



> Southeast
Asia Deal
Review
2023

DealstreetAsia
NIKKEI Group

 **RIGEL**
CAPITAL

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Foreword



Sebastian Togelang
Founding Partner, Rigel Capital



Dear Partners, Colleagues, and Industry Enthusiasts,

Rigel Capital and I are pleased to present this report we worked on alongside DealStreetAsia. Rigel Capital is a multi-stage investment company that provides capital to hyper-growth companies and focuses on building ecosystems, particularly in the emerging Southeast Asian, Middle East, and Indian economies.

This report aims to unravel the intricacies of the Southeast Asia deal market. It signifies not just the culmination of data but a testament for our shared dedication to fostering growth and innovation within our dynamic industry. The tumultuous journey of 2023 is encapsulated in the report's findings, providing a nuanced understanding of the ups and downs witnessed in the regional investment sphere. As we embark on this insightful journey through the report, I invite you to engage deeply with the findings, challenge assumptions, and contribute to the ongoing dialogue shaping our vibrant venture capital community.

Our sincere thanks go out to our partners, investors, and the entire team at DealStreetAsia and Rigel Capital for their unwavering support and commitment to driving innovation in Emerging Asia. Let the insights within this report be a catalyst for meaningful conversations, strategic partnerships, and a collective vision for a thriving future.

Warm regards,

Sebastian Togelang
Founder & Managing Partner, Rigel Capital

Executive Summary

In 2023, the Southeast Asian startup landscape underwent a transition marked by a shifting of goalposts, slower growth rates, and increased fundraising challenges due to heightened investor caution. As global macroeconomic headwinds and continued geopolitical strife curtailed capital flows last year, it is no surprise that both annual deal volume and value declined.

While the overall annual performance remained subdued, the fourth quarter exhibited a degree of stability as the number of deals announced and the capital raised by venture-backed companies in the region were on par with levels seen in the preceding quarter. While insufficient to reverse the annual downturn, this trend suggests startups and investors are adapting to the evolving paradigm.

This new paradigm signifies a departure from the historical immunity of early-stage startups to

funding constraints, evident in the decline in dealmaking and capital raised in 2023. Even traditionally robust sectors such as fintech and e-commerce experienced a deceleration in momentum, fostering opportunities for consolidation, exemplified by the TikTok-Tokopedia deal in Indonesia. Meanwhile, themes such as climate change, sustainability, and health tech have risen to the forefront and are poised to gain more traction.

Investors advocate for sustained prudence in this environment, emphasizing the importance of building sustainable and profitable businesses. With industry experts predicting a potential rebound only in the second half of 2024, the regional startup ecosystem may have to endure growth pangs for longer than it would like. The good news is it will be stronger for it.

Key Findings

The end of a wild ride

Private capital raised by startups in Southeast Asia nosedived as macroeconomic factors weighed heavily on investor sentiment in 2023. There was a 30% year-on-year decline in the number of equity funding deals in 2023. More substantially, the total capital raised by venture-backed companies in the region fell 53% to \$7.72 billion, marking the end of a 2021–22 fundraising spree that was sparked by a rise in global liquidity after the pandemic. It is also worth noting that e-commerce giant Lazada alone raised \$1.89 billion last year, amounting to nearly 25% of all equity funding garnered by venture-backed companies in the region. The Alibaba-owned company had received \$1.62 billion in funding in 2022. That said, a closer examination of quarterly trends reveals signs of stability emerging in the startup investment landscape. After hitting a three-year low in the third quarter of last year, equity funding deal volume grew 10% in Q4. Regional startups raised \$2.04 billion in the fourth quarter, a modest 2% decrease from the preceding quarter.

Two new unicorns

2023 saw a shortage of mega funding rounds in Southeast Asia as several global investors scaled back their investments. Fintech lending firm Kredivo was a distant second to Lazada among top fundraisers with its \$270 million Series D round, followed by insurtech firm Bolttech (\$246 million Series B). Indonesia's aquaculture firm eFishery came in fourth with a \$200 million Series D funding round in May that catapulted it into the unicorn club. The deal made it the first venture-backed startup in Southeast Asia to achieve the vaunted \$1 billion valuation in 2023. The region had to wait until December for its second unicorn of the year when Singapore-based semiconductor integration service provider Silicon Box closed the first tranche of a \$200 million Series B round. In comparison, the region had welcomed eight unicorns in 2022 and 23 in 2021. We are excluding Investree's \$231 million Series D round, which was announced in October, from our 2023 dataset due to uncertainties surrounding the deal.

Early-stage woes

Last year saw fundraising woes extend beyond late-stage companies. Equity investments in early-stage deals, which include funding rounds up to Series B, fell 29% year-on-year to 657 deals in 2023, while total capital raised fell by 49% to \$3.41 billion. Seed funding, considered a bellwether for early-stage investment trends, has exhibited a downward trajectory since the second quarter of 2022, signalling a pullback from the peak investor exuberance that characterised the market in 2021. Although we saw a slight uptick in the fourth quarter of 2023, it is not enough to convince us of a turnaround and is more likely an indication of a stabilising deal flow. We are witnessing a similar trend at the Series A and B stages, which saw annual deal volume declines of 45% and 43%, respectively, last year.

Mixed signals

A look at the median and average values of deals shows diverging trends across different funding stages. We consider the median value a better indicator for deal sizes and valuations as it is less prone to outliers than averages. In 2023, the median seed round in Southeast Asia fell 10% year-on-year to \$2.3 million after consistent increases in the previous five years. Series A rounds, however, maintained their upward trajectory as their median value jumped by 19% to \$9.7 million. At the same time, there was a 45% drop in deal volume at the stage as investors tightened their purse strings amid a challenging macroeconomic environment and liquidity crunch. Their increased wariness might also explain the deeper corrections in Series B and C median values, which fell by 35% and 54%, respectively. On the other hand, the Series D median witnessed a recovery, although there were only six such deals in the whole of 2023. Companies such as Kredivo and eFishery, which claim to be profitable, are likely to have fetched a premium for their performance, thus skewing the data for this funding stage.

Fintech buckles

Fintech, which encompasses a wide range of financial products and services, has traditionally been the most active business vertical in the region's fundraising landscape. It maintained its position in 2023 but with a significantly lower deal quantum. Equity investments in fintech startups dropped by 40% to 141 deals, while total capital raised fell 71% to \$1.59 billion relative to the previous year. E-payment solutions fetched the most deals last year, but fintech lending bagged the most funding at \$503 million, or roughly 32% of the total fintech investments. Wealthtech, which benefitted from growing interest among retail investors to access the public market and the rise of decentralised finance (DeFi) in 2021 and 2022, is no longer a top contender among fintech categories. Deal volume and value for the segment plunged 63% and 90%, respectively. Nevertheless, DeFi and blockchain solutions, in general, have become a permanent fixture in fintech, not only in wealthtech but also in e-payments, fintech lending and more. Our data shows deals by DeFi startups accounted for 29% of all fintech equity deal volume and 13% of total value in 2023, lower than 31% and 23%, respectively, in 2022 but much higher than in 2020 when the hype surrounding cryptocurrency first took off.

E-commerce consolidates

TikTok's acquisition of a majority stake in Tokopedia was the biggest news in the e-commerce space last year. The move illustrates a significant shift towards market consolidation and strategic alliances amid tough competition in a sector witnessing a gradual decline in venture funding. The fourth quarter of 2023 saw eight deals, the lowest in at least five years. Like fintech, e-commerce deal volume has gradually come down since the second quarter of 2022. This indicates a maturing market where several prominent players, such as Bukalapak, Blibli and Tokopedia, have debuted publicly and are no longer raising funds in the private market. Overall, equity deal volume for e-commerce dropped 52% to 60 deals last year, while total deal value fell 35% to \$2.32 billion. About 81% came from Lazada's fundraising in multiple tranches throughout the year. Although the e-commerce firm is headquartered in Singapore, we expect the lion's share of the war chest to be disbursed in its largest market, Indonesia.

Emerging sectors

Bucking the downward trend affecting the region's venture market, healthtech continued to garner strong investor interest in 2023. The sector clocked 60 deals last year, up 20% year-on-year, competing head-to-head with e-commerce in deal count. However, the total funding value dropped by 34% to \$582 million owing to smaller healthtech deal sizes, particularly among late-stage startups. Telemedicine ranked as the top healthtech category with 17 deals, followed closely by curative and diagnostics technologies with 15 and 16 deals, respectively. A separate study in November by DealStreetAsia found that investments in deep tech domains, such as biotech, genomics and artificial intelligence, play a major role in the rise of healthtech in the region. Blockchain, another deep tech domain, has been propelling deals in the software & IT sector, accounting for about 67% of the 49 deals in the space in 2023. Green tech was another vertical that gained traction last year. Deal volume in the space grew 17% to 42 deals as investors pumped capital into companies tackling the all-too-real consequences of climate change. Check out DealStreetAsia's previous report for more details on climate tech investing in Southeast Asia.

Debt funding plunges

Debt funding, which was widely expected to make up for the shortfall in equity investments in a tough fundraising climate, also saw a dip last year. The total debt funding raised more than halved to \$840 million in 2023 from \$1.97 billion in 2022. Meanwhile, the deal count witnessed a fall of 20%. It must be noted that there is generally more secrecy around debt financing than equity funding, which typically leads to fewer deals being announced. That said, the decline in both deal volume and value hints at the introduction of tighter selection criteria by lenders, which is unsurprising in the current environment. Prominent debt funding deals in 2023 included Singapore-based proptech startup StorHub Group securing \$131.8 million from CIMB and United Overseas Bank, and Indonesia-based fintech firm Amarta bagging \$125 million from Community Investment Management and the International Finance Corporation (IFC). With a \$100 million debt facility each to their name, Atome and Vietcap were the other companies to feature in the list of the top 20 fundraisers of the year.

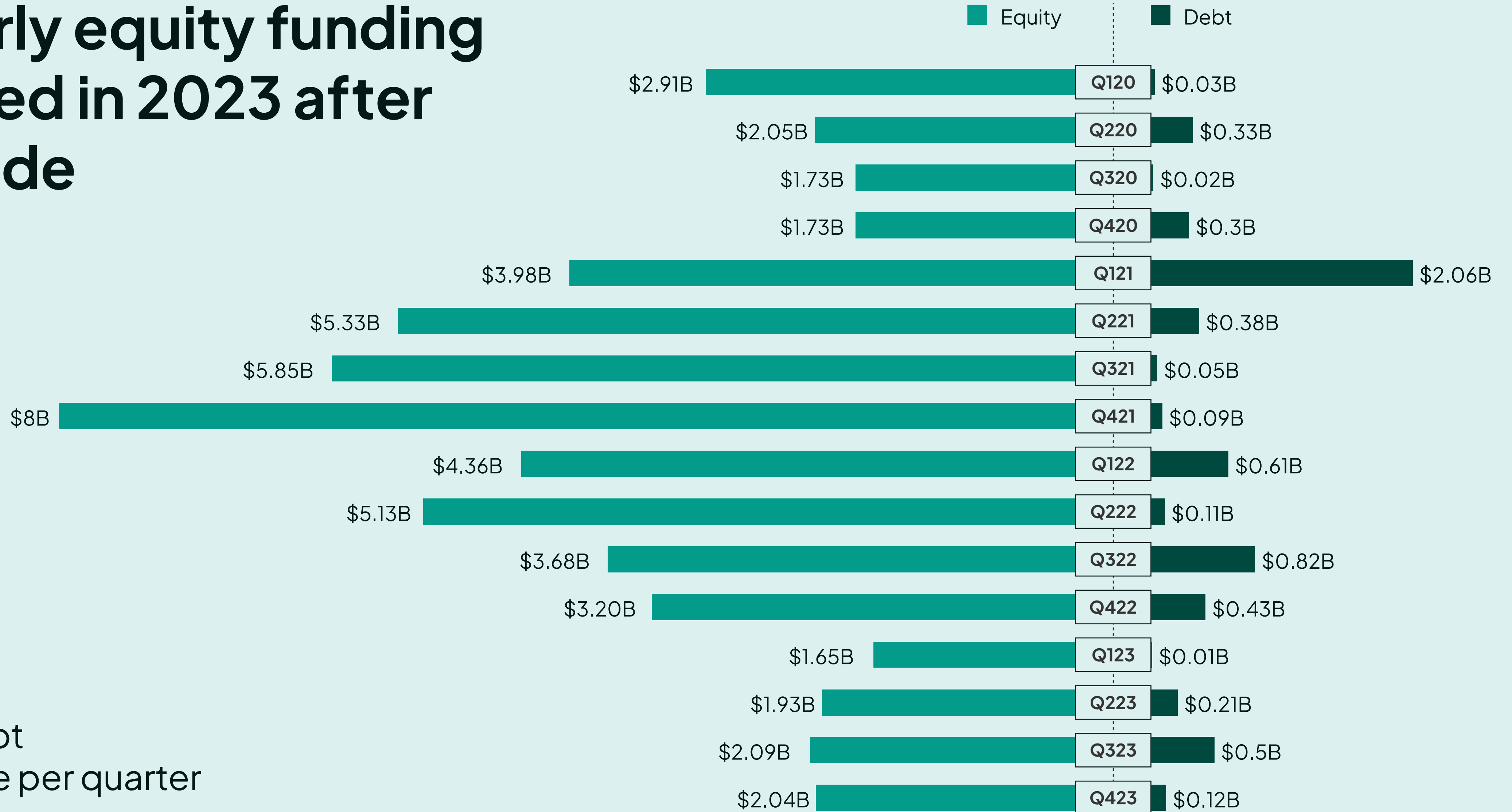
Thailand, Malaysia see biggest declines

No Southeast Asian market could defy the downward fundraising trend in 2023. Thailand and Malaysia witnessed the most extensive corrections in total equity funding raised – the former clocking a steep 86% year-on-year drop in deal value to \$134 million and the latter posting an 83% plunge to \$106 million last year. In terms of declines in deal volume, Indonesia and the Philippines led the tally. The archipelago's deal count tanked 49% in 2023, while the Philippines saw a 38% drop. Both countries saw their total funding value falling 65% and 70%, respectively. Singapore, Southeast Asia's most mature investment destination, witnessed relatively more moderate declines. The city-state saw a 21% drop in deal volume, the lowest among the six largest markets in the region, while deal value fell 44% to \$5.5 billion. Vietnam also displayed a degree of resilience when compared to the rest, with equity funding value experiencing a 28% decline as deal volume fell 34%.



Southeast Asia

Quarterly equity funding stabilised in 2023 after a wild ride

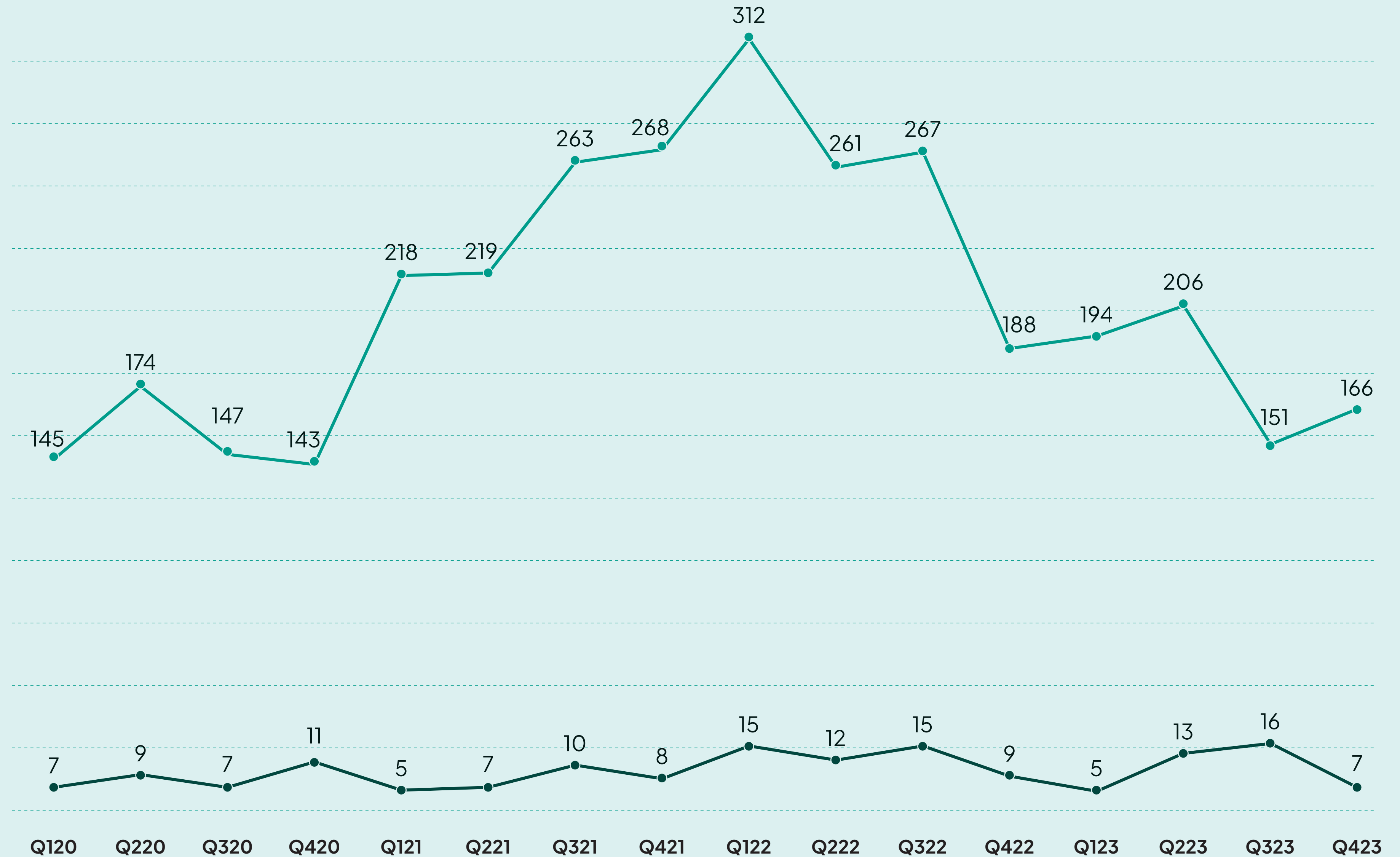


Equity vs debt funding value per quarter

Equity deal volume dropped 30% YoY in 2023

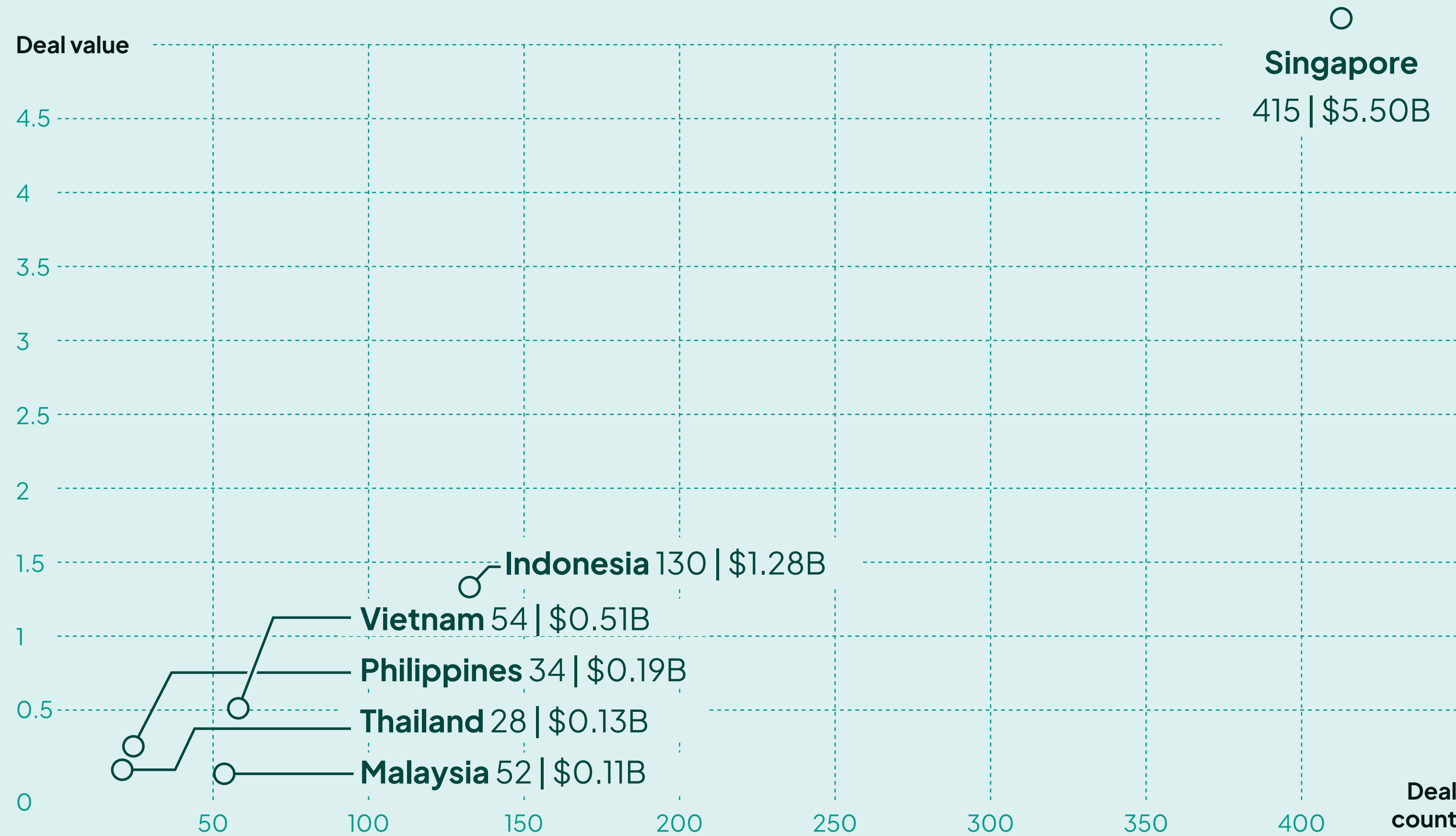
Equity vs debt funding volume per quarter

