

SVCA *Singapore Venture Capital
& Private Equity Association*

Southeast Asia PE & VC: Investment Activity

MAY 2018



About Us

History

The Singapore Venture Capital & Private Equity Association (SVCA) was formed in 1992 to promote the development of the venture capital (VC) and private equity (PE) industry in Singapore and the broader Southeast Asian region.

Mission

Our Mission is to foster greater understanding of the importance of VC and PE to the economy in support of entrepreneurship and innovation and to look after the interests of our members.

The association strives to promote the professional development of the industry as well as facilitate interaction and collaboration among its members. The association also acts as a platform for dialogue on regulatory and policy issues pertaining to VC and PE and builds linkages to centres of VC and PE activities in the region.

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SVCA Chairman's Foreword



Dr Thomas Lanyi
Chairman, SVCA

The Singapore Venture Capital & Private Equity Association (SVCA) is proud to publish its inaugural annual report on the Southeast Asian private equity (PE) and venture capital (VC) industry, in its first edition with a focus on investment activity.

2017 was an eventful year for investors and economies around the world. It also marks a year of strong performance for the PE and VC industry in Asia, where investment levels surpassed those in Europe for the first time. Another first for the region would be the US\$23.5 billion invested into the Southeast Asian region, the highest recorded level by SVCA estimates.

2018 appears to be moving along the same strong trajectory with rising investment interest into Southeast Asia, partly driven by a continuous boom in the new technologies space. For the first quarter alone, Alibaba has invested another US\$2 billion into Lazada and Go-Jek has closed its US\$1.5 billion funding round.

SVCA's mission is to foster a greater understanding of the importance of VC and PE to the economy in support of entrepreneurship and innovation and to look after the interests of our members. Through this publication, we aim to reduce the lack of information on PE and VC activity in Southeast Asia and hope to contribute towards capturing LPs' mindshare as they allocate funds towards this region.

Finally, a word of appreciation to Preqin for their invaluable provision of data, all of our committee members and the secretariat staff for the contribution of their time and hard work in putting this report together.

Thank you,
Dr. Thomas Lanyi

Key Findings



Asia overtakes Europe

2017 marked the first year when PE/VC investments into Asia overtook Europe.



PE/VC investments into Southeast Asia reach 4 year high

Southeast Asia (SEA) experienced a bumper year for both PE and VC investments. Investments into SEA grew almost three times to reach US\$23.5 billion in 2017.



Corporate Venture Capital (CVCs) increasingly active in Southeast Asia

CVCs participated in seven of the top ten deals in SEA in 2017.



Singapore and Indonesia continues as top destinations for PE and VC investments into Southeast Asia

Singapore and Indonesia together accounted for more than 90% of investments into SEA in 2017.



PE investments reach 4 year high dominated by public to private deals

PE involvement in public to private transactions experienced exponential growth. Public to private investments have grown at CAGR of 113% from 2014 to 2017.



Average PE deal value soars above US\$600 million but median value remains below US\$100 million

From 2014-2017, average size of PE deals almost tripled skewed by a few mega public to private transactions.



Mega-rounds in venture financing attracting PE, Hedge and Corporate Funds

Venture financing grew 4.8x from 2014 to 2017. Mega C+ rounds have grown attracting participation from corporate venture, hedge funds and private equity blurring traditional boundaries.



Average round sizes increasing for Seed, Series-A and Series-B

Sizes of Seed, Series-A and Series-B rounds have been growing around 12% per annum from 2014 to 2017 while Series-C has remained relatively steady.



No lack of Series-A financing although Series-B challenges remain

For companies that raised seed financing over the period 2008-2014, the percentage of companies that successfully raised Series-A financing was comparable to that in the US. However, less than a third of Series-A funded companies successfully raised Series-B funding, well below US and UK figures. However, median times between rounds of financing are comparable across US, UK, India and Southeast Asia.

