



The Future of Fintech in Southeast Asia

September 2020

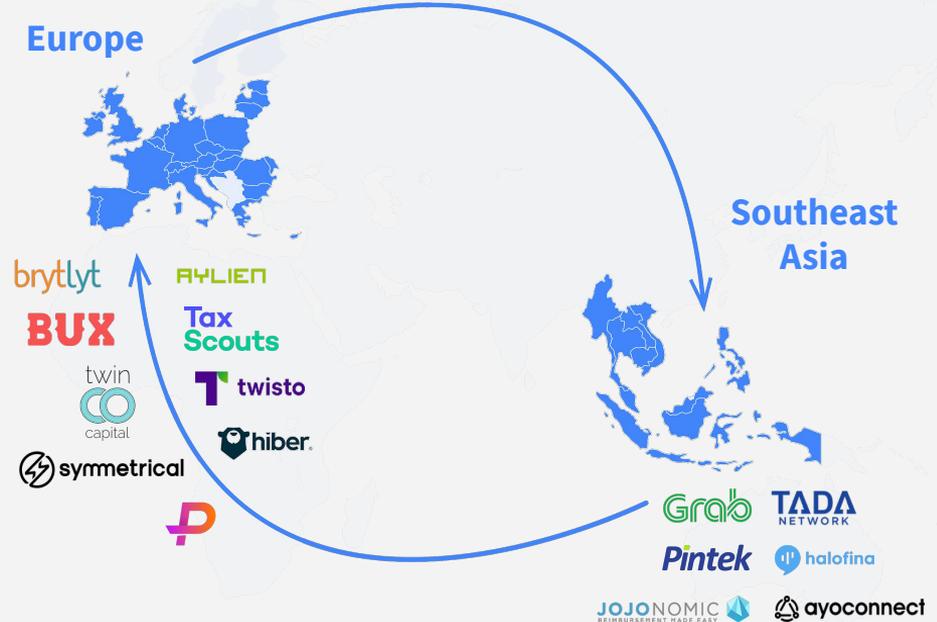


Thematic investor focused on Southeast Asia's financial technology enablers.

Finch Capital is a thematic VC in financial technology with combined 30 years of operational experience and 25 years of investing experience in both Europe and Southeast Asia. Finch Capital today manages over \$200 million AUM across two funds, having invested in more than 30+ companies with 4 exits.

In Southeast Asia we focus on Indonesia, Vietnam, Singapore and Malaysia where we invest in early stage Seed - Series A companies with Fintech & Embedded Fintech themes. Our unique investment & portfolio strategy accelerates companies product-market fit and scalability through collaboration.

Our regional HQ is located in Jakarta, Indonesia, where the SEA team leverages Finch Capital's global infrastructure in Amsterdam and London.





Global multi-stage venture capital firm backed by Telkom Indonesia.

Investing in seed to growth-stage startups throughout multiple Independent Associated Fund across various sectors and taking a thesis-driven investment approach.

MDI Ventures manages over USD 790 million in assets across three funds with portfolios spanning over ten countries through three international offices in Jakarta, Singapore, and San Francisco. Some of our prominent portfolios including Payfazz, Kredivo, MPL, aCommerce, Nium and Wavecell.



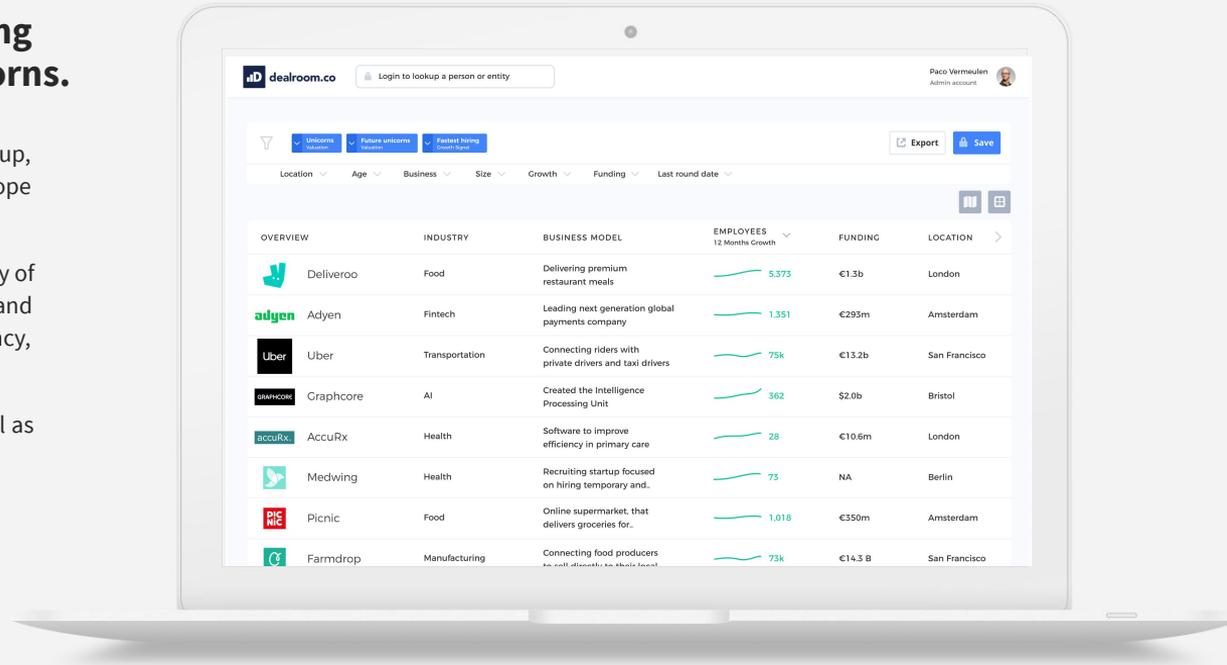


Global intelligence about promising companies, from startups to unicorns.

Dealroom.co is the foremost data provider on startup, early-stage and growth company ecosystems in Europe and around the globe.

Founded in Amsterdam in 2013, we now work with many of the world's most prominent investors, entrepreneurs and government organizations to provide transparency, analysis and insights on venture capital activity.

Our offerings include data sets via SaaS and API as well as custom reports and bespoke ecosystem platforms.



Growing ties between the Southeast Asian and European tech ecosystems.

Focus is shifting from USA to Asia. The USA has traditionally been the destination of choice for scaleups, given its big market, talent, capital, and political stability.

Today, those ingredients are equally available in Europe and Southeast Asia; perhaps even more so.

To succeed in Southeast Asia, collaboration with established players is key.