- Equity
- Debt

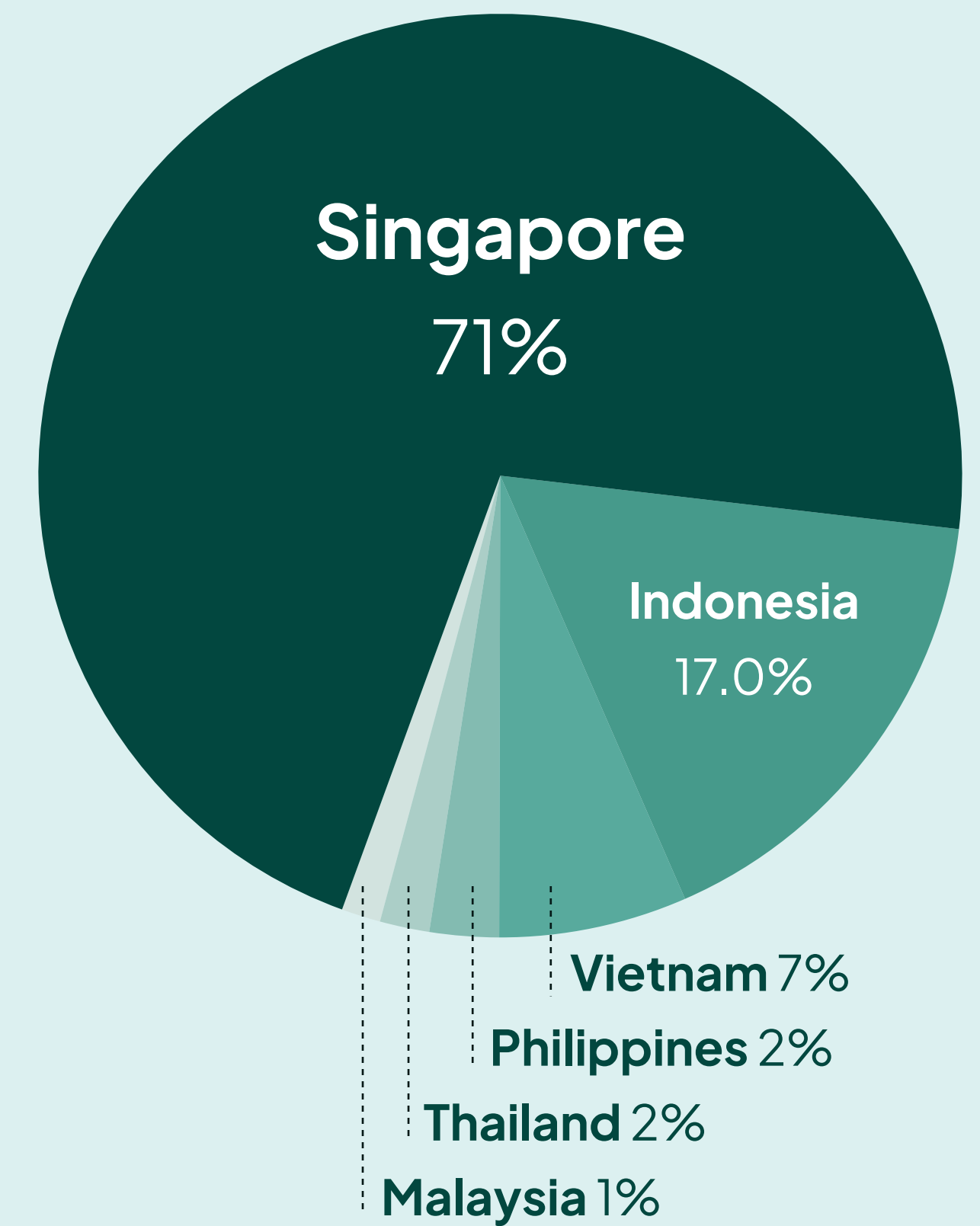


Singapore & Indonesia received nearly 90% of equity funding

Equity funding volume & value per HQ location in 2023

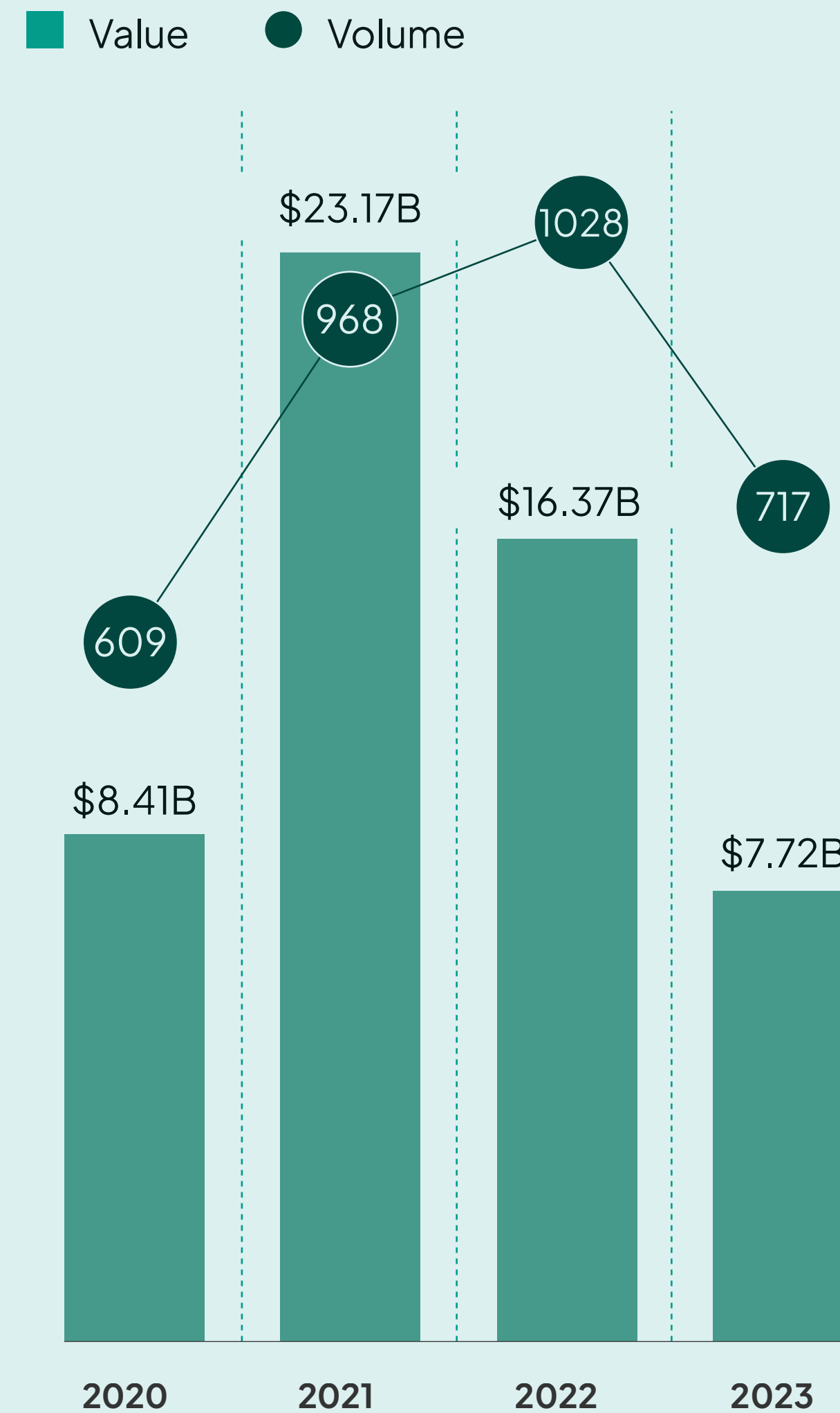


Share of equity funding value by HQ location in 2023

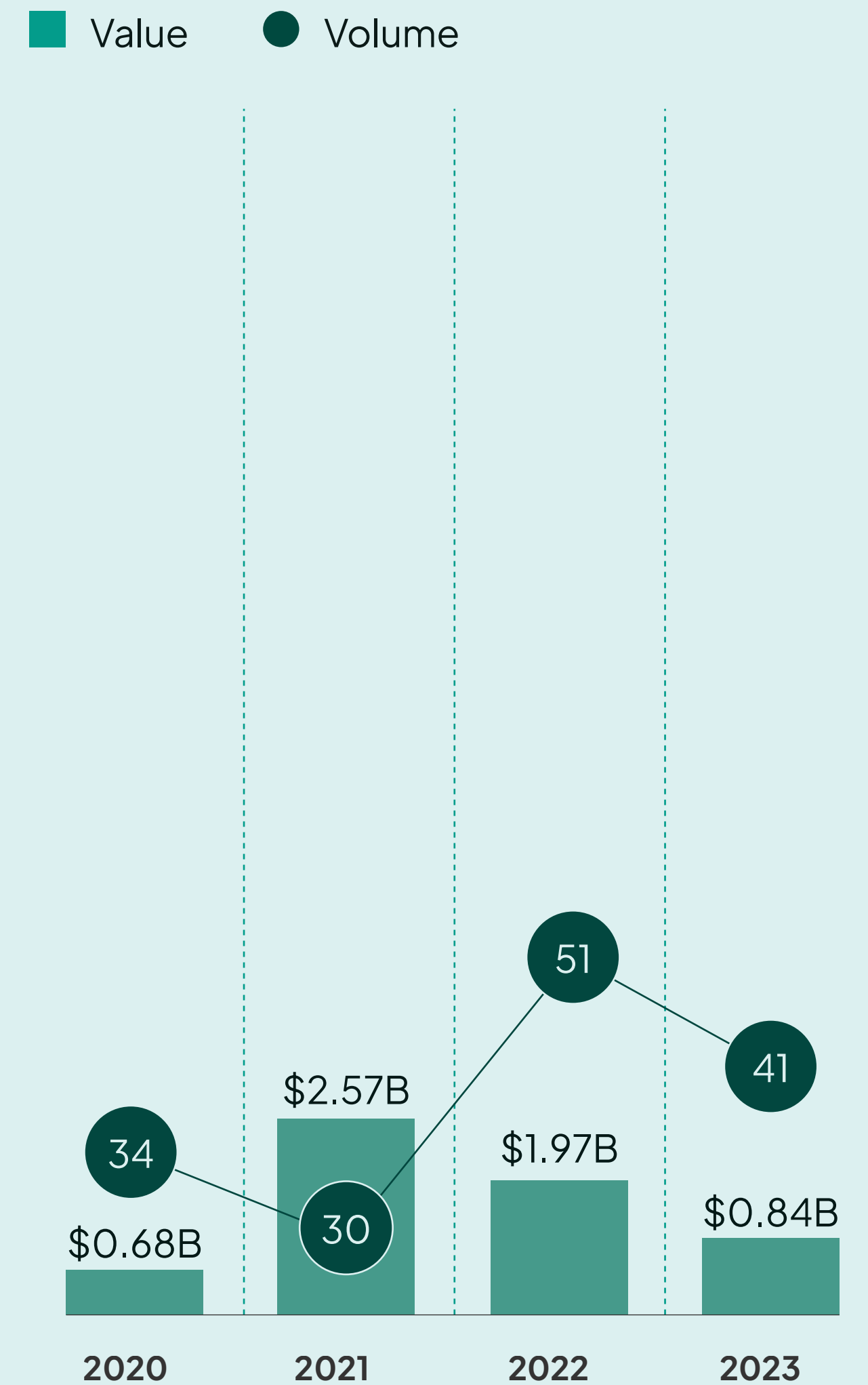


Equity funding fell 53% in 2023 on revaluation of assets

Equity funding per annum

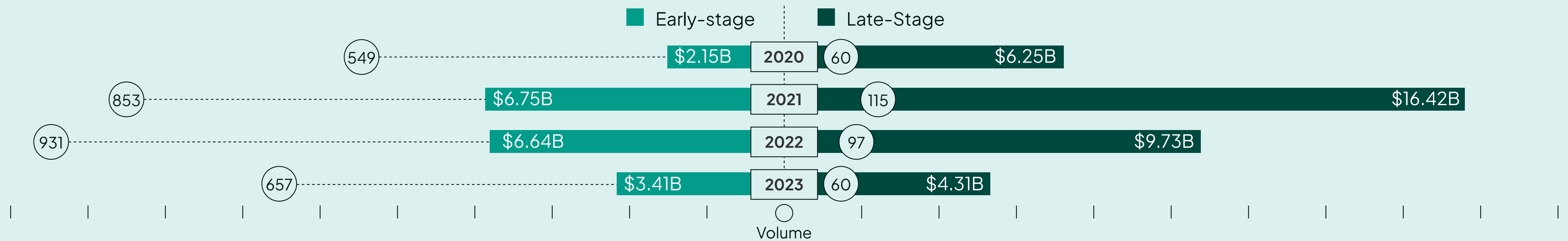


Debt funding per annum



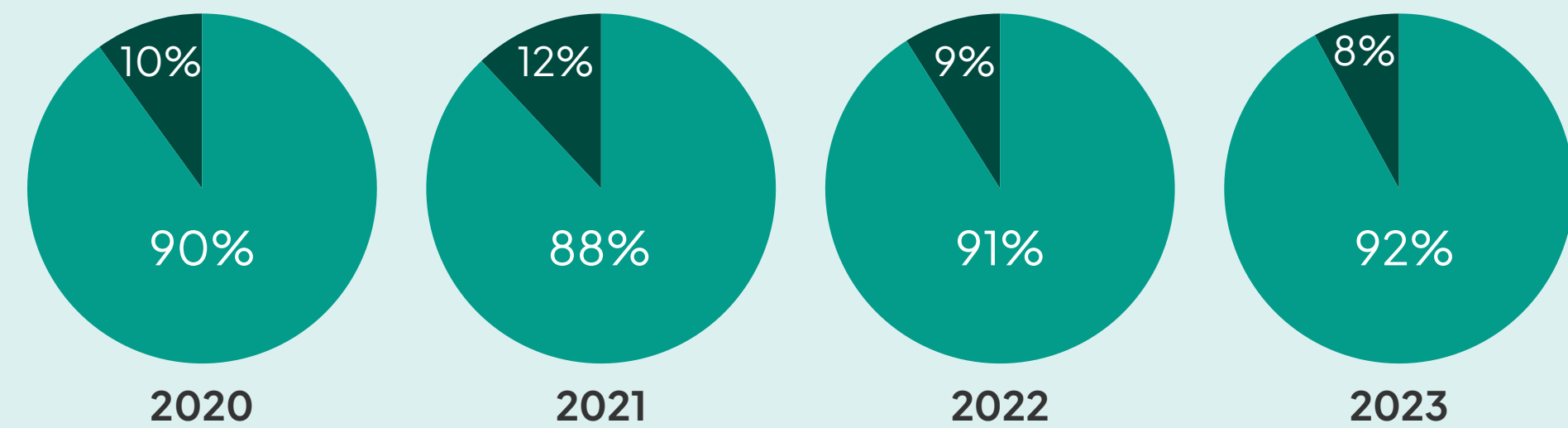
Early-stage deal volume fell for the first time since the pandemic started

