

e-Cconomy SEA 2018

Southeast Asia's internet economy hits an inflection point

Google™ TEMASEK



3rd edition of e-Cconomy SEA by Google & Temasek, our research on Southeast Asia's internet economy

2016

e-Cconomy SEA
2015-2025

2017

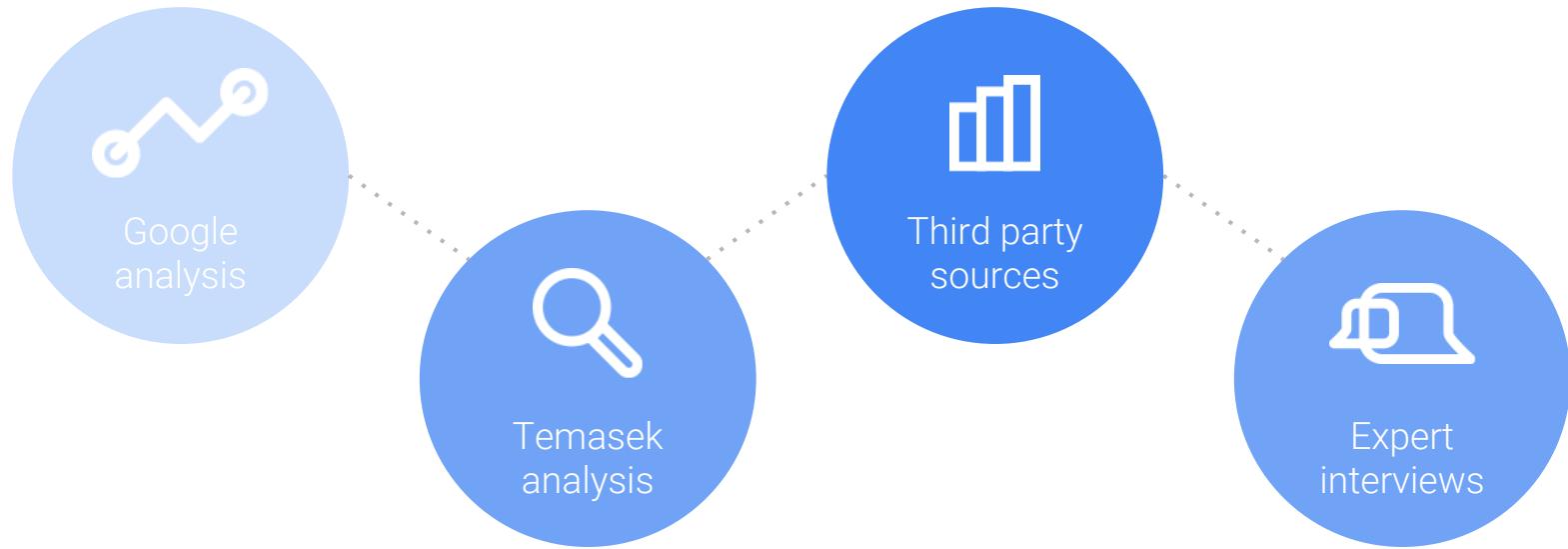
e-Cconomy SEA
Spotlight

2018

e-Cconomy SEA
2018



e-Economy SEA research methodology



Research covers four sectors of the internet economy

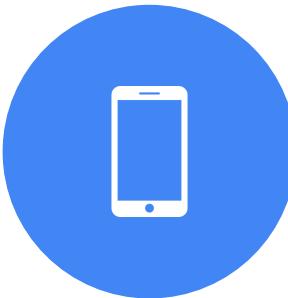
Four new sub-sectors added in e-Cconomy SEA 2018

e-Commerce



Marketplaces (SMB2C)
Malls (B2C)
“Brand.Com”

Online Media



Online Advertising
Online Gaming
[Video on Demand](#)
Music on Demand

Ride Hailing



Online Transport
[Online Food Delivery](#)

Online Travel



Online Flights
Online Hotels
[Online Vacation Rentals](#)



Sectors of the internet economy not yet covered due to lack of reliable data or nascent adoption

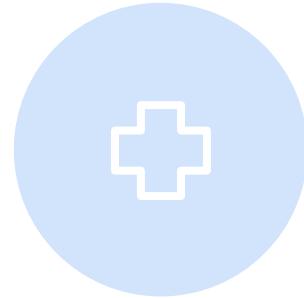
Social Commerce



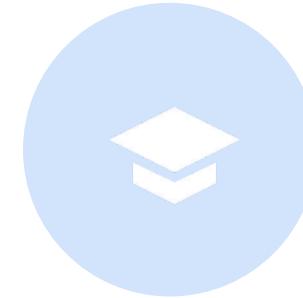
Financial Services

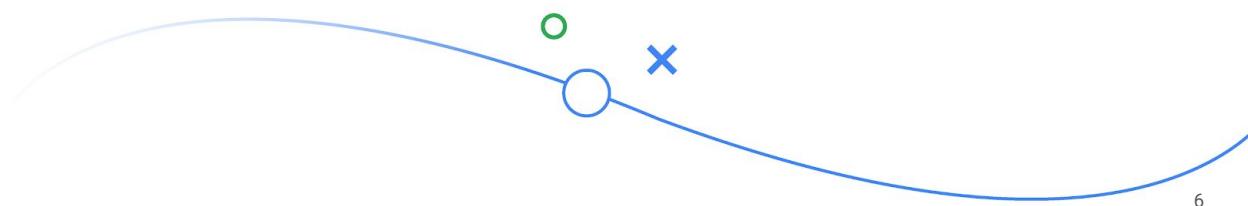


Healthcare



Education

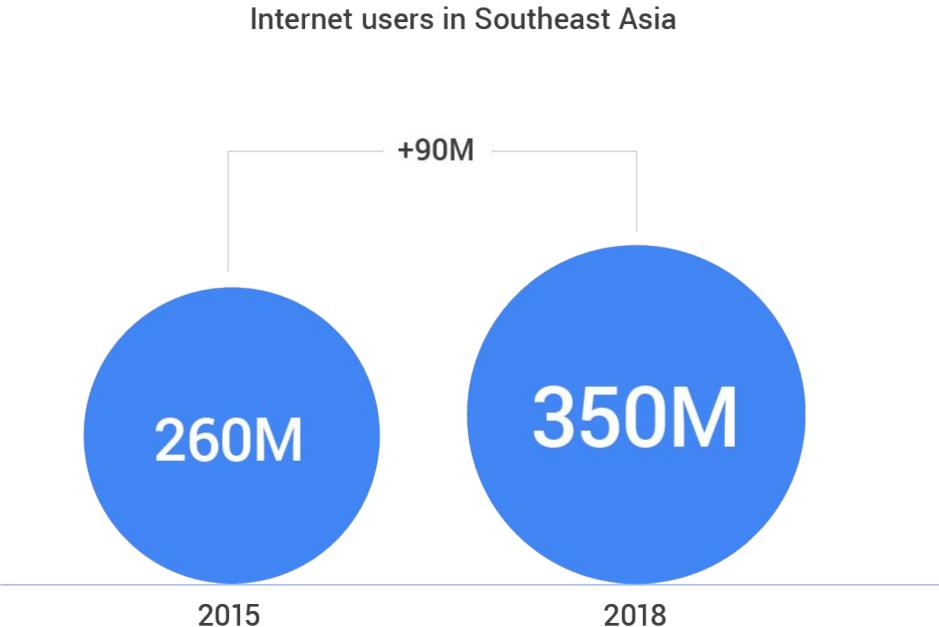




e-Economy SEA 2018

Headlines

350M mobile-first internet users in Southeast Asia; Southeast Asians most engaged mobile users globally



SEA is mobile-first - more than **90% of users** connect to the internet via mobile

Indonesia, Malaysia, Philippines, Thailand among the Top 10 most engaged countries on mobile internet globally¹

Southeast Asia's internet economy reaches \$72B in 2018

\$50B

GMV in 2017



\$72B

GMV in 2018



Southeast Asia's internet economy hits an inflection point

2015-2017

- User acquisition
- National players
- Funding constraints
- Ecosystem challenges

2018 and beyond

- Lifetime Value (LTV)
- Regional leaders
- Funding surge
- Ecosystem maturity



Internet economy on track to exceed \$240B by 2025,
\$40B more than estimated in our previous research