Southeast Asia provides massive opportunity for both local and European fintech scaleups

Covid-19 is only accelerating the digital adoption of financial services in Southeast Asia.

With 22 million people joining the mobile age every year, Southeast Asia is among fastest growing regions in the world.

Highly engaged mobile audience with high propensity to adopt new technologies (E-money transactions in Indonesia skyrocketed 173% from Jan 2019 to Jan 2020)

570M

People, moving to big cities

360M

Internet users and growing fast

50%

Unbanked population

\$10B

Unrealised fintech exit value in pipeline

32%

Annual growth of internet economy

\$300B

Internet economy size by 2025

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1 Southeast Asia's booming Internet & Fintech economy

Growing ties between the Southeast Asian and European tech ecosystems.

Southeast Asian VC funds are investing into European startups at record levels, led by Singapore

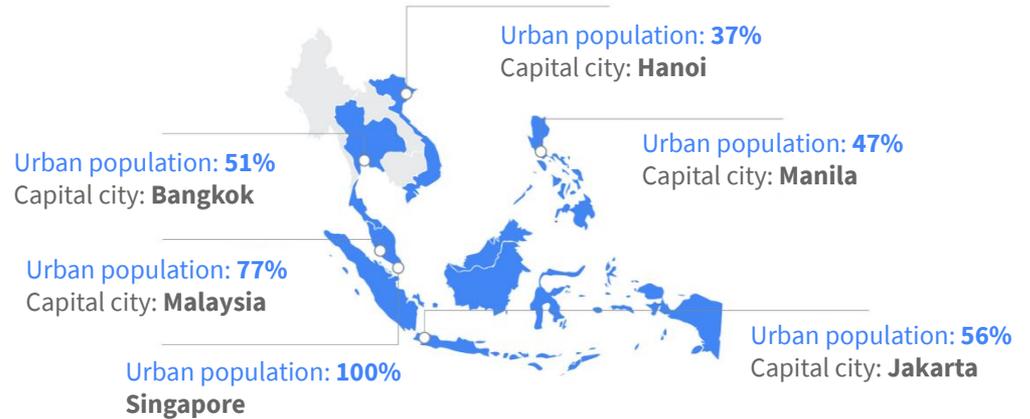
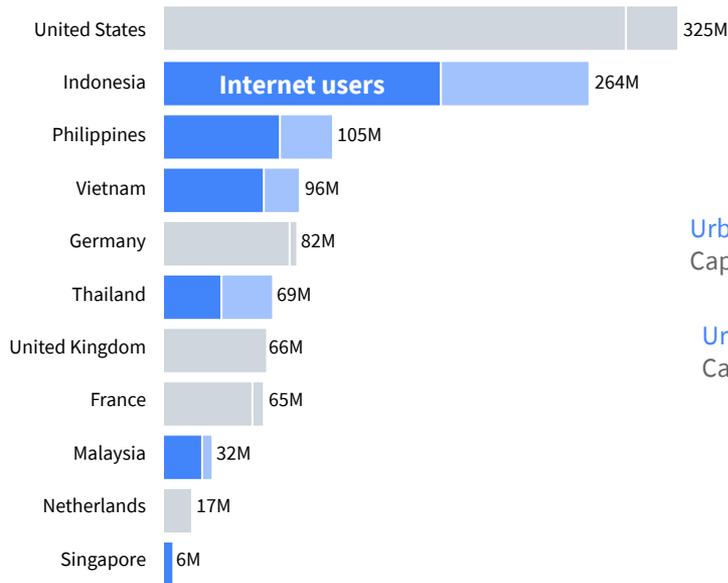


European (fintech) scaleups are expanding into Southeast Asia, a massive and underserved mobile-first population



570 million people and 360 million internet users in 6 Southeast Asian countries. 22 million people joining the mobile age every year.

Population per country as of 2019



Booming internet economy, driven by a fast growing, engaged, young, and mobile-first audience.

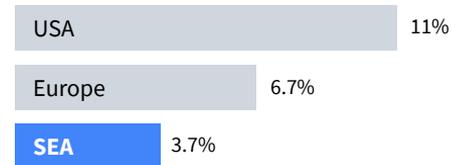
The most engaged mobile audience

Hours per day using mobile internet



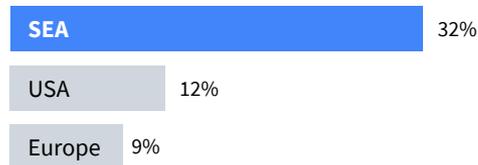
SEA has the biggest upside

Internet GMV as % of GDP



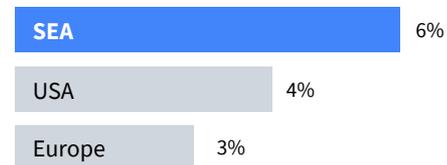
Booming internet economy

Internet GMV growth (2015-2019 CAGR)



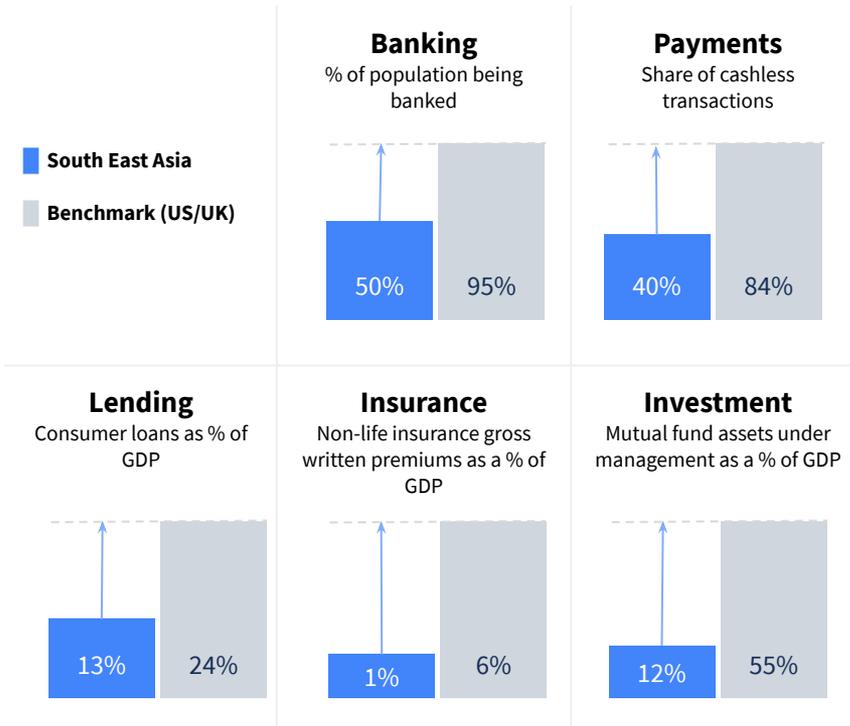
Solid macro growth

GDP growth (2015-2019 CAGR)



Source: Fulfilling its Promise, the future of SEA's digital financial services. A [report](#) by Bain, Google and Temasek.