Early-stage vs late-stage funding value and volume per annum



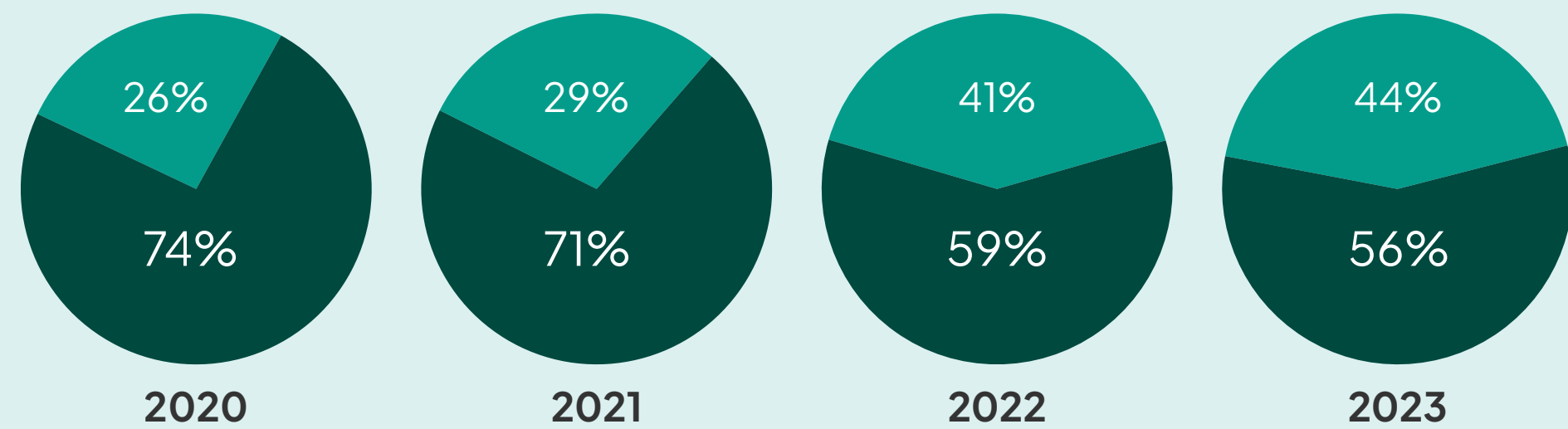
Share of volume

● Early-stage ● Late-Stage



Share of value

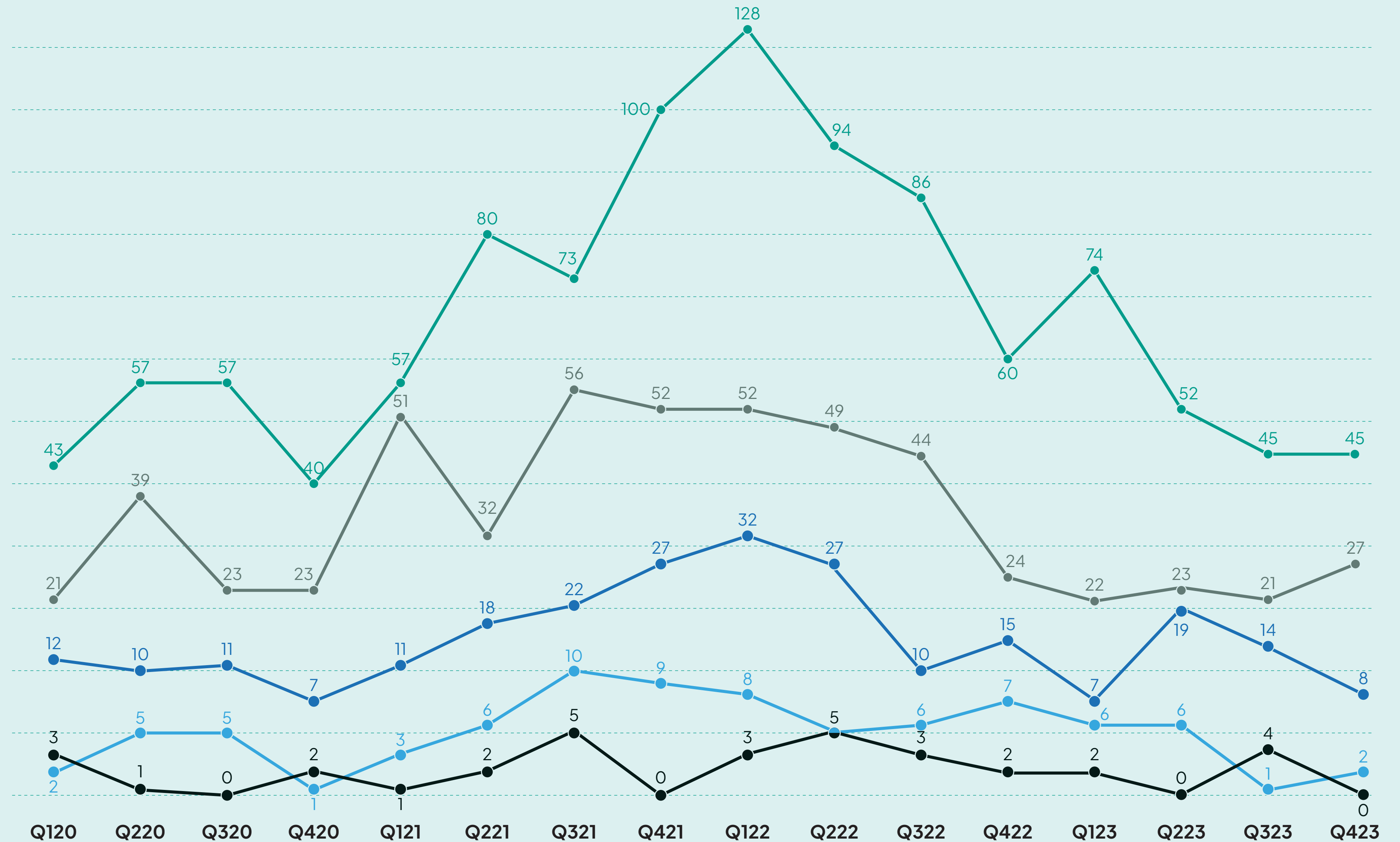
● Early-stage ● Late-Stage



Early-stage deals no longer immune to fundraising woes

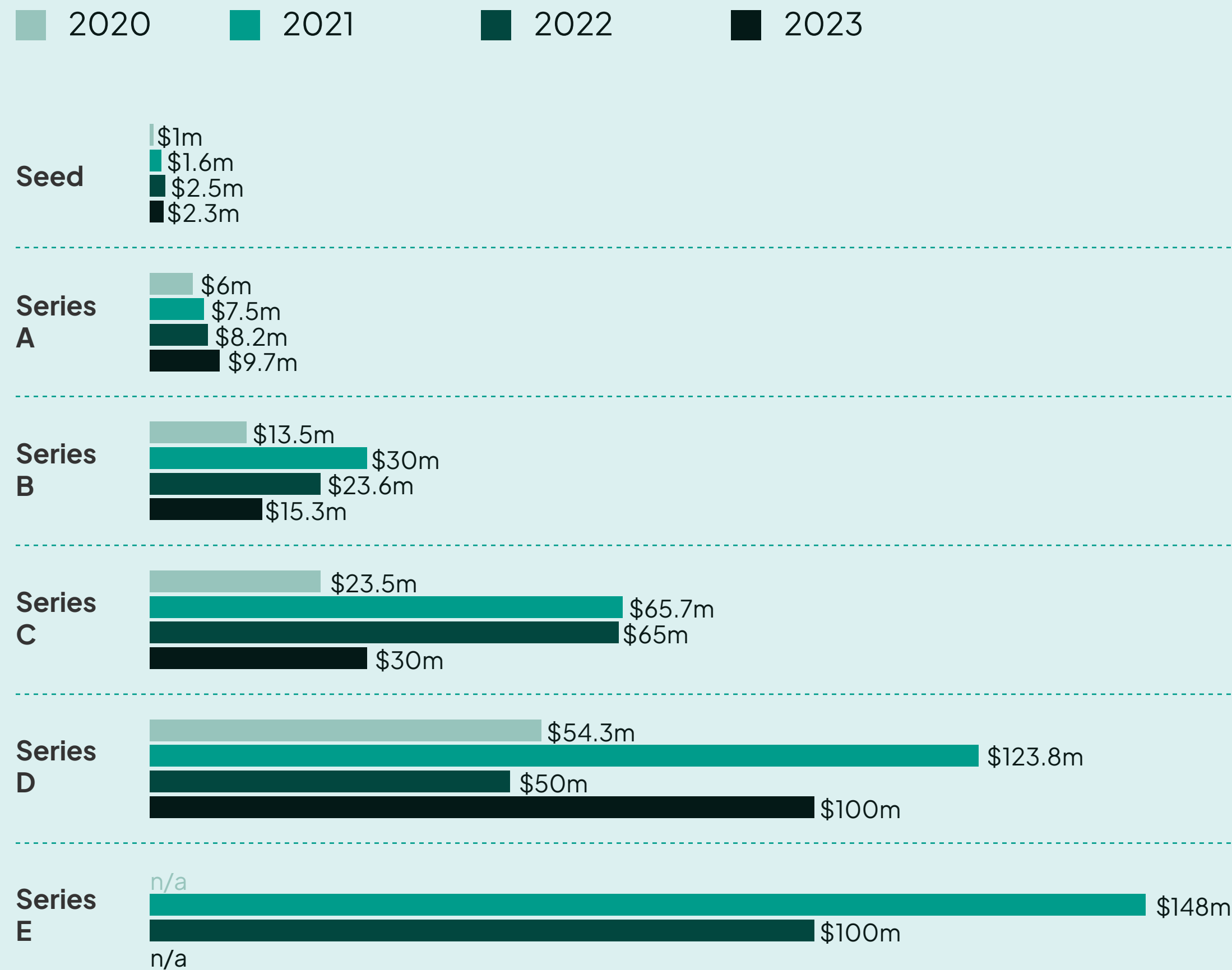
Quarterly deal volume per funding round*

- Seed
- Series A
- Series B
- Series C
- Series D

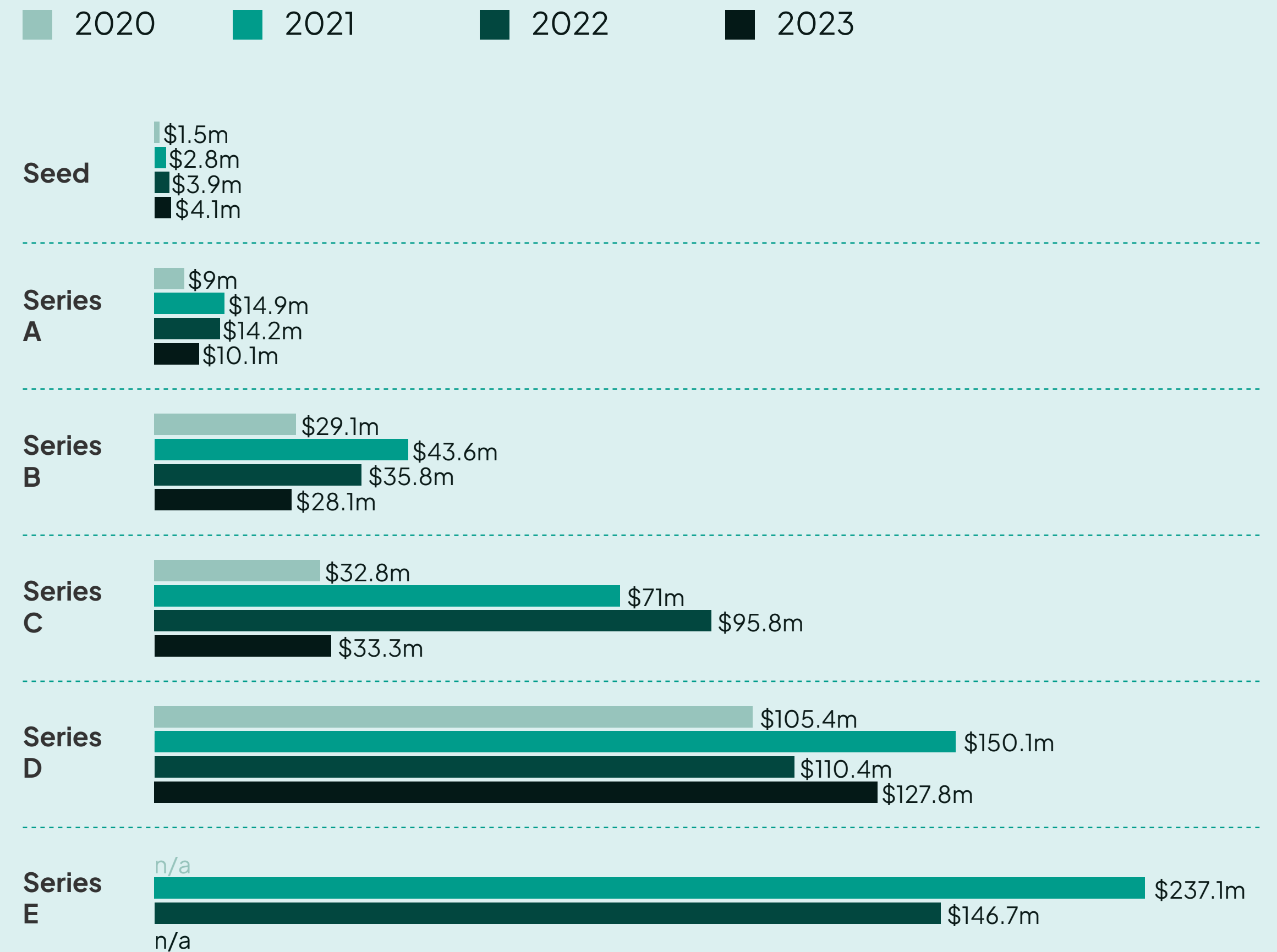


Median and average deal values point to recalibration

Median value of equity funding deals by stage



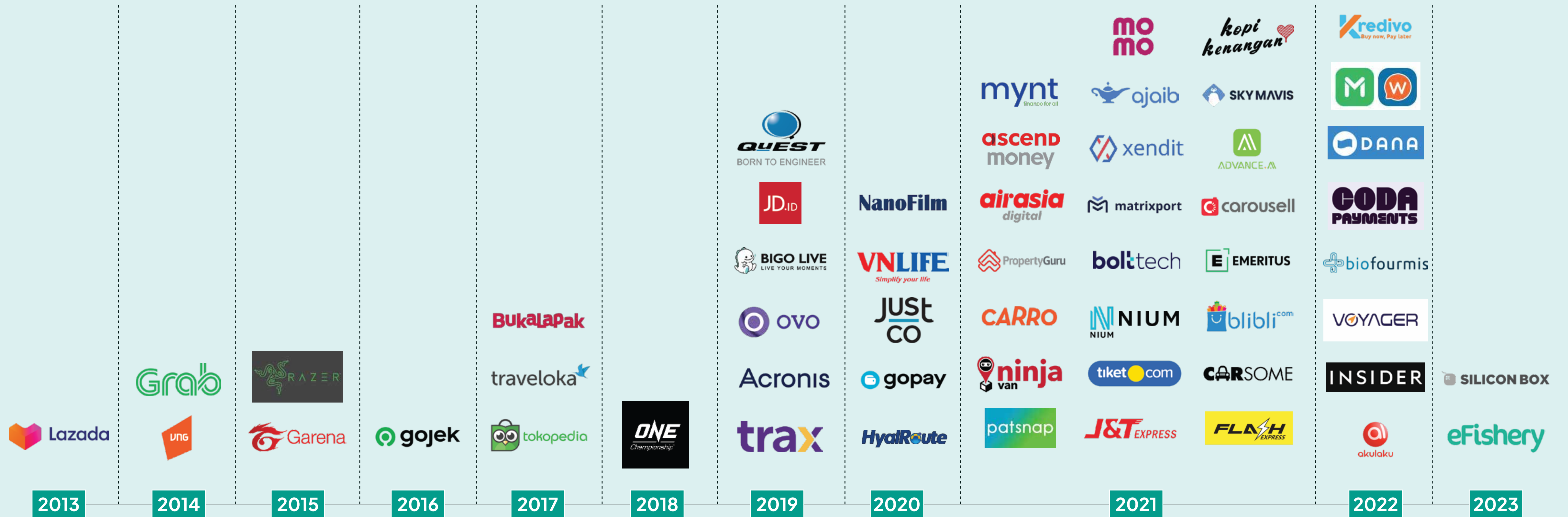
Average value of equity funding deals by stage



Top 20 fundraisers of 2023

HQ	Company	Vertical	Stage	Value	Investors (not exhaustive)
Singapore	Lazada Group	E-commerce	Corporate Round	\$1.9B	Alibaba Group
Indonesia	Kredivo Holdings	Fintech	Series D	\$270m	Mizuho Bank, Openspace, Jungle Ventures
Singapore	Bolttech	Fintech	Series B	\$246m	Tokio Marine, Khazanah Nasional, MetLife
Indonesia	eFishery	Agritech	Series D	\$199.6m	G42 Expansion Fund, 500 Southeast Asia, Temasek
Singapore	ANEXT Bank	Digital Bank	Corporate Round	\$188m	Ant Group
Singapore	Silicon Box*	Industrial products	Series B	\$139m	BlueRun Ventures, Maverick Capital, TDK Ventures
Singapore	Singlife	Financial services	Corporate Round	\$132.7m	Sumitomo Life Insurance Company
Singapore	StorHub Group	Proptech	Debt financing	\$131.8m	CIMB, United Overseas Bank
Indonesia	Amartha	Fintech	Debt financing	\$125m	Community Investment Management, International Finance Corporation
Vietnam	EQuest	Education	Private Equity + Debt	\$120m	KKR & Co
Singapore	InterContinental Energy	Green tech	Series B	\$115m	GIC, Hy24
Singapore	Foundation Healthcare	Healthcare	Private Equity	\$110.8m	SeaTown Holdings
Singapore	Insider	Media & entertainment	Private Equity	\$105m	Qatar Investment Authority, Esas Private Equity
Singapore	Aspire	Fintech	Series C	\$100m	Lightspeed Venture Partners, Peak XV Partners (fka Sequoia India and SE Asia), Tencent
Singapore	Atome	Fintech	Debt financing	\$100m	HSBC Bank Singapore
Indonesia	Halodoc	Healthtech	Series D	\$100m	Astra Digital, Novo Holdings, Openspace
Vietnam	International Dairy Products	Consumer products	Private Equity	\$100m	Growtheum Capital Partners
Singapore	Qosmosys	Space tech	Seed	\$100m	
Vietnam	Vietcap	Fintech	Debt financing	\$100m	Mega International Commercial Bank
Singapore	Advance Intelligence Group	Fintech	Private Equity	\$80m	Northstar Group, Warburg Pincus

Timeline of Southeast Asia's unicorns

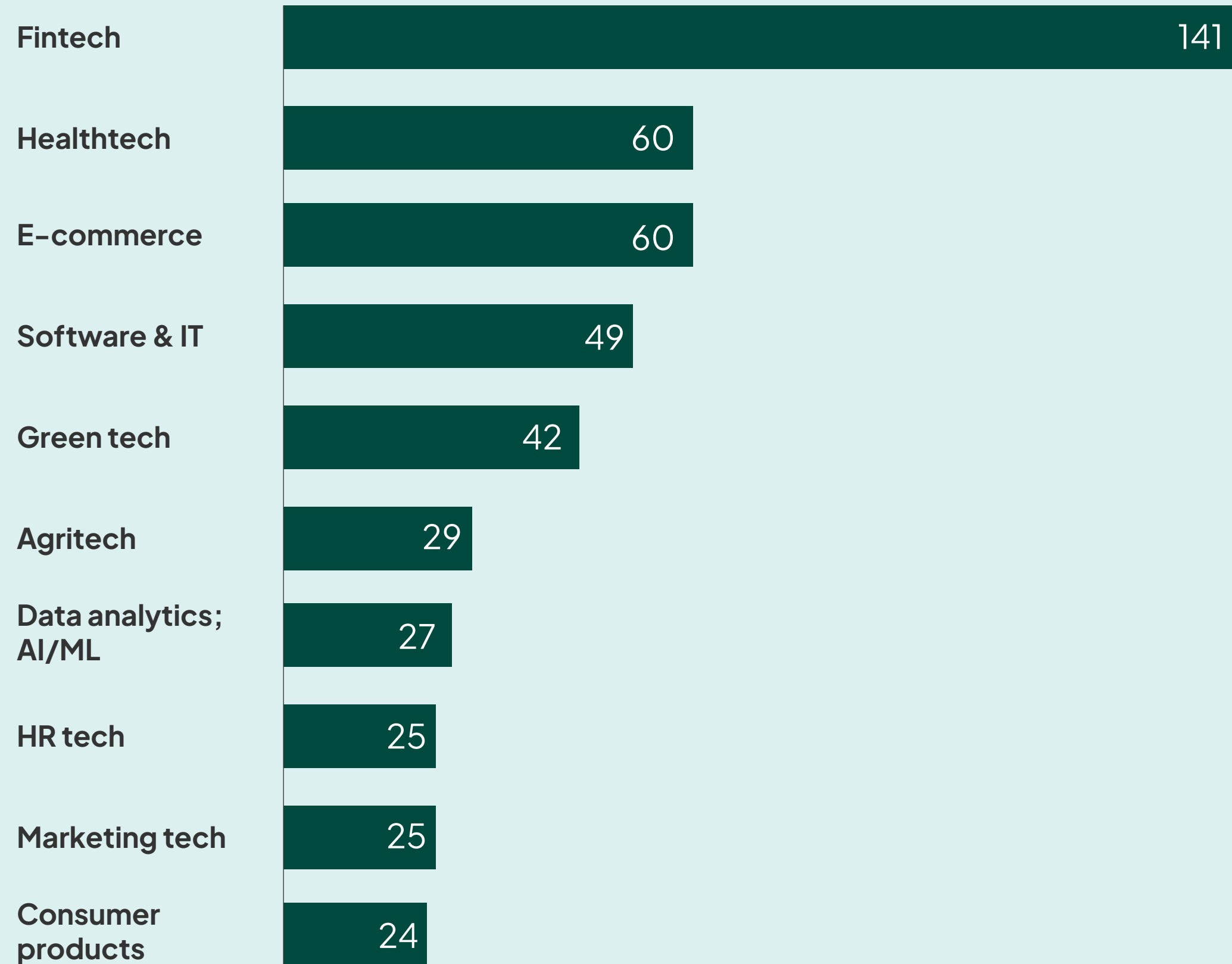




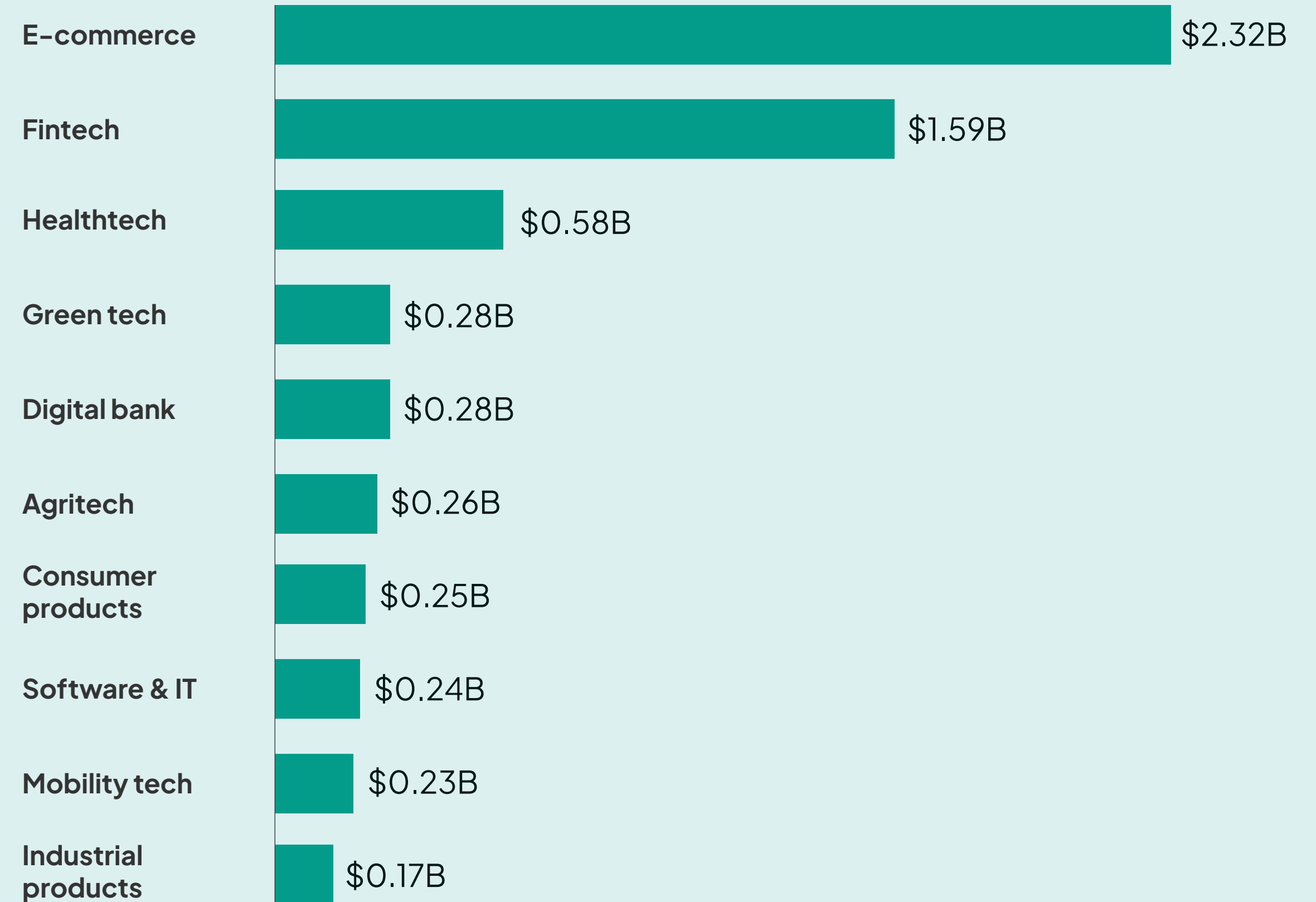
Trends **spotting**

Healthtech dealmaking picked up in 2023

Top 10 verticals by equity deal volume in 2023



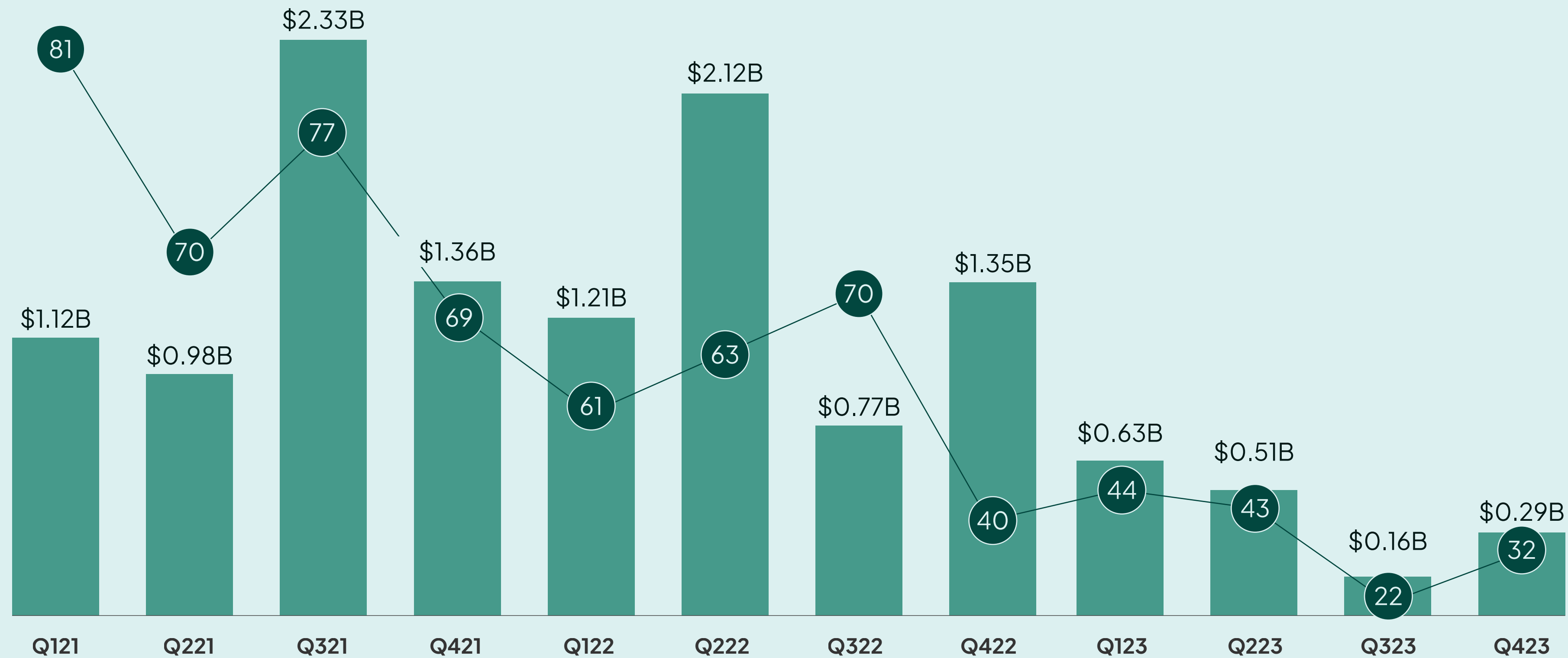
Top 10 verticals by equity deal value in 2023



