google have made [long-term investments in Singapore](#), but they have increasingly [come in conflict](#) with the government. Chinese behemoths also continue to look to Singapore as a launch point into Southeast Asia.

The government also continues to [ramp up deep-tech innovations](#) as part its Smart Nation drive. There is also renewed effort to consolidate e-government services.

Singapore

US\$12.8B recorded funding raised

**Average
deal size
per startup**
US\$40M

**2,089 startup profiles
created on e27**

**68 industry verticals
represented**

e27 Singapore data

As per the internal e27 data, there were 189 deals in Singapore in 2018. The startups recorded a total of US\$7.5 billion across 68 industry verticals, at an average deal size of US\$29 million.

The top-5 most popular verticals for deals were Fintech (21), Enterprise Solutions (20), E-commerce (14), Healthtech (13), Big Data (12), and Consumer (12).

Driven almost entirely by Grab, the automotive vertical raised the highest average round at over

US\$1.3 billion last year. ICT raised over US\$300 million and Entertainment crossed the US\$200 million-mark. E-commerce averaged over US\$150 million. Rounding out the top-5, the Aerospace sector raised an average of US\$50 million.

These high numbers suggest the “Series B gap” is a thing of the past, and now startups have reasonable access to growth-stage funding. An anonymous VC explained.

“You can see a lot of allegedly ‘Series A’ funds jumping into Seed and Series B because of the lack of deals. So financial institutions are open. The problem is we face a lack of regional companies. And that is rooted in a lack of local money in each country. Go to Thailand or Vietnam and there is plenty of seed money but no money at the pre-Series A to Series A level, so how can companies lift off outside of their country?”

Takeaways

Singapore has all the trappings of a mature startup ecosystem, highlighted by its relative size, stability and slow growth.

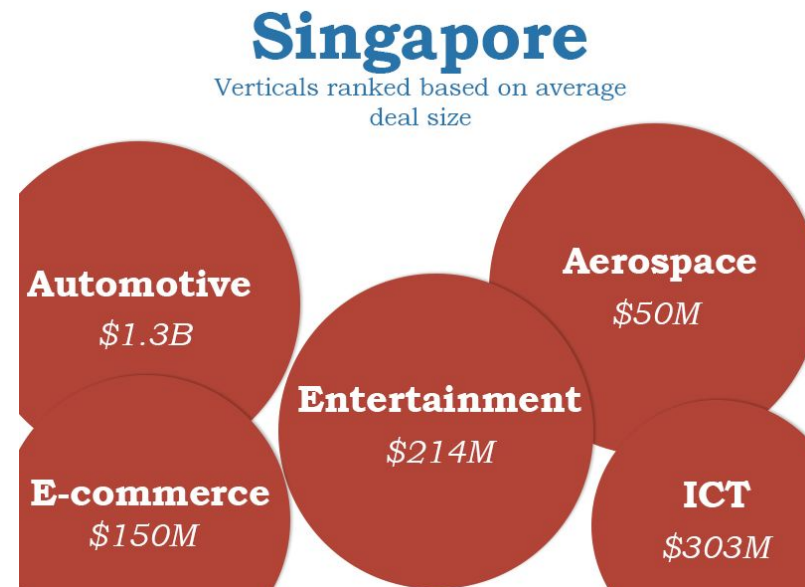
According to the 2018 [Google/Temasek report](#), the country's digital economy was worth US\$10 billion. This is a remarkable number because it places Singapore as the third largest digital

economy, despite having around 5.6 million residents.

The country also experienced a 16 per cent CAGR from 2015, the lowest in Southeast Asia. The number is projected to further drop to 13 per cent for the 2018-2025 period.

About 75 per cent of all funding deals in Southeast Asia went through Singapore, while a significant chunk of the money went to only three companies: Grab, Lazada and Sea Group.

E-commerce is a lagging industry in Singapore. It is only slightly ahead of the Philippines for the last place with a market size of US\$1.8 billion and easily the slowest CAGR at 22 per cent.



THAILAND

From 30,000 feet

Since 2003, the Thailand government, through its National Innovation Agency (NIA) and Digital Economy Promotion Agency (DEPA), has set its sights on bolstering the country's technological capabilities. But it is only in recent years that the government turbocharged its drive to transform its entire economy through its [Thailand 4.0 roadmap](#) (established in 2016).