Covid-19 will accelerate the digital revolution of financial services in Southeast Asia.



The current pandemic is leading to increased access to (and need for) digital banking services. As many as 50% of SEA consumers are unbanked; 70% are either underbanked or unbanked.

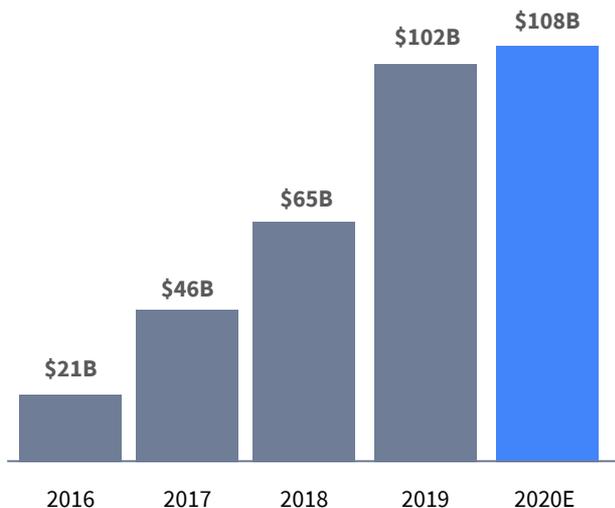
Today cash is still the primary means of transactions. 70% of SME merchants accept only cash in 2019. The Covid-19 outbreak has drastically accelerated SEA's shift to a cashless world, with unprecedented growth in the number of e-payment transactions amid a sharp decrease in cash withdrawals and deposits.

Banking, digital payments and loan-financing services greatly propelled the economic wheel forward throughout the lockdown. Since many fintech firms are startups, their agility to pivot their operations to provide specialized services as customers needed them strengthened the industry.

Source: Fulfilling its Promise, the future of SEA's digital financial services. A [report](#) by Bain, Google and Temasek.

Valuation of the Southeast Asian tech ecosystem is now \$108B.

Valuation of Southeast Asian ecosystem *



	Name	HQ	Founded	Valuation
#1	Grab	Singapore	2012	\$14B
#2	gojek	Indonesia	2010	\$10B
#3	tokopedia	Indonesia	2009	\$7.0B
#4	sea	Singapore	2009	\$4.9B**
#5	OVO	Indonesia	2017	\$2.9B
#6	Bukalapak	Indonesia	2011	\$2.5B
#7	Lazada	Singapore	2012	\$2.2B
#8	traveloka	Indonesia	2012	\$2.0B
#9	trax	Singapore	2010	\$1.1B
#10	alodoku	Indonesia/ Philippines	2014	\$1.0B

* Source: Dealroom.co. Cumulative sum of the estimated value of all startups in the ecosystem.

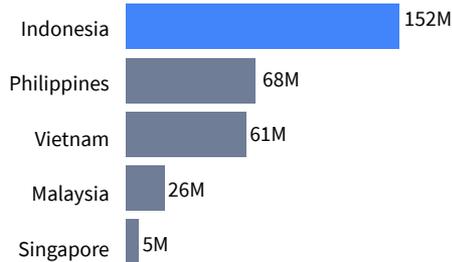
** Valuation at IPO

Indonesia and Singapore are the most valuable ecosystems.

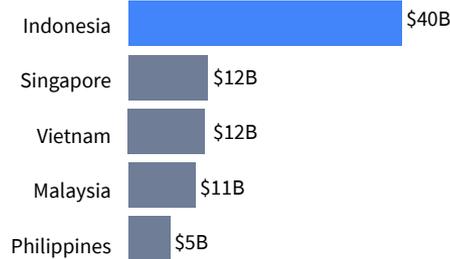
Combined valuation	Singapore  \$60B	Indonesia  \$35B	Vietnam  \$5B	Philippines  \$4B	Malaysia  \$4B
\$1B+ companies	Grab, sea, ninjavan, trax, Lazada, bitget	tokopedia, gojek, alokuluku, traveloka, Bukalapak, OVO			
\$250-1B	202P, patsnap, D.A.G, ezbuy, PropertyGuru, CIRCLES.LIFE, SHOPBACK, GreyOrange, Carousell, RedDoorz	sociolla, PAYFAZZ, ruang guru, modalku, SICEPAT, finXcel, mataharimall.com	momo, TOPICA, VNPAY, Sendo	REVOLUTION PRECRAFTED, VOYAGER	iflix, axiata, CAR SOME
\$100-250M	Singlife, neuron, aspire, NIUM, holmusk, KuCoin, near, moglix, trustingsocial, DA DOCTOR, Terra, ECONIOMBI, cxagroup, YOU TRIP, seconds, CONFLUX	investree, gudanggaga, ALODOKTER, EUREKA, PINTAR, UangMe, Shipper, FORE, C88, BelliMobilGue.co.id, kargo, halodoc, Mbiz, zenius	VALIDUS, Nkid, telio, SieuViet, PROPZY, pops	First Circle, tonik, cloudstaff	COMMON GROUND, HappyFresh, aerodyne, myTukar
\$0-100M	IN MIND CLOUD, GLOBALTIX, ZENROOMS, gobear, ObvioHealth, JUST CO, EZYHAUL, ANTWORKS, StashAway, WEINVEST, 99co, dathena, CARUMA, zenyum, SPARK, smartkarma, STYLE THEORY, ICE	KOINWORKS, Pintek, Ralali.com, travelio, Qoala, TaniHub, BATUMBUR, UANGTEMAN, bobobox, ula, COHIVE, SIRCLO, chilibeli, Akseleran, fabello, snapcart, ayopop, EVER M S, waresix, StickEarn	888, REVER, topcv, leflair, MOCA, manabie, Sapo, funtap, HOTTAB, HOZING, TIKI.VN, vntrip.vn, SCOMMERCE, lozi, vexeere, KYNAVN, OnPoint, LOGIVAN	growsari, MariaHealth, serout, bliimo, advance, COCOTEL, paymango, GoodWork, SHARE TREATS, KALIBRR, kumu	OPEN DYNAMICS, SOFTSPACE, tresgo, INVOLVE ASIA, fave, MONEYMATCH, easyTravel, supahands, STOREHUB, NutritionTechnologies, Jirnexu, HelloGold, SOCAR, Verifax, iprice, POS Aviation, dahmakan

Indonesia, Singapore and Vietnam are the most attractive immediate opportunities.