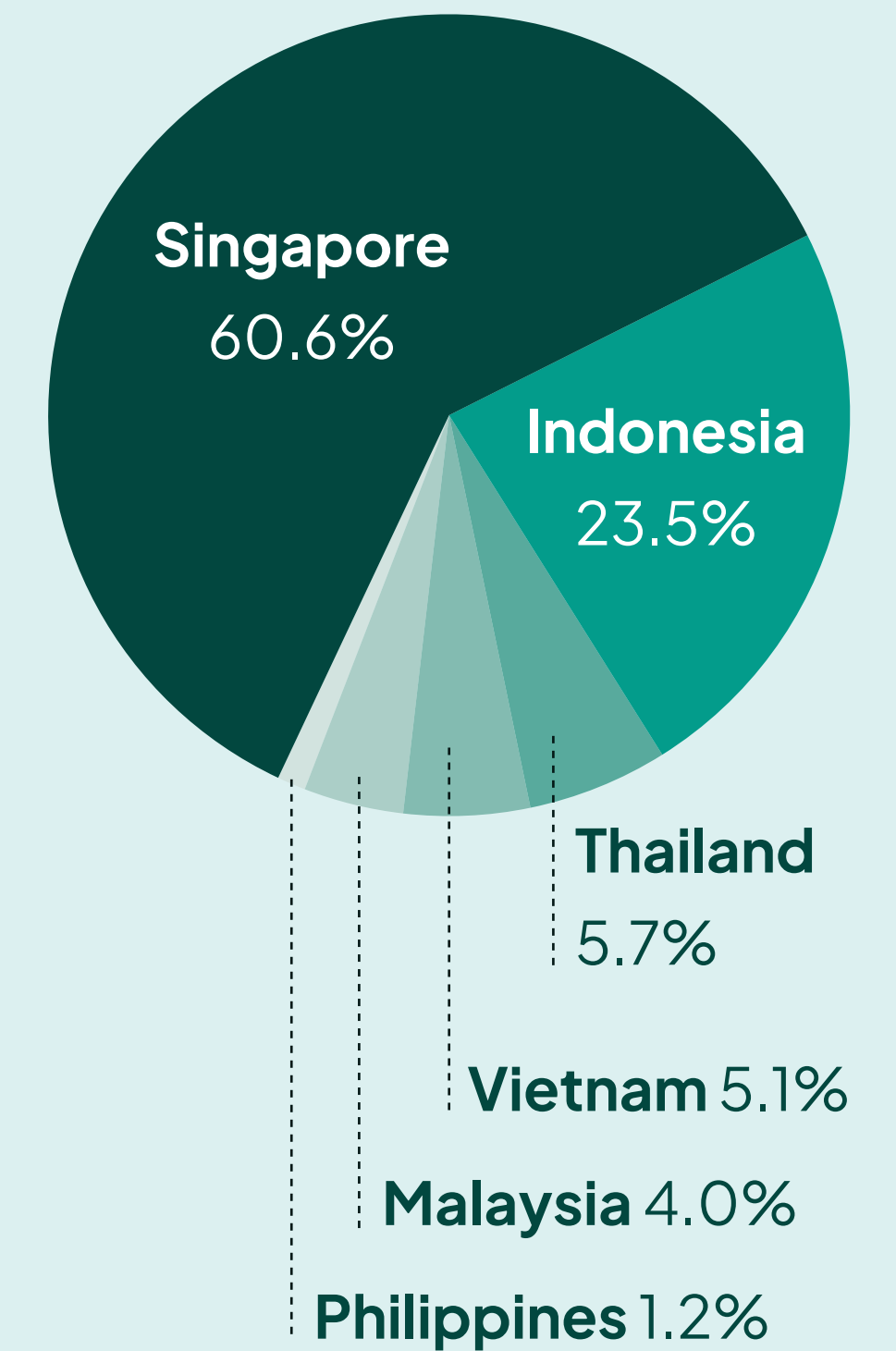
Fintech faced persistent deal slump in 2023

Equity funding for fintech firms per quarter

■ Value ● Volume

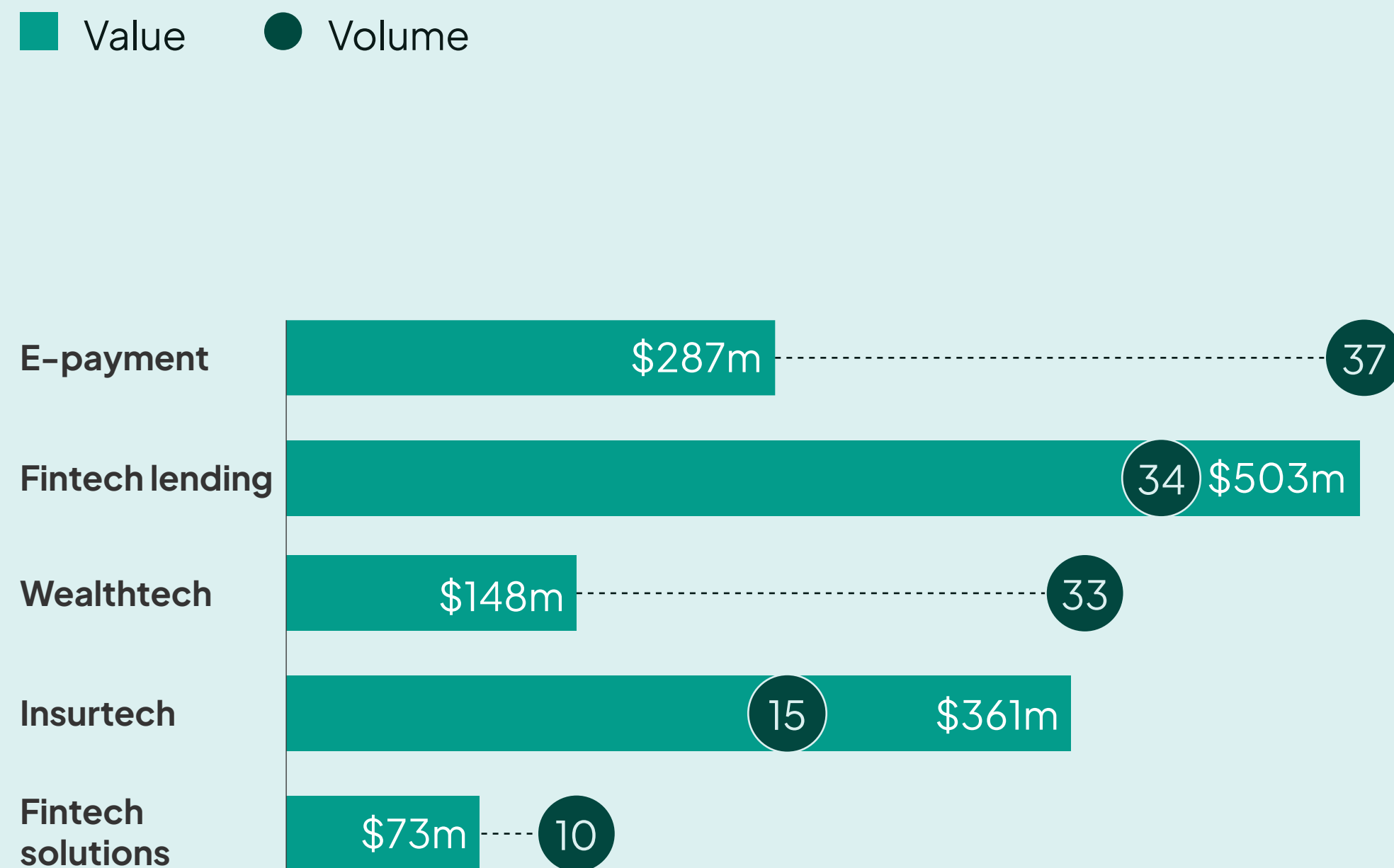


Share of equity deal value for fintech by HQ in 2023



Fintech lending made a strong comeback in 2023

Top 5 fintech categories by equity deal volume in 2023

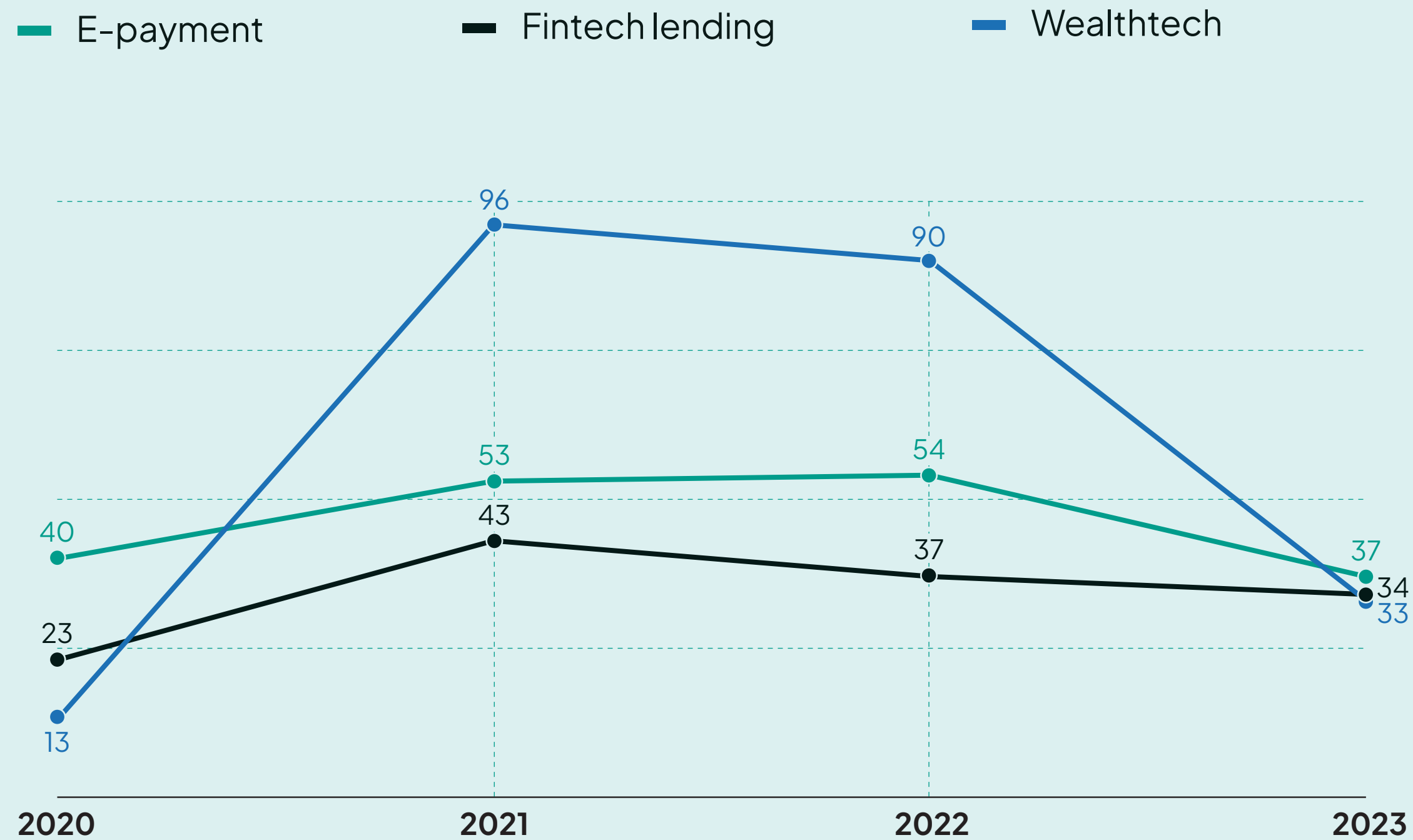


Top 10 fintech equity deals in 2023

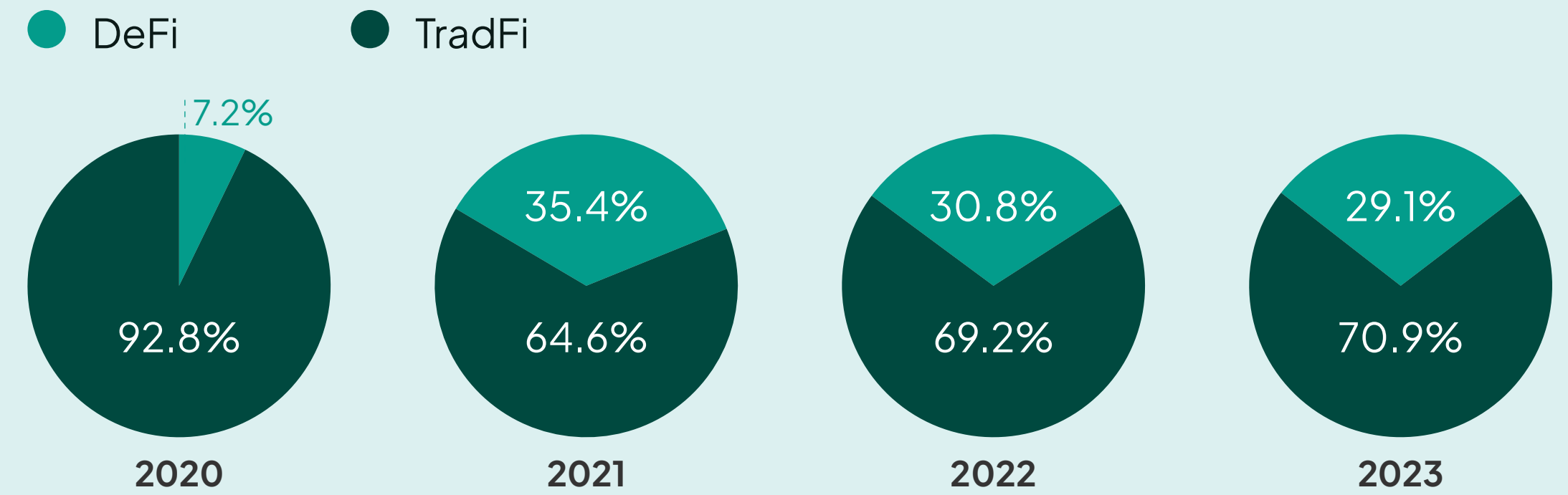
Firm	Funding type	Value	Category
Kredivo Holdings	Series D	\$270m	Fintech lending
Bolttech	Series B	\$246m	Insurtech
Aspire	Series C	\$100m	Digital banking solutions
Advance Intelligence Group	Private Equity	\$80m	Fintech services
F88	Series C	\$50m	Fintech lending
YouTrip	Series B	\$50m	E-payment
Roojai	Series B	\$42m	Insurtech
Igloo	Pre-Series C	\$36m	Insurtech
Endowus	Series C	\$35m	Wealthtech
MultichainZ	Venture - unclassified	\$35m	Fintech solutions

Decentralised Finance becomes a permanent fixture in fintech

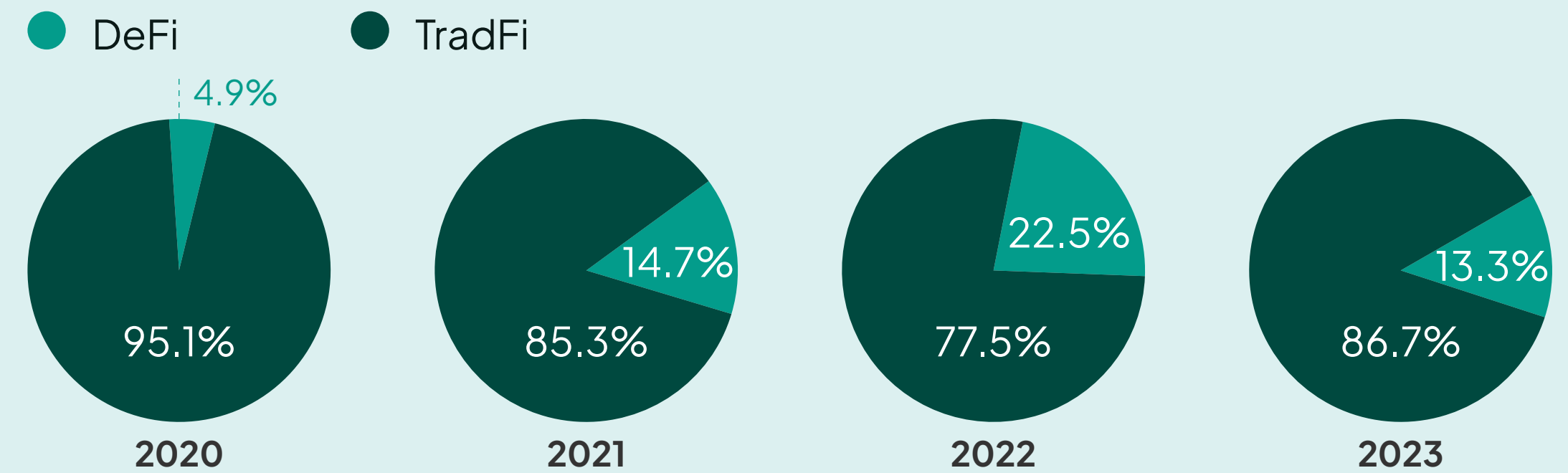
Equity deal volume in top three fintech categories