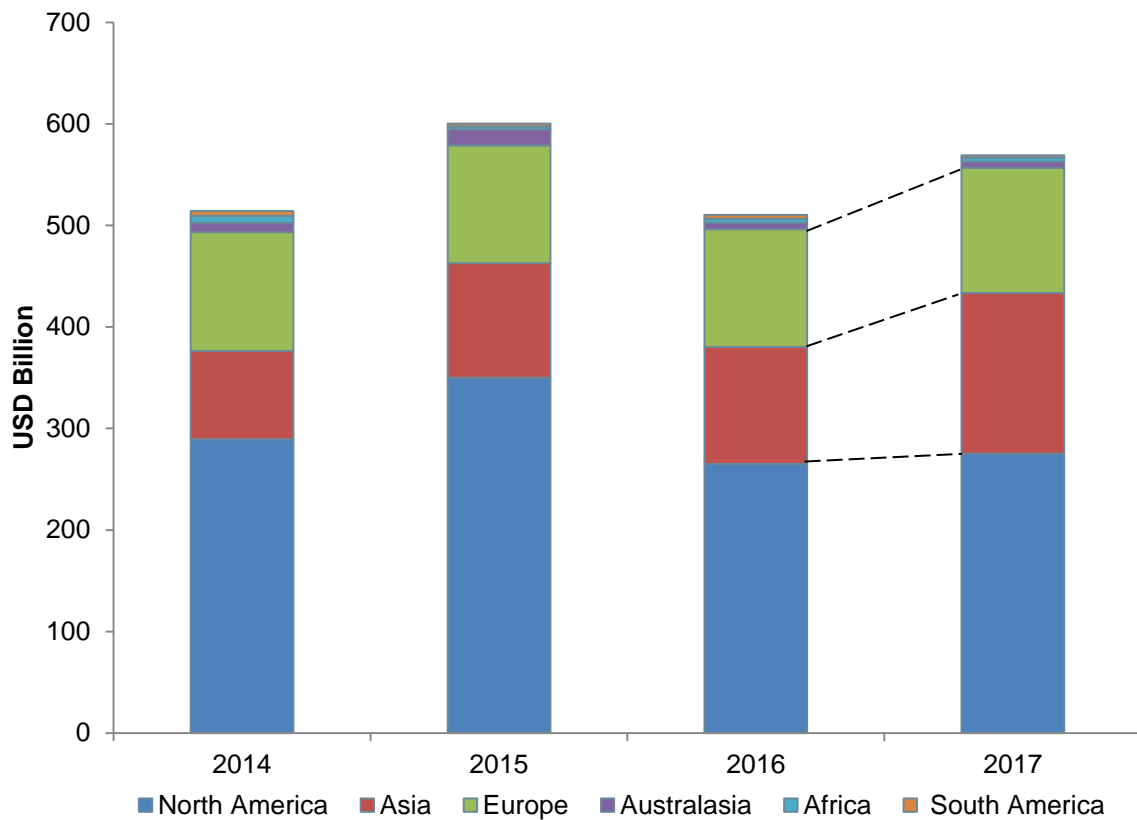


Spotlight on IPO of Southeast Asian Unicorns in 2017

The IPO of two of Southeast Asia's "unicorns" created some excitement in 2017 although stock prices of Sea Limited and Razer have since seesawed above and below their IPO price.

Global Overview

Asia Overtakes Europe



Source: Preqin

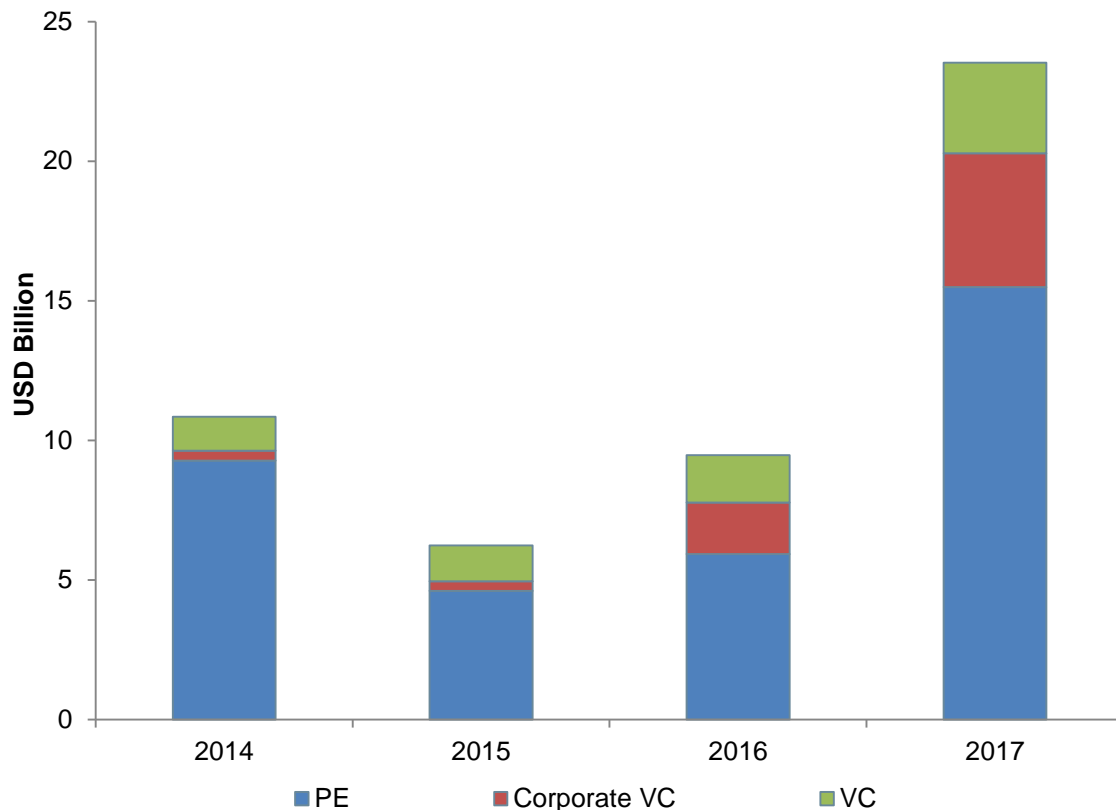
Graph: SVCA

Global private equity and venture capital financing grew 11.5% to reach US\$568.9 billion in 2017. While North America continues to capture the lion's share of global private equity and venture financing (US\$275.2 billion constituting 48.4%), investments into Asia grew a remarkable 37.6% to reach US\$158.4 billion constituting 27.8% of global investments surpassing Europe for the first time.

Asia's strong fundamentals, growing economies, and advancing technological capabilities are becoming increasingly attractive to global sources of funds chasing for yield.

Overview of Southeast Asia

PE/VC investments into Southeast Asia reach 4 year high



Source: Preqin, SVCA

Graph: SVCA

Private Equity (PE) and Venture Capital (VC) into Southeast Asia (SEA) almost tripled to US\$23.5 billion in 2017; the highest recorded level by SVCA estimates. This record-breaking level of investment can be attributed to several mega-deals for valuable companies within the region.