\$72B



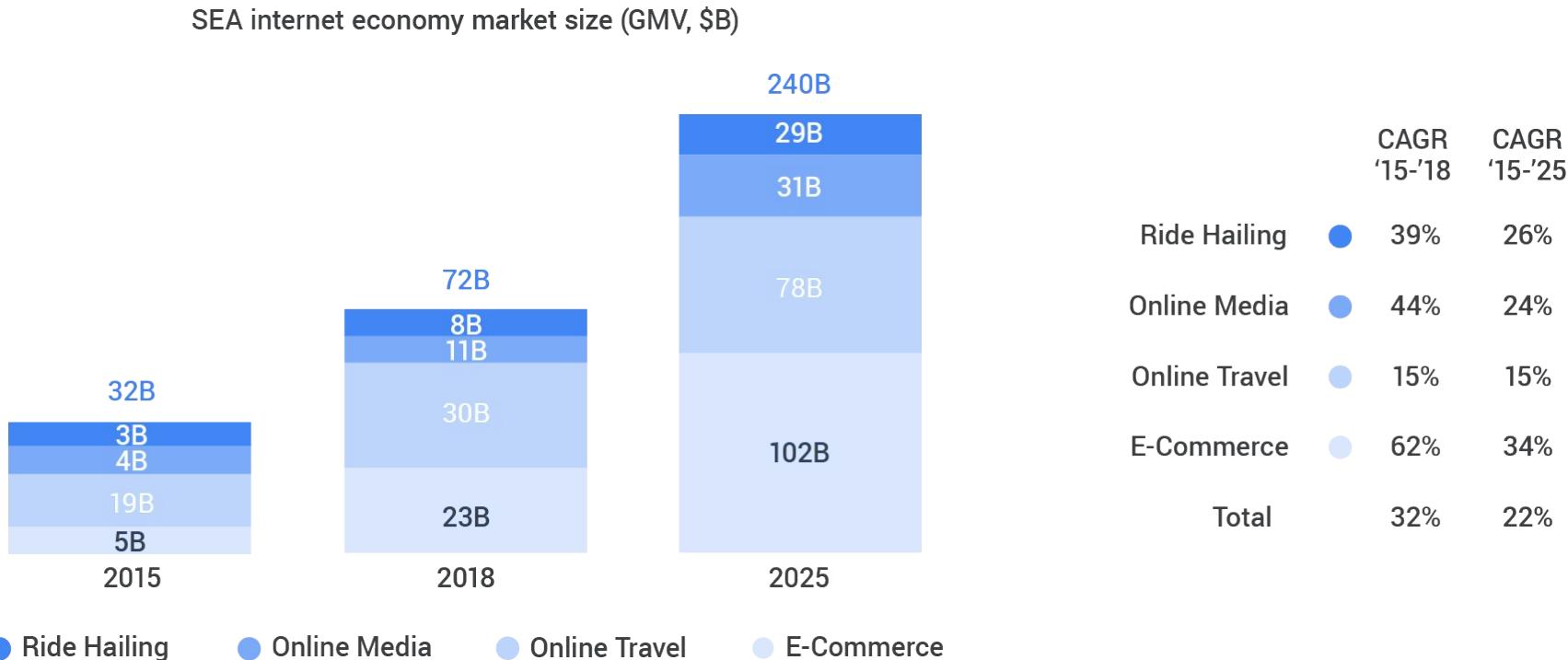
\$240B

GMV in 2018

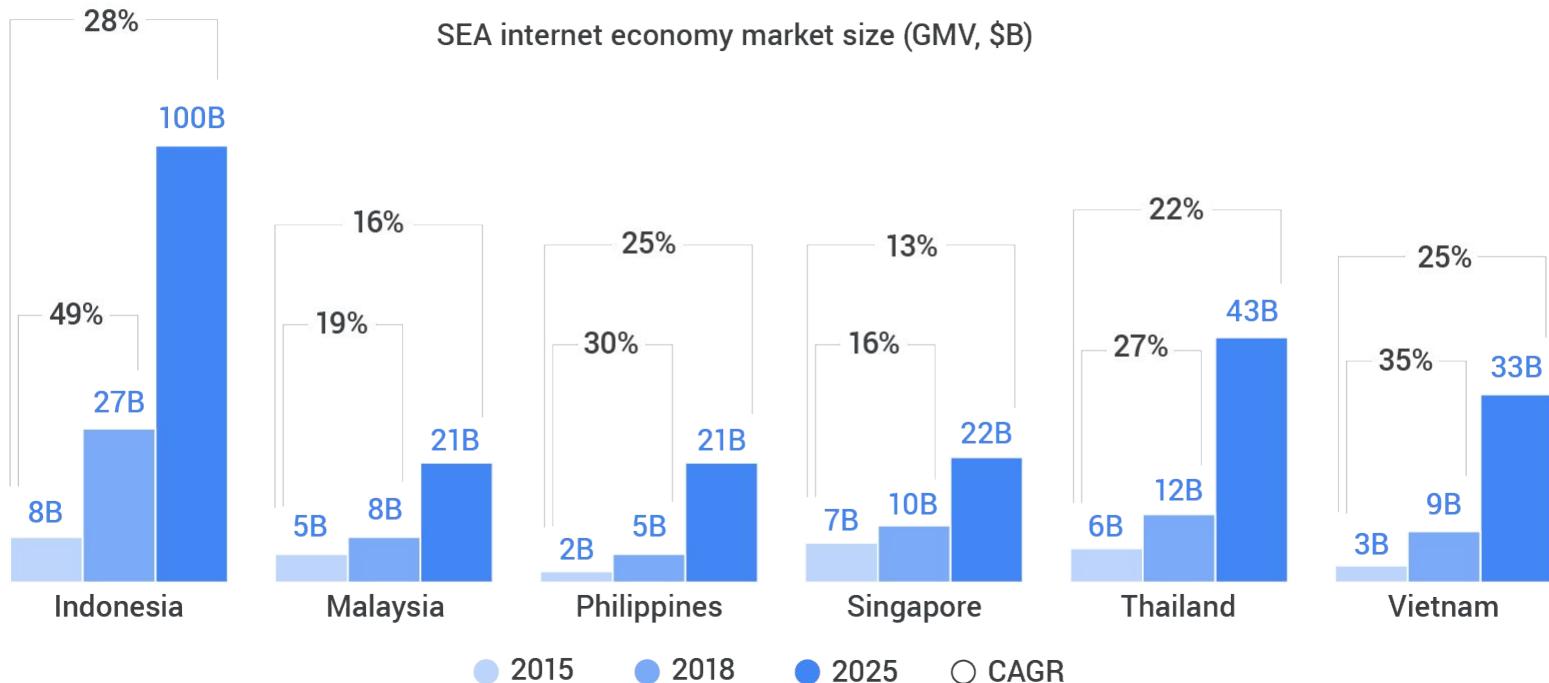
GMV in 2025



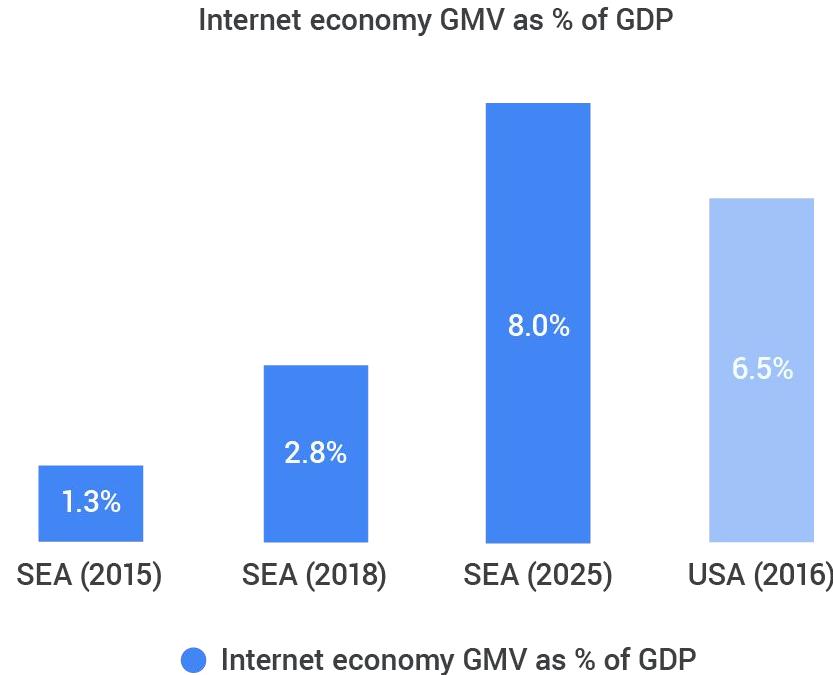
Booming e-Commerce sector, Online Media accelerating



Indonesia largest (\$27B) and fastest growing (49% CAGR), will be a \$100B internet economy by 2025



Internet economy reaches 2.8% of GDP in 2018, will be 8% by 2025, approaching developed markets

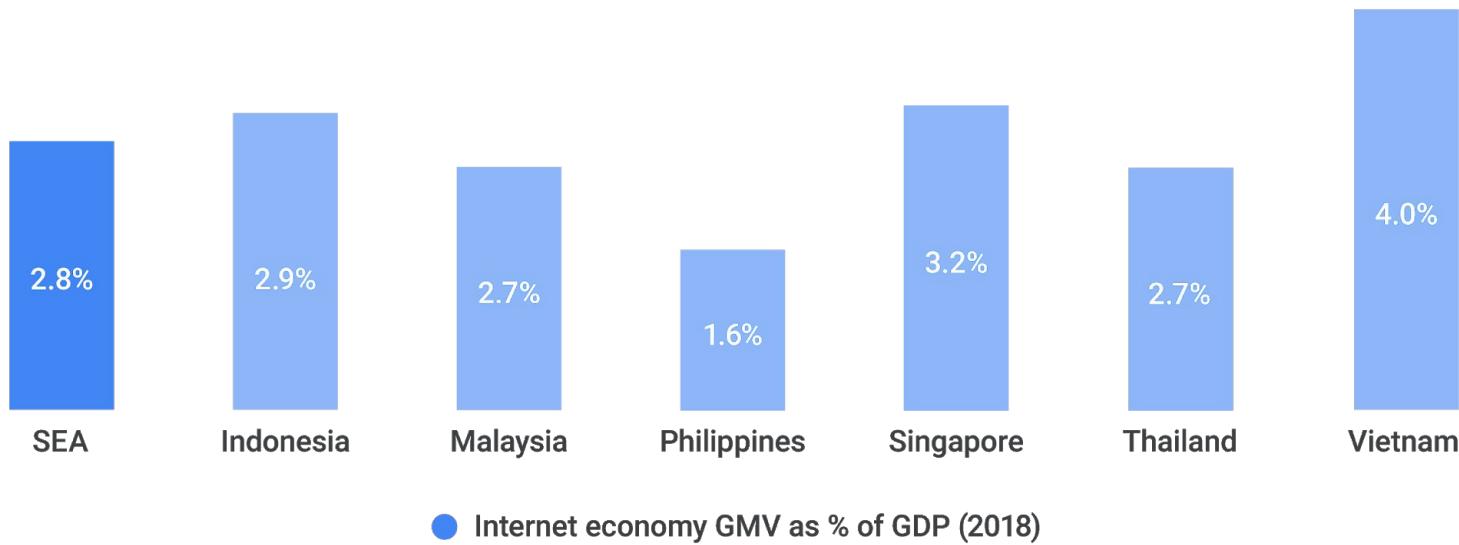


Note: GMV: Gross Merchandise Value; GDP: Gross Domestic Product.
Source: World Bank (GDP); US Bureau of Economic Analysis (USA).



Internet economy's contribution to GDP higher in Singapore and Vietnam, most headroom in Philippines

Internet economy GMV as % of GDP (2018)



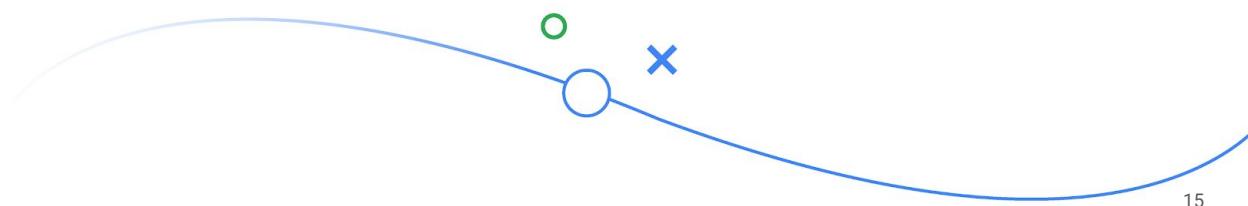
Note: GMV: Gross Merchandise Value; GDP: Gross Domestic Product.
Source: World Bank (GDP).