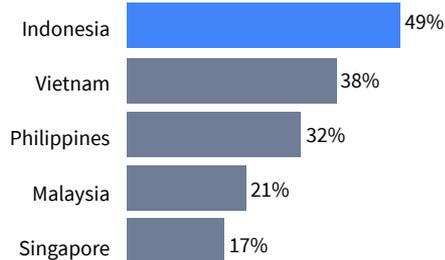
Internet users 2019



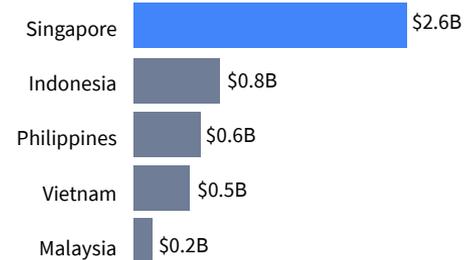
Internet GMV



Internet GMV growth



Fintech VC invested since '15



Indonesia's internet economy has more than quadrupled to more than \$40 billion in 2019 and is well on track to reach \$130 billion by 2025.

The runner up is Vietnam with \$12 billion in 2019 with a projected \$43 billion by 2025.

The biggest contributors are the e-Commerce and Ride-Hailing sectors. Particularly in Vietnam, homegrown marketplaces like Sendo and Tik, who compete with the likes of Lazada and Shopee, are their key economic drivers.

Singapore continues to dominate funding and is the #1 regional base for fintech firms with \$2.6B raised since 2015, led by big gains in funding to payments and insurtech startups.

Source: Fulfilling its Promise, the future of SEA's digital financial services. A [report](#) by Bain, Google and Temasek.

2 Fintech in Southeast Asia: Spotlight on Indonesia, Vietnam, Singapore

E-money transactions in Indonesia skyrocketed 173% from Jan 2019 to Jan 2020. Two key players are Gojek (Gopay) and OVO.



Founded: **2010**
Location: **Jakarta, Indonesia**
Valuation: **\$10B**

A Super App that provides a variety of services from payments, food delivery, transportation and logistics

Organic product development

GOPAY was the only mode of non-cash payment accepted by Gojek in Indonesia before mid 2019. GoPay recorded **\$680** million in total digital payment transaction value in the first half of 2019.

Strategic partnerships



Strategic investors



Fintech acquisitions & investments



Source: [m2insights](#) Indonesian E-wallet Race 2020



Founded: **2017**
Location: **Jakarta, Indonesia**
Valuation: **\$2.9B**

The leading Indonesian payments, rewards and financial services platform.

Started in 2017 by the venture builder arm of the Indonesia-based conglomerate Lippo Group, E-wallet OVO is Indonesia's most popular payment option followed by debit cards, ATM transfer and Gojek's GoPay e-wallet. OVO recorded **\$1.5** billion in total digital payment transaction value in the first half of 2019.



Strategic investors



Fintech acquisitions & investments



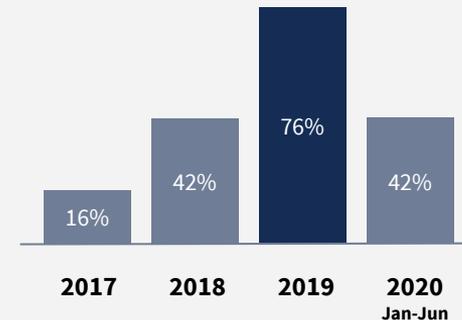
Gen Y and Z are fueling rapid growth of Indonesian e-payments and peer-to-peer lending.

<p>Lending</p>  <p>Provides alternative installment for online purchases without credit card</p> <p>\$120M funding</p>	<p>Payments</p>  <p>Agent banking startup using Data analytics to simplify financial product distribution</p> <p>\$75M funding</p>	<p>Lending</p>  <p>Online marketplace connecting Borrowers and Lenders</p> <p>\$60M funding</p>
<p>Lending</p>  <p>B2B marketplace lending platform for SMEs</p> <p>\$24M funding</p>	<p>Lending</p>  <p>Provides P2P lending for micro entrepreneurs</p> <p>\$18M funding</p>	<p>Payments</p>  <p>Smart mPOS and payment solution for businesses</p> <p>\$8M funding</p>

Source: Dealroom.co

Alternative lending startups in Indonesia attract the most funding and secure the highest number of deals of any fintech segments. A young population is driving adoption, being more open to alternative lending investments compared to the traditional institutional lending.

Lending startups as a percentage of total fintech investment in Indonesia



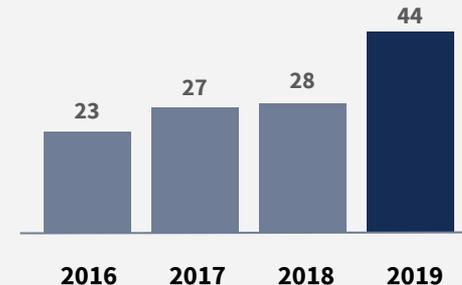
The fintech future of Singapore will be powered by AI and blockchain.

<p>Insurance</p>  <p>Mobile-first account that allows you to save, spend, earn and be insured all in one app</p> <p>\$173M funding</p>	<p>Capital Markets / AI</p>  <p>A platform that prices and trades exchange-traded products in a multitude of currencies</p> <p>\$100M funding</p>	<p>Blockchain</p>  <p>Software that enables banks and insurance businesses to leverage blockchain</p> <p>\$23M funding</p>
<p>Capital markets / AI</p>  <p>Data-driven venture investment platform</p> <p>\$14M funding</p>	<p>Wealthtech / AI</p>  <p>Artificial-intelligence digital asset management platform</p> <p>\$9M funding</p>	<p>Regtech / AI</p>  <p>AI platform helping financial institutions combat money laundering</p> <p>\$6M funding</p>

Since 2016, artificial intelligence and blockchain enabled fintechs in Singapore have gained significant traction. The limited number of such fintech startups make them even more attractive to investors.

In May, the Monetary Authority of Singapore kicked off efforts to develop a framework to ensure the "responsible" adoption of artificial intelligence (AI) and data analytics in credit risk scoring.

Blockchain and AI fintech startups receiving funding rounds in Singapore



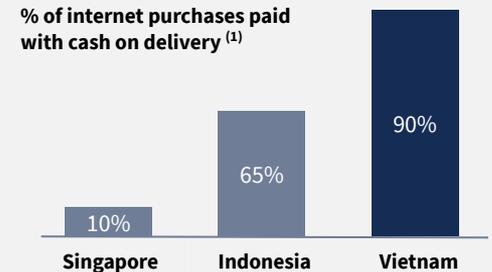
Cash is king in Vietnam: a huge digital payments opportunity is rapidly evolving.