For those PE players in the middle market that have good deal sourcing capabilities, a differentiated strategy and a strong value proposition for founders, there are great opportunities at often attractive valuations.

Most LPs now have meaningful allocations for Asia. But the majority of that goes to either pan-regional funds or China. Lesser developed markets such as India, and Southeast Asia in particular, are still considered to be too risky for many institutional LPs. As a result, fundraising for all but the largest funds remains very challenging.

- Ralph Keitel, Regional Lead for PE Funds in East Asia and Pacific, IFC

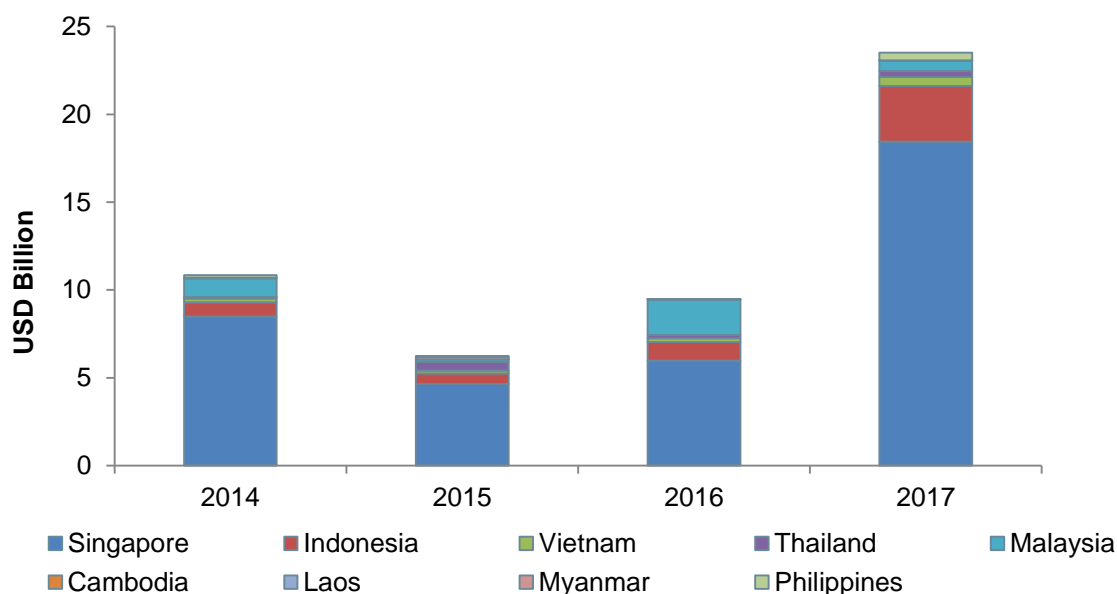
Corporate Venture Capital (CVCs) increasingly active in Southeast Asia

Portfolio Company Name	Deal Size (USD Mn)	Investors
Global Logistic Properties Limited	12,000	Bank of China Group Investment, China Vanke Co. Ltd., Hillhouse Capital Management, Hopu Investment Management, Schwartz-Mei Group Limited
Grab Holdings	2,000	Didi Chuxing, SoftBank
Go-Jek Indonesia	1,500	Astra International, Blackrock, Google, JD.com, KKR, Meituan-Dianping, Samsung Venture Investment Corporation, Temasek Holdings, Tencent, Warburg Pincus
ARA Asset Management	1,300	Warburg Pincus, Avic Trust, JI Investment, Cheung Kong Property Holdings, The Straits Trading Company
PT Tokopedia	1,100	Alibaba Group
Sea Limited	550	Cathay Financial Holding Co., Farallon Capital Management, GDP Venture, Hillhouse Capital Management, JG Summit Holdings, Uni-President Enterprises Corp.
Traveloka Group of Companies	350	Expedia
SPi Global Holdings, Inc.	330	Partners Group
Tat Hong Holdings	276	Standard Chartered Private Equity
Innovalues Limited	232	Northstar Group

Note: Go-jek's Series E round was completed in Q1 2018.

While investments into startups more than doubled to US\$8 billion, the main driver was corporate investments that grew more than 2.5x co-investing or even leading investments into several notable deals. Corporate investment participated in 7 of the top 10 deals by size in SEA in 2017 such as the investment into Grab Holdings by Didi Chuxing and Softbank, the Go-Jek deal by investors including KKR, Warburg Pincus, Google, Temasek Holdings, Meituan-Dianping, Tencent and JD.com, and the investment into PT Tokopedia by Alibaba. 2017 marked a significant step-up in investments by overseas corporates looking to expand into SEA. Companies with sizable penetration into the diverse but growing SEA region are proving to be attractive targets for large corporates.

Singapore and Indonesia continues as top destinations for PE and VC investments into Southeast Asia



Source: Preqin, SVCA

Graph: SVCA

Singapore¹ and Indonesia continue to be top destinations for PE and VC investments in Southeast Asia, accounting for more than 90% of all deal value. Investment into Vietnam has risen consistently having grown almost 3x over the past 2 years to exceed US\$510 million in 2017.

Singapore's comprehensive eco-system continues to be a strong magnet for businesses with ambitions to penetrate the Southeast Asian markets. Pro-business policies, tax treaties and a transparent regulatory regime continue to attract the setup of regional controlling centres for both fund managers and businesses overseeing diverse opportunities in Southeast Asia. Indonesia, on the other hand, is emerging as a strong breeding ground with several startups reaching "unicorn" status such as Go-Jek and PT Tokopedia.