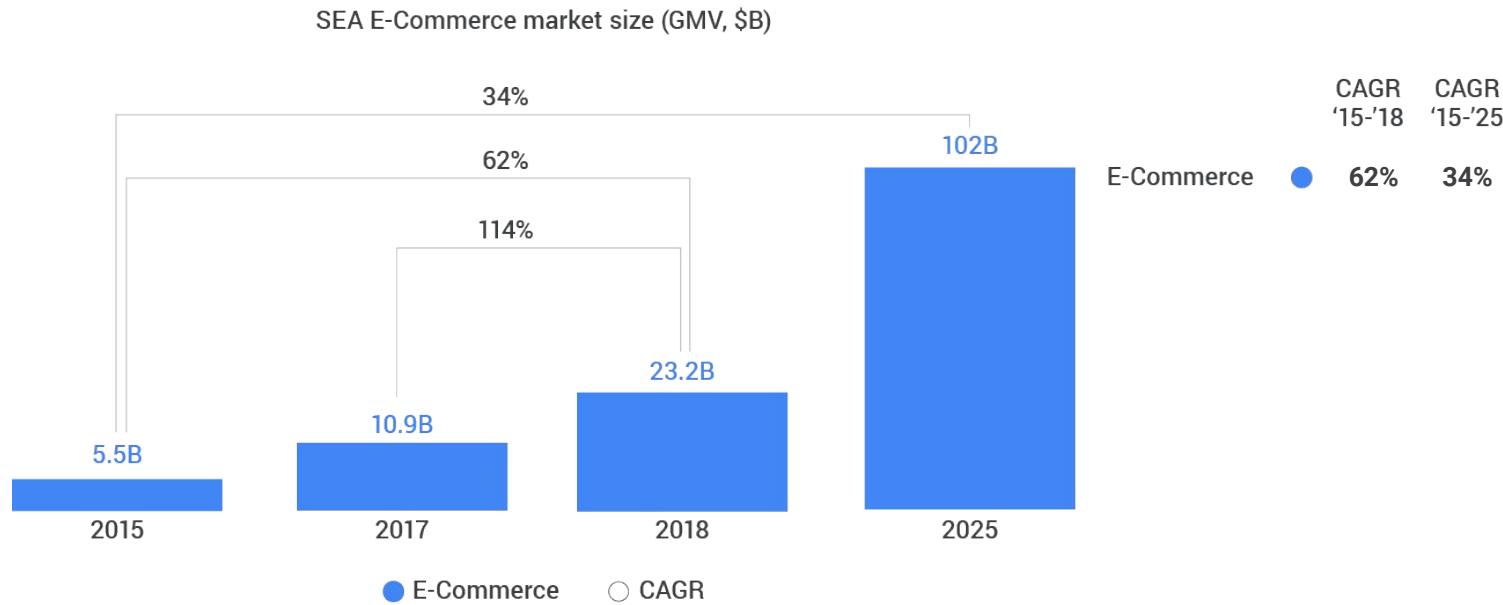


e-Economy SEA 2018

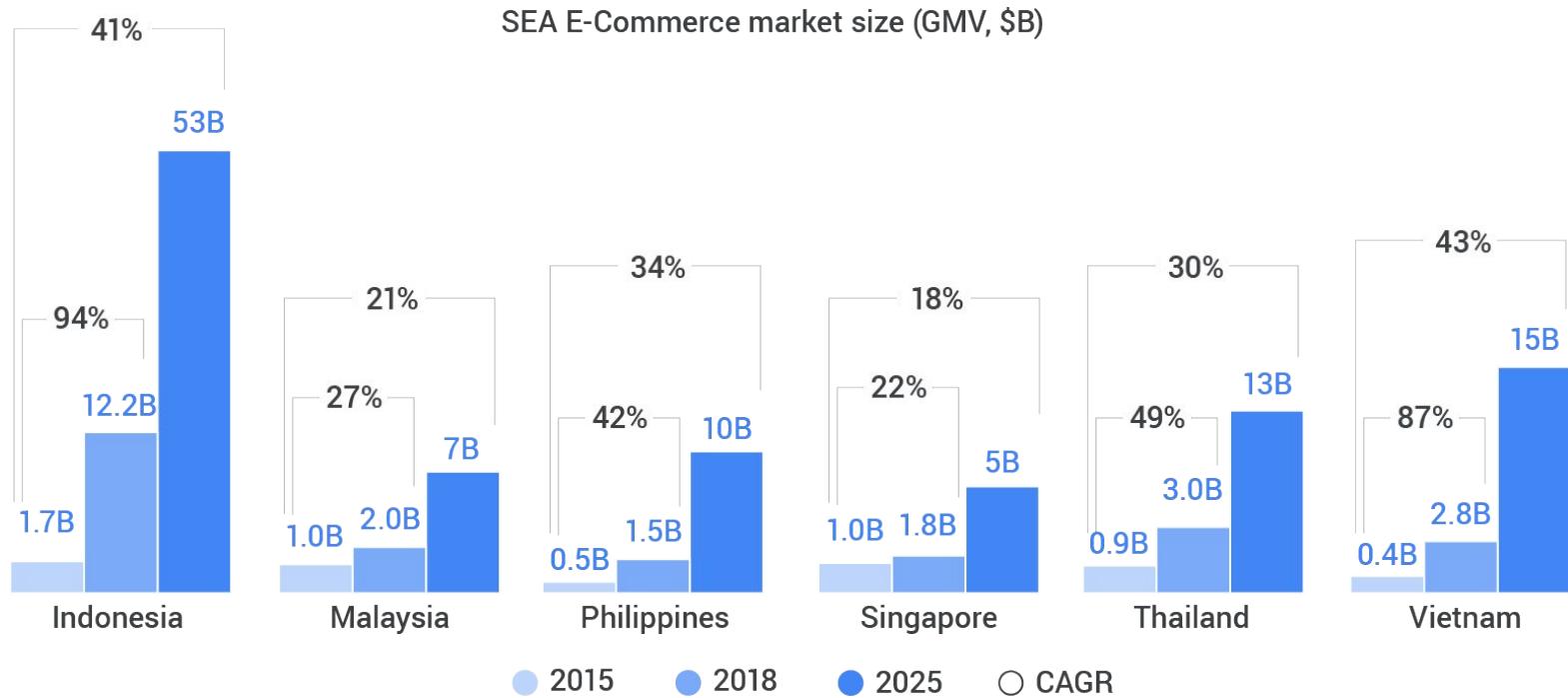
Key sector trends



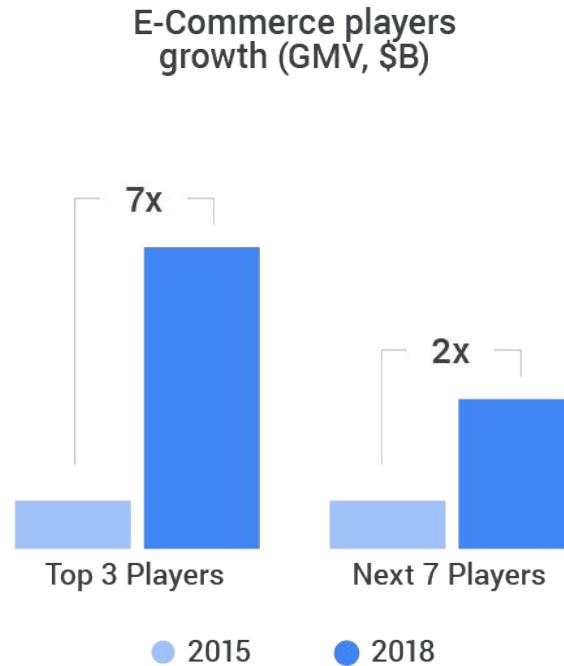
e-Commerce: doubles up year on year to \$23B in 2018, will be a \$100B+ business by 2025



e-Commerce: Indonesia market hits \$12B at 94% CAGR, accounts for more than \$1 in \$2 spent in the region



e-Commerce: sector boom propelled by top 3 players



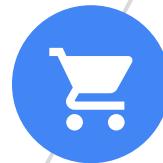
e-Commerce: inflection drivers

2015-2017

- User acquisition
- Consumer promotions
- Marketing investments
- Logistics networks
- VC funding

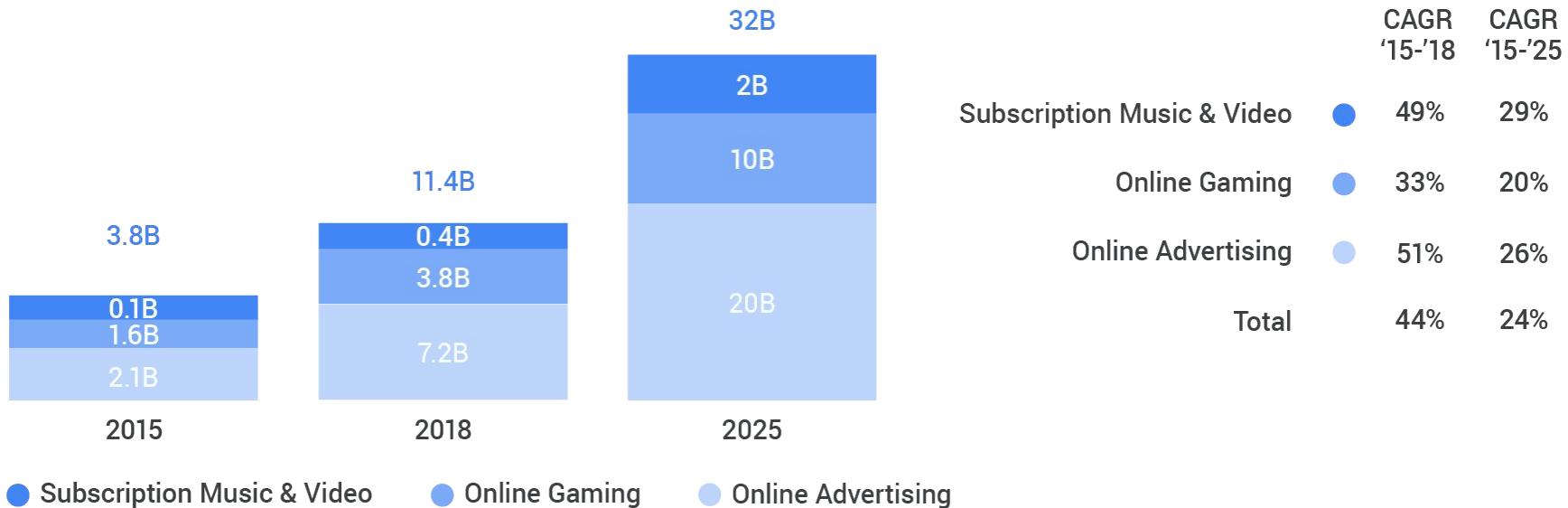
2018 and beyond

- Country leadership
- Category leadership
- Segment leadership
- Lazada, Shopee, Tokopedia
- Monetization



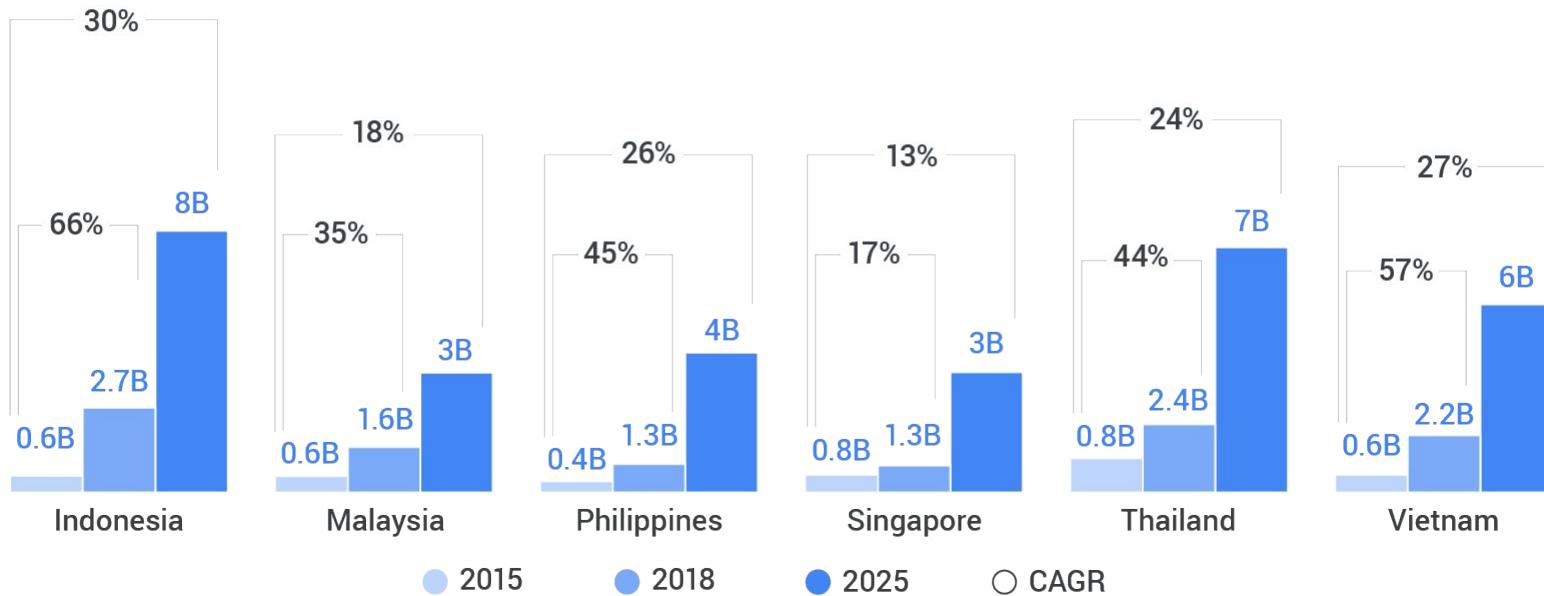
Online Media: tops \$11B in 2018 driven by Ads, Gaming; emerging Subscription Music & Video on Demand

SEA Online Media market size (GMV, \$B)



Online Media: Indonesia, Thailand, Vietnam all over \$2B

SEA Online Media market size (GMV, \$B)



Note: GMV: Gross Merchandise Value; CAGR: Compounded Annual Growth Rate.