NIA wants [Thailand to be ranked in the top 30](#) in the Global Innovation Index by 2030.

Through the policy focus, the government wants to push more citizens into the high-income bracket and attract FDI to bolster its economy, and become a global startup hub.

The initiative has paid off, attracting numerous foreign MNCs and major tech companies, such as [Alibaba](#), JD.com and Grab to either set up shop or invest in the country. The Thai Prime Minister also said that [investors have pumped over US\\$182 million](#) into Thai startups.

With global interest in blockchain reaching a fever pitch in 2017, the Thai government has been largely receptive to the trend.

On July 24, the Thai Securities and Exchange Commission (SEC) established a [regulatory framework](#) for cryptocurrencies and ICOs. The Bank of Thailand is currently [working on a project](#) to develop blockchain-powered digital currencies.

The government also approved the use of [seven key cryptocurrencies](#), including Bitcoin and Ether (in applications such as ICOs), as well as [granted licenses](#) for seven crypto exchanges to operate in the country. Homegrown blockchain startups such as [Omise also continue to attract investors](#).

Thailand's digital innovation hub, True Digital Park, recently [partnered with Google](#) to build a tech academy. True Digital Park also launched the Bangkok Cyber Tech District with the aim of housing 20,000 local and international startups.

Thailand

US\$92.9M recorded funding raised



**Average
deal size
per startup**
US\$4.9M

**515 startup profiles
created on e27**

**41 industry verticals
represented**

Numerous challenges still remain, though: Thailand faces a shortage of engineering talent, and the junta government continues to apply a heavy-handed approach towards internet censorship.

e27 Thailand data

According to e27 internal data, there were 515 Thailand startups created in 2018, with 41 industry verticals represented. Of which, 19 startups raised a total of US\$92.9 million across 13 industry verticals, at an average deal size of US\$4.9 million per startup.

The top 5 industry verticals by number of fundraising deals were as follows: Fintech (4), Consumer (2), Human Resources (2), and Mobile (2).

The top 5 industry verticals by average deal size were Mobile (US\$17 million); Food & Beverage (US\$10 million); Hardware (US\$7.7 million); Platform (US\$7 million); and Fintech: (US\$5.4 million).

Takeaways

With the government's strong and steady support and a stream of FDI, Thailand could soon see itself outpace neighbouring ecosystems.

An increasingly tech-savvy populace also bodes well for its digital economy and the country's 4.0 roadmap. About 39 per cent of them are using digital payments, according to a Google/Temasek Report.

The same report also said that the digital economy GMV constituted 2.3 per cent of the

country's GDP in 2018. Currently, it's worth US\$12 billion, which is a 25 per cent jump from 2015.

Thailand also has, unsurprisingly, the second biggest online travel industry in Southeast Asia, which hit US\$6.1 billion in 2018, just after Indonesia.

Some notable Thai investments and partnerships include Grab's deal with Kbank to roll out GrabPay, and TripAdvisor's [Series C investment in Eatigo](#).

There is also an increase in CVC activity, with [Thai SCB doubling its Digital Ventures Fund](#) to US\$100 million.