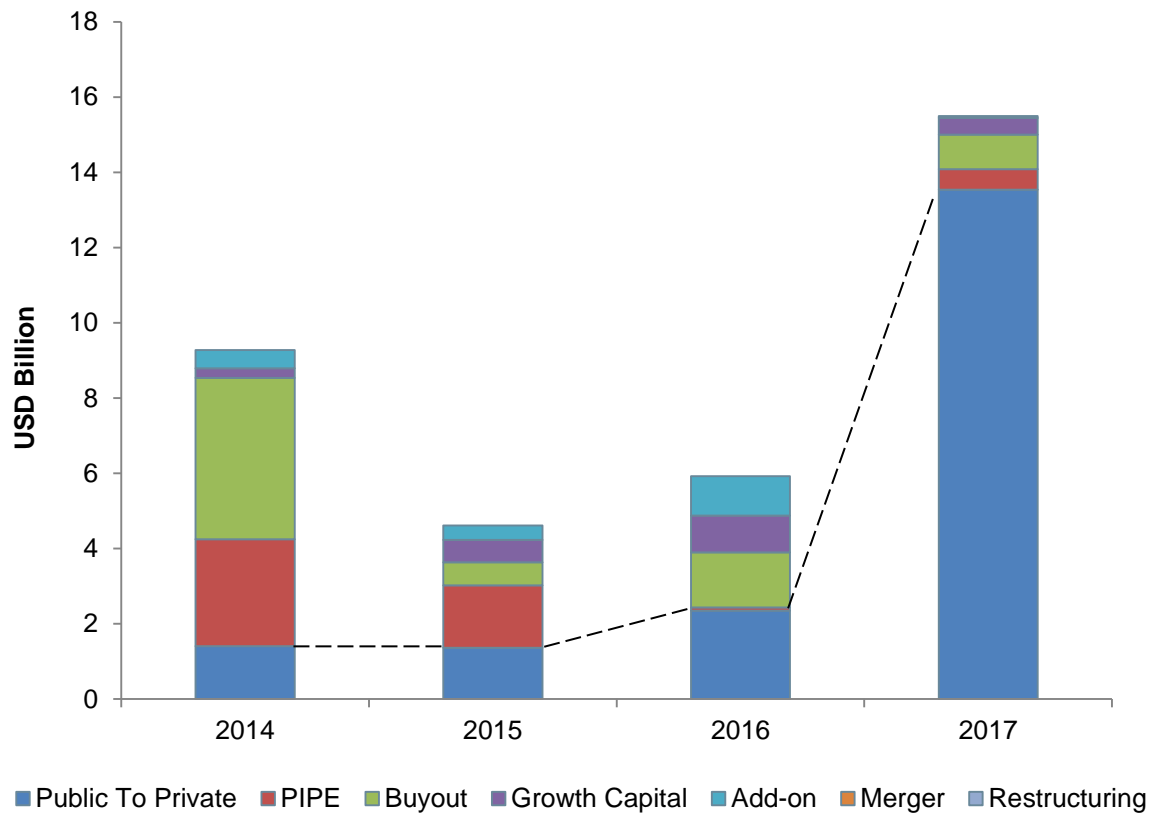
There is no doubt that Singapore remains the dominant regional hub for Alternate Asset investors in South East Asia and in many cases the wider Asia Pacific region. The majority of fund investors and the associated advisory ecosystem are based in Singapore but working on deal opportunities across the region. While Singapore and Indonesia remain critical capital destinations, Vietnam, the wider Indochina region, and the Philippines are increasingly favoured destinations as the benefits of partnering with Private Capital become more apparent to owners.

- Andrew Thompson, Head of Private Equity, Asia Pacific, KPMG

¹ Includes investment through Singapore holding vehicles.

Southeast Asia Private Equity

PE investments reach 4 year high dominated by public to private deals



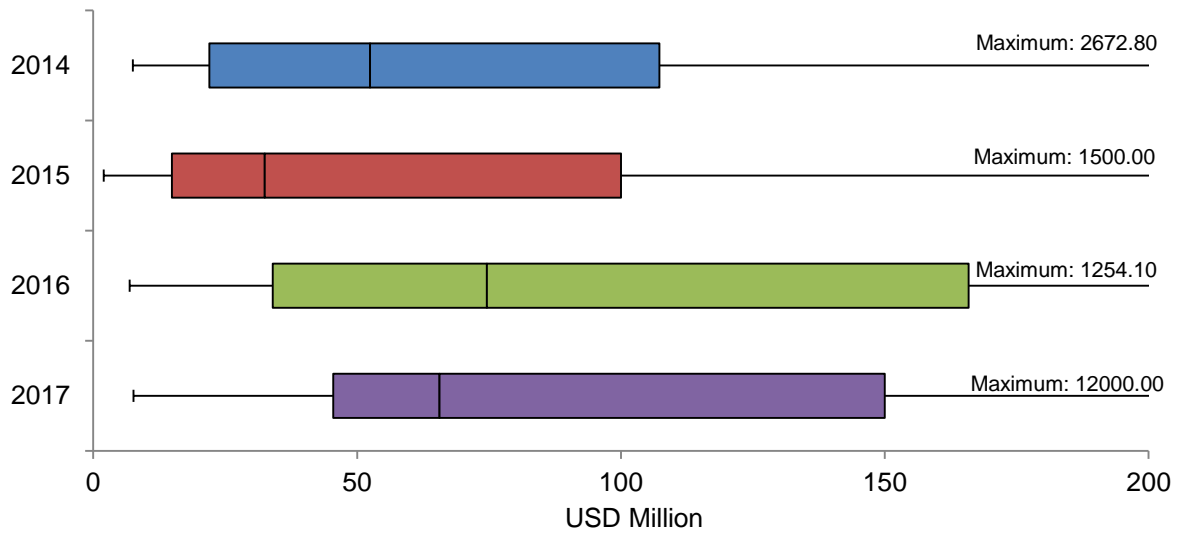
Source: Preqin, SVCA

Graph: SVCA

From 2014 to 2017, PE deal value increased from US\$9.2 billion to US\$15.5 billion.