Deal volume share of DeFi vs TradFi



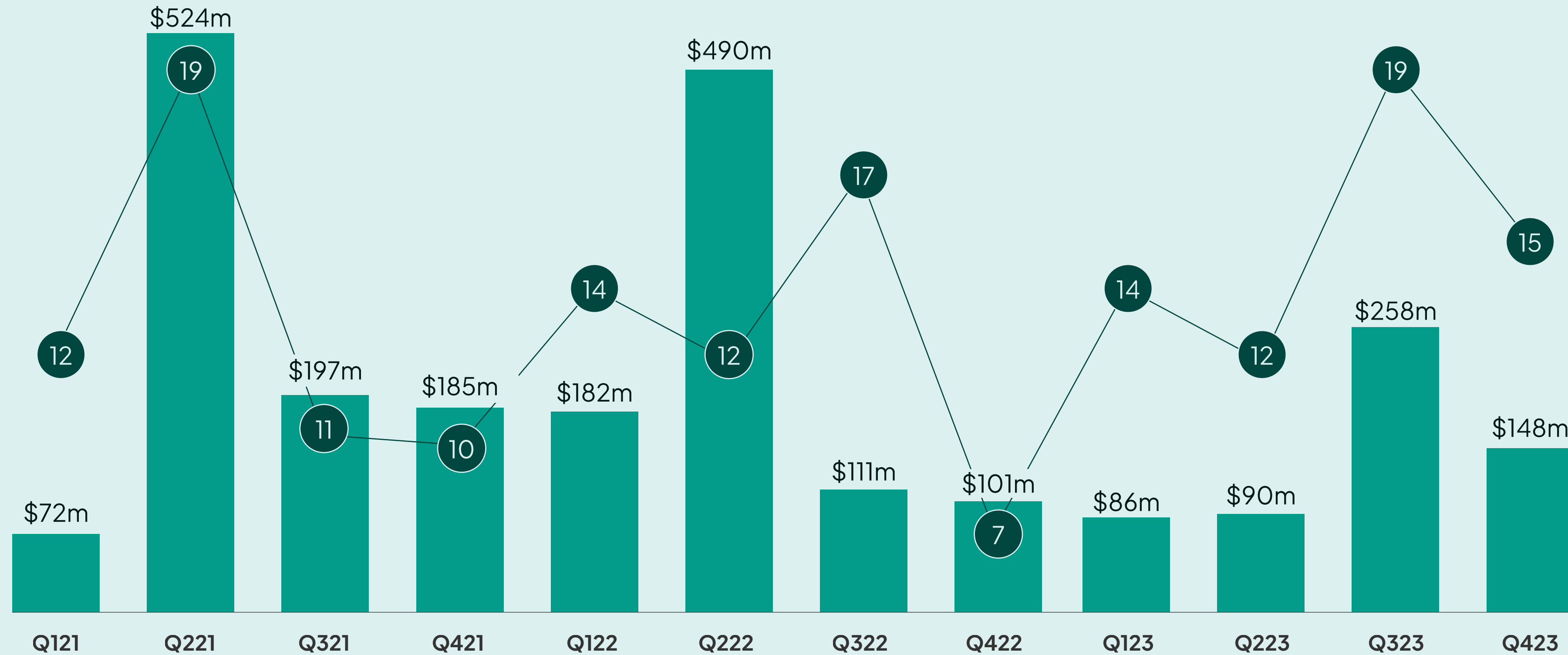
Deal value share of DeFi vs TradFi



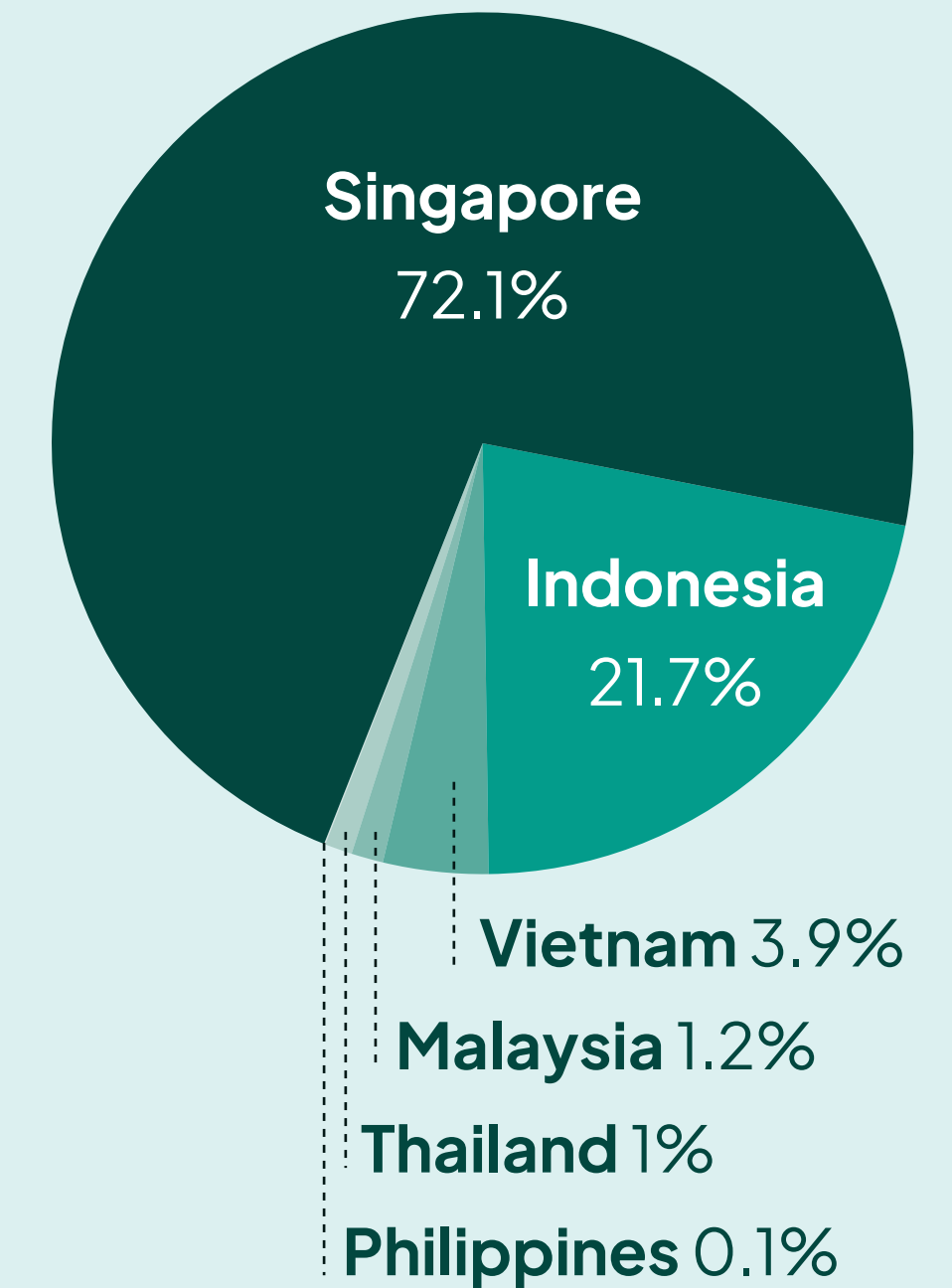
Healthtech deal volume continued to grow in 2023

Equity funding for healthtech firms per quarter

■ Value ● Volume

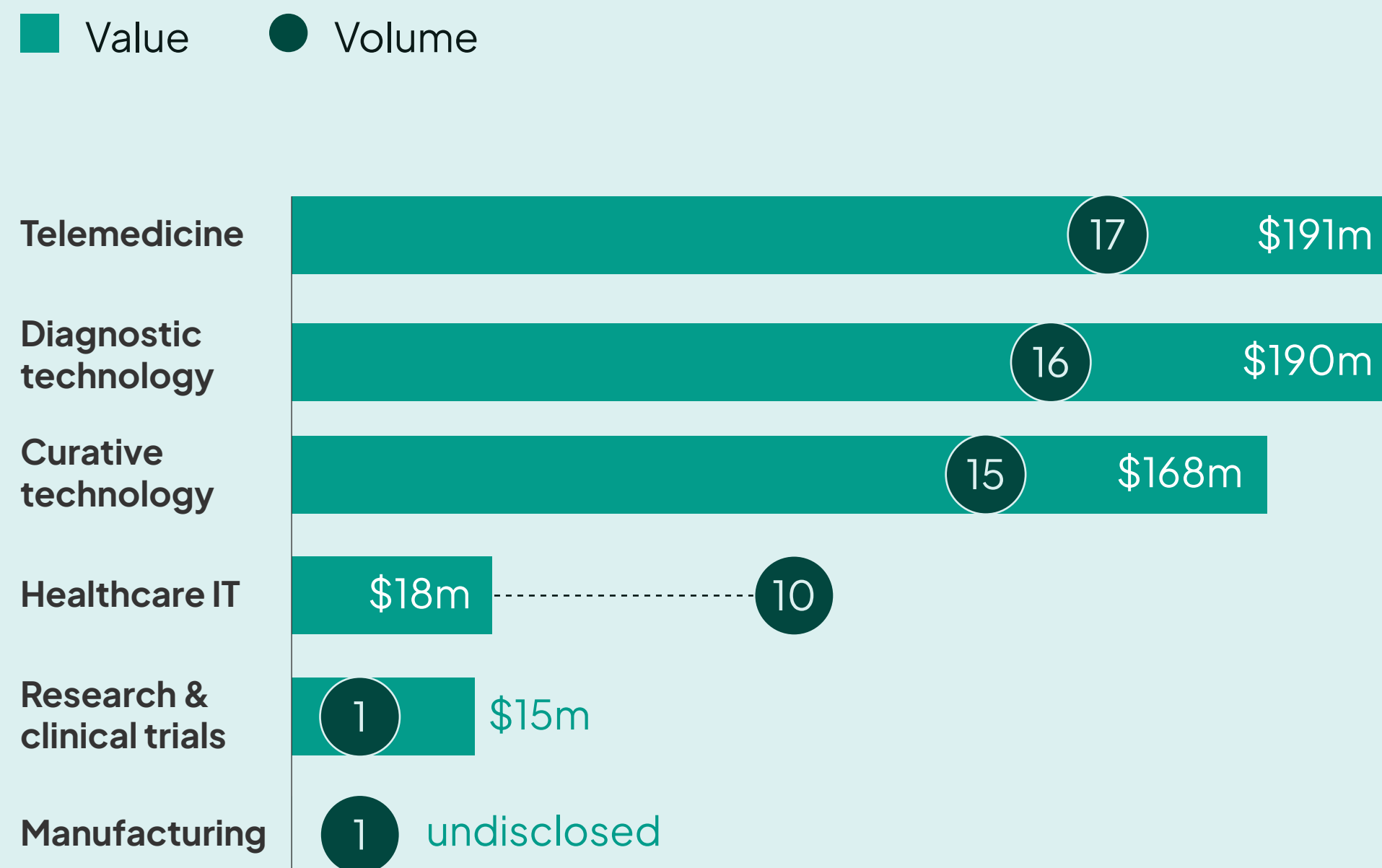


Share of equity deal value for healthtech by HQ in 2023



Telemedicine, diagnostics revved up healthtech investments

Equity deal volume per healthtech category in 2023

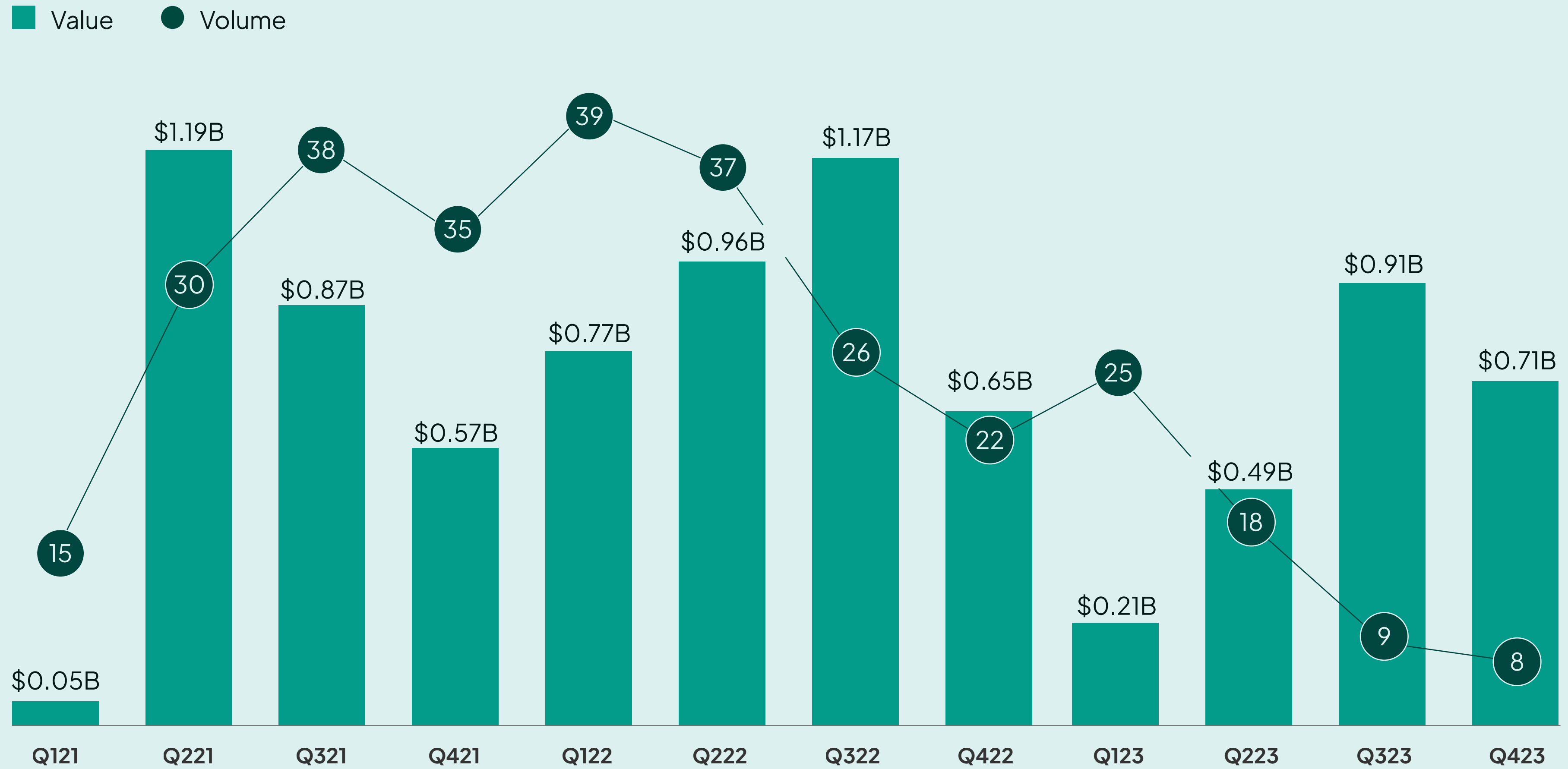


Top 10 healthtech equity deals in 2023

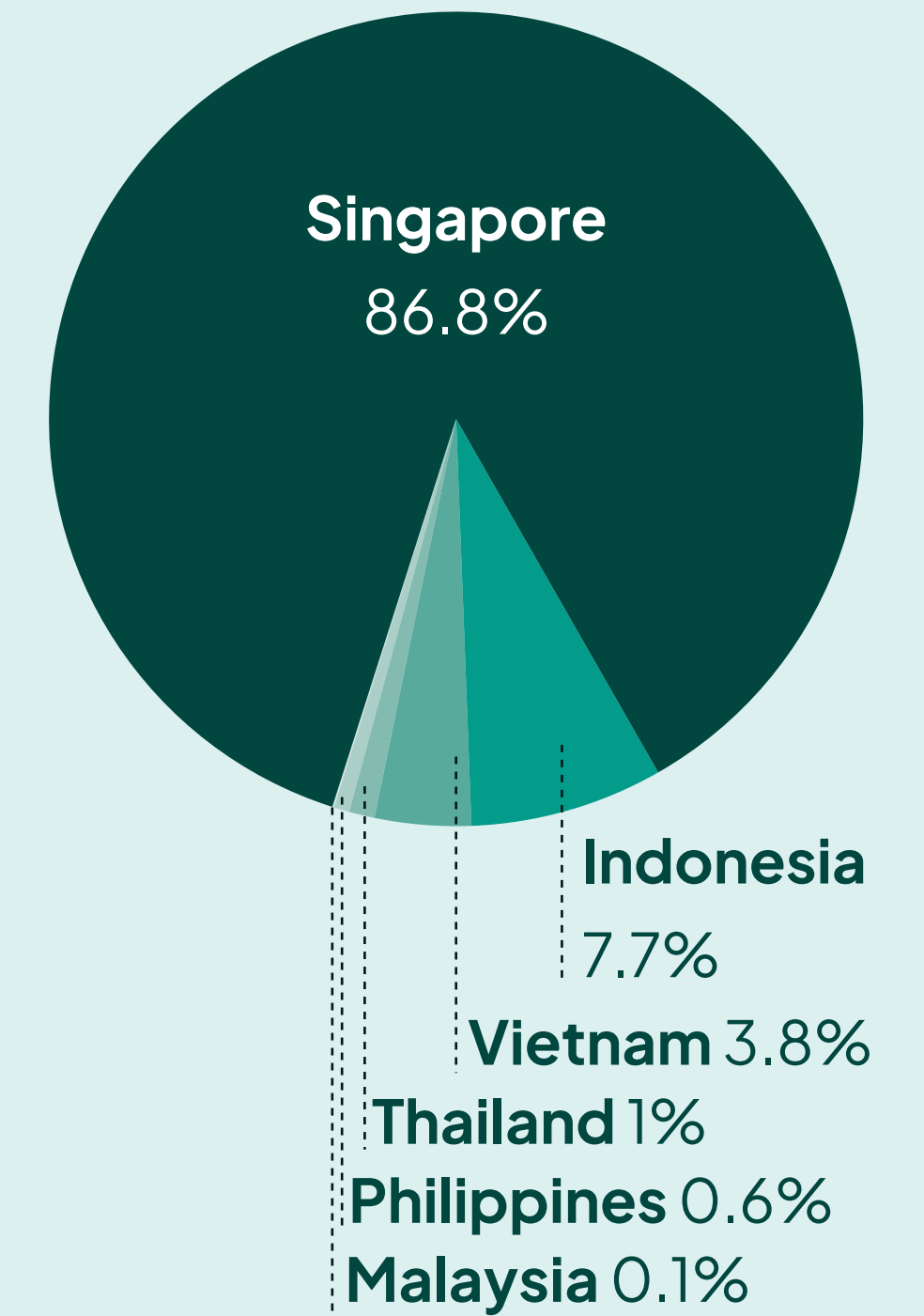
Firm	Funding type	Value	Category
Halodoc	Series D	\$100m	Telemedicine
Holmusk	Series B+Venture Unclassified	\$75m	Diagnostic technology
Mirxes	Series D	\$50m	Diagnostic technology
Engine Biosciences	Series A	\$45m	Curative technology
Lion TCR	Series B	\$41.6m	Curative technology
Doctor Anywhere	Series C	\$40.8m	Telemedicine
Gene Solutions	Series B	\$21m	Diagnostic technology
AWAK Technologies	Series B	\$20m	Curative technology
WhiteCoat	Series B	\$20m	Telemedicine
Automera	Series A	\$16m	Curative technology

E-commerce deal volume stabilised amid consolidation

Equity funding for e-commerce firms per quarter



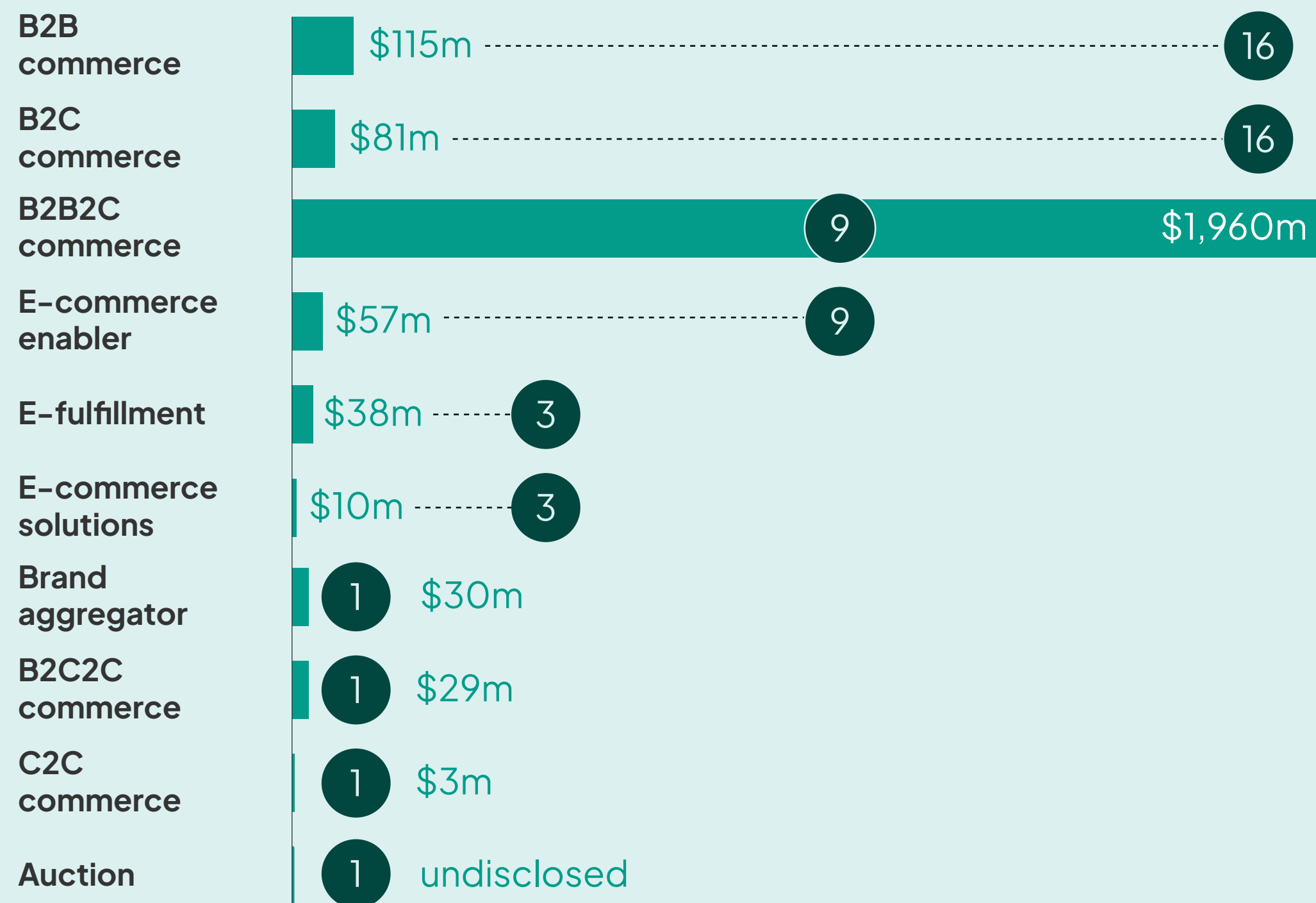
Share of equity deal value for e-commerce by HQ in 2023