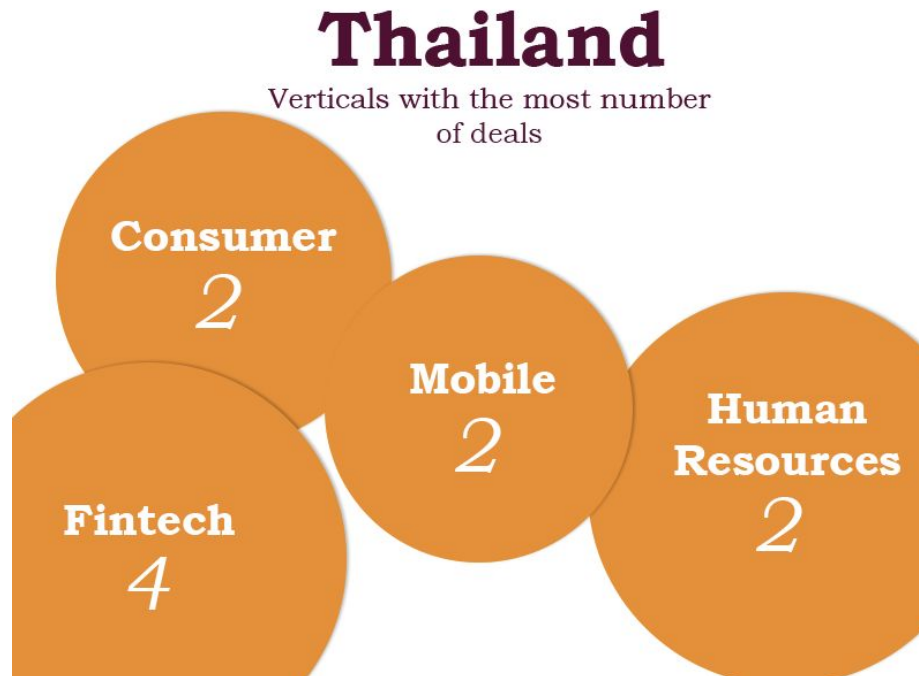
Beyond Bangkok

The Thai government, via NIA, wants to transform the northern city of Chiang Mai into a secondary tech hub through several initiatives such as [angel seed funding](#).

In 2016, [Forbes called](#) Chiang Mai "a go-to destination for online entrepreneurs, freelancers, and remote workers". The city has seen its number of [co-working spaces grow](#) and a rising number of expats are choosing to call Chiang Mai home as they bootstrap digital businesses or scale up their already-successful enterprises.

To demonstrate Chiang Mai's potential, here's a list of [15 startups from the city](#); one of them, Hipflat, a property website, has raised US\$335,000 from international investors and claimed to have over 120,000 homes for sale and rent across Thailand.

Phuket is also becoming an important tech ecosystem. Unsurprisingly, with its reputation as a popular tourist destination, the city has



produced quite a few travel-tech startups. Examples include JetRadar, CloudHotelBooking and UpToPromo.

However, while the resort city is attracting holidaymakers with its sunny beaches, [it is facing difficulty finding skilled locals](#), as most of them will likely be based in the capital city of Bangkok.

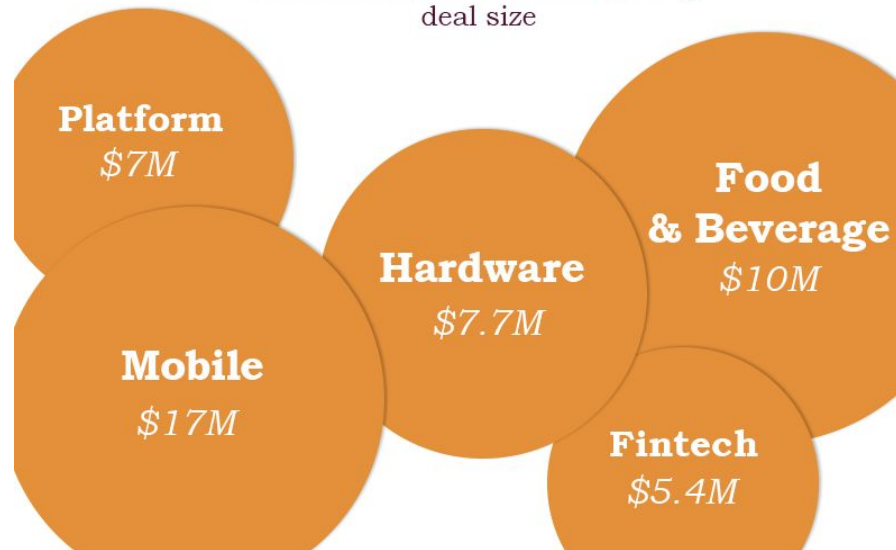
Over the years, Phuket has held [several tech events](#) in a bid to accelerate its [smart city project](#).

Recently, Phuket and Khon Kaen (a rural city in Northern Thailand) [received awards](#) from the International Data Corporation (IDC) Thailand for their smart city projects. Khon Kaen Smart Health won the "public health and social

services" category and Phuket Smart Tourism and Living Communities won the "tourism, arts, libraries and open spaces" category.

Thailand

Verticals ranked based on average deal size



VIETNAM

From 30,000 feet

Vietnam has two characteristics that are unique within Southeast Asia.

First, it has two startup hubs: Ho Chi Minh and Hanoi. The cities themselves are very different from one another, but the vibrancy of the local startup scene is equivalent.