In particular, PE involvement in public to private transactions grew exponentially at 113% annually from 2014 to 2017. In 2017, public to private transactions grew 5.8x year-on-year dominated by the US\$12 billion privatisation of Global Logistic Properties.

Average PE deal value soars above US\$600 million but median value remains below US\$100 million



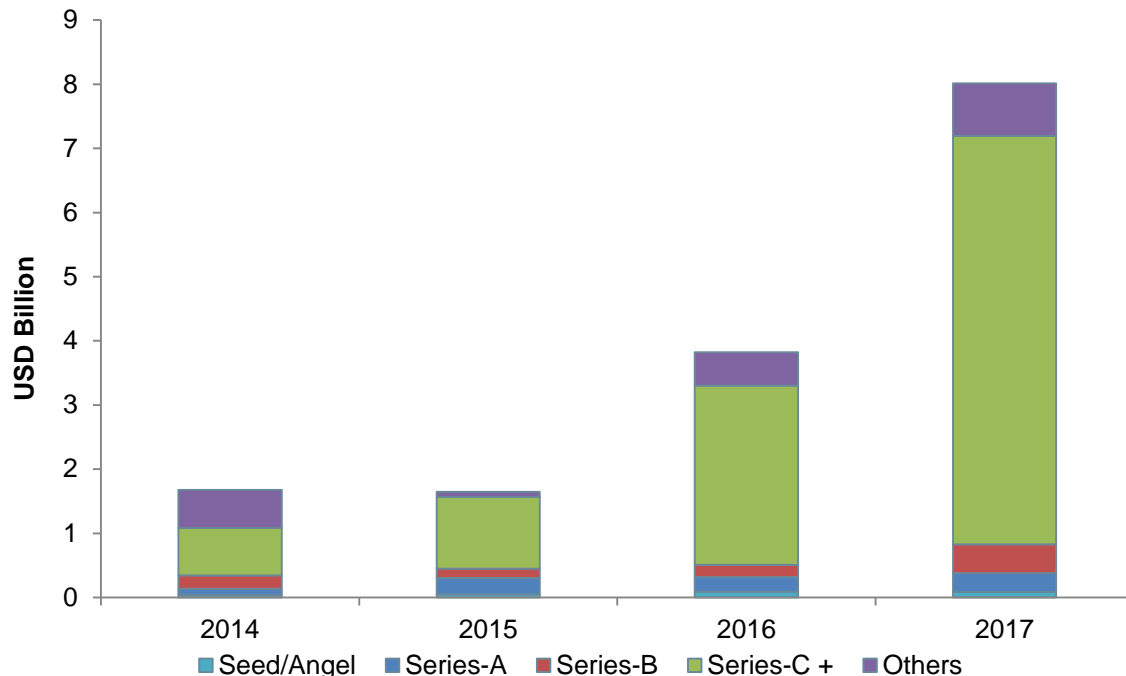
Source: Preqin, SVCA

Graph: SVCA

From 2014 to 2017, average size of PE deals soared from US\$272 million to US\$619 million. These figures were skewed by a few mega transactions including Global Logistic Properties and ARA Asset Management. Median deal values have remained largely range-bound between US\$32.5 million and US\$74.6 million and upper quartile deal values between US\$100 million and US\$165.9 million over the same period.