Capital infusion in Lazada shored up e-commerce deal value

Equity deal volume per e-commerce category in 2023

■ Value ● Volume



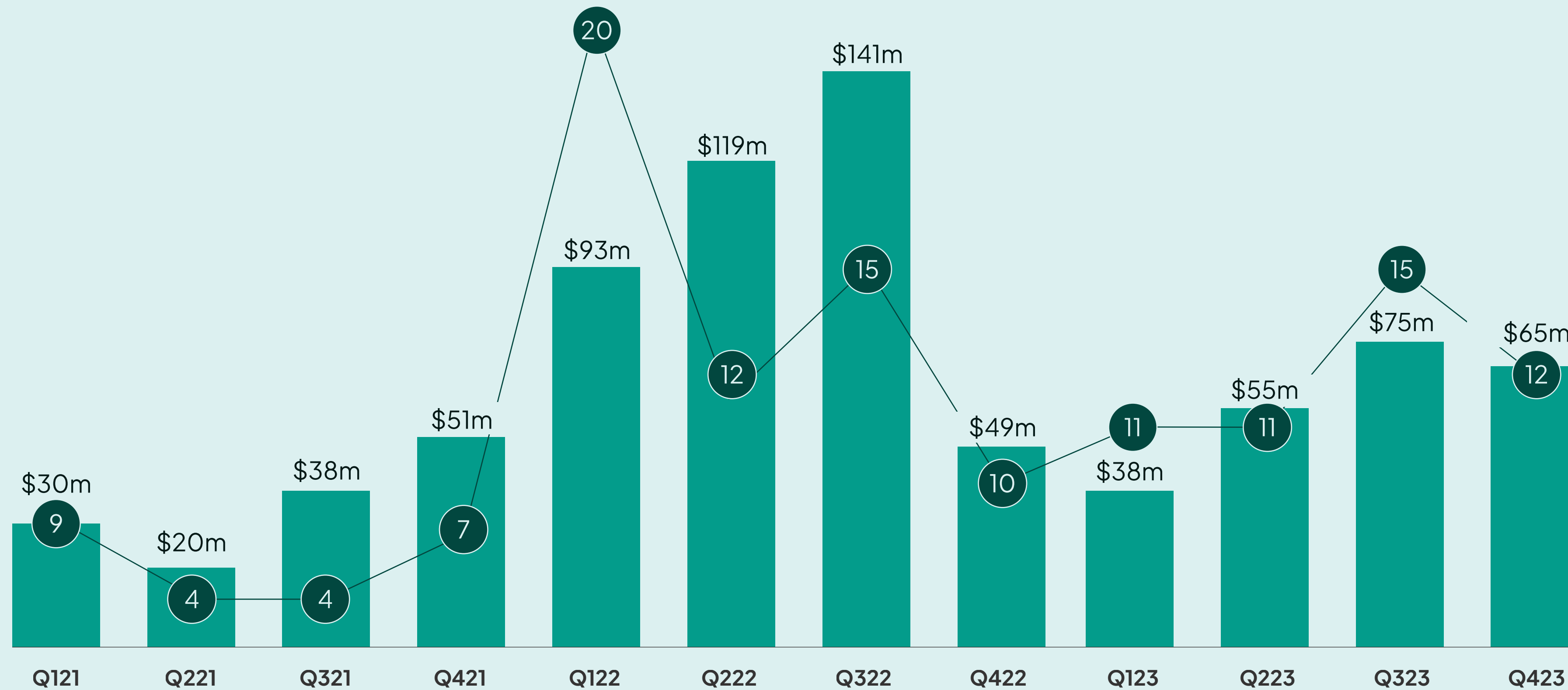
Top 10 e-commerce equity deals in 2023

Firm	Funding type	Value	Category
Lazada Group	Corporate Round	\$1.9B	B2B2C commerce
Buymed	Series B	\$51.5m	B2B commerce
Evermos	Series C	\$39m	B2C2C commerce
SIRCLO	Venture - unclassified	\$30m	E-commerce enabler
Una Brands	Series C	\$30m	Brand aggregator
Reebelo	Series A	\$29m	B2C2C commerce
Segari	Series B	\$23.5m	B2C commerce
HIBOX	Series A	\$20m	B2C commerce
Praktis	Series A	\$20m	E-fulfillment
Pomelo Fashion	Series D	\$19.6m	B2C commerce

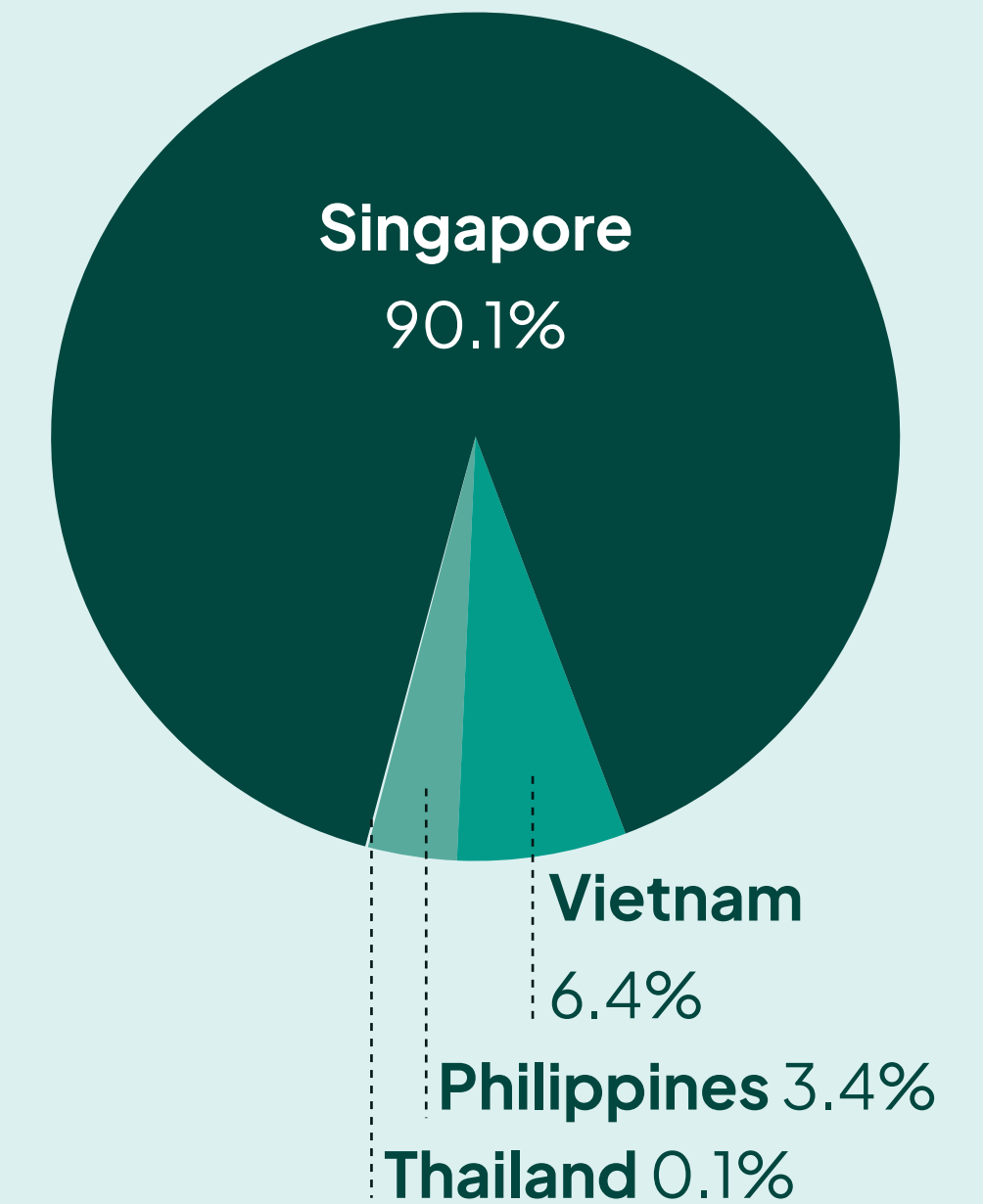
90% of funding in Software & IT solutions went to Singapore

Equity funding for software & IT firms per quarter

■ Value ● Volume

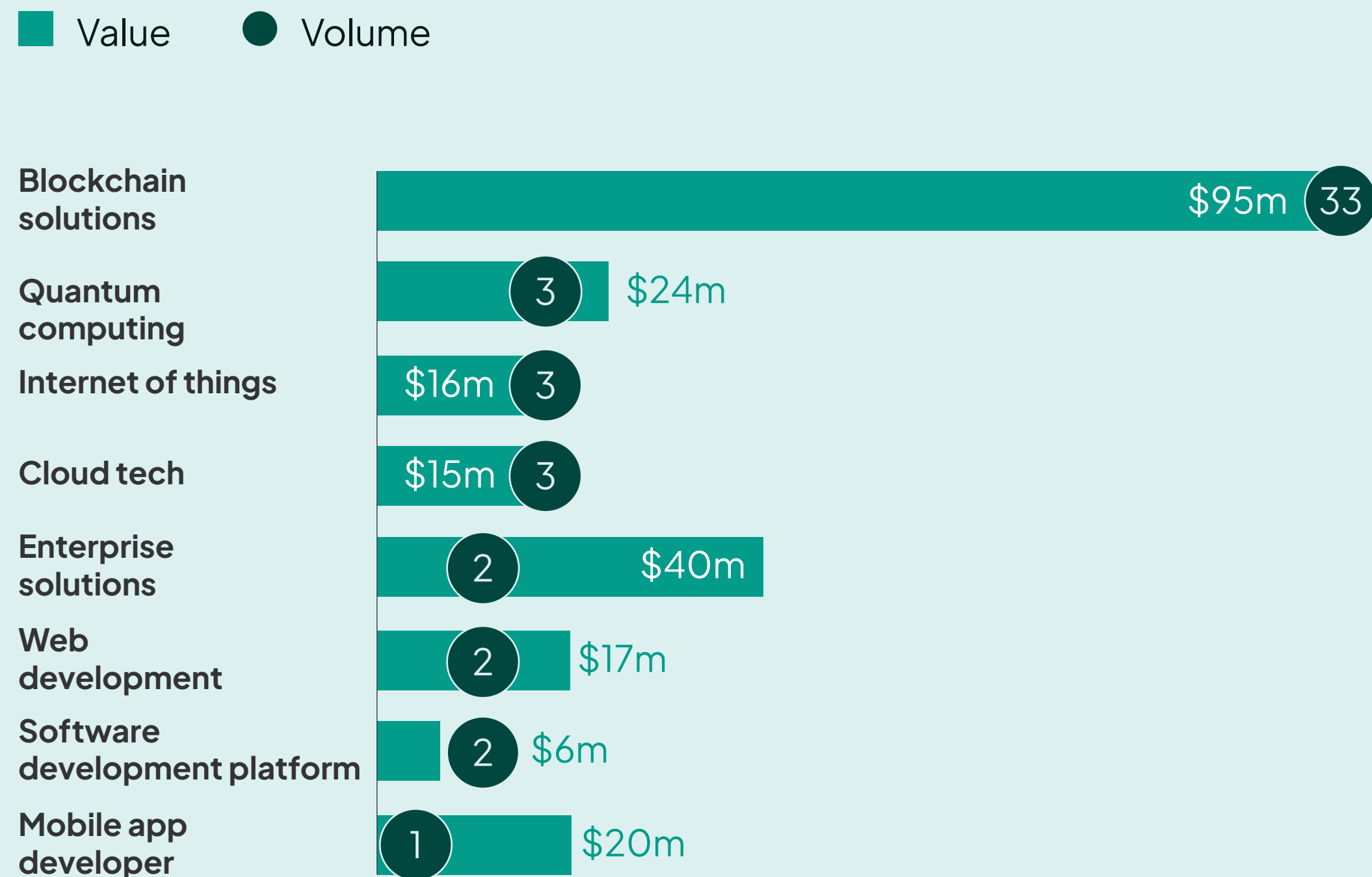


Share of equity deal value for software & IT by HQ in 2023



Blockchain solutions dominated deal activities in Software & IT

Equity deal volume per software & IT category in 2023



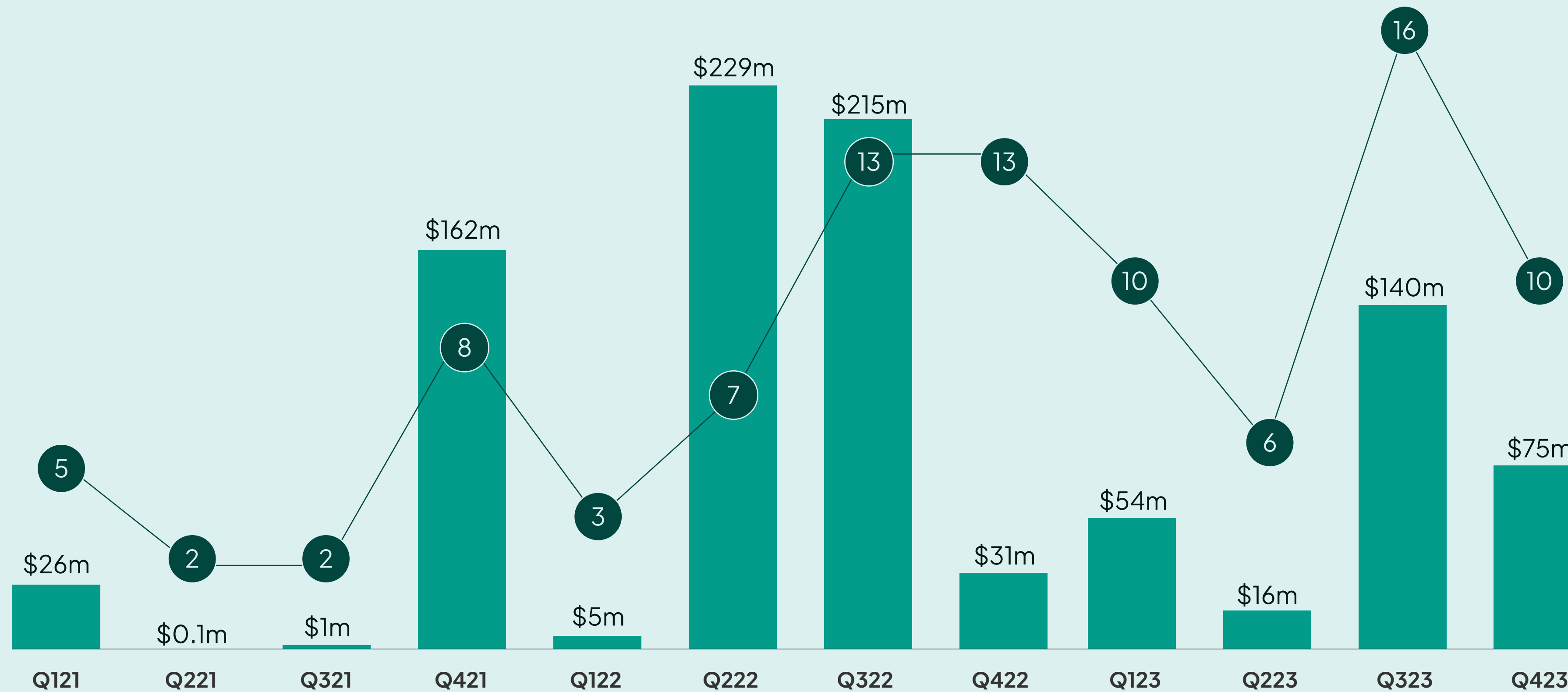
Top 10 software & IT equity deals in 2023

Firm	Funding type	Value	Category
VE Technology Group	Venture Unclassified	\$21.9m	Enterprise solutions
Bitsmedia	Series A	\$20m	Mobile app developer
Horizon Quantum Computing	Venture Unclassified	\$19.1m	Quantum computing
Sirius	Series A	\$18m	Enterprise solutions
MindX Technology	Series B	\$15m	Software development
ZTX	Seed	\$13m	Blockchain solutions
nami	Series A	\$10.5m	Internet of things
Helio Protocol	Series A	\$10m	Blockchain solutions
Internet of Services	Venture Unclassified	\$10m	Blockchain solutions
ZkLink	Seed	\$10m	Blockchain solutions

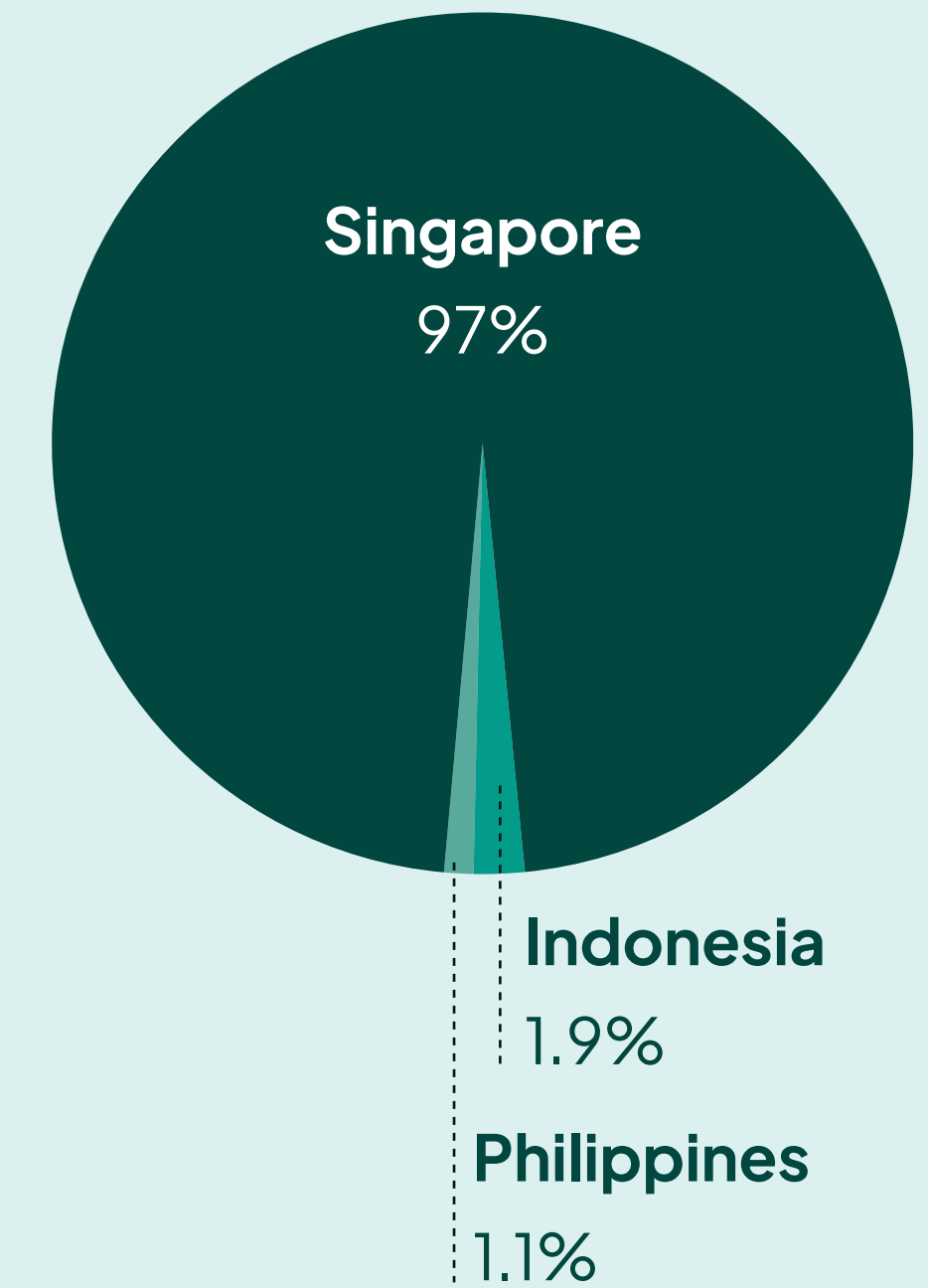
Singapore dominated green tech funding in 2023

Equity funding for green tech firms per quarter

■ Value ● Volume

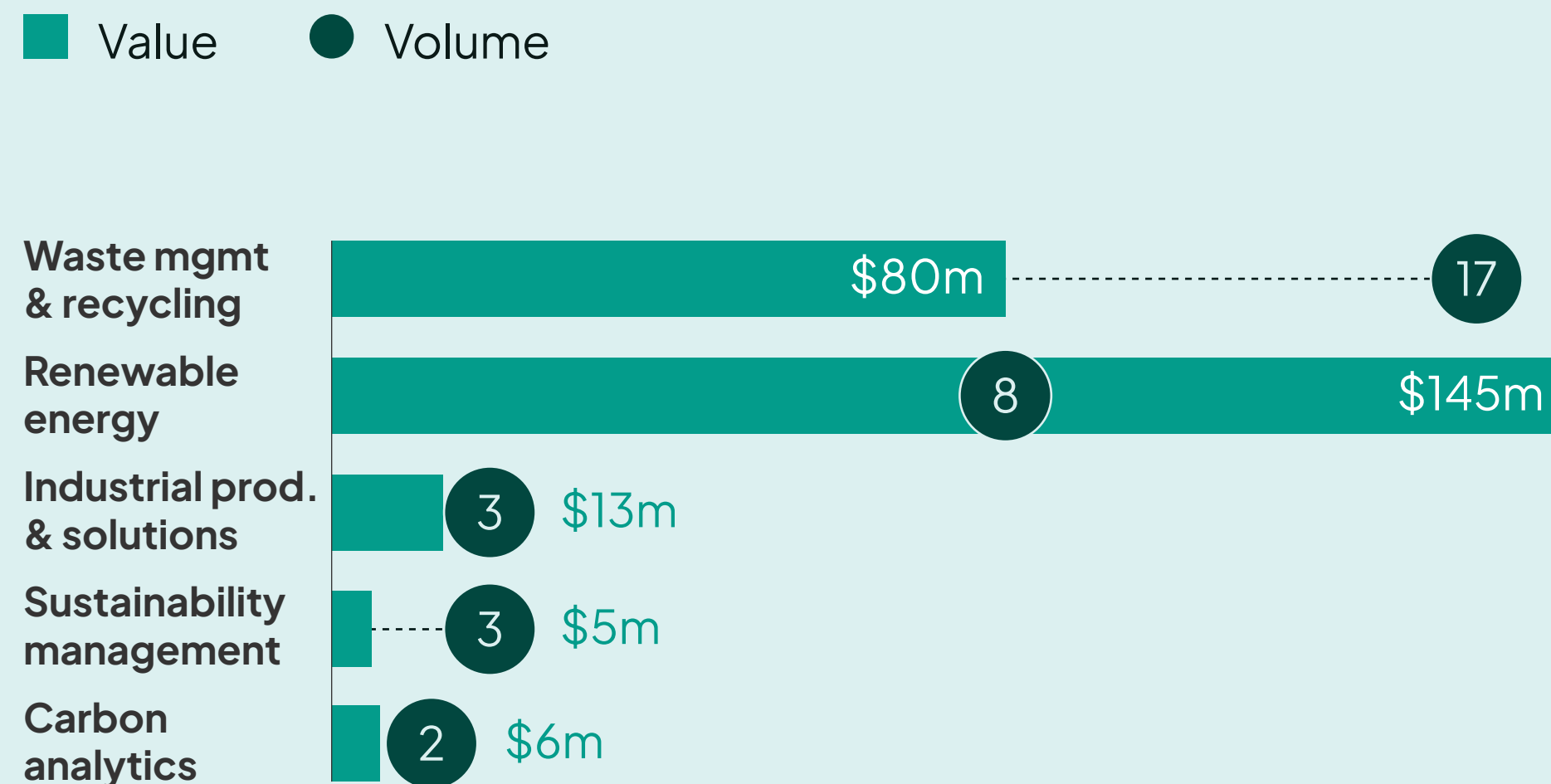


Share of equity deal value for green tech by HQ in 2023



Waste management topped green tech funding in 2023

Top 5 green tech categories by equity deal volume in 2023



Top 10 green tech equity deals in 2023

Firm	Funding type	Value	Category
InterContinental Energy	Series B	\$115m	Renewable energy
Blue Planet	Venture Unclassified	\$35m	Waste management
Green Li-ion	Pre-Series B	\$20.5m	Battery recycling
Cosmos Innovation	Series A	\$16.8m	Renewable energy
SEPPURE	Series A	\$12m	Industrial product
ecoSPIRITS	Series A	\$10m	Packaging
REDEX	Series A	\$10m	Renewable energy
VFlow Tech	Series A	\$10m	Energy storage
Twenty20 Energy	Private Equity	\$8.4m	Green electrification
Circular	Seed	\$7.6m	Waste management