The advantage of this is, unlike Singapore, Thailand (Bangkok), Malaysia (Kuala Lumpur) or the Philippines (Manila), Vietnamese startups have another full-blown hub where they can pursue opportunities and deals without leaving their country.

The other important trait about Vietnam is the influx of foreign-born, ethnically Vietnamese people returning to the country.

These people not only bring capital, but also a global experience and unique perspectives, which adds to the dynamism of the ecosystem.

Vietnam has grown into a [contradictory startup ecosystem](#). Its government throws millions of

dollars into supporting the startup community whilst simultaneously passing stringent laws that restrict freedom online as well as force foreign companies to store data in the country.

The Vietnamese government also [passed a new decree](#), which outlined clear guidelines on how to incorporate and operate a VC in the country. Expect to see more new VCs pop up, which will hopefully lead to more funding opportunities for startups.

Vietnam

US\$193.8M recorded funding raised



**Average
deal size
per startup**
US\$8.4M

**336 startup profiles
created on e27**

**34 industry verticals
represented**

e27 Vietnam data

According to e27 internal data, there were 336 Vietnam startups created in 2018, with 34 industry verticals represented.

Of which, 23 startups raised/recorded a total of US\$193.8 million across 11 industry verticals.

The average deal size was US\$8.4 million per startup.

The top 5 industry verticals by number of fundraising deals are as follows: E-commerce (7), Enterprise Solution (3), Education (2), Fintech (2), and Travel (2).

The top 5 industry verticals by average deal size raised/recorded are as follows: Consumer

(US\$51 million); Education (US\$26.6 million, E-commerce (US\$10.5 million), Travel (US\$3.2 million) and Logistics/Supply Chain (US\$2.4 million).

According to e27 data, e-commerce is the most common vertical for entrepreneurs.

The sector leads the industry with the most deals but ranks only fourth in total fundraising. This implies there is a lot of interest and activity in the industry, but no player has grown to become a regional player.

The most money has been poured into hardware companies, with the consumer and education verticals rounding out the top-three.

There is a significant money gap between the top-3 verticals (consumer, education, e-commerce) and everyone else.

Education is a particular strong point for Vietnam and it has more startups than comparable markets in Thailand and the Philippines.

Other active verticals were consulting companies, advertising, design and enterprise solutions.

According to the 2018 Google/Temasek report, the e-commerce industry grew 7X since 2015, and BBC reported the country has 3,000 startups.

Moving forward, two statistics from Google/Temasek stand apart as being particularly intriguing.

The internet economy market size is US\$9 billion, only US\$1 billion less than Singapore – a much smaller, but far more wealthy, nation. The annual GMV as per cent of the GDP is four per cent, the highest in Southeast Asia.

Vietnam has moved beyond Frontier Market status and is firmly a growth market.

Takeaways

While all of these numbers point to a positive future for Vietnam, the [recently passed](#) cybersecurity decree could dampen enthusiasm.

The law would require companies that provide services in Vietnam (including global products like social media or email) to open an office in the country.

It will also require these companies to store data such as job titles, contact details, credit card information, biometric data, and medical records. The concern is that the law gives the Vietnamese government, which has strict control over the country, easy access to people's data.

From a business perspective, people worry that foreign companies may simply choose to invest



in a neighboring country rather than navigate the cybersecurity laws.

And yet...

The government is [doing a good job](#) of backing the startup ecosystem.