Southeast Asia Venture Capital

Mega-rounds in venture financing attracting PE, Hedge and Corporate Funds



Source: Preqin, SVCA

Graph: SVCA

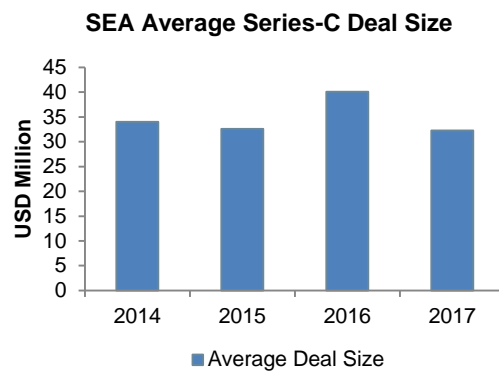
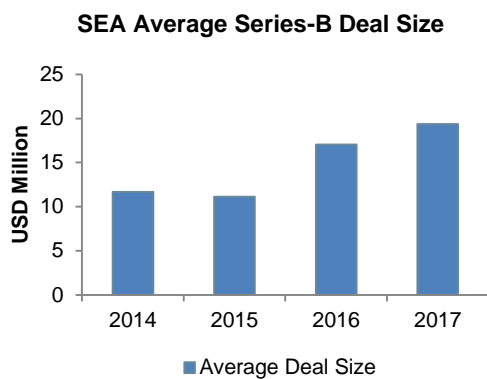
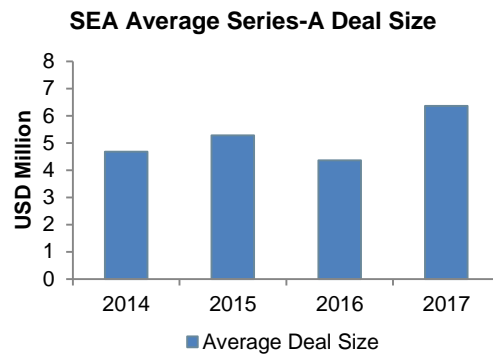
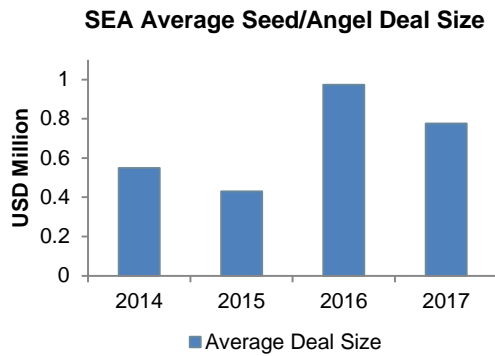
Note: "Others" Category consists of Add-on, Grant, Merger, PIPE, Secondary Stock Purchase, and Venture Debt. "Series-C+" Category consists of Series-C, D, E, F, G, Expansion, Pre-IPO, and Unspecified Round.

Venture financing grew 4.8x from US\$1.7 billion in 2014 to US\$8.0 billion in 2017. While early stage Seed and Series-A investments have grown from US\$39.5 million in 2014 to US\$83.1 million in 2017, the largest increase has come from later Series-C+ investments which have ballooned from US\$738 million to US\$6.3 billion accounting for 79% of total venture investment in 2017. The growth momentum of these deals and size of these rounds have attracted strong participation from corporate venture, hedge funds and private equity blurring traditional boundaries.

Southeast Asia's compelling macro backdrop continues to provide attractive investment opportunities driven by favourable consumption and demographic trends. Rapid smartphone adoption by a highly social population has transformed the technology sector into a burgeoning market where companies can benefit from private equity expertise and investment to achieve their growth goals. We see an increasing opportunity to partner with families, entrepreneurs and management teams and scale up their businesses to become local, regional and even global leaders.

- **Terence Lee**, Director, KKR

Average round sizes increasing for Seed, Series-A and Series-B

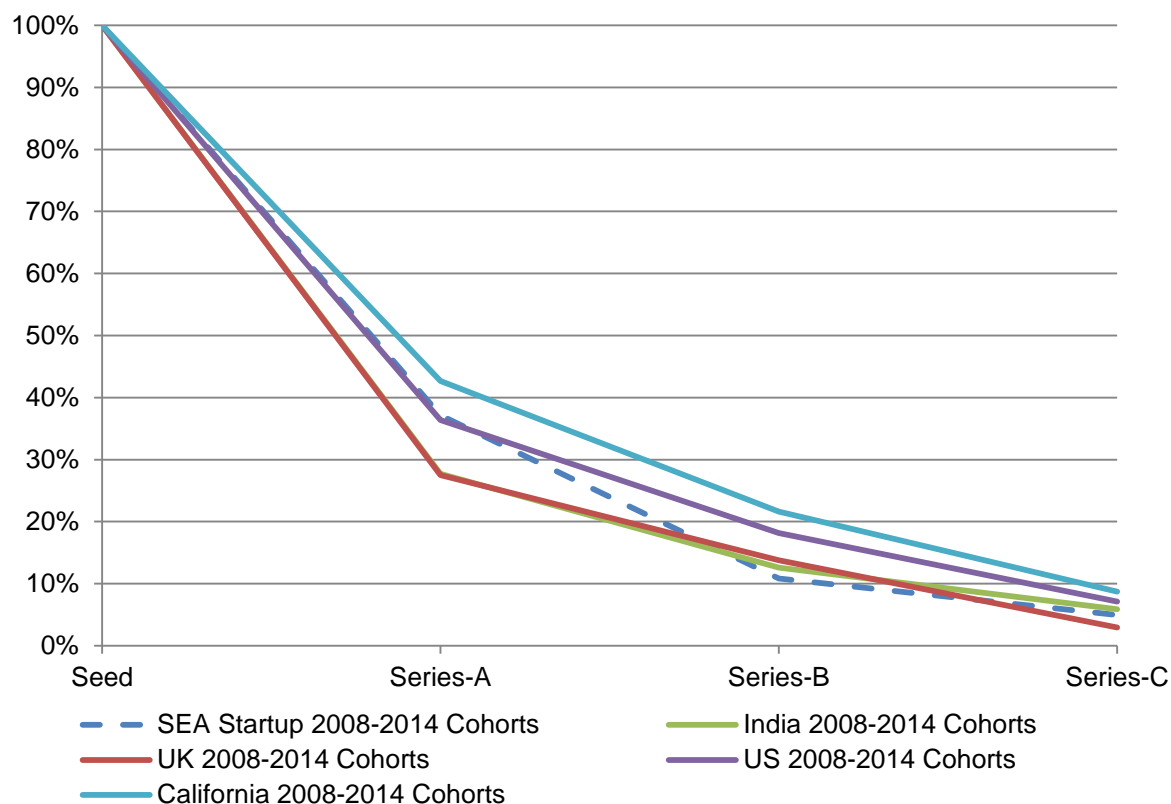


Source: Preqin, SVCA

Graph: SVCA

Average round sizes of Seed, Series-A and Series-B have been trending upwards, growing around 12% per annum since 2014 to reach US\$0.8 million for Seed, US\$6.4 million for Series-A and US\$19.4 million for Series-B in 2017. Average round sizes for Series-C have remained relatively steady at around US\$34 million.