Online Media: inflection drivers

2015-2017

Internet users growth

Mobile engagement

Free music & video

Global games & content

Online Ads by digital natives

2018 and beyond

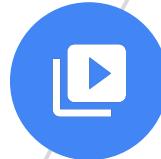
Internet users growth

Video streaming

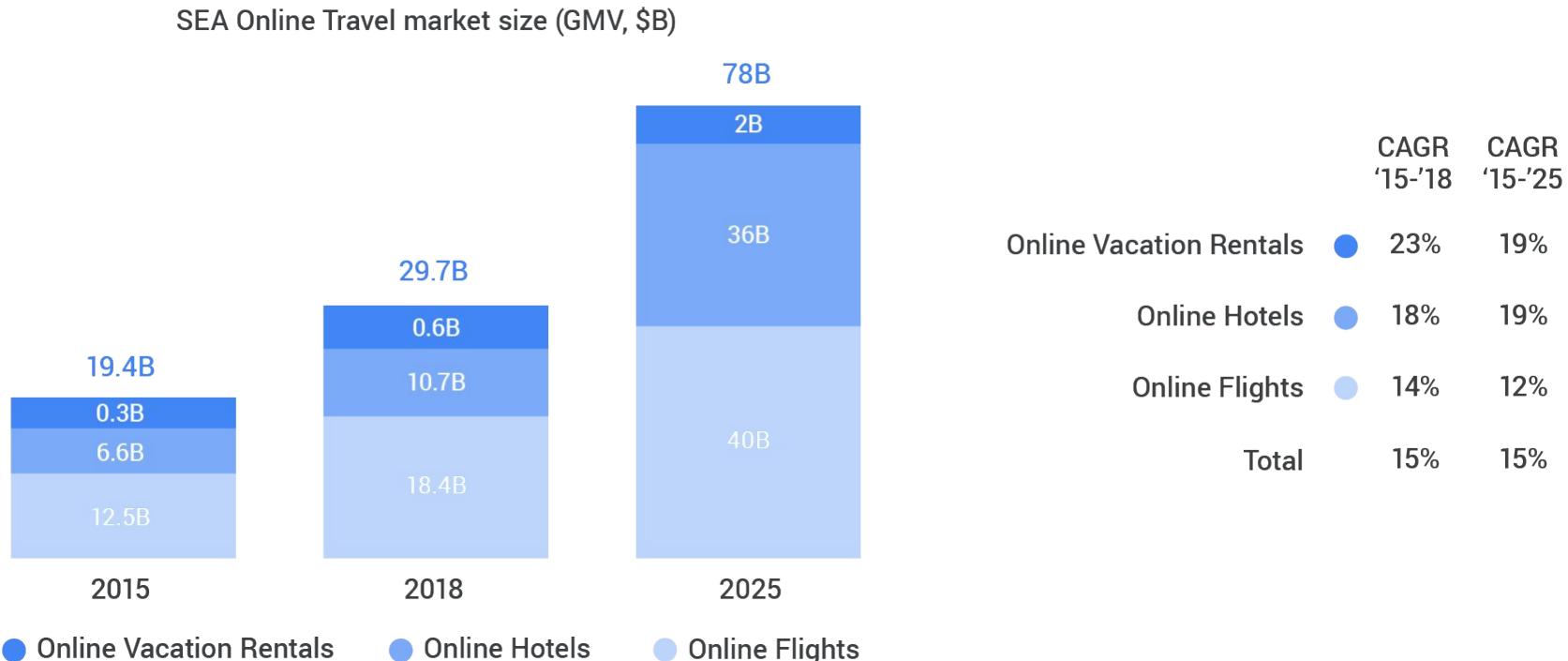
Paid music & video

Local developers & creators

Online Ads by millions of SMBs

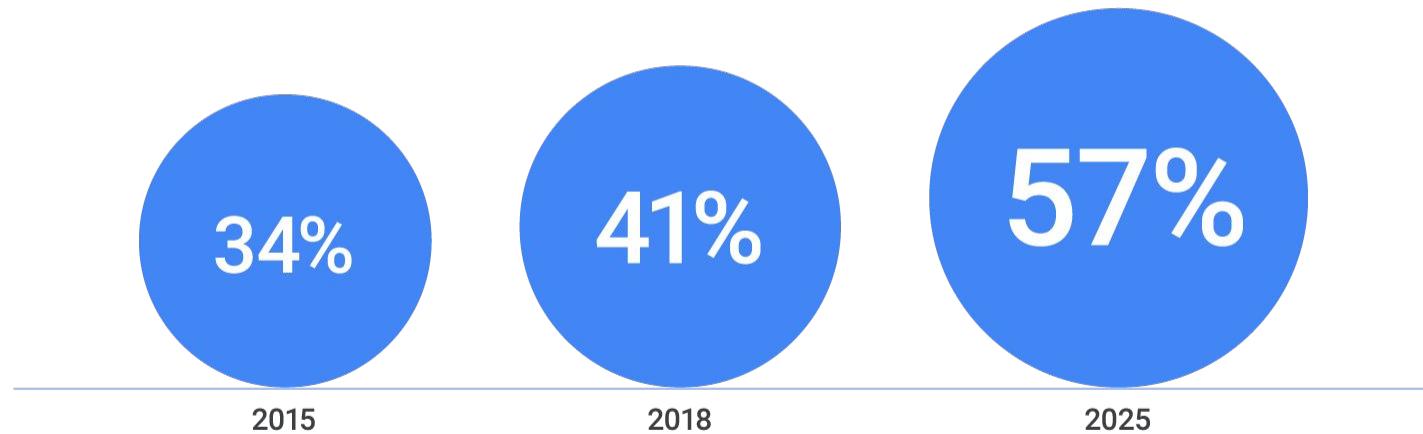


Online Travel: \$30B Flights and Hotels booked online, Online Vacation Rentals also gaining popularity

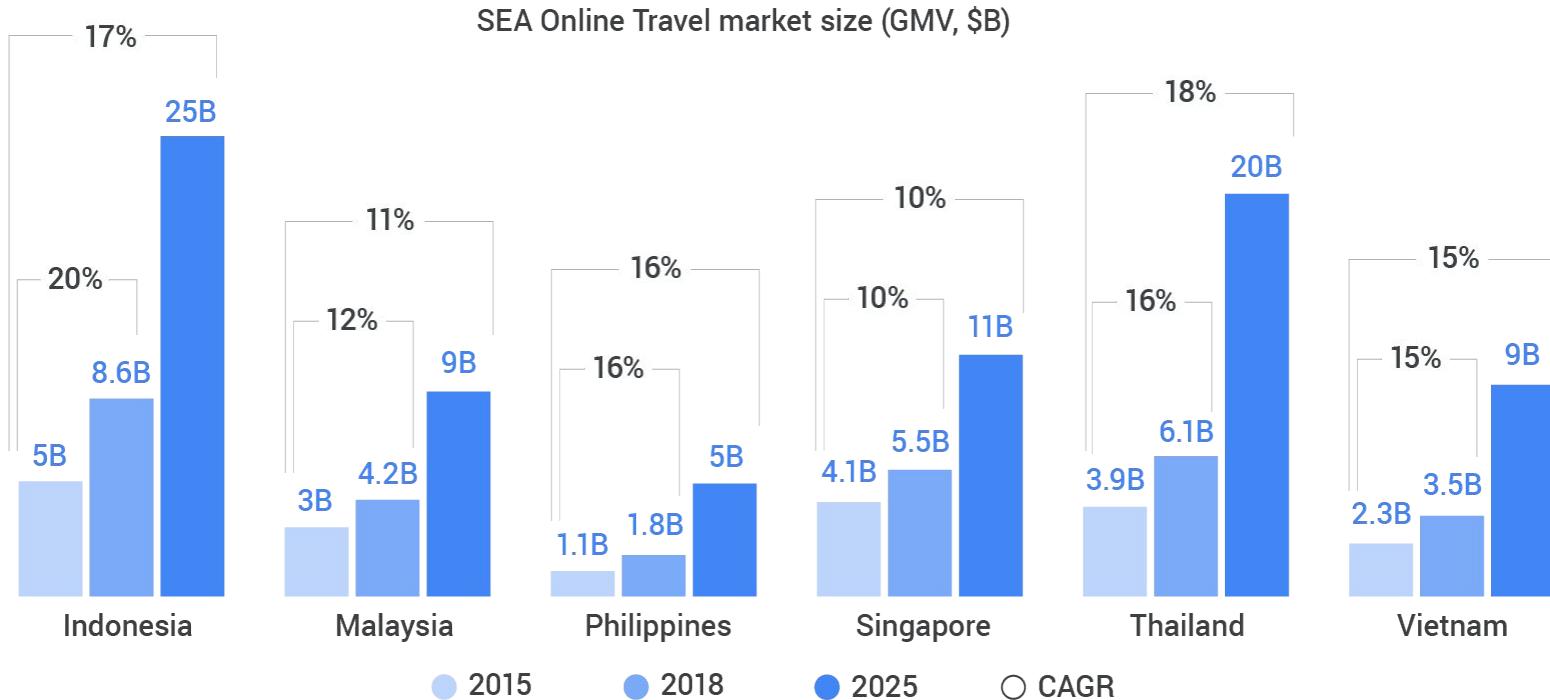


Online Travel: headroom for growth as bookings go online

Online travel bookings as % of total travel bookings



Online Travel: Indonesia, Singapore, Thailand largest; Online Travel Aggregators driving growth across region