<p>Payments</p>  <p>The leading company in the electronic payment in Vietnam</p> <p>\$300M funding</p>	<p>Payments</p>  <p>Offering digital payment via an e-wallet app.</p> <p>\$134M funding</p>	<p>Payments</p>  <p>A mobile payment application to shop and make online payments</p> <p>\$1M funding</p>
<p>Payments</p>  <p>A mobile payment application with use cases for daily life and business needs</p> <p>N/A funding</p>	<p>Lending</p>  <p>Financial marketplace and peer-to-peer (P2P) lending platform.</p> <p>N/A funding</p>	<p>Banking</p>  <p>First digital bank in Vietnam.</p> <p>N/A funding</p>

1. State Bank of Vietnam, Tellimer [Research](#)

90% of Vietnamese consumers opt to pay cash on delivery for their online purchases, a much higher proportion than other regional markets. However, digital payments technology is evolving rapidly. Payments through mobile banking services surged by a whopping 144% per year over the past five years.

The rise of digital payments in Vietnam is supported by the Government. To date, 33 payment licences have been issued by the State Bank of Vietnam, at a rate of around 1 licence every two months



New models of financing will emerge outside of the traditional financial service.



Financing Education

Foundation year: 2018
Location: Indonesia
Headcount: 40+

Financial technology company aiming to democratise access to education in Indonesia through affordable and flexible credit



Financing Agriculture

Foundation year: 2018
Location: Vietnam
Headcount: 40+

Agri-finance solution will allow banks to finance the agricultural sector through the KILIMO App in combination with expert loan origination software.

Kilimo Finance wants to improve financial access for smallholder farmers in Vietnam: Startup Stories

The lending platform connects farmers to banks for easier loan assessment and disbursement.

By Thu Huong Le
Apr 17



Financing Supply chain

Foundation year: 2017
Location: Indonesia
Headcount: 70+

Provide affordable financing for SMEs, which in turn will advance and empower the community to grow and develop.



Incumbents gaining head start in Southeast Asia's digital banking race.

Southeast Asia incumbent-backed digital banks

Parent Bank	HQ	Digital Bank	Operating country	Lunch date
DBS Group Holdings	Singapore	 digibank by DBS	Indonesia	Aug-17
United Overseas Bank	Singapore	 TMRW	Thailand	Feb-19
CIMB Group Holdings	Malaysia	 CIMB BANK	Philippines	Jan-19
		 OCTO Mobile	Vietnam	Dec-18
Vietnam Prosperity JSCB	Vietnam	 timo	Vietnam	Sep-16
		 OLO	Vietnam	Sep-18
PT Bank BTPN Tbk	Indonesia	 Jenius	Indonesia	Aug-16

At least seven digital-only banks owned by large traditional financial institutions operate in Indonesia, the Philippines, Thailand and Vietnam.

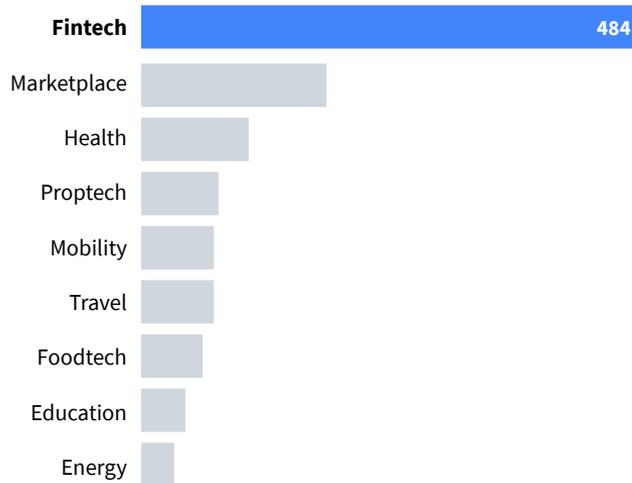
Central banks in Singapore and Malaysia are preparing to open the banking industry to digital players. Regulators in the Philippines and Thailand have expressed interest in developing virtual banking frameworks, and other countries could follow suit. Although the onset of virtual banking regimes will bring in more competition, large incumbents are already learning the tricks of the trade with their digital-only banks. The future is to enable these incumbents with software. The next step is to enable these incumbents with software.

In late June 2019, the Monetary Authority of Singapore (MAS) announced its intention to issue five digital bank licenses to eligible applicants.

3 Fintech investment in Southeast Asia

Fintech is Southeast Asia's largest venture capital investment category by number of backed startups.

Number of VC-backed startups by internet sector



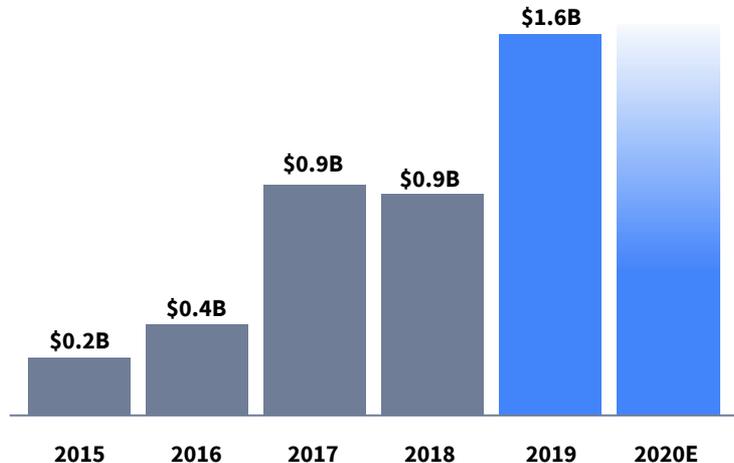
Investment by internet sector Jan 2015- Jul 2020



Source: Dealroom.co

The rise of fintech is accelerated by venture capital investment. Last year, \$1.6B was invested in the region, compared with only \$0.2B five years ago.