No lack of Series-A financing although Series-B challenges remain



Source: Preqin, SVCA

Graph: SVCA

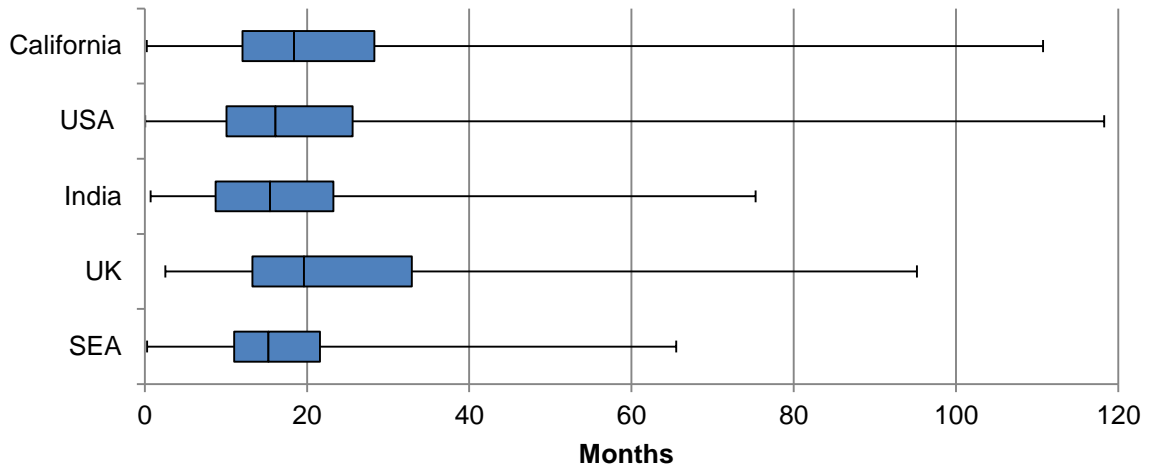
Note: Startups that raised Seed financing from 2008 to 2014 were tracked for fund raising activities (Series-A, Series-B, and Series-C financings) until end 2017.

36% of companies in Southeast Asia that raised seed financing over the period 2008-2014 successfully raised Series-A financing, outperforming companies in more mature markets like the UK. This result is comparable to the overall US market but below California's 43%. Hence, there is no evident lack of Series-A financing in Southeast Asia. This may have been bolstered by various government developmental efforts through incentives and co-investments with early stage venture funds. However, less than a third of Series-A funded start-ups successfully raised Series-B funding, well below US, California and UK where about 50% of Series-A funded startups secured Series-B financing by the end of 2017. This could indicate a possible "gap" in Series-B financing, giving rise to the proverbial "Valley of Death" observation. Conversely, this could also be the result of an overly exuberant Series-A financing trend. In line with US and California, slightly less than half of Series-B recipients successfully raised Series-C financing by 2017.

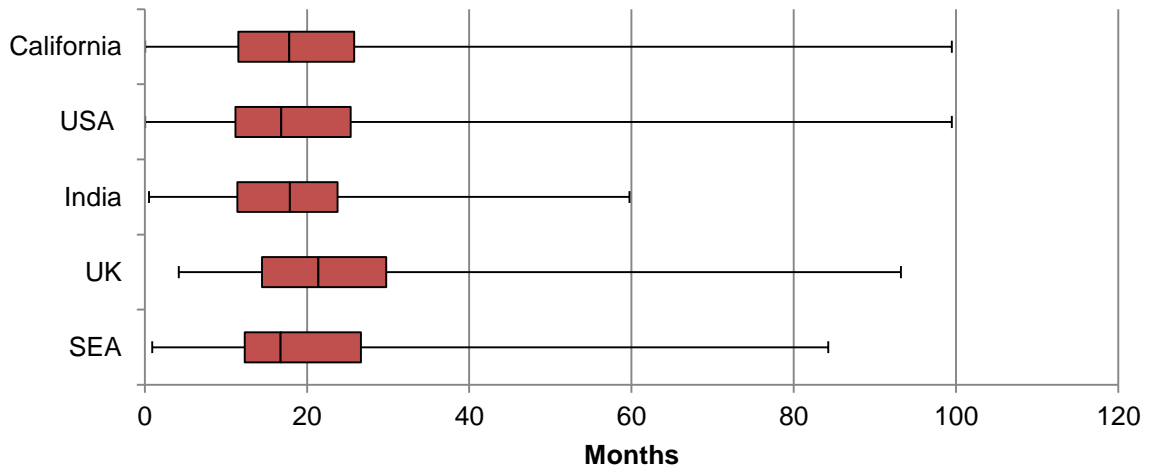
Looking at venture investments from 2008-2017, it is observed that the time between rounds of financing varies tremendously, especially in the US; from 0.1 - 118.3 months for Seed to Series-A, from 0.2 - 99.5 months for Series-A to Series-B and 0.03 - 86.2 months for Series-B to Series-C. This variation is likely due to the sheer quantity and variation in quality of deals. However, the median, upper and lower quartile values remain largely comparable across US, UK, India and SEA for each Series of financing.