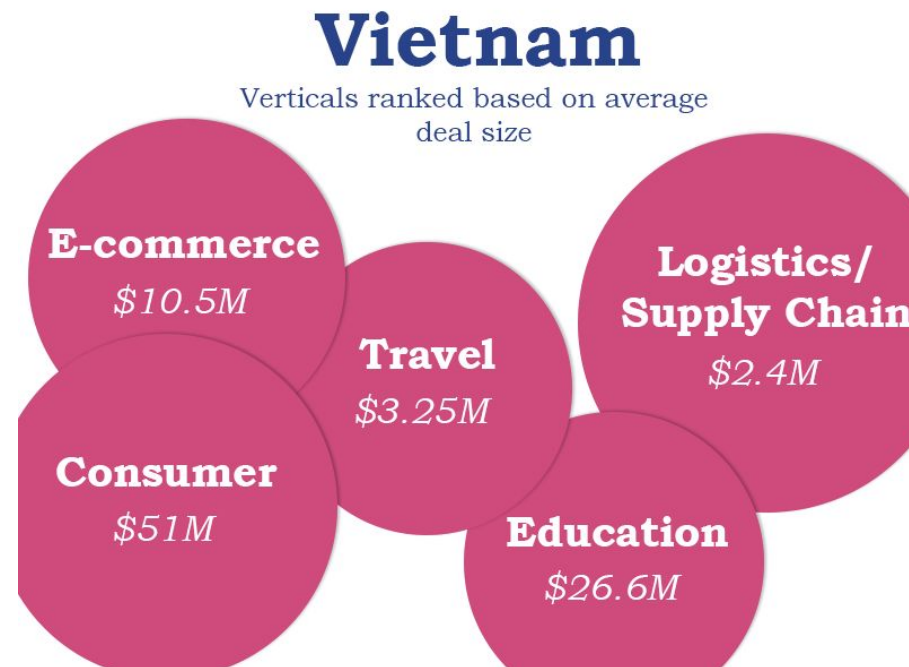
Agencies like the Saigon Innovation Hub, Ministry of Science, Business Startup Support Center, the Mekong Business Initiative and

Vietnam Silicon Valley are all designed to provide support to local startups.

Saigon Silicon Valley and National Agency for Technology, Entrepreneurship, and Commercialization Development do a good job of providing space, mentorship and connections but it is unclear how easy the startups can access cash.

One area that could be improved is the financial commitment from government support agencies. For example, SpeedUP is started by the Ho Chi Minh city Department of Science and Technology but is a fund of only US\$520,520.

The want-to is there, but it is time the government put its money where its mouth is.



FRONTIER MARKETS

CAMBODIA

Siem Reap, Cambodia, is the second busiest city in the country and has conducted a lot of global startup events. Startup Weekend, supported by Techstars, was held in the city's co-working space Bio Lab.

Startups on the rise include Kopernik, a company that connects solar lights and biomass cookstoves with rural communities in Siem Reap to provide access to clean light and safe cooking.

Another one is Apulus, a Siem Reap-based company that offers a product called LiveBlox, which promotes a software platform that allows users to create apps and other concepts without years of coding experience and deep knowledge of programming languages. The startup managed to secure a deal with the National Football League (NFL) in the US to work on an online site, FantasyGram, through a subcontractor.

Another interesting project in Siem Reap is the Tourism and Travel Tech Accelerator Bootcamp run by Mekong Innovative Startups in Tourism (MIST). The project, funded by the Asian Development Bank (ADB) and the Australian government, aims to provide promising startups with knowledge and connections, and a possible link to angel investors and venture capital firms.

The Cyclo won the MIST Accelerator Bootcamp for their plan to introduce the traditional bicycle rickshaw to Siem Reap as a conveyance for tourists.

When it comes to startups in Siem Reap, there's no formula or exact pattern; startups range from harvesting energy, to providing on-demand rickshaw service for tourists, to IT software startups.

Siem Reap definitely will be the next landing spot for Cambodian startups, starting with the expansion of services from the capital of Phnom Penh to Siem Reap.

MYANMAR

Everything is still concentrated mostly in Yangon, but the city of Mandalay is following suit closely. Mandalay remains a promising but not strategic place to have a startup business.

Inc-ASEAN noted in its article that two media-exposed startups were founded in Mandalay, the second metropolitan city of Myanmar. One is [Shwe Bite](#), a social enterprise startup that delivers home-cooked meals to one's doorstep with the hope of empowering women and housewives.

The other is My HMS Tools, a medtech startup that provides cloud-based medical records for hospitals and clinics, enabling such facilities to better diagnose and provide increased trust among patients.

Both startups were selected to join the notable Phandeeyar startup accelerator in Yangon and were recipients of US\$32,000 seed funding,

which meant they were relocated to the capital of Myanmar to run the operations.

As the BBC article pointed out, Myanmar has just perked up its economic policy and will soon quickly begin embracing the startup culture.

LAOS

As noted in an article by *Diplomat*, Laos has been actively working since 2016 to be removed from the list of Least Developed Countries by 2020. The country does have promising growth, but due to language barriers in pitching in English, as well as the lack of key players and components in Laos, it is yet to see a significant startup presence. Three of the most notable startups from the country are Foxpress, Bizgital, and Book Delivery.