VC investment in fintech in the SEA region



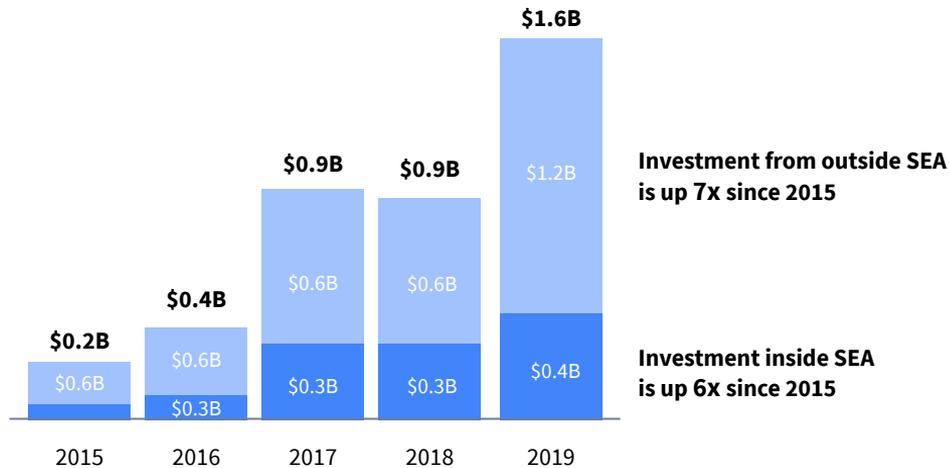
Largest funding rounds 2018-2020



Source: Dealroom.co. Gojek and Grab are not included as fintechs.

Much of the increased investment in SEA fintech startups is driven by foreign investment.

Domestic and foreign venture capital investment into fintech sector in SEA



Southeast Asia is "fintech battleground" for financial institutions and established players.

Asian corporates investing in SEA fintech

 SoftBank	x	 
 Tencent 腾讯	x	
 Rakuten	x	
 ANT FINANCIAL	x	
 宜信 CreditEase	x	
 Sumitomo Corporation	x	

European corporates investing in SEA fintech

 HSBC	x	
 CREDIT SUISSE	x	
 AEGON	x	
 PayU	x	
 experian.	x	

US corporates investing in SEA fintech

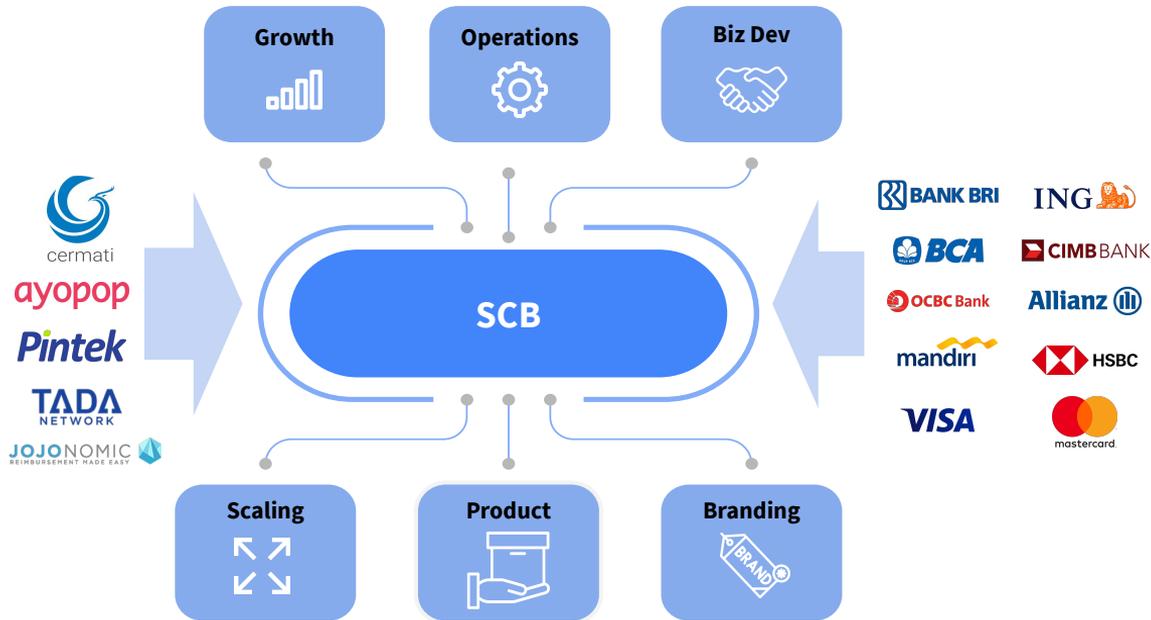
 Goldman Sachs	x	 
 VISA	x	
 mastercard.	x	
 PayPal	x	

Top fintech VC investors in Southeast Asia, from seed to late stage.



Source: Dealroom.co. the selection is based on the number of investments since 2013 in each stage. Excludes double counts and follow on rounds.

From disruption to collaboration: accelerating fintechs product market-fit through strategic collaborative business models (SCB's).



Through collaborations, fintech companies and Banks can have access to broader markets, along with a number of other benefits such as a faster route to product-market fit where fintech companies can attain early adopters from Banking clients.

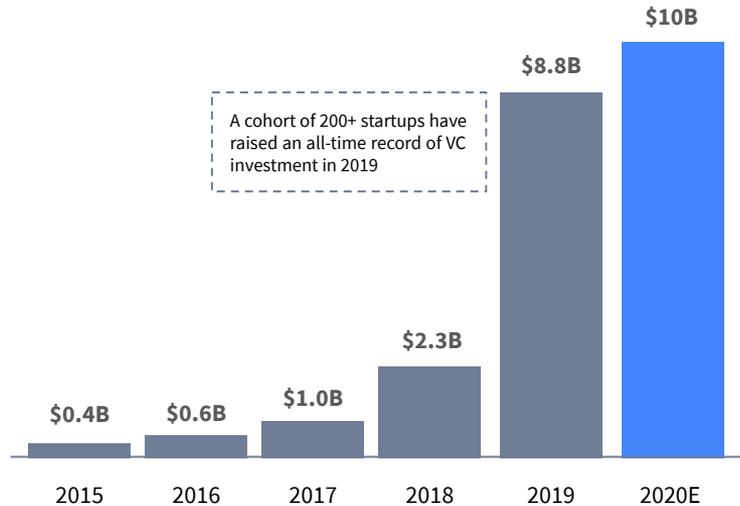
We highlight that collaborating instead of competing with fintechs can provide innovative tech-solutions for Banks. For example, shared services and knowledge will improve product offerings through data analytics tools like predictive analytics, offering deeper engagements with customers.

We conclude that the shift from disruption to collaboration is largely driven by the use of a more collaborative business model such as B2B2C.

4 Exit landscape: \$10 Billion unrealised value in the pipeline

Exit landscape: there is at least \$10 billion unrealised value in the pipeline.