Time between financing rounds

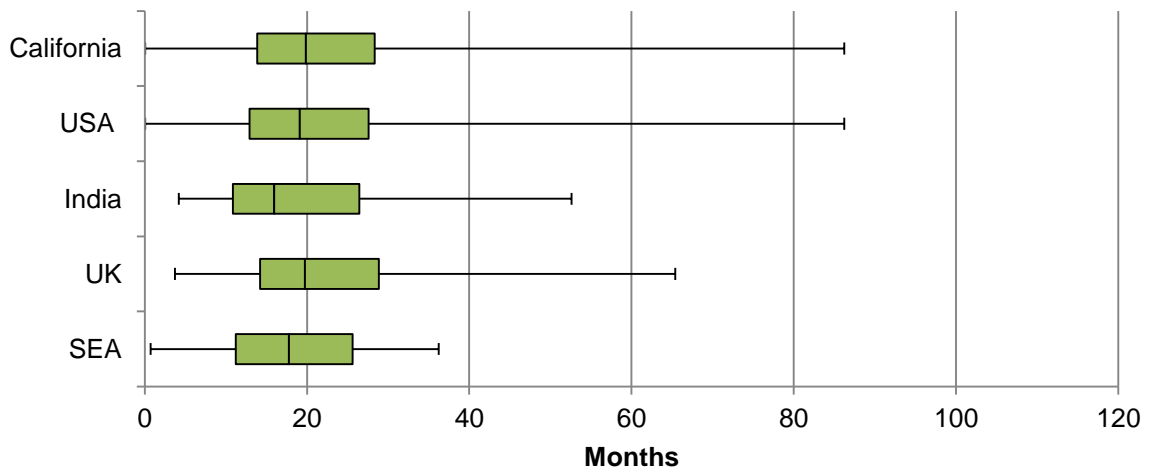
Seed to Series-A



Series-A to Series-B



Series-B to Series-C



Source: Preqin, SVCA

Graph: SVCA

For Southeast Asia, the lower and upper quartile time between financing rounds remain within a manageable range:

Months	Lower Quartile	Median	Upper Quartile
Seed to Series-A	11.1	15.3	21.6
Series-A to Series-B	12.3	16.7	26.6
Series-B to Series-C	11.2	17.8	25.6
Seed to Series-C	34.6	49.8	73.8

Hence, cumulatively, probable time from Seed to Series-C can vary from 3 to 6 years.

Thus, the percentage of companies successfully raising Series-C financing in this study may be artificially depressed by cohorts that are more recent given that it can take more than 6 years (upper quartile) to raise funds from Seed to Series-C.

Spotlight on IPO of Southeast Asian Unicorns in 2017

Razer Ltd.

Gaming tech firm Razer Ltd., a leading maker and marketer of gaming peripherals such as gaming laptops, mice, and gaming controllers, is one of Singapore's start-up success stories. Razer launched an initial public offering in November 2017, raising HK\$4.12 billion to much publicity and fanfare.

Sea Limited

Sea Limited, which attracted mega-rounds of investment from VC, PE, CVC and pension funds, began as Garena, hosting a platform for popular online games. It has since grown into a Southeast Asian powerhouse with interests in internet gaming, payment and ecommerce. Sea Limited launched an initial public offering on NYSE in October 2017 raising US\$884m.

The IPO of two of Southeast Asia's "unicorns" created some excitement in 2017 although stock prices of Sea Limited and Razer have since seesawed above and below their IPO price. Nevertheless, their IPOs have rewarded early investors and bode well for PE and VC investment into SEA.

2017 was a significant year for South East Asian Venture Capital and Private Equity. Not only did we see record levels of capital deployed, we also saw two unicorns list on major stock exchanges. We trust that this will set the stage for increased confidence in these markets from international LPs.

- Dr Jeffrey Chi, Vice Chairman, Vickers Venture Partners

Definitions

Add-on: Occurs when a VC or PE backed portfolio company acquires another smaller company, or the assets of another company often to consolidate their market position, or acquire proprietary technologies.

Buyout: An often leveraged acquisition where the PE firm acquires the whole, majority or a controlling stake in a private company.

Growth Capital: An equity investment into a private company where the PE firm acquires a non-controlling or minority stake, with the view to provide capital to increase the expansion plans of the company.

Grant: An award of financial assistance, typically by a government, to an eligible grantee with no expectation that the funds will be paid back.

Merger: Occurs when a PE or VC backed company merges with another company to form a new entity.

Private Investment in Public Equity (PIPE): An investment made by a PE-firm into a public company, which remains public post-investment.

Public to Private (P-P): Where a public company is acquired and de-listed by the PE firm.

Seed: A small investment in a very early stage company that has yet to establish or recently established commercial operations.

Series-A: The first significant round of venture capital funding where Series-A preferred stock is offered to the venture capital firm.

Series-B: A second round of financing, typically after a company has accomplished certain initial milestones in developing its business. Successive rounds are then termed Series-C, Series-D and so forth.

Secondary Stock Purchase: Where part or all of an investor's entire stake in a venture capital-backed company is acquired directly from an existing shareholder/investor, rather than purchasing newly issued stock from the company.

Unspecified Round: A venture capital financing round where the stage/series has not been disclosed.

Venture Debt: A type of debt financing provided to venture capital-backed companies by a specialized financier to fund working capital or capital expenses. Venture debt providers combine their loans with warrants or rights to purchase equity at a later time to increase their overall returns so as to compensate for the higher risk of lending.

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Enquires

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