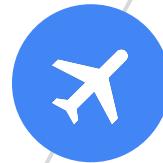
Online Travel: inflection drivers

2015-2017

Online Travel Aggregators
Airlines
Hotel chains
Mobile

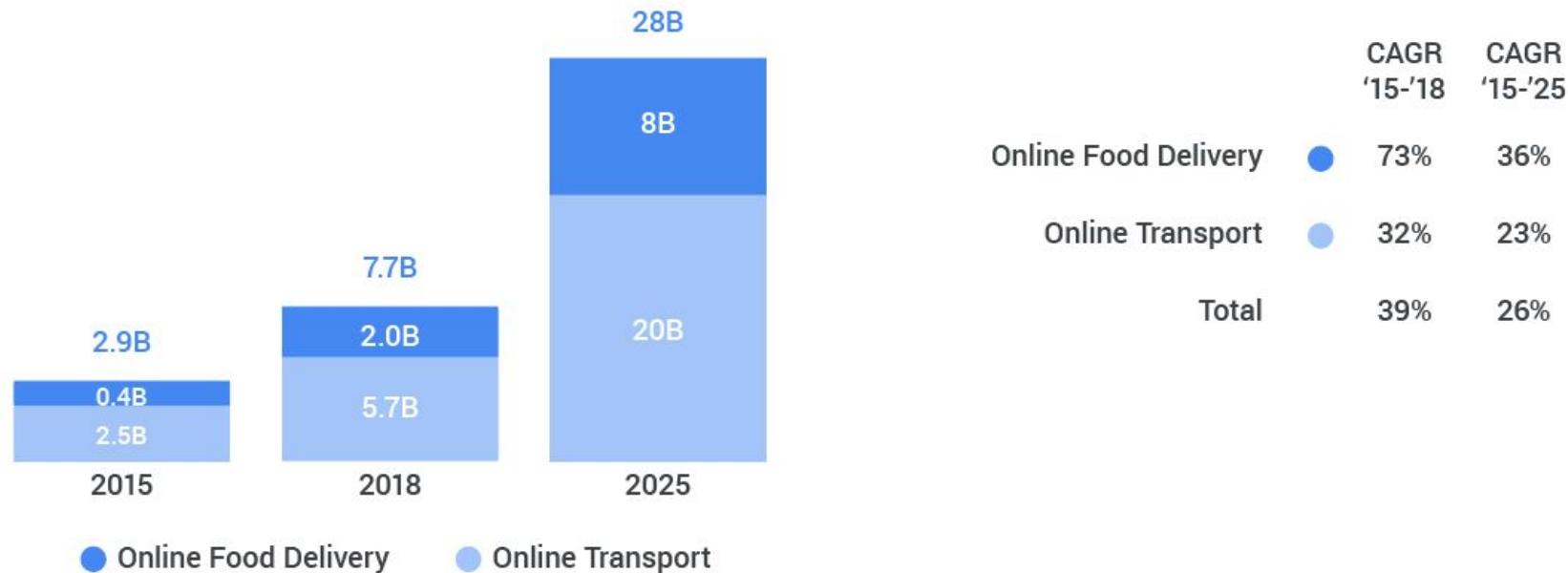
2018 and beyond

Online Travel Aggregators
Vacation rentals
“Long tail” hotels
Experiences

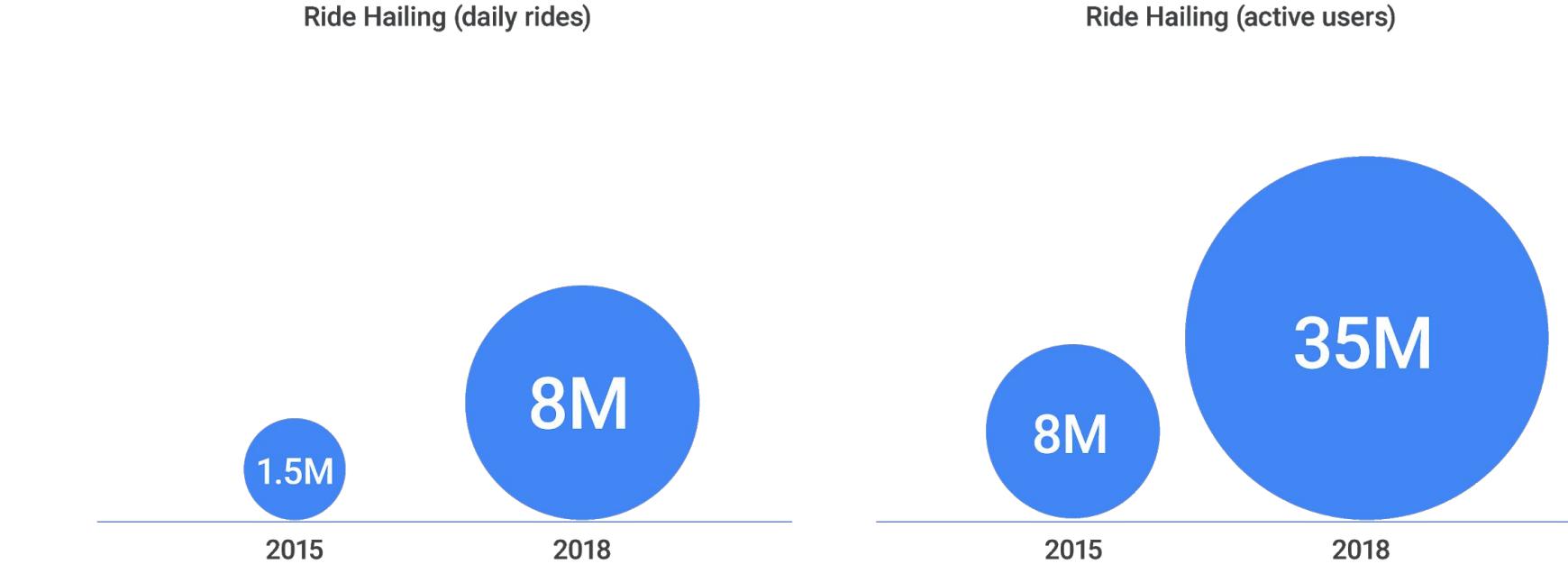


Ride Hailing: Online Transport grows close to \$6B, Online Food Delivery hits \$2B, to exceed \$8B by 2025

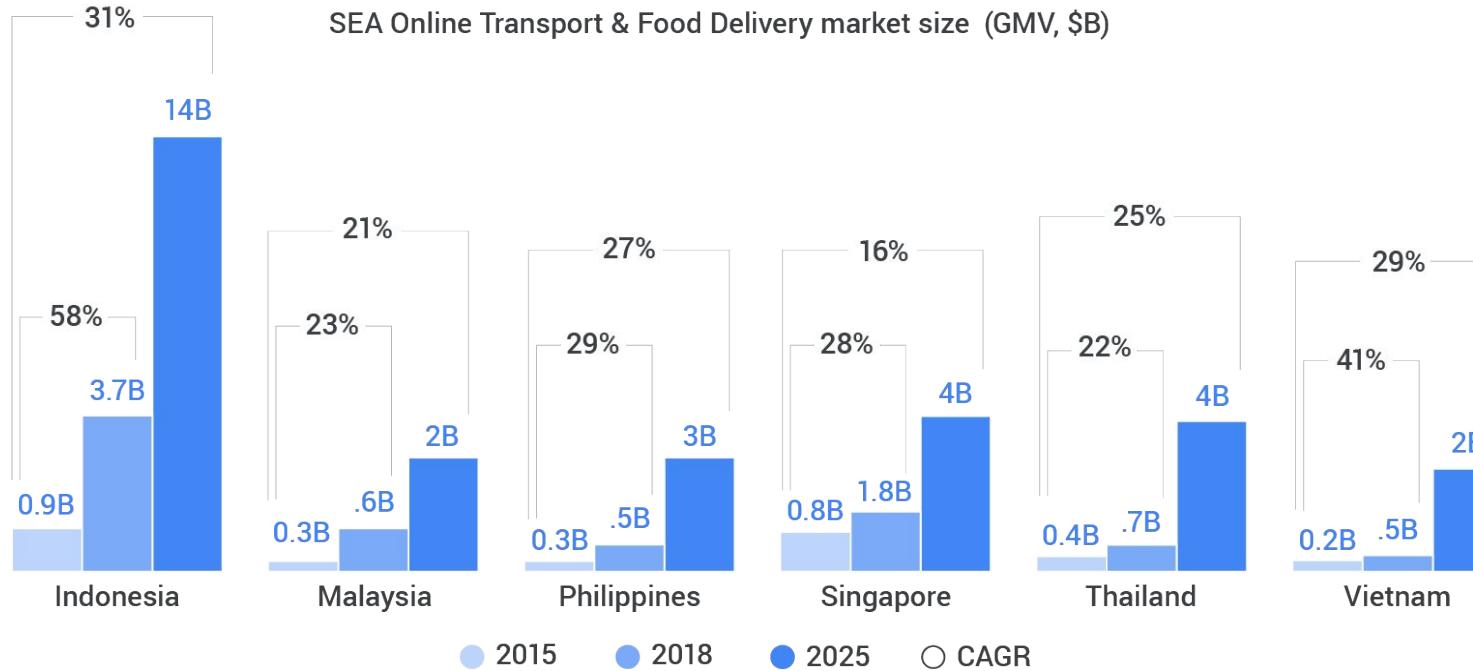
SEA Ride Hailing market size (GMV, \$B)



Ride Hailing: continuous increase in service adoption, 35M active riders take 8M rides on an average day



Ride Hailing: Indonesia large (\$3.7B) and fastest growing; sizable Singapore market (\$1.8B) driven by higher fares



Note: GMV: Gross Merchandise Value; CAGR: Compounded Annual Growth Rate.



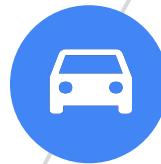
Ride Hailing: inflection drivers

2015-2017

- Transport
- Geo expansion
- Riders promotions
- Drivers incentives
- VC funding

2018 and beyond

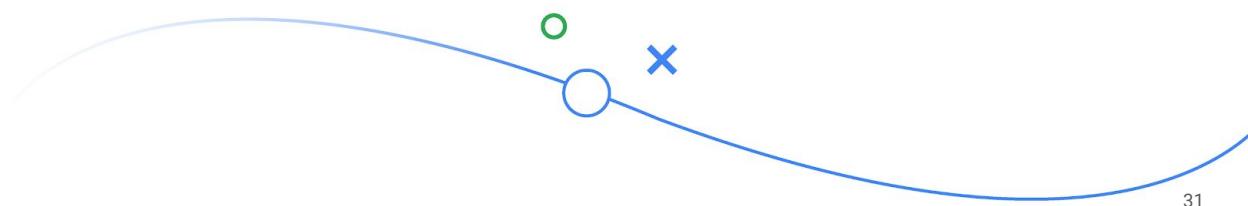
- Consolidation
- Food delivery
- Financial services
- “Everyday apps”
- Profitability





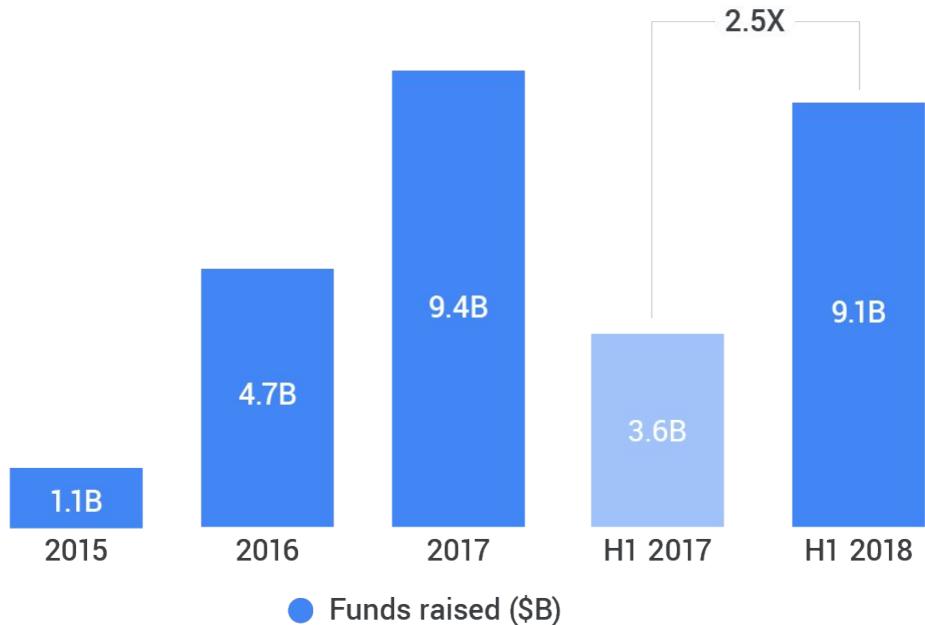
e-Economy SEA 2018

Funding



Record year for internet economy fundraising in SEA, \$9.1B raised in the first half of 2018, \$24B since 2015