Estimated value of VC-backed fintech startups



Selected VC-backed fintech startups

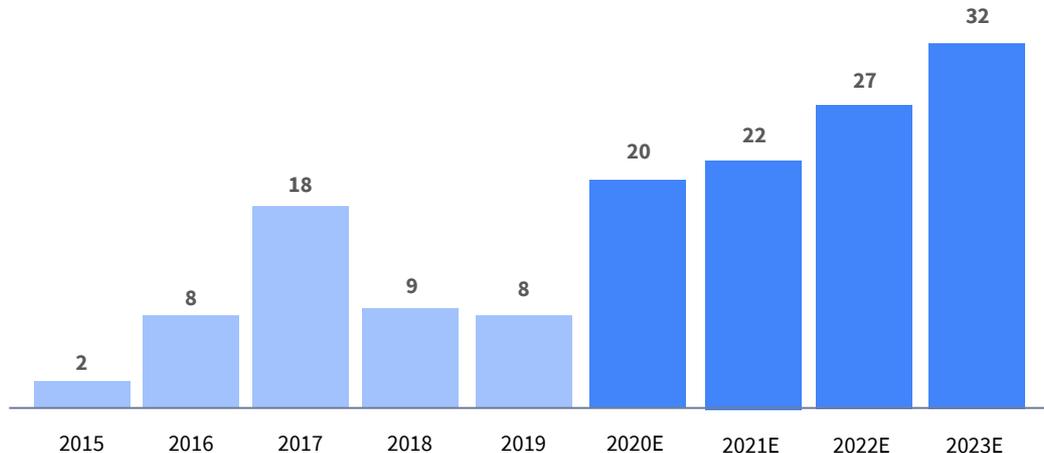
Valuation above \$250M	VNPAY	PAYFAZZ	al akulaku
	OVO	mo mo mobile money	finAcel
Valuation \$50M - \$250M	tonik	Qôala	aspire
	Singlife	NIUM	VALIDUS
Valuation below \$50M	Pintek	JOJONOMIC	bluzelle
	SILENT EIGHT SEARCH	privyid	pluang INCOMLEND

Source: Dealroom.co. Gojek and Grab are not included as fintechs.

We foresee 100+ fintech exits between 2020-2023, driven largely by consolidation play.

Forecast: number of fintech exits in Southeast Asia

Based on the current funnel of early stage fintech startups.



Source: Dealroom.co

While exits in the form of initial public offerings are likely to be few and far between in this climate, secondary sales may be the way forward for shareholders seeking an exit at this time

These sales could be to unicorns and regional tech giants which remain well capitalised, and want to strengthen their platforms and widen their product offering. We foresee a majority of exits will happen in the Payment category.

This trend seems to already have started in the region with minority shareholders of Grab and Gojek looking to the private secondary market to cash out on their shares.

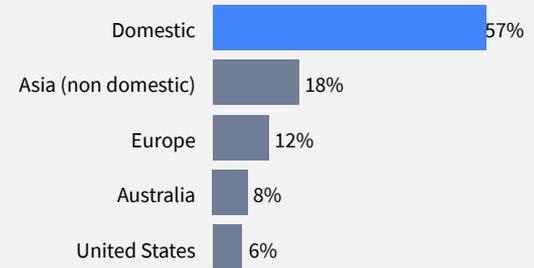
Most of fintech exits happen via strategic M&A with local tech companies.

Top fintech acquisitions in Southeast Asia since 2015

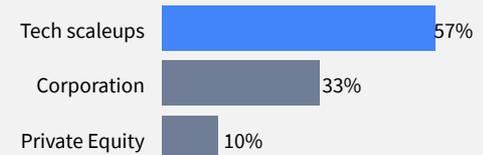
Acquirer		Target	Location	Sector	Amount	Date
 gojek	x	 MOKA	Indonesia	Payments/mPOS	\$130M	Apr 2020
 RAZER	x	 MOL	Malaysia	Payments/E-wallet	\$100M	Apr 2018
 Grab	x	 kudo	Indonesia	Payments/E-wallet	\$100M	Feb 2017
 gojek	x	 coins.ph	Philippines	Payments/E-wallet	\$72M	Jan 2019
 ingenico GROUP	x	 NERA	Singapore	Payments/Infrastructure	\$64M	May 2016
 gojek	x	 kartuku	Indonesia	Payments/Infrastructure	\$50M	Nov 2017
 UTC	x	 VNPT EPAY	Vietnam	Payments/Infrastructure	\$34M	Nov 2016
 TNG	x	 Tranglo	Malaysia	Payments/Remittance	\$28M	Oct 2018
 OVO	x	 bareksa	Indonesia	Wealth management	\$20M	Apr 2019
 PayU	x	 red dot payment	Singapore	Payments/Infrastructure	N/A	May 2020