Just in September 2016 the country welcomed the Laos chapter of the Mekong Angel Investors Network in Vientiane, its capital.

According to the commentary on the article, investment is slow in Laos due to the infancy of the startup scene particularly in market size.

Laotians are still considered as lacking the understanding of what a startup is and often view it as a risky business.

All in all, Laos is relatively behind on startup growth in the ASEAN region, but the interest of the likes of Mekong Angel Investors Network has given the country hope.

Southeast Asia

US\$17.9B recorded funding raised

**Average
deal size
per startup**
US\$38.6M

3,025 startup profiles
created on e27

49 industry verticals
represented

Our 2018 datasets all point to a healthy, thriving Southeast Asian ecosystem. We tracked at least 5,800 active startups operating in across all major verticals in the region.

There was an abundance of deals and investors are cutting large check sizes. e27 tracked over 328 Southeast Asia-based startups from across 36 industry verticals. They raised a total of US\$12.39 billion – putting the average deal size at about US\$37 million.

To be fair, these figures could be skewed by unicorns like Grab and Go-Jek, who were racing with each other to hit multi-billion-dollar investments in 2018. Sea's hefty US\$575 million round should also be noted.

In terms of the number of funding deals, consumer tech startups received the lion's share of investments, grabbing 70 deals. This was evident from the fact that plenty of deals in 2018 went to mid-to-late-stage consumer tech

companies such as Grab, Go-Jek, Sea, M17 Entertainment, Ninja Van, Topica, and more.

Of course, Grab and Go-Jek were the headliners; the former raising money from the likes of SoftBank, Yamaha and KASIKORNBANK to roll out GrabPay across Southeast Asia and build its superapp platform; and the latter grabbing investment from Google, JD and more to finally launch into other Southeast Asian markets.

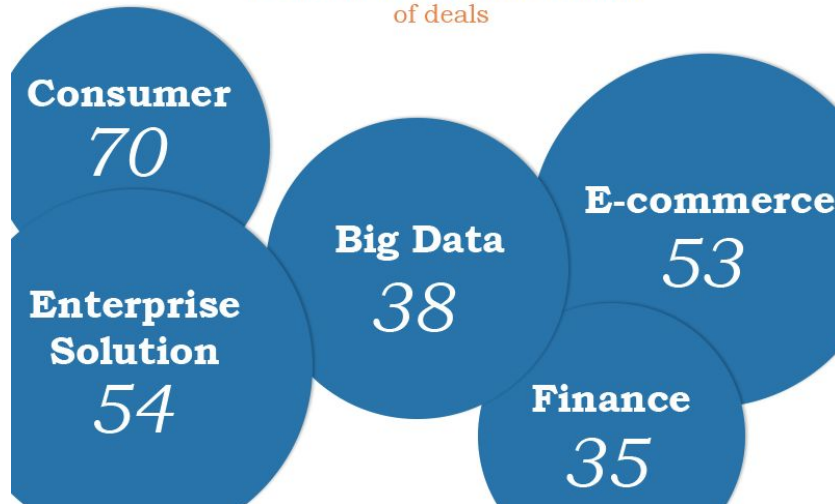
Following this was enterprise tech; notable enterprise deals include data centre provider AirTrunk's US\$621 million round. With a growing demand for Big Data and IoT, it is no surprise there has been an uptick in enterprise tech investments in the region.

And coming in at a close third was the e-commerce vertical. Collectively they logged 53 deals; notable rounds include Vietnamese

e-commerce portal Sendo's US\$51 million round. E-commerce spending is at all-time high in the region so it makes sense for regional investors to pump in more cash to fund growth.

