



Investment Perspectives in Thailand

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This presentation will be available at www.ardentcap.com

▶ Thailand + Tech investing = genius or crazy?

- Why we are all here – topline SEA numbers
- Protests, politics, coups – serious or noise?
- Ardent HQ in Thailand – Why specifically Bangkok?
- Thailand specifics
- The Thai ecosystem
- Opportunities for investors and entrepreneurs in Thailand
- Specific examples of what Ardent is doing

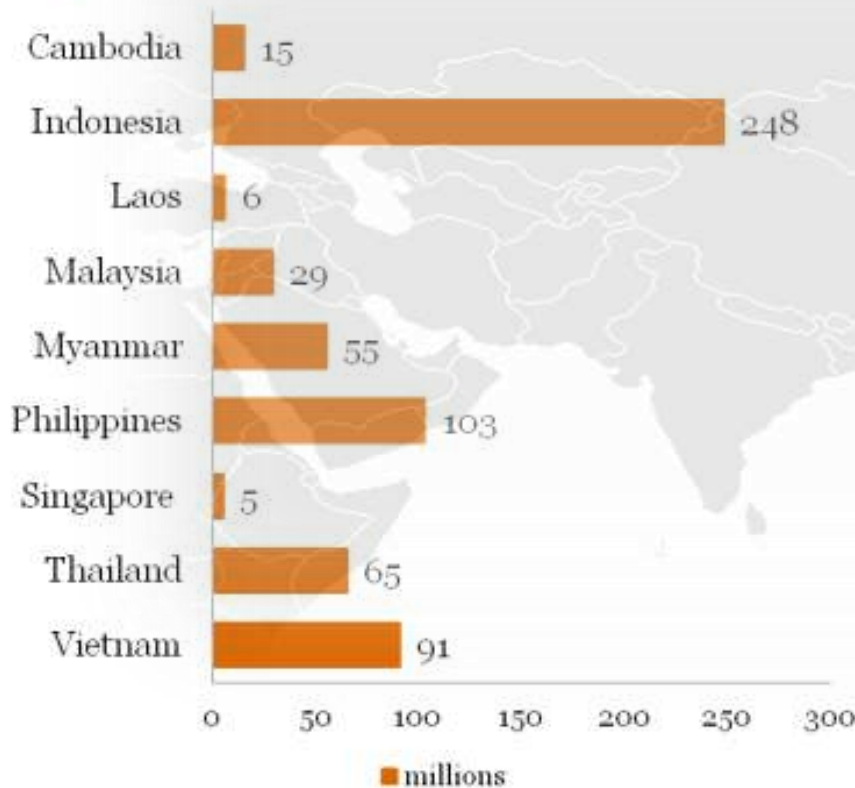
▶ Why SEA, Why Thailand?

- We raise almost all our money OUTSIDE of Thailand and SEA
- For example, last year's major investors for us included Japanese (Recruit, GMO, NTT Docomo, Cyberagent) and USA (Siemer)
- At some point we always have to explain SEA
- And in particular Thailand
- This is a very detailed deck with lots of data in the appendix that YOU can use to answer this same question
- Please download it from www.ardentcap.com