SEA internet economy fundraising (\$B) 2015-H1 2018



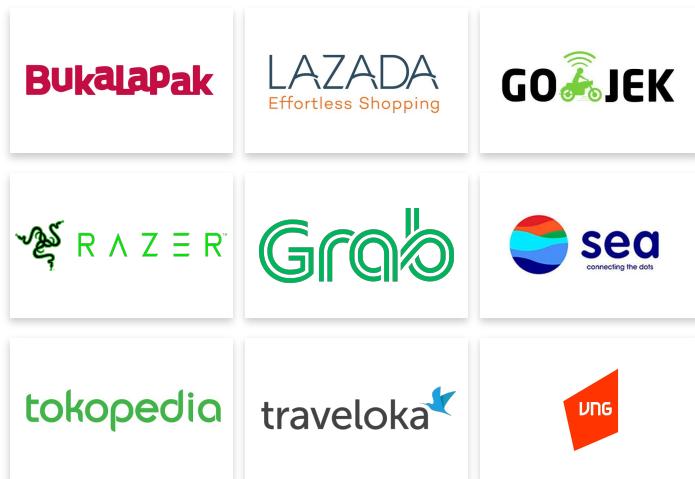
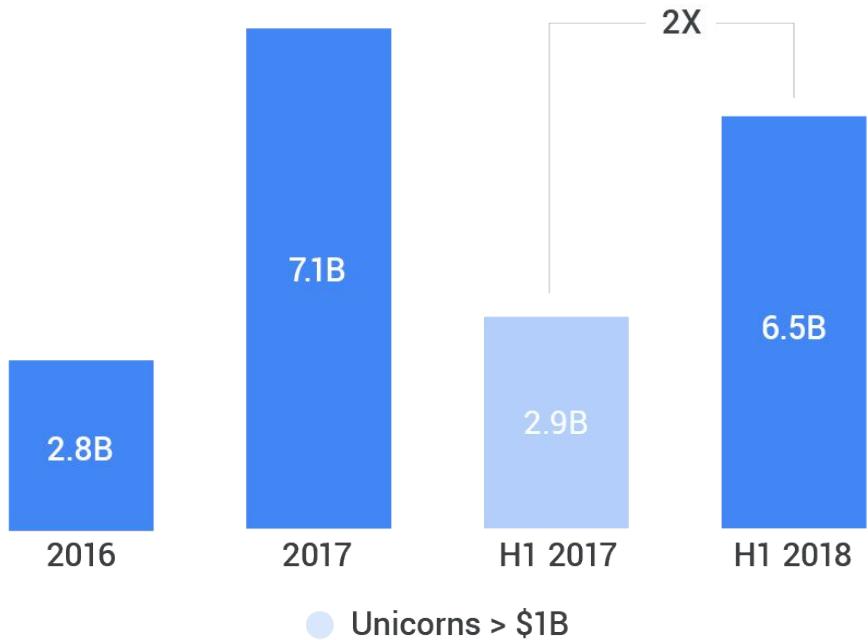
\$24B

Raised since 2015,
half of the **\$40-50B** funds
required to build a **\$200B+**
internet economy by 2025



Most funding went to SEA's 9 unicorns (\$16B since 2016); Grab 1st decacorn (\$10B+ valuation), less than 20 globally

SEA unicorns fundraising (\$B) 2016-H1 2018

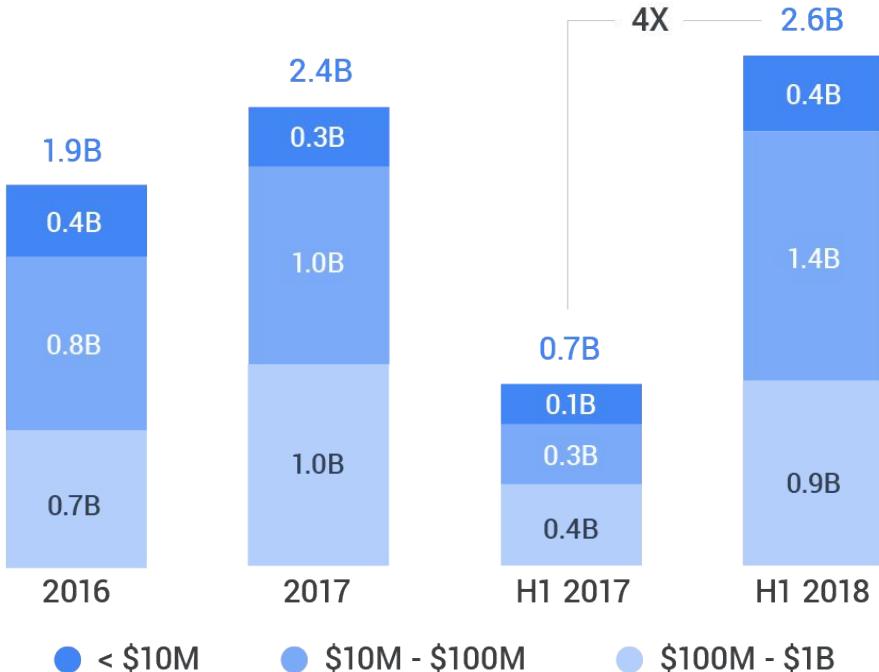


Note: H1 2018 fundraising figures include Grab Series H; unicorn refers to a privately-held company valued over \$1 billion; decacorn refers to a privately-held company valued over \$10 billion.



Rest of ecosystem attracted strong investors' interest; \$7 billion raised in 3 years, record \$2.6B in first half 2018

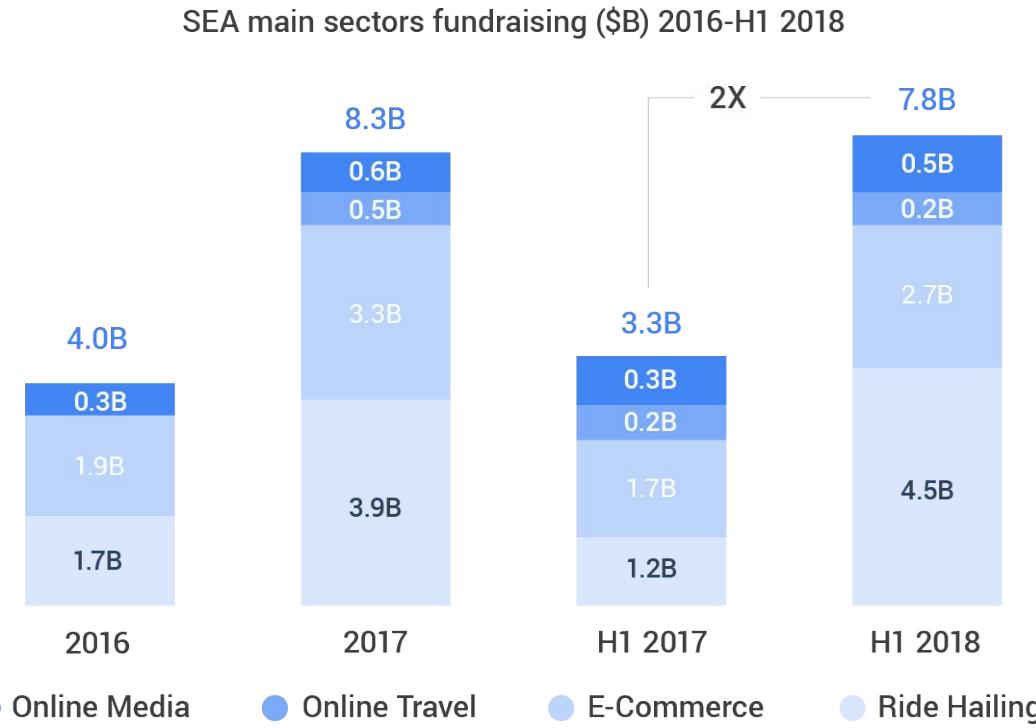
SEA non-unicorns fundraising (\$B) 2016-H1 2018



2,000+ internet companies
received funding, collectively
raising **\$7 billion in 3 years**

Companies valued \$10-\$100 million, the bedrock of the
internet economy, **raised a record \$1.4 billion in 2018**

Ride Hailing (\$10B) and e-Commerce (\$8B) attracted \$3 out of \$4 dollars invested in the region

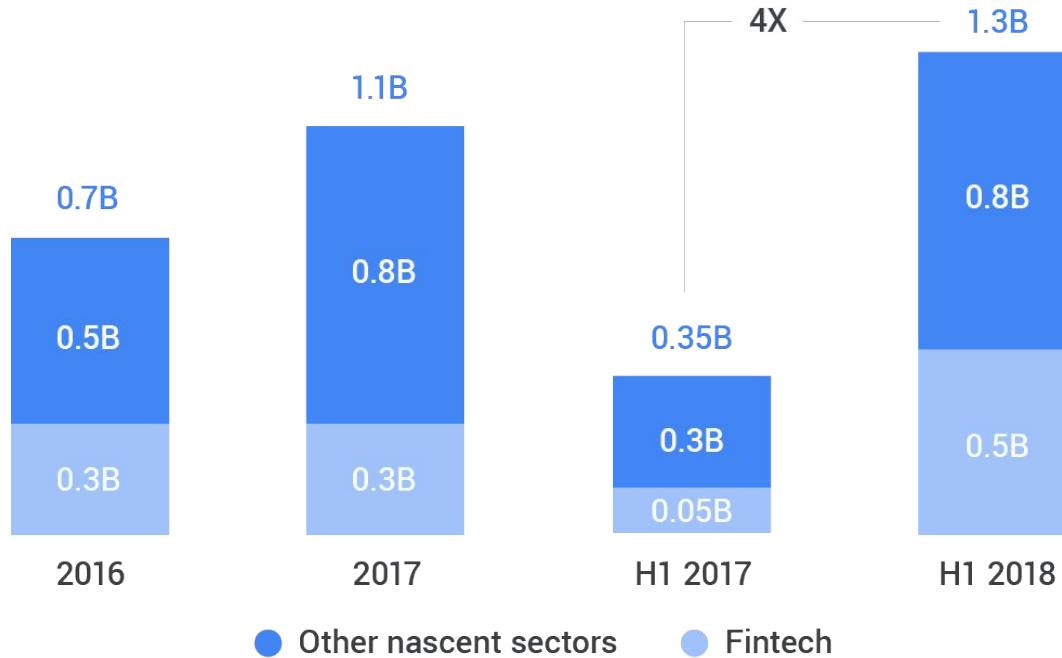


Note: H1 2018 fundraising figures include Grab Series H.

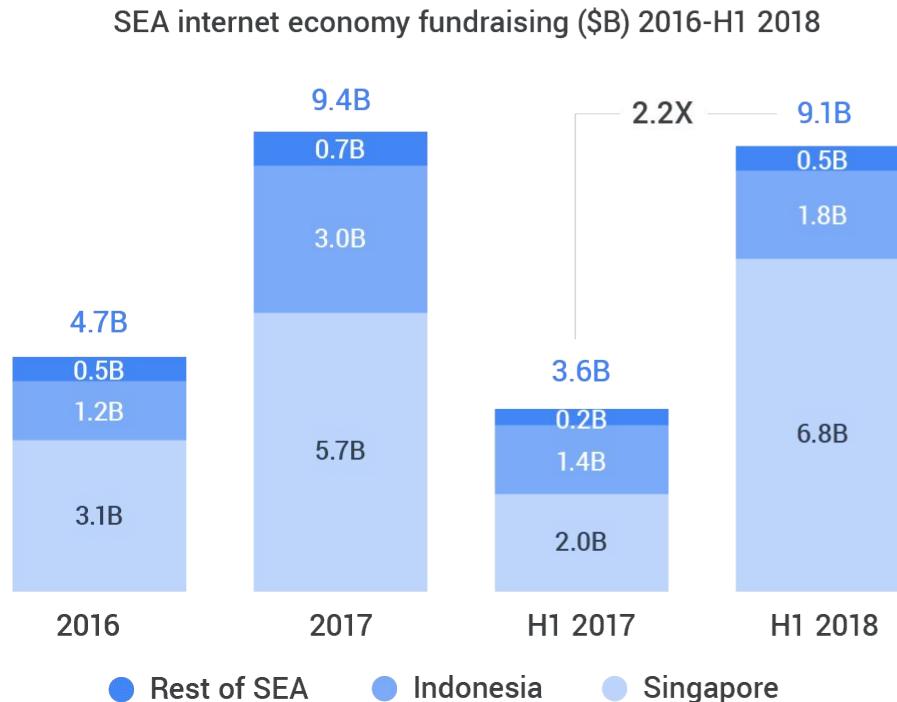


Fintech investments have surged in the 1st half of 2018, as in other nascent sectors; planting seeds for future growth