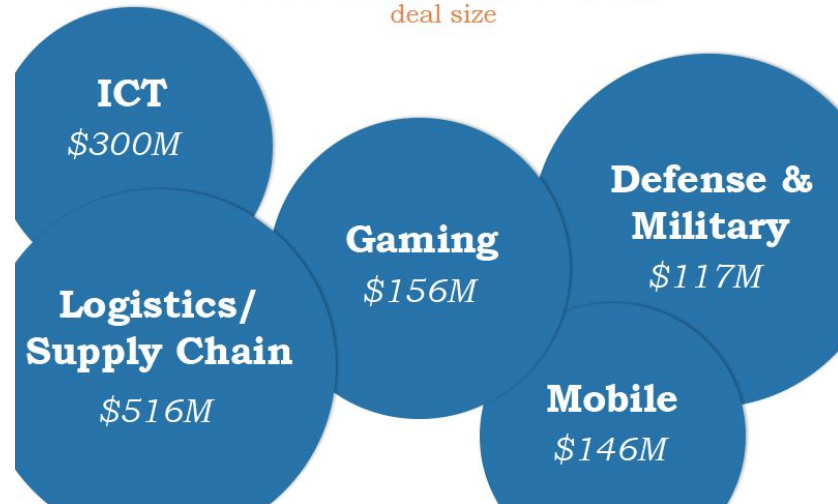
Southeast Asia

Verticals with the most number of deals



Southeast Asia

Verticals ranked based on average deal size



TOP 10 STORIES THAT IMPACTED SOUTHEAST ASIA IN 2018

Big moves by Southeast Asian ride-hailing giants

Following Grab's acquisition of global ride-hailing giant Uber, the market also saw Go-Jek expanding beyond Indonesia to Singapore, Vietnam, and Thailand. The two companies continue to their fight to become a "super app" while raising billions of dollars; their success also prove that Southeast Asian startups are able to win in its own market.

Traveloka acquired 3 rival OTAs

All three companies are subsidiaries of Japan's Recruit Holdings: PegiPegi (Indonesia), Mytour (Vietnam), and TravelBook (Philippines). Together with Traveloka, PegiPegi is one of the top three most popular online travel agencies (OTAs) in Indonesia, further strengthening its position in Southeast Asia.

Funds flooded into emerging markets in Southeast Asia

As leading Southeast Asian markets such as Singapore and Indonesia mature, investors have started to look for fresh opportunities in emerging markets such as Cambodia and Myanmar. The market has also begun receiving governmental support, through the setup of tech innovation centres and national fund for startups.

Southeast Asia governments are becoming more receptive to cryptocurrency

While China was cracking down on cryptocurrency exchanges, Southeast Asia seem to have moved in a more positive direction with Singapore and Thailand leading. However, the plunging value of cryptocurrencies may pose a problem, especially as platforms and exchanges face high-level hacking.

High-level changes in Malaysian startup ecosystem

In addition to the untimely death of Cradle Fund CEO Nazrin Hassan, the ecosystem also saw the abrupt resignation of Malaysia Digital Economy Corporation (MDEC) CEO Yasmin Mahmood and MaGIC CEO Ashran Ghazi.

Tokopedia raised another US\$1.1 billion

While the company has declined to share its valuation following this year's funding round, *TechCrunch* reported that it has reached US\$7 billion. The funding round also highlighted consolidation in Indonesia's e-commerce sector, with two to three main players expected to fight for pole position.

Indonesia (finally) embraced e-wallets

Known as a cash-dependent market, Indonesia has always been considered as a tough crowd for fintech services, particularly cashless payments. But with moves from major tech companies such as Go-Jek, complemented with the government's action in obliging the use of e-money for toll road payment, change is finally apparent in the archipelago.

Co-working space chains aggressively expands in Southeast Asia

As an industry that is directly related to the startup industry, co-working spaces have also grown rapidly in 2018. Following its entry into the Chinese market, US co-working space chain WeWork aggressively expanded in Southeast Asia. There were also several high-profile M&As in the sector, with companies expanding into new vertical such as co-living.

The bike-sharing bubble popped

Bike-sharing companies in the region are in trouble. Singapore's oBike had to shut down shop in its home base, followed by its struggle to return users' deposits. Its competitor ofo is also bleeding cash and is struggling to pay suppliers. The company is even considering to file for bankruptcy.

Cryptocurrency price plunge

As highlighted by this report, many Southeast Asian countries are global leaders in progressive blockchain legislation. The community is strong and consumers/investors are informed about the technology. This means the price crash in crypto hit the region hard and it will be intriguing to watch how the space moves forward in 2019.



We believe that every startup deserves a fair chance to succeed

OUR VISION

To empower entrepreneurs with the tools to build and grow their companies

OUR MISSION

ECHELON



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