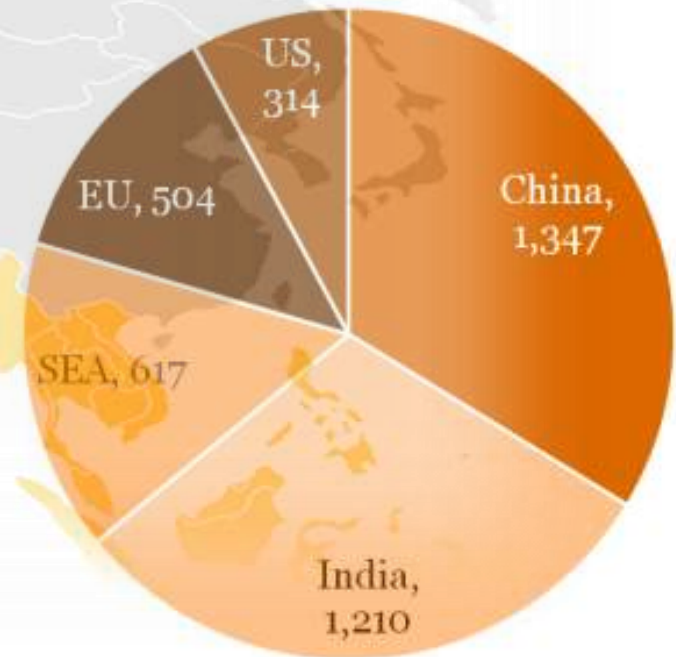
SE Asian Population

Southeast Asia is bigger (2x) than the US and bigger than the EU

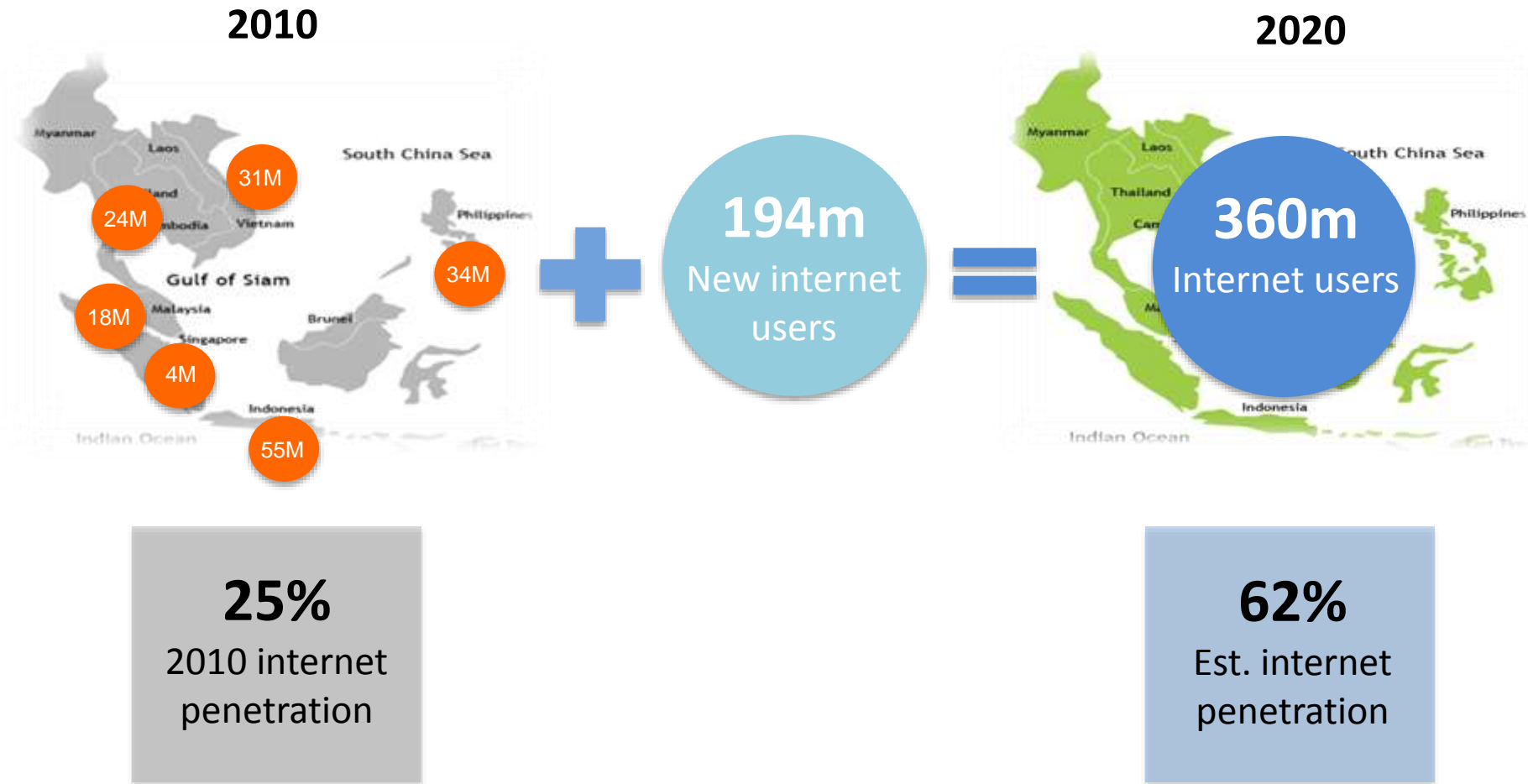
Population



Population in millions



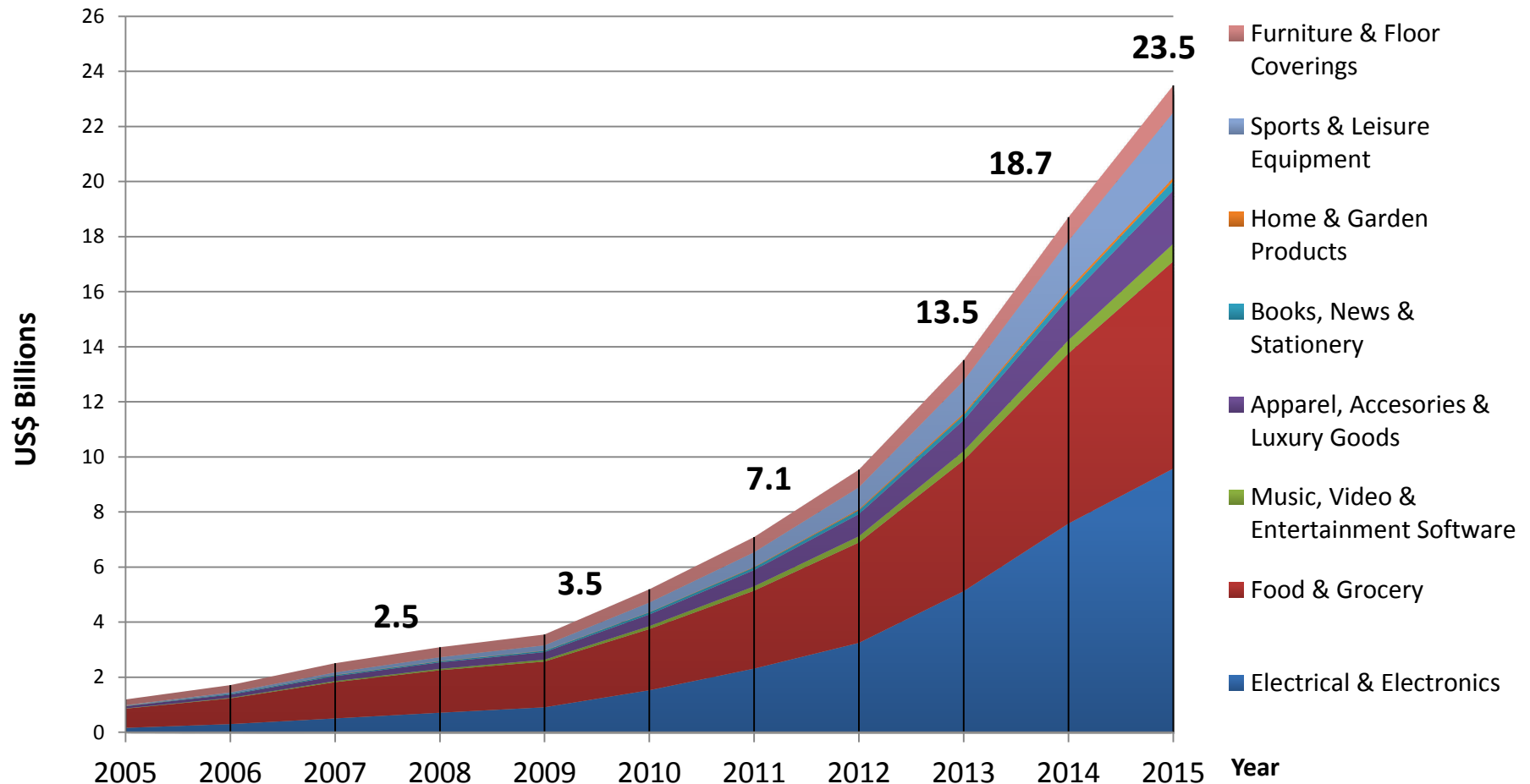
▶ Internet Penetration is Exploding



Source: We are Social, Accenture

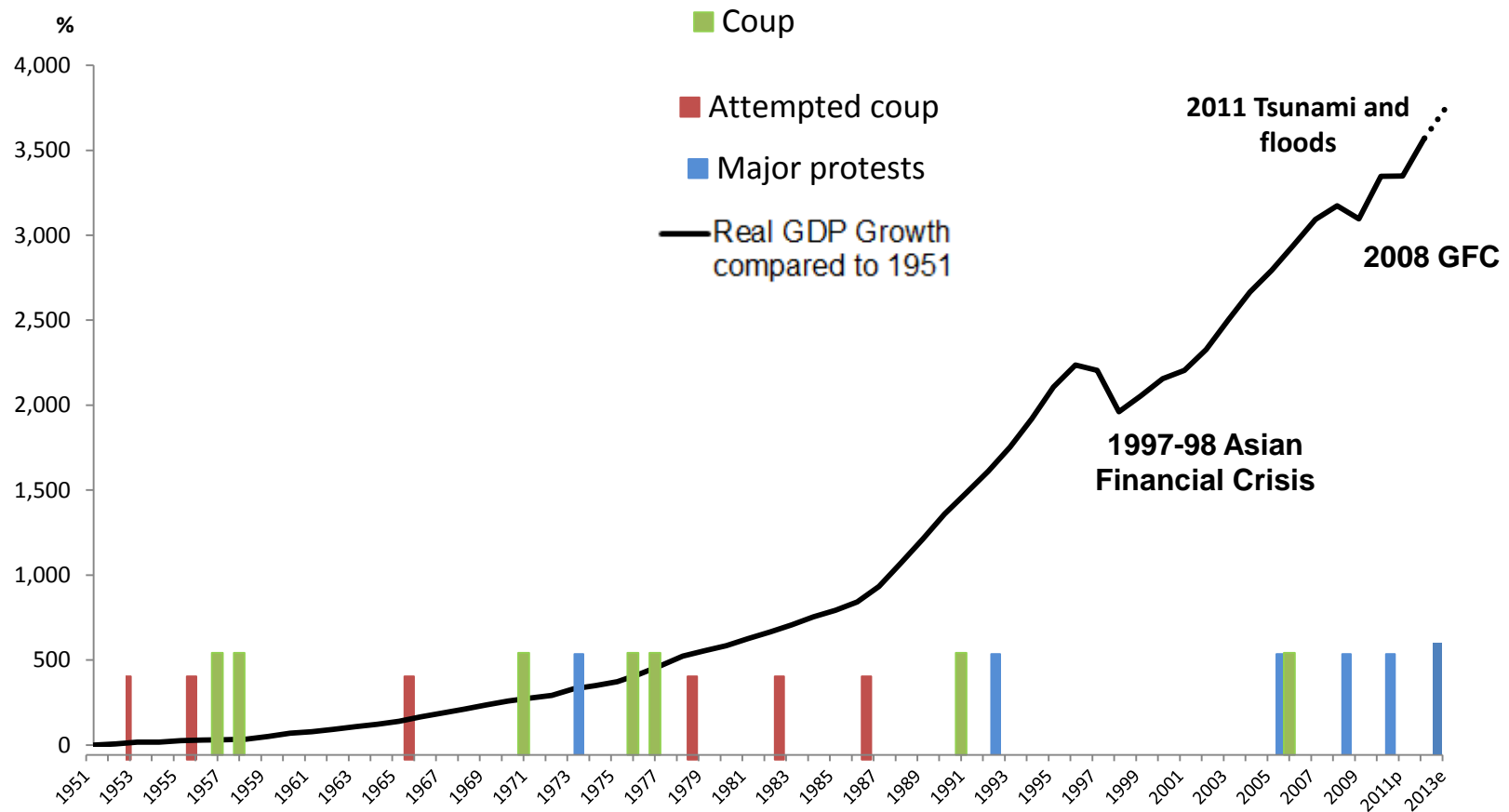
Why SE Asia? eCommerce is exploding

Thailand, Philippines, & Indonesia Online Retail is Growing Fast! Online Retail Sales Forecast 2005 – 2015 – Source ICD Research



▶ GDP growth has not been affected by political instability

Despite frequent political turmoil, history has shown that the Thai economy has its own dynamics and its own momentum



Source: GDP Data from Thailand's National Economic and Social Board

▶ Political instability: implications

- Immediate – tourism
- Mid term – capital investment, factories
- Long term – affects everything. Quality of life, exits, growth tied to GDP
- Thailand has survived so far despite the politics
- Reality – life goes on. Offices open.
Supermarkets open. Public transport unaffected.
No anti western sentiment – this is 100% internal

▶ Quick overview of Ardent Capital



- ➔ Ardent Capital is an operator VC headquartered in Bangkok with offices in Singapore and Indonesia, 300 staff across the portfolio, 120 in Bangkok
- ➔ Traditional VC – we make seed and early stage investments, with six investments made in past 18 months throughout Southeast Asia
- ➔ Labs business – we incubate companies in-house such as aCommerce and WhatsNew
- ➔ Three of founding team of six are Thai American (Paul, Tom, John)
My background – 20 years doing Internet – 1 ASX IPO (Sausage Software), 1 NASDAQ IPO (LookSmart), 1 Microsoft Exit (LinkExchange), 1 NZX IPO, 12 years VC in San Francisco (Blumberg Capital), 7 years across SEA

▶ Ardent Capital team's exits in SE Asia in the last 3 years

newmedia+

sold to

stw group



sold to

k@mli



sold to

livingsocial

ARDENTCAPITAL

invested in

6 start-ups

▶ Why SE Asia? Converging Trends

- ➔ Sustainable GDP per capita growth (Avg. 5-6% est. 2013)
- ➔ Rising disposable income
- ➔ Growing mobile broadband penetration
- ➔ **Accelerating smartphone penetration**
- ➔ **Social Media penetration**
- ➔ Increasing Credit Card penetration
- ➔ AEC 2015

Over \$17B of branded and direct to consumer ecommerce coming into SEA in next 3 years



Unique Market – LINE has 20M users in Thailand...

Messaging apps are looking to diversify by ecommerce and a mix of:

Pictures



Music



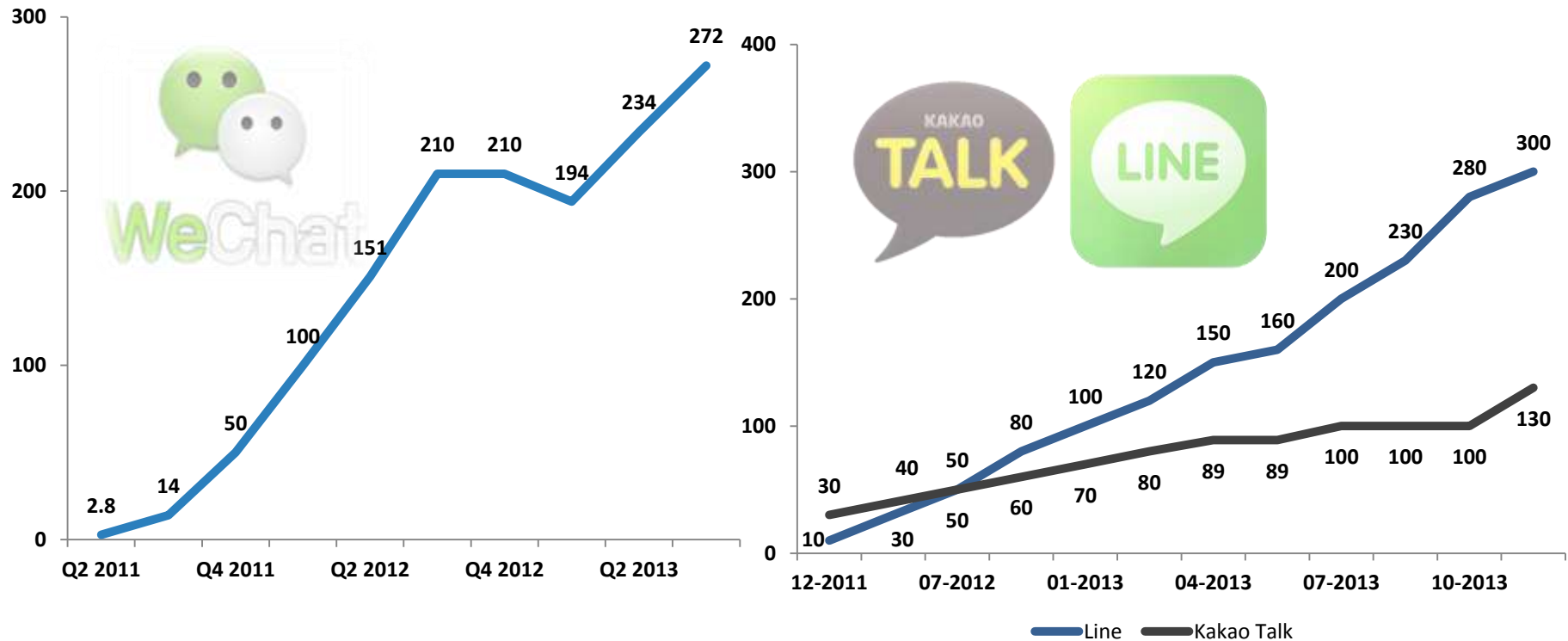
Newsfeed



Games



Stickers



Source: Statista 2013

aCommerce runs the eCommerce store for LINE

- LINE platform came out of nowhere in 18 months
- > 20M users in Thailand alone
- Mobile first
- Rivaling and exceeding Facebook member base
- The LINE store has 5.5M friends, majority of which were acquired in 72 hours
- Largest direct to consumer channel in the country, largest active reach
- Most campaigns sell out in minutes
- Last Monday – 700 vouchers, released at mid day, sold out 2 minutes later
- Platform where competitors are now doing
 - Movie sales, transactions, music, games, reservations
- What should Facebook do?

▶ Bangkok is the TOP Facebook city

- Facebook counts > 20M users in Thailand, ranking 16th in the world. The Internet population in Thailand is same as Facebook penetration

#	City	Country	Users	Penetration
1	Bangkok	Thailand	8 682 940	104.34%
2	Jakarta	Indonesia	7 434 580	34.10%
3	Istanbul	Turkey	7 066 700	62.98%
4	London	United Kingdom	6 139 180	73.79%
5	Bogota	Colombia	6 112 120	82.15%
6	Sao Paulo	Brazil	5 718 220	29.88%
7	Mexico City	Mexico	4 294 820	23.30%
8	Santiago	Chile	4 129 700	73.35%
9	Mumbai	India	3 700 460	18.95%
10	Buenos Aires	Argentina	3 533 840	28.52%

Source: <http://www.socialbakers.com/blog/647-top-10-biggest-facebook-cities>

▶ Bangkok has the MOST Instragram'd locations

- Siam Paragon was the most Instragram'd location in 2013
- Bangkok International Airport was the most Instragram'd location in 2012

#	Location	Where?
1	Siam Paragon	Bangkok
2	Times Square	New York
3	Disneyland	California
4	Bellagio Fountains	Las Vegas
5	Disney World	Florida
6	Staples Center	Los Angeles
7	Central Park	New York
8	Dodger Stadium	