SEA nascent sectors fundraising (\$B) 2016-H1 2018



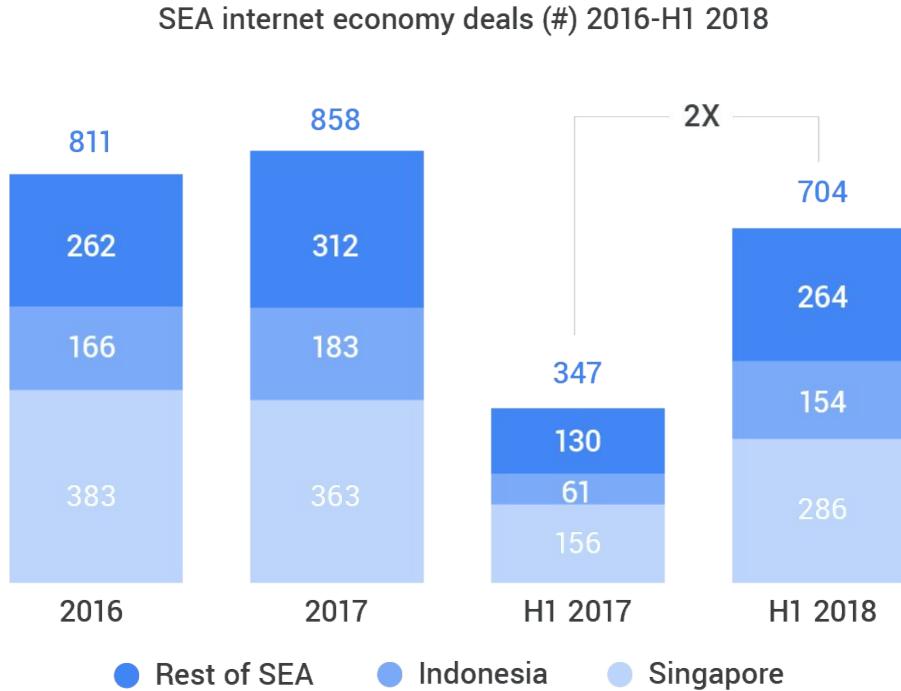
Most funds (\$16B) raised by Singapore-HQ companies, \$6B raised by Indonesian companies, \$2B in rest of SEA



Note: H1 2018 fundraising figures include Grab Series H.



Healthy deal flow also in rest of SEA, 800 deals since 2016; similar deal size across the region, excluding unicorns

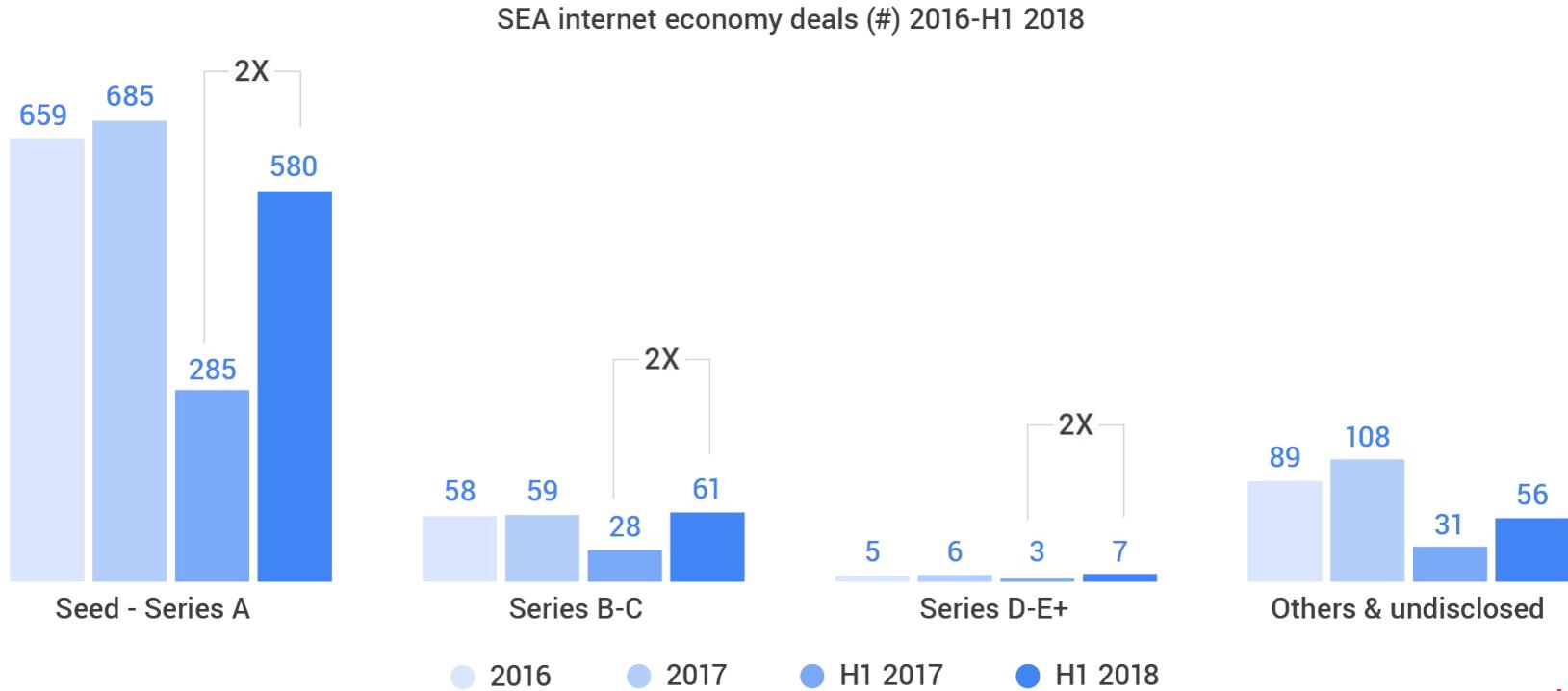


Excluding unicorns rounds,
comparable average deal size
in Singapore, Indonesia, RoSEA

\$6M / deal in Singapore
\$5M / deal in Indonesia
\$4M / deal in rest of SEA



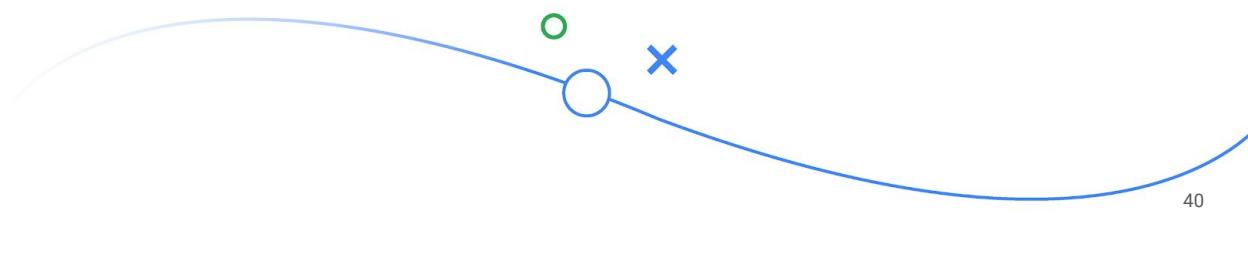
Seed-Series A-B-C deal flow climbs 2x year on year, investors planting seeds for future ecosystem growth





e-Economy SEA 2018

Ecosystem challenges



Visible progress towards solving the ecosystem challenges identified in our previous research



Funding



Internet



Consumer
Trust



Talent



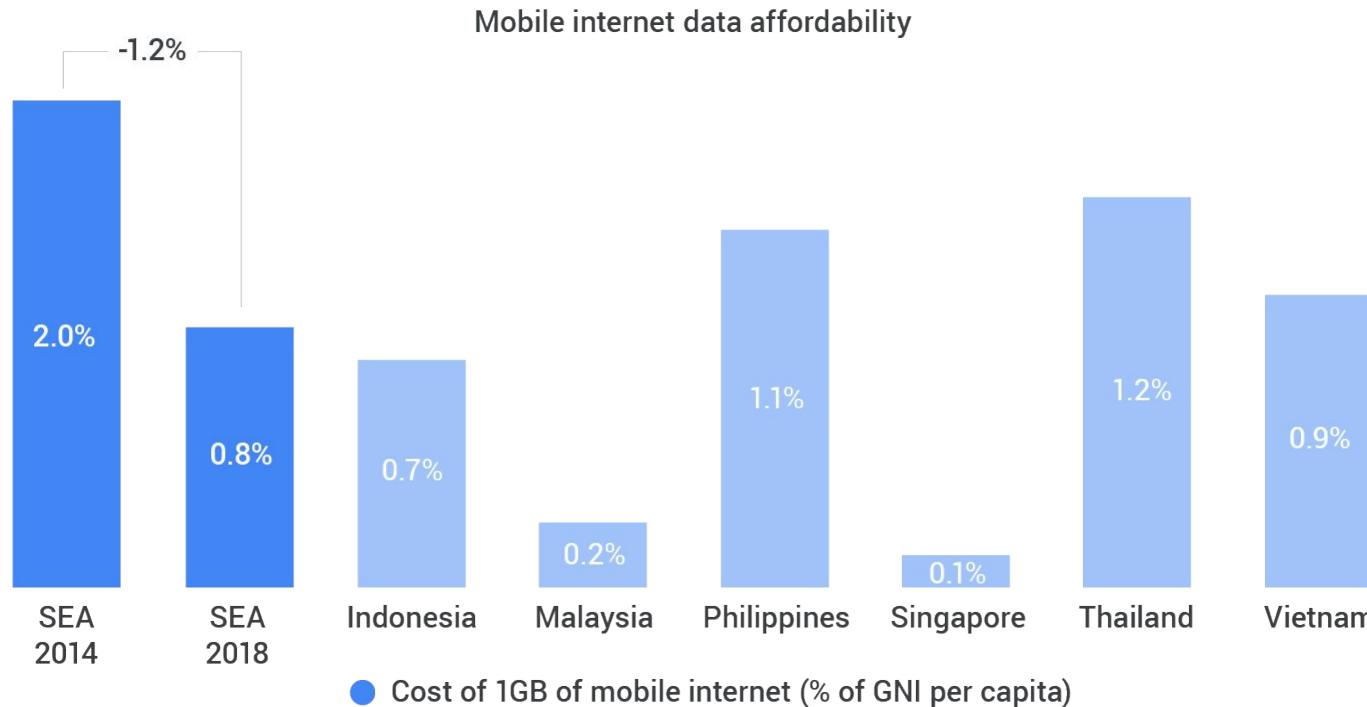
Logistics



Payments



Internet: mobile internet becoming more affordable, 1GB of mobile data costs less than 1% of monthly income



Note: GNI: Gross National Income.

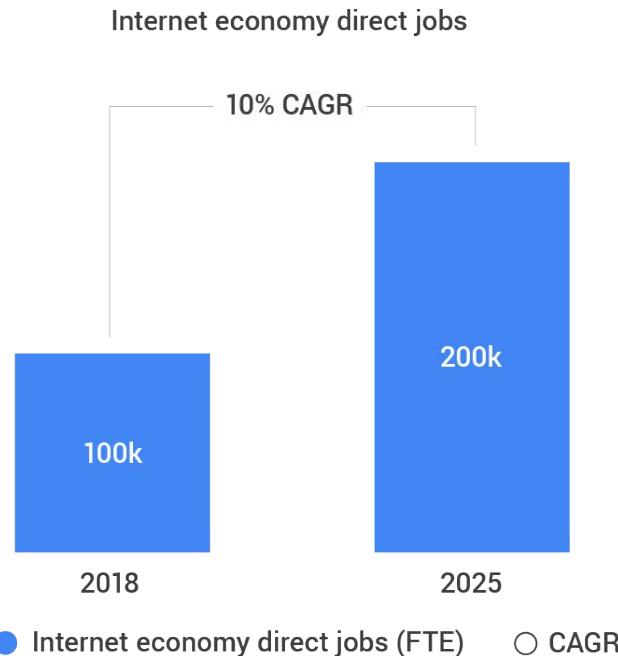
Source: carriers websites (internet data cost), World Bank (GNI).



Consumer trust: rapidly increasing across sectors



Talent: internet economy employs 100k professionals, 200k by 2025; skilled jobs & employment growth



Highly skilled jobs

Internet economy jobs have salaries 3X to 5X higher vs. median wages

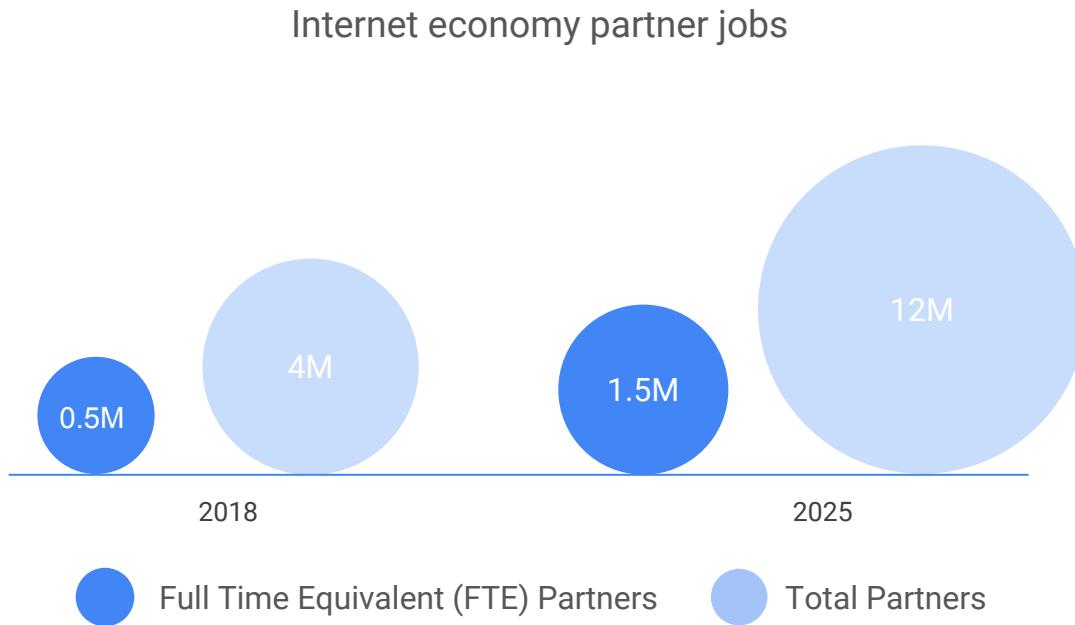
Employment growth

Internet economy 10% CAGR
Traditional economy <3% CAGR

Note: Direct Jobs = Internet economy companies employees + Internet economy roles in traditional companies (e.g. digital marketing, app/website developers).
Note: Includes direct jobs in e-Commerce, Ride Hailing, Online Media, Online Travel, Other Sectors (Financial Services, Education, Healthcare).



Talent: internet economy engages millions of partners, with flexible jobs & income opportunities



Flexible job

Full Time, Part Time
Personalized schedules

Income opportunities

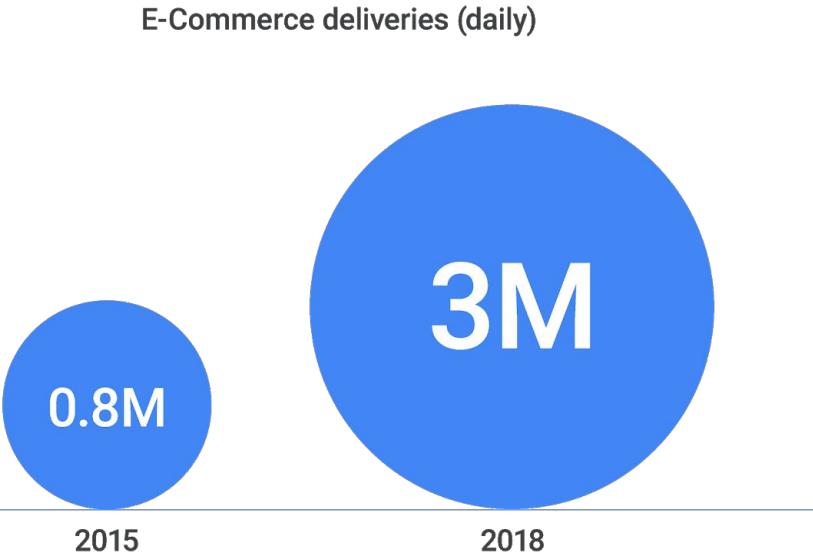
20-30% higher wages vs.
alternative opportunities



Note: Partners Jobs = Ride Hailing drivers jobs (Online Transport, Online Food Delivery) + e-Commerce delivery jobs.

Note: FTE: Full Time Equivalent; Part Time jobs converted to Full Time Equivalent basis standard working hours per week in each country.

Logistics: e-commerce players, logistic giants & startups all tackling huge growth in e-Commerce deliveries



e-Commerce players

Lazada Express, Redmart

Established logistics

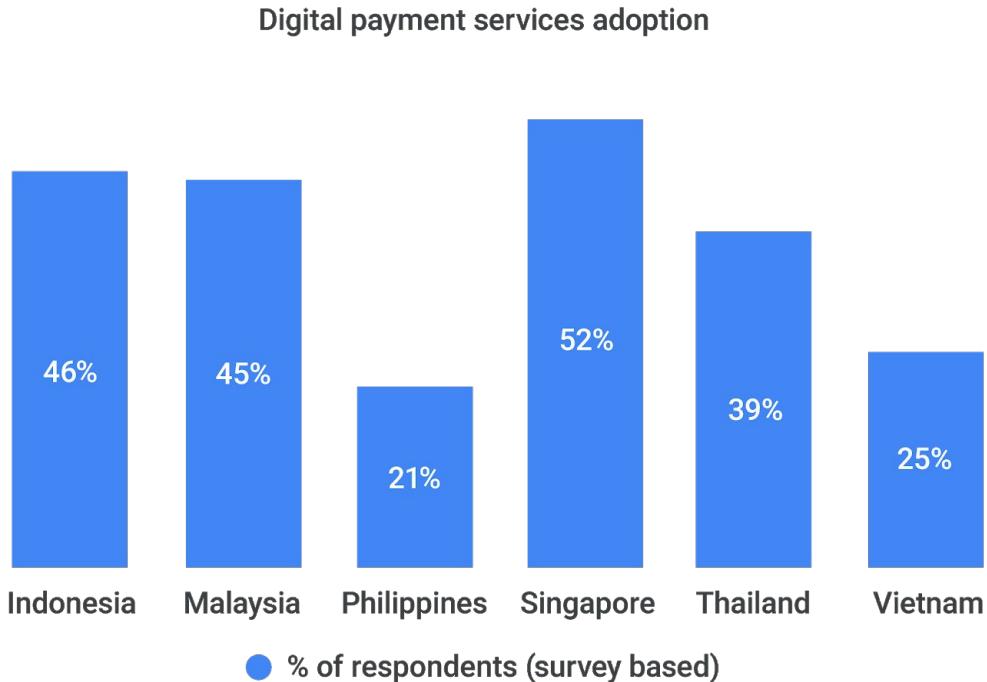
SingPost, JNE, DHL

Logistics startups

J&T, NinjaVan



Payments: adoption of digital payments increasing, yet usage remains low; lack of widely accepted solutions



Multiple players offering digital payment services

Ride Hailing
Go-Pay (ID)
GrabPay (SEA)
Ovo (ID)
Kudo (ID)

Tech

Apple Pay
Google Pay
PayPal

e-Commerce
AirPay (SEA)

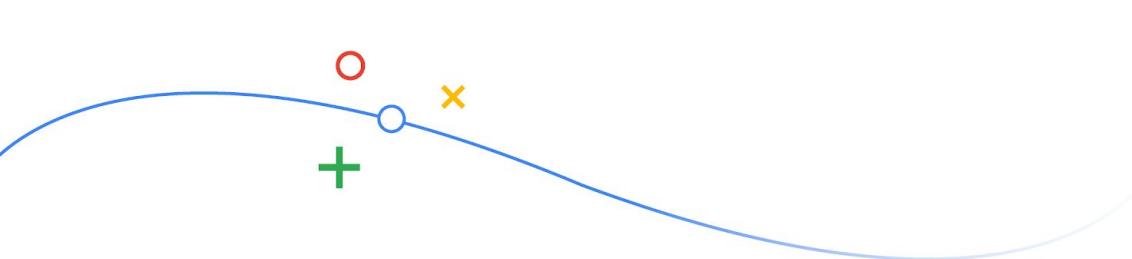
Telecom

Telkomsel t-cash (ID)
Globe GCASH (PH)
TrueMoney (TH)

Banks

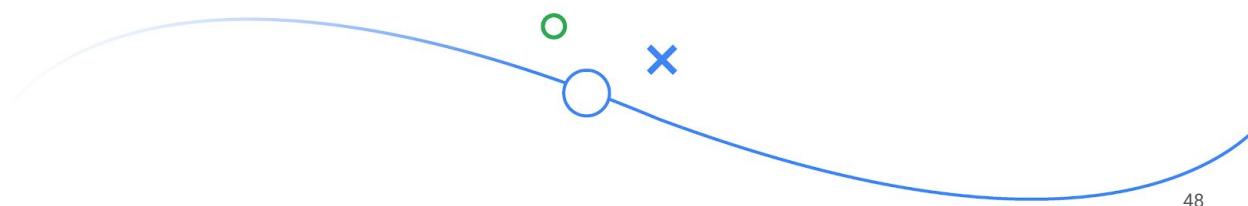
DBS PayLah! (SG)
Mandiri e-Money (ID)





e-Cconomy SEA 2018

Key takeaways



Key takeaways



\$72 billion internet economy hits an inflection point



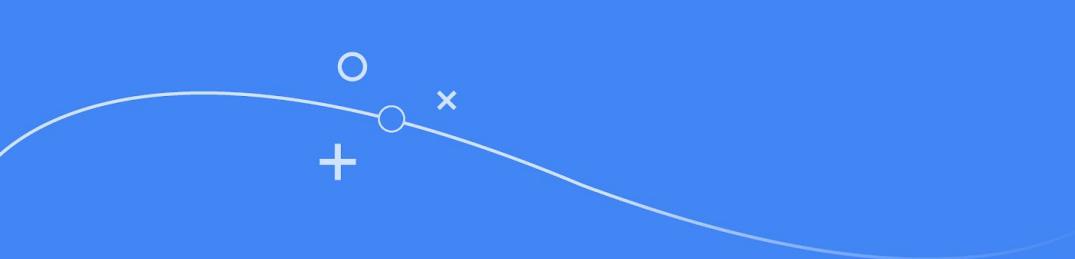
Record year for fundraising, \$24 billion since 2015



Visible progress solving ecosystem challenges



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