Source: Dealroom.co

Breakdown of buyers per location

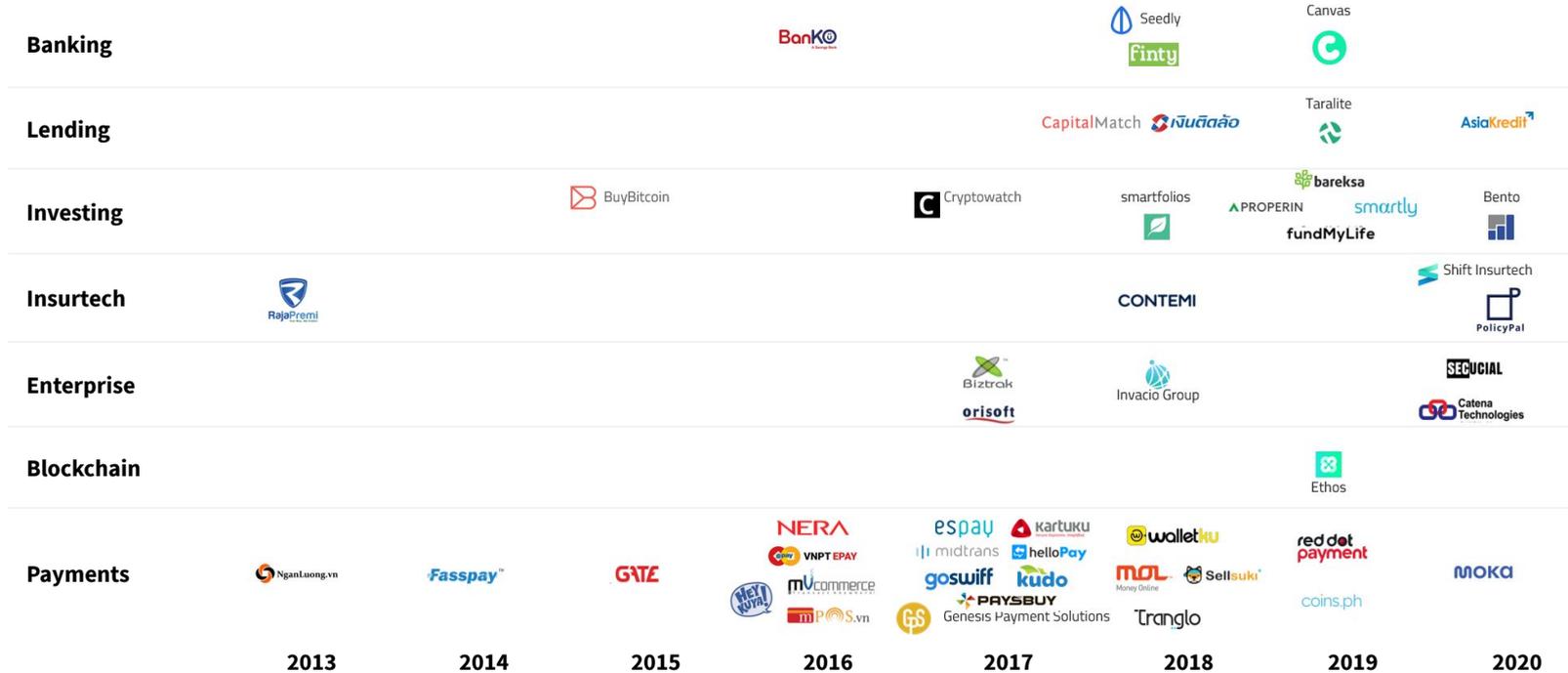


Breakdown of buyers per category



Payments and Wealth management startups are the main acquisition targets. New targets emerged in Insurtech and Enterprise Software in 2020.

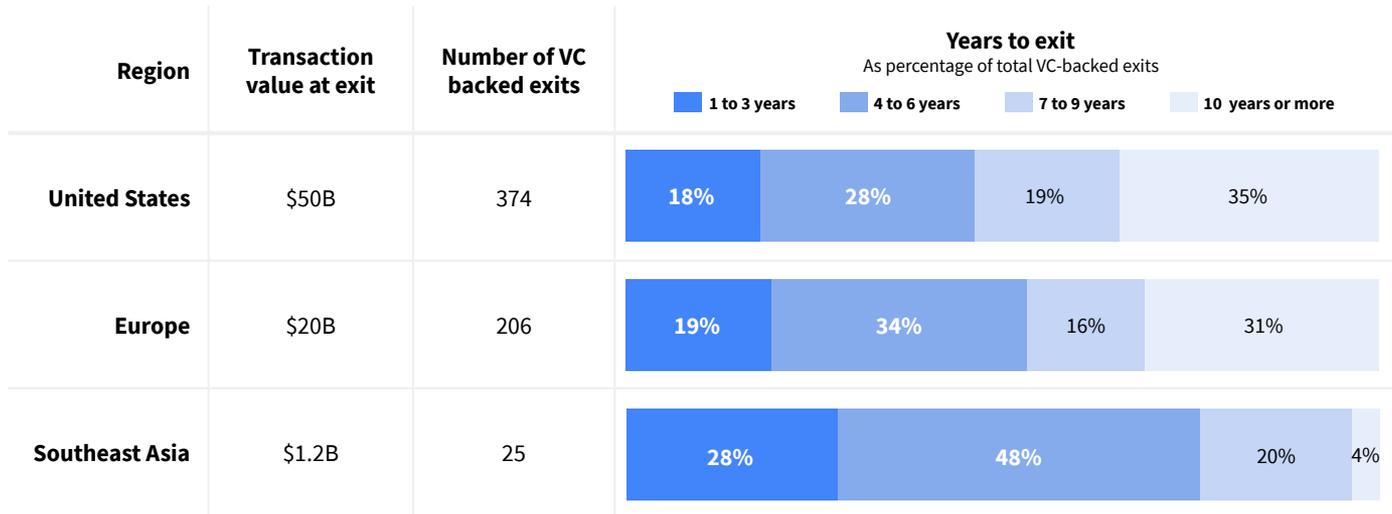
Fintech acquisitions in Southeast Asia since 2013



Source: Dealroom.co

The age at exit of fintech startups in Southeast Asia is relatively lower than in Europe and USA.

Years to exit fintech VC-backed startups per region.



Source: Dealroom.co. Based on VC-backed exits since 2016.

Finch Capital's investment thesis in Southeast Asia.

- **Stage:** Seed - Series A (Early Stage)
- **Themes:** Fintech in Southeast Asia are still in its early-days, with current startups concentration still around traditional fintech applications e.g. Payment & Lending. Wealth Management, Insurance Technology, and Property Technology are predicted to be the next wave along with the applications of fintech in non-financial sector or *Embedded Fintech*.
- **Market:** Indonesia is already Southeast Asia's largest economy but it is now also poised to become the region's largest Fintech hub by 2025 at an estimated USD 130 Bn. The large number of unbanked and underbanked population make it ripe for digital penetration.
- **Business Model:** Successful shift from disruption to collaboration between fintechs & financial institutions are largely driven by the use of complementary business model (B2B2C); enabling faster product market-fit and scalability across multiple channels.
- **Exits:** We expect 100+ Fintech exits in the region between 2020-2023 to be driven largely by consolidation play around the Payment space and later Wealth Management - where we see local tech companies as the main acquirers.



Finch Capital is a thematic VC in financial technology with combined 30 years of operational experience and 25 years of investing experience in both Europe and Southeast Asia. Finch Capital today manages over \$200 million AUM across two funds, having invested in more than 30+ companies with 4 exits.

In Southeast Asia we focus on Indonesia, Vietnam, Singapore and Malaysia where we invest in early stage Seed - Series A companies with Fintech & Embedded Fintech themes. Our unique investment & portfolio strategy accelerates companies product-market fit and scalability through collaboration.

Our regional HQ is located in Jakarta, Indonesia, where the SEA team leverages Finch Capital's global infrastructure in Amsterdam and London.



Dealroom.co is the foremost data provider on start-up, early stage and growth company ecosystems in Europe and around the globe.

Founded in Amsterdam in 2013, we now work with many of the world's most prominent investors, entrepreneurs and government organizations to provide transparency, analysis and insights on venture capital activity.

Our offerings include data sets via SaaS and API as well as custom reports and bespoke ecosystem solutions.



MDI Ventures is a global multi-stage venture capital firm backed by Telkom Indonesia. The firm invests in seed to growth stage startups throughout multiple Independent Associated Fund across various sectors and takes a thesis driven investment approach.

MDI Ventures manages over USD 290 million in assets across three funds with portfolio's spanning over ten countries through three international offices in Jakarta, Singapore, and San Francisco. Some of our prominent portfolios including Payfazz, Kredivo, MPL, aCommerce, Nium and Wavecell.



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