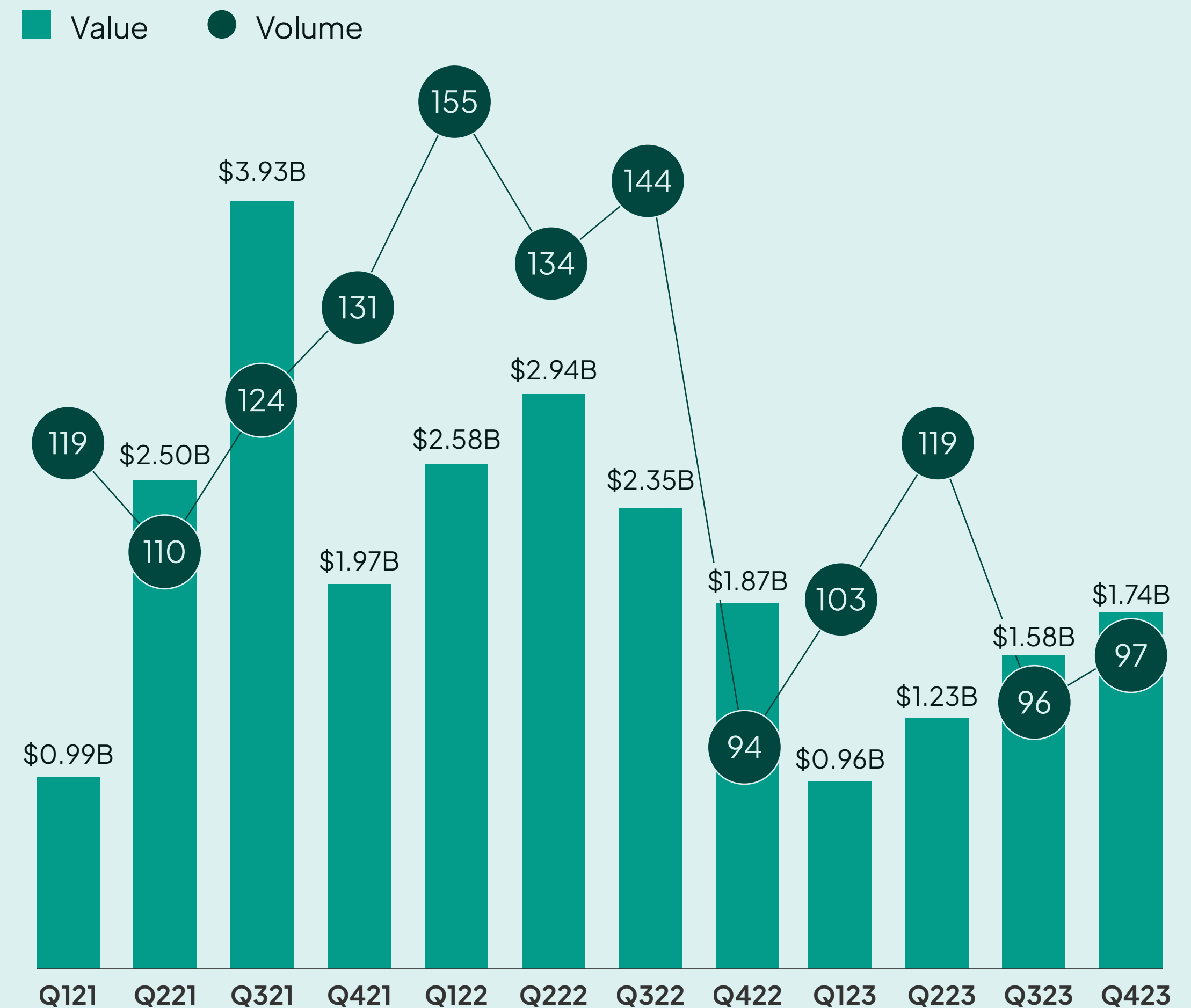
Country Review

City-state saw 44% drop in equity funding value in 2023

Top 10 deals in 2023 (equity and debt)

Firm	Funding type	Value	Category
Lazada Group	Corporate Round	\$1.9B	E-commerce
Bolttech	Series B	\$246m	Fintech
ANEXT Bank	Corporate Round	\$188m	Digital bank
Silicon Box	Series B	\$139m	Industrial products
Singlife	Corporate Round	\$132.7m	Financial services
StorHub Group	Debt financing	\$131.8m	Proptech
InterContinental Energy	Series B	\$115m	Green tech
Foundation Healthcare	Private Equity	\$110.8m	Healthcare
Insider	Private Equity	\$105m	Media & entertainment
Aspire	Series C	\$100m	Fintech

Quarterly equity funding for Singaporean firms

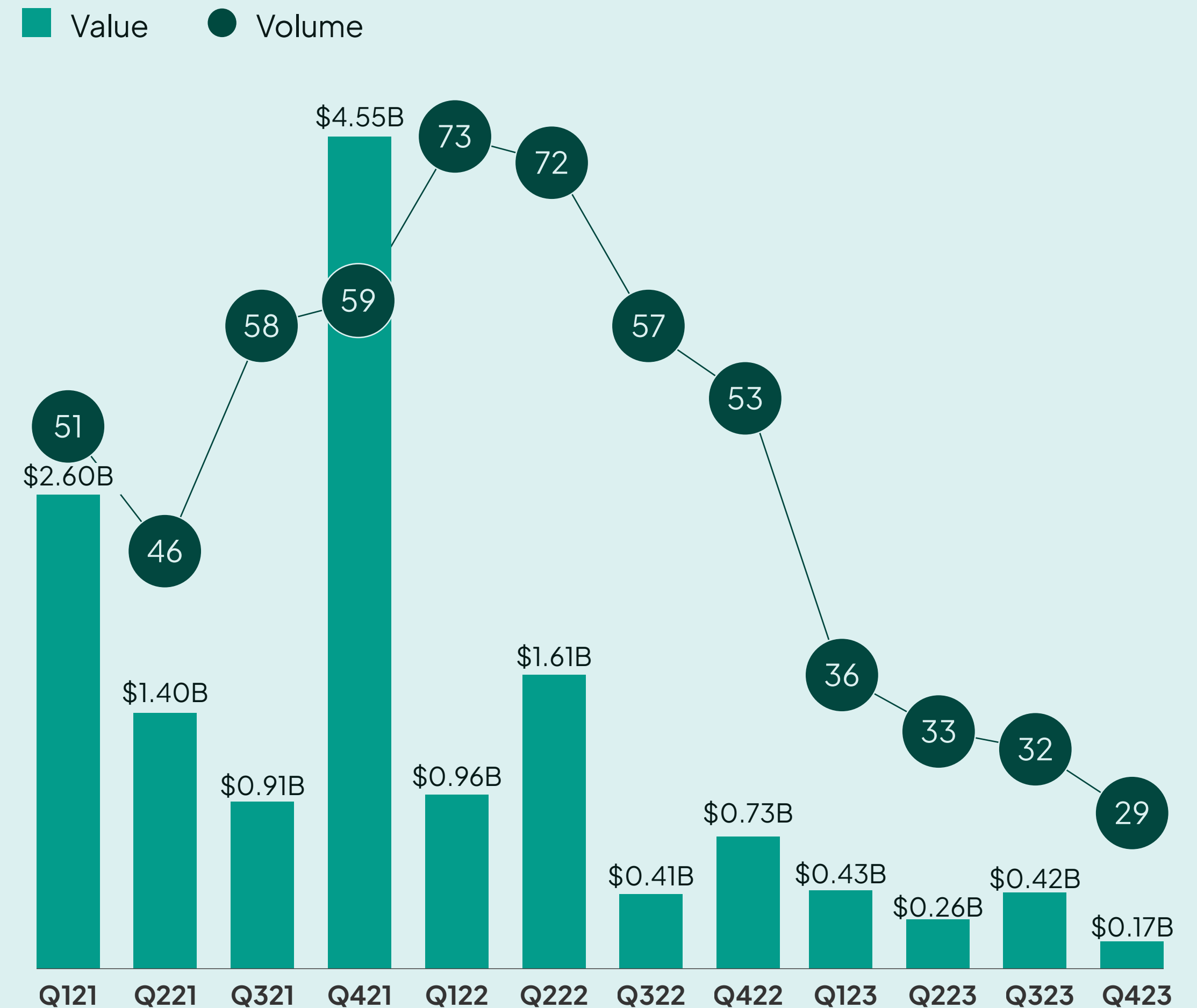


Deal volume fell 49% YoY in SE Asia's largest market in 2023

Top 10 deals in 2023 (equity and debt)

Firm	Funding type	Value	Category
Kredivo Holdings	Series D	\$270m	Fintech
eFishery	Series D	\$199.6m	Agritech
Amartha	Debt Financing	\$125m	Fintech
Halodoc	Series D	\$100m	Healthtech
Kin dairy	Private Equity	\$70m	Consumer products
Alva	Series B	\$50m	Mobility tech
Qoala	Series B + Convertible	\$47m	Fintech
ALBA Tridi	Debt Financing	\$44.2m	Green tech
SIRCLO	Series C + Unclassified	\$40.5m	E-commerce
Evermos	Series C	\$39m	B2C2C commerce

Quarterly equity funding for Indonesian firms

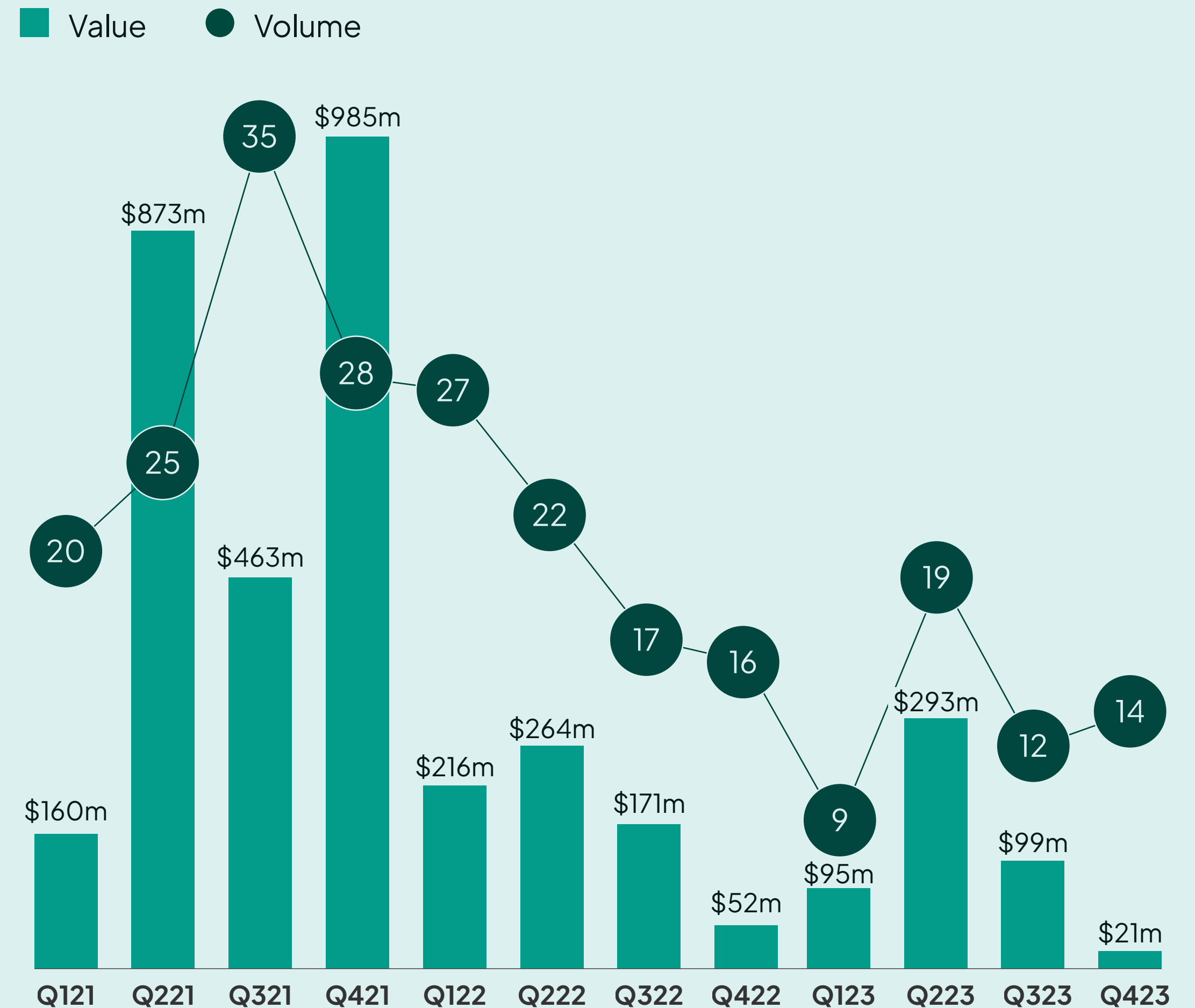


Top 5 deals generated 65% of funding proceeds in Vietnam

Top 10 deals in 2023 (equity and debt)

Firm	Funding type	Value	Category
EQuest	Private Equity	\$120m	Education
International Dairy Products	Private Equity	\$100m	Consumer products
Vietcap	Debt financing	\$100m	Fintech
Buymed	Series B	\$51.5m	E-commerce
F88	Series C	\$50m	Fintech
Gene Solutions	Series B	\$21m	Healthtech
Copper Mountain Energy	Debt financing	\$20m	Green tech
HIBOX	Series A	\$20m	E-commerce
MindX Technology	Series B	\$15m	Software & IT
Telio	Series B	\$15m	E-commerce

Quarterly equity funding for Vietnam firms

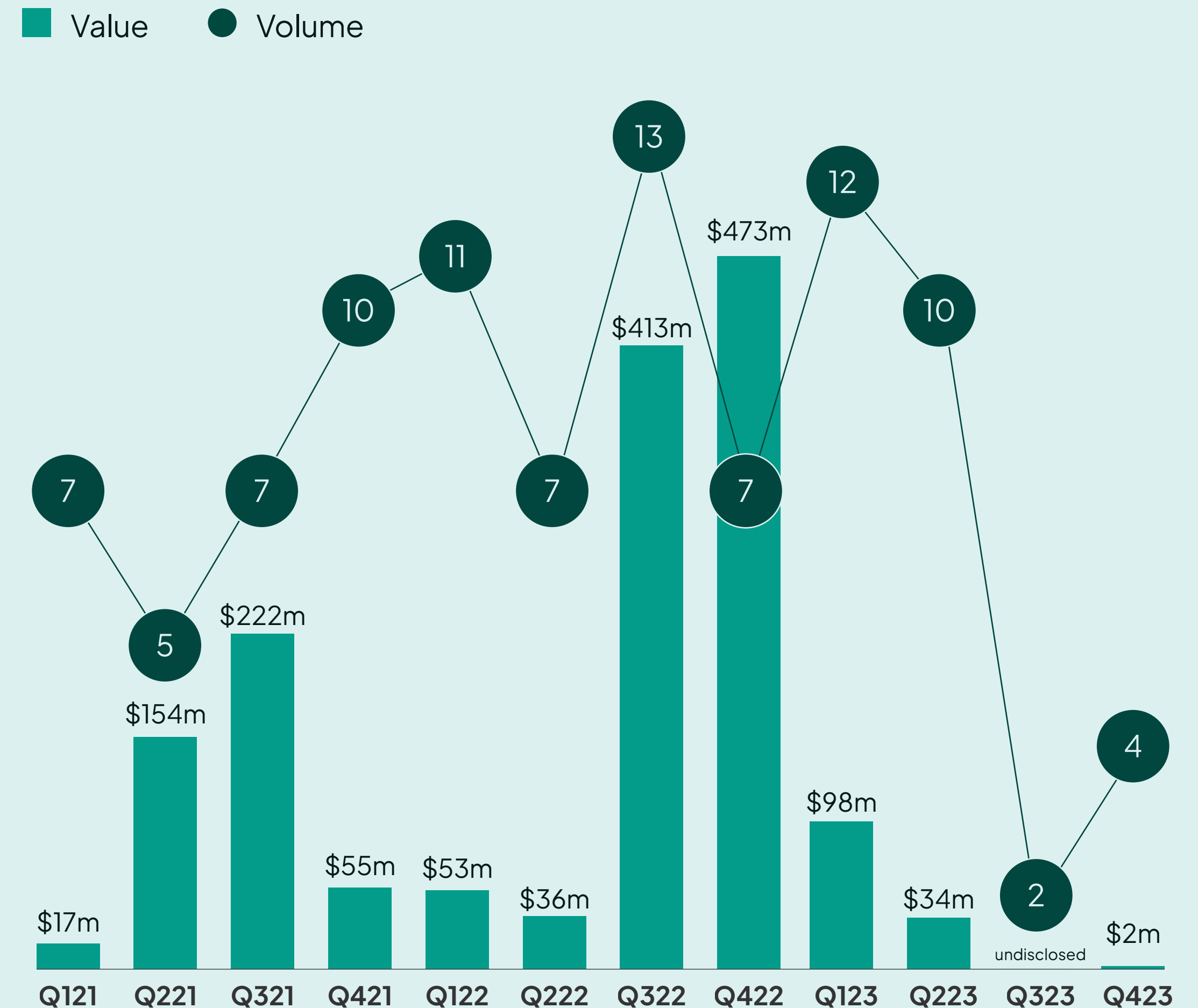


Total funding value plunged 86% in Thailand

Top 10 deals in 2023 (equity and debt)

Firm	Funding type	Value	Category
Roojai	Series B	\$42m	Fintech
Monix	Venture - unclassified	\$20m	Fintech
Pomelo Fashion	Series D	\$19.6m	E-commerce
Bitkub	Venture - unclassified	\$17.8m	Fintech
HD	Seed	\$6m	Healthtech
FINNOMENA	Series B	\$5.5m	Fintech
24 FIX	Series A	\$4.3m	General services
Ocean Sky Network	Pre-Series A	\$4.3m	Data analytics; AI/ML
Arincare	Series B	\$4m	E-commerce
Easy Rice	Pre-Series A	\$2m	Agritech

Quartely equity funding for Thai firms

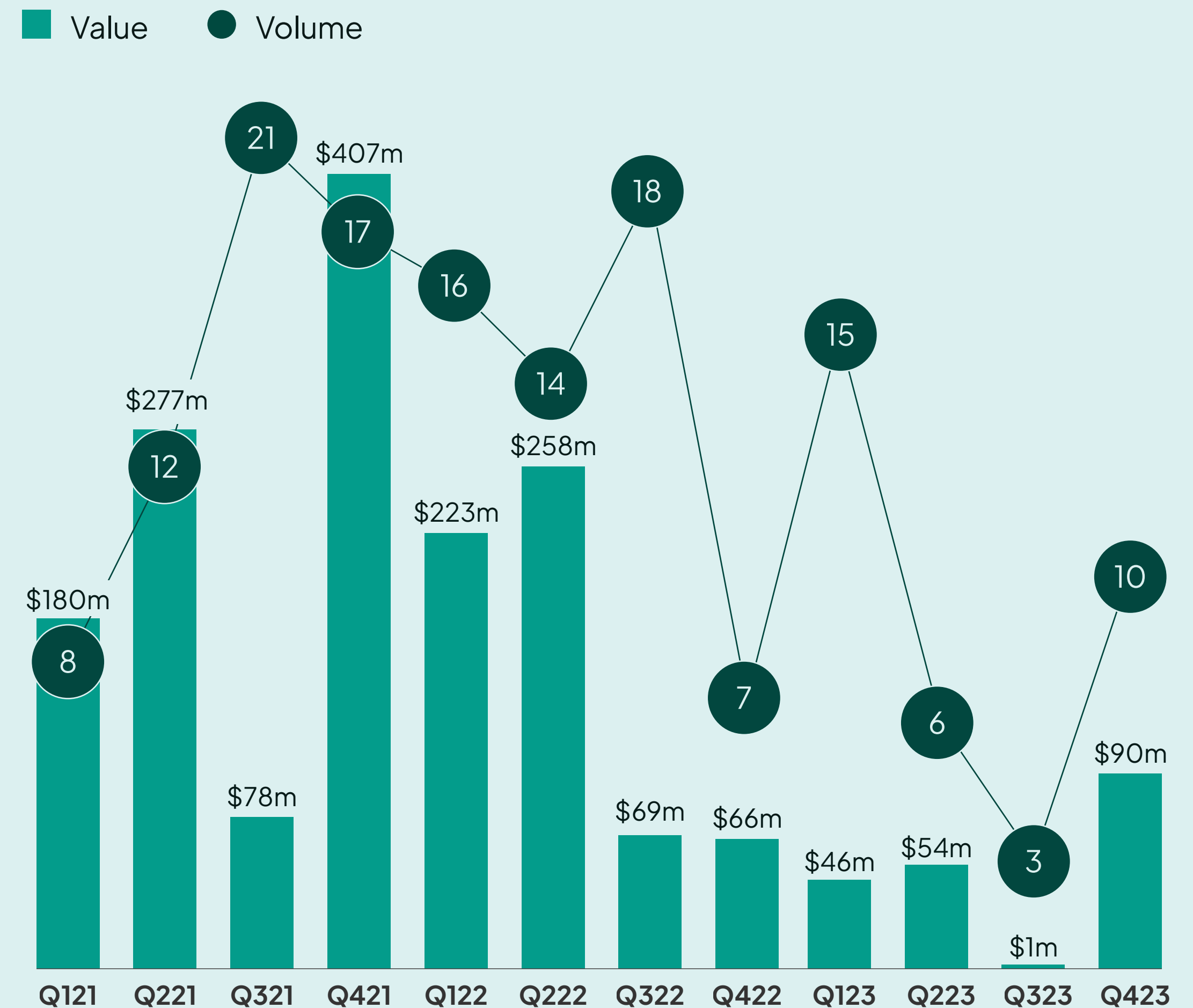


Philippines not spared from regional funding woes

Top 10 deals in 2023 (equity and debt)

Firm	Funding type	Value	Category
Maya Innovations*	Venture Unclassified	\$64m	Digital bank
PickUp Coffee	Series A	\$40m	Consumer products
Citicore Solar Energy Corp.	Debt financing	\$30m	Green tech
Salmon	Debt financing	\$20m	Fintech
Advance Tech Lending	Pre-Series A	\$16m	Fintech
Figaro Coffee Group	Corporate Round	\$15m	Food and beverage
Sprout Solutions	Series B	\$10.7m	HR tech
Edamama	Series A	\$10m	E-commerce
Quasar Satellite Technologies	Seed	\$6m	Telecommunications
Squads	Venture Unclassified	\$5.7m	Software & IT

Quarterly equity funding for Philippine firms

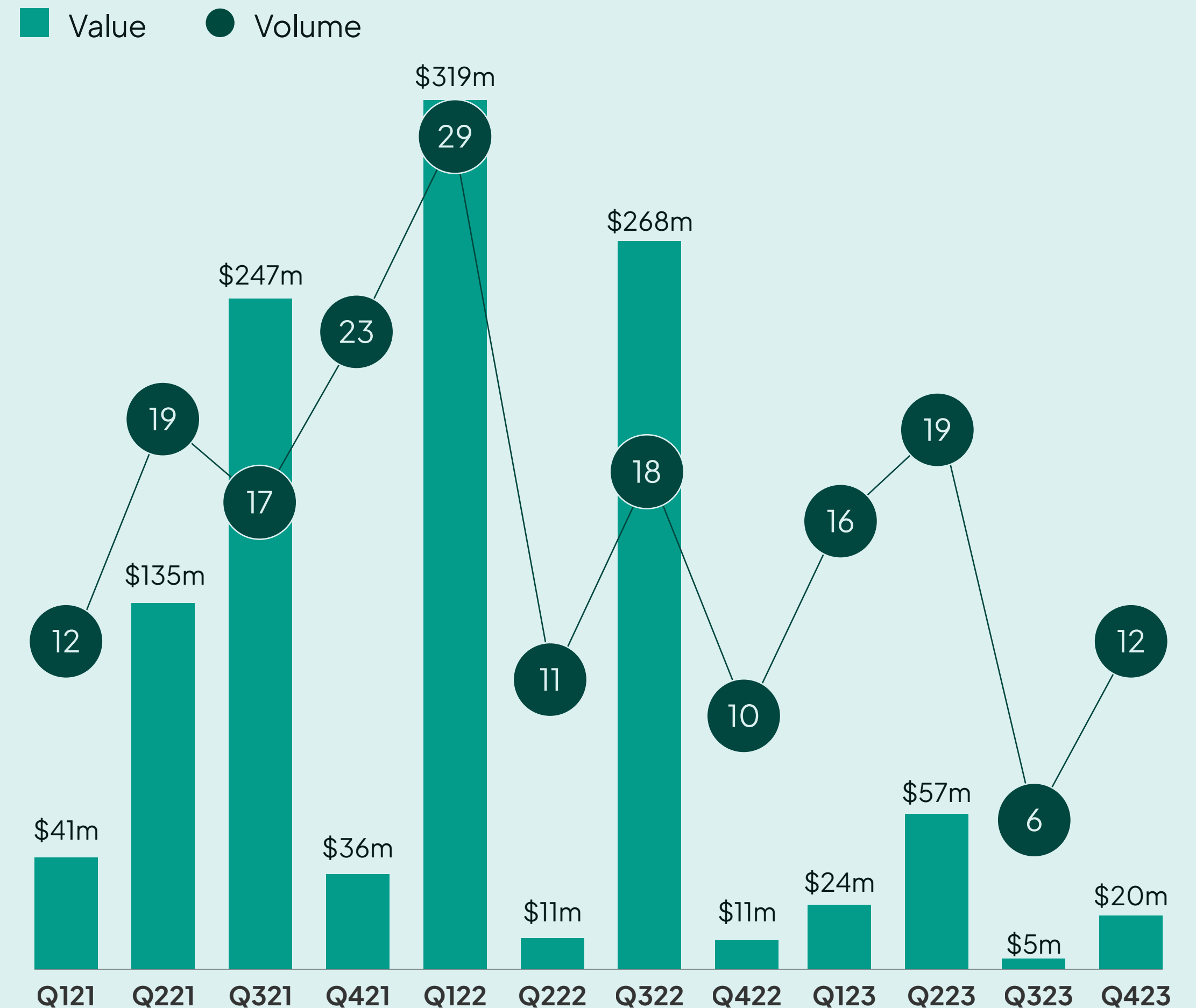



Deep correction in Malaysia as funding value fell 83%

Top 10 deals in 2023 (equity and debt)

Firm	Funding type	Value	Category
Soft Space	Series B	\$31.5m	Fintech
PolicyStreet	Series B	\$15.3m	Fintech
Involve Asia Technologies	Venture Unclassified	\$10m	Marketing tech
Liveln	Series B	\$8.3m	Proptech
Paywatch	Venture Unclassified	\$7m	Fintech
BioGenes Technologies	Series A	\$5.7m	Healthtech
PayHalal	Seed	\$4.5m	Fintech
GoodMorning Global	Equity Crowdfunding	\$4.4m	Food and beverage
Durioo+	Seed	\$3m	Media & entertainment
Bayo	Series A	\$2.2m	Fintech

Quarterly equity funding for Malaysian firms





Industry Insights

Industry insights



Sebastian Togelang
Founding Partner,
Rigel Capital



Justin Patrick
Director,
Rigel Capital

2023 proved to be a challenging year for startups seeking funding in Southeast Asia. What factors contributed to this downturn, and what is your outlook for the funding landscape in 2024?

Justin Patrick: The funding challenges witnessed in 2023 were driven by a confluence of factors, including the impact of rising interest rates, which heightened the allure of fixed-income investments while simultaneously dampening public equities. Additionally, global geopolitical events, such as the ongoing conflict in Ukraine and emerging developments in the Middle East, further influenced market dynamics.

How have global economic trends, such as inflation rates and international trade policies, influenced venture capital activities in Southeast Asia, and how do you anticipate these factors to play out in 2024?

Sebastian Togelang: Escalating inflation and trade uncertainties are instilling a sense of caution in Southeast Asia's VC landscape, prompting a preference for established models and essential sectors. Anticipate sustained prudence in 2024, coupled with opportunities arising from regional collaborations and a focus on sustainability themes.

Which sectors in Southeast Asia are poised for growth despite the current funding challenges, and what makes them resilient or attractive to investors?

ST: Sustainable sectors, including green tech, electric vehicles (EVs), climate tech, and healthtech, are gaining increased attractiveness and paving the way for robust and fundamentally sound companies.

Do you see the current dip in valuations as a temporary market correction or a sign of a more fundamental shift in the startup ecosystem in Southeast Asia?

ST: Investors are currently emphasizing profitability and essential sectors, indicating a preference for ventures with a demonstrated product-market fit. In this cautious environment, investors are meticulously selecting investments, ensuring they align with their strategic objectives. The due diligence process length has extended, allowing for a thorough evaluation to secure investments at appropriate valuations.

Are there emerging themes or new technologies within Southeast Asia that you see as particularly promising for venture capital investment in 2024?

ST:The clean mobility (EV) ecosystem, artificial intelligence, and sustainability-related sectors are expected to continue their growth.

Given the funding downturn, what strategies are you advising your portfolio companies to adopt to navigate these challenging times?

ST:Our philosophy centres on strategic investments that extend beyond financial backing. Rigel seeks to contribute value through collaboration and synergies within our existing ecosystem and portfolio companies.

JP:Rigel's investment strategy focuses on companies positioned at or near break-even, emphasising those already demonstrating positive cash flow. This approach provides inherent downside protection, especially in situations where subsequent fundraising rounds may experience delays.

Recommendations:Exercise prudence in building robust, sustainable businesses with long-term profitability. Prioritise scalability through fundraising that aligns with sustainable growth rather than immediate expansion. Explore alternative avenues for scaling, emphasising synergy and collaborations. When selecting investors and partners, prioritise

those offering more than just financial support – seek individuals and entities capable of providing added value and steadfast support, particularly during challenging periods.

Has the contraction in the funding environment changed your investment criteria or due diligence process? If so, how?

JP:In broad strokes, our approach involves a heightened level of conservatism when reviewing founder forecasts. We underscore the importance of meticulous budgeting, advising against overreliance on the availability of the next funding round to propel sales and sustain liquidity. Furthermore, we place significant emphasis on the synergy effect, outlining how Rigel can contribute value to potential companies beyond mere financial investments.

How are you managing risk in your current investments, and has the approach to risk management evolved due to the recent market contraction?

JP:Robust and timely reporting is the touchstone of risk management, and we continue to emphasise this, even if the results are not as favourable as the forecasts. Cash runway evaluation and maintaining

liquidity have moved to the forefront in assessing a business case at entry and evaluating strategic decision-making during the hold period.

What feedback or concerns are you hearing from your Limited Partners (LPs) regarding the Southeast Asian market, and how are you addressing them? What is your long-term vision for the VC landscape in Southeast Asia?

ST:At Rigel Capital, we prioritise the establishment of synergies with our investments, aiming to foster enduring and sustainable ecosystems over the long term.

In light of the current economic climate, we view it as an opportune time to impart resilience and promote the development of substantive businesses within the startup community. Our approach extends to educating investors, urging them to adopt a more cautious and realistic stance in response to market dynamics. We anticipate and advocate for the industry's growth in a balanced and health-conscious manner, envisioning a landscape with more judicious investors contributing to a sustainable investment environment. We hope that Rigel Capital can play a pivotal role in shaping and supporting such initiatives and funds.

What trends in mergers and acquisitions (M&A) are you seeing in Southeast Asia, and how might these evolve in 2024?

ST:In Southeast Asia, evolving consumer preferences and market dynamics are fostering consolidation in key sectors such as e-commerce, fintech, and logistics. This trend is spurred by a demand for enhanced convenience and value, prompting platforms to merge for broader market access and improved services. Intensifying competition and regulatory pressures further drive these consolidations, resulting in larger entities that benefit from economies of scale and heightened bargaining power.

From an analytical standpoint, how is the ongoing consolidation within these sectors reshaping the startup ecosystem in Southeast Asia?

ST:Robust fundamentals and a solid market standing, particularly in terms of market share, will increasingly play a pivotal role in negotiations going forward.

What advice would you give to startups in Southeast Asia looking to position themselves as attractive targets for M&A?

JP:It is key to keep the diligence process simple for interested investors. Generally, founders should expect continued strong interest in the region, especially from international acquirers looking for a foothold in fast-growing verticals. But a lack of readiness to engage with the foreign management team of the potential acquirer across disciplines - sales & marketing, strategy, financial planning, legal and compliance, etc. - can delay or deter dealmaking opportunities.

How do you compare the viability of IPOs with other exit strategies, such as M&A, in the current economic climate?

JP:The availability of market comparisons, such as publicly traded technology companies, makes the IPO route clearer relative to earlier in the venture or growth funding cycle. However, the lacklustre performance of these public names since 2022 has been sobering in some respects.

In contrast, M&A exits can present an additional opportunity to capture synergies which may exceed current public market valuations. Public market prices have dampened short-term (i.e. immediate) private exit prospects across the board. Over the medium to long term, however, we expect that both public and private market exits will be robust, and the

trading history of technology players in the region will increase confidence in both exit paths.

What strategies do you recommend to companies to maintain or enhance their performance and investor confidence after an IPO?

JP:In the post-IPO stage, the competencies that build and maintain investor confidence change fundamentally, and the C-suite should realise this early to avoid disappointment. Strong fundamentals and swift professionalisation of roles covering areas such as investor relations, governance, financial reporting and controls, among others, are key to navigating this transition.

How have secondary market activities in Southeast Asia evolved recently?

JP:Although secondary exits are a useful tool, primary investors should approach founder secondaries with some caution. It is critical to keep founders aligned with the continue long-term success of the enterprise: the proverbial "skin in the game".



Guo Sun Lee
Partner,
King & Wood Mallesons

2023 proved to be a challenging year for startups seeking funding in Southeast Asia. Could you provide your insights on the factors that contributed to this downturn and your outlook for the funding landscape in 2024?

Guo Sun Lee: As the Fed, the ECB and some other central banks were raising interest rates throughout 2023, this put downward pressure on valuations that buyers were willing to pay, which made sellers reluctant to sell. On the other hand, buyers were also reluctant to buy because, going into 2023, they expected a recession, so they did not want to buy assets going into a recession. Their cost of capital was also going up, so they increasingly expected to pay lower prices for assets.

A number of other factors also contributed to the cautious stance of buyers. These factors included the fear of an ongoing market correction after a prolonged period of high valuations, an oversupply of startups in specific sectors, political uncertainties in the region and globally, and the limited exit

opportunities available if they wanted to sell later. Furthermore, the presence of abundant dry powder and intense competition for high-quality deals, combined with regional startups' pressure to demonstrate profitability and cogent exit strategies, also influenced dealmaking.

Given that inflation has recently come down in the US, the Fed is expected to cut rates multiple times in 2024. In addition, the percentage of investors expecting a recession has come down significantly since the start of 2023. Therefore, the factors that led to a downturn in 2023 are likely to start to work in reverse as benchmark interest rates decrease and investors who have a lower cost of capital become more willing to buy assets. In addition, some sellers who were waiting for valuations to improve may jump at the opportunity to sell even if valuations improve only a little bit. This should lead to an improvement in the dealmaking and fundraising landscape in SE Asia in 2024.

The stage is set for a favourable recovery in dealmaking and fundraising if the unfavourable conditions of the preceding year prove transient. The main risk would be if high inflation were to reappear, leading to central banks needing to start raising rates again, but most investors think this is unlikely. In addition, in any given year, geopolitical

events could also prevent an improvement. For example, if there were a major conflict in the region, it could certainly have an impact. Trade policies could also affect the outlook for particular countries or sectors. SE Asia may also benefit from an inflow of capital in 2024 as many investors look to invest in funds and companies outside China to benefit from the trend of MNCs adopting a China+one strategy. In addition, many countries in SE Asia have favourable demographics and increasing digitalisation, which should help attract investments in tech startups in 2024. As VC funds in the region continue to compete for capital commitments, investors should be able to negotiate lower fees for many of the VC funds they invest in.

What emerging M&A trends have you observed in the tech sector of Southeast Asia, and how might these trends evolve in 2024?

GSL: Emerging trends in M&A in the tech sector of Southeast Asia have been shaped by various factors, including increased digitalisation, the rise of technology startups, the participation of venture capital and private equity players, and geopolitical shifts. Here are some trends observed and predictions for how they may evolve in 2024:

- **Cross-Border M&A:** With growing interest from international investors and companies, cross-border M&A could continue to rise, especially as Southeast Asian tech companies seek to expand overseas and multinational corporations look to tap into the local markets.
- **Consolidation in e-commerce and fintech:** The e-commerce and fintech sectors have grown significantly and may see consolidation as companies look to achieve economies of scale, expand their offerings, and eliminate competition.
- **Increased PE and VC Activity:** Private equity and venture capital firms have been active in the tech sector, providing capital to high-growth companies. This trend may lead to more buyouts and growth equity deals as these investors look to cash in on their investments.
- **Strategic Partnerships and JVs:** There may be an increase in joint ventures and strategic partnerships as companies seek to share technology, expand into new markets, and diversify their services without full mergers or acquisitions.
- **Impact of regulation:** Governments in the region are introducing new regulations affecting data privacy, cybersecurity, and digital commerce. Companies that can navigate the regulatory environment effectively may have an advantage, potentially leading to M&A opportunities with firms

that complement or provide expertise in these areas.

In the next 12 to 24 months, we can expect the tech sector in Southeast Asia to witness more acqui-hires, horizontal and vertical integrations, and consolidation among startups. It is important to note that the geopolitical climate, economic conditions, and specific regulatory changes can significantly influence M&A activities.

How do you perceive the current state of the IPO market in Southeast Asia, and what trends do you foresee for 2024?

GSL: Southeast Asian startups are still largely reliant on foreign markets for large IPO exits as most equity markets in the region are still developing and are unable to provide the same level of capital to new issuers as more developed markets. Even developed markets such as London, Hong Kong and Singapore struggle to compete with New York for large IPO exits in terms of the amount of capital raised and post-IPO price performance and liquidity of the stock. Therefore, in the short term, SE Asian companies will probably continue to target New York for large exits. In the meantime, as the equity capital markets in SE Asia continue to develop and get larger, they will play a more important role in

providing exit options for small to mid-size startups.

How do you compare the viability of IPOs with other exit strategies like mergers and acquisitions or private equity buyouts, particularly in the current economic climate?

GSL: Rising interest rates have put downward pressure on valuations, which has led to most exit strategies becoming less attractive for sellers as time goes by. At the same time, it has not reached the stage where sellers are forced to sell and therefore, exit activity has decreased over the past year. There has also not been much enthusiasm for IPOs over the last two years, and some companies have seen their share prices tumble after IPOs, which has led to a subdued IPO market. Mergers and acquisitions have also become more difficult as anti-trust authorities in the U.S. and Europe have sought to block large M&As.

Faced with these difficulties, we have seen an increase in continuation funds as this buys the fund manager more time so that they can continue to make operational improvements while waiting for more favourable exit opportunities. If, as we expect, the fundraising climate improves in 2024 due to lower interest rates, then this should have a positive effect on the viability of IPOs, M&A and private

equity buyouts as exit strategies, although large M&A will probably continue to face anti-trust hurdles. Now that the S&P 500 and Nasdaq 100 have recovered the losses incurred in the last two years and just hit new record highs, this may lead to increased IPO activity this year, at least compared with the last two years.

What impact has the increased interest in secondary market transactions had on early-stage investors and startup founders in terms of exit opportunities and valuation expectations?

GSL: Secondary market transactions have increased in both PE and VC. The market for VC secondaries is not as mature as the market for PE secondaries, but the increase in VC secondaries does help provide early-stage investors with more exit opportunities, liquidity and slightly higher valuations. We expect that there will be a further increase in the use of VC secondaries in 2024.



Oki Stefanus
Partner, Strategy and Transactions,
Ernst & Young

What advice would you give to startups in Southeast Asia looking to position themselves as attractive targets for M&A?

Oki Stefanus: Based on our observation during the recent investment downturn in the tech sector, we believe the focus on core competencies, value proposition and uniqueness in the market is even more vital for startups.

While agility and innovation remain crucial to success, the current climate requires startups to pursue sustainable growth through disciplined adherence to their core capabilities without straying too far afield.

In light of the funding downturn, what strategies are you advising venture capital firms to focus on during their due diligence processes??

OS: Venture capitalists are becoming more discerning in their investment choices, prioritizing unit economics, cashflow and profitability over mere valuations. This makes the reliability of data – which often poses a challenge for early-stage startups—a focal point of our due diligence work with investors to help support sound investment decisions.

Rigel Global Team



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Director



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Sang-Soo Kim
Director



Wail AlSabbali
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Leon John Hermann
Director

Methodology and Credits

- This report covers Southeast Asia-headquartered private companies that have received venture funding at any stage in their lifecycle. For this reason, we continue to include Singapore-headquartered e-commerce company Lazada, which is now owned by Chinese tech giant Alibaba, in this report.
- All the data cited in this report comes from company announcements, regulatory filings, media reports and DealStreetAsia's research.
- Unless specified otherwise, deals in this report refer to equity funding rounds.
- For clarity and the avoidance of doubt, all monetary values listed in this report are in US dollars.
- Companies referred to in this report are categorised based on the location of their headquarters.

Considering the opaque nature of Southeast Asia's venture capital markets, we strive to update our data constantly to ensure accuracy. If you spot errors or inaccuracies, please let us know here: research@dealstreetasia.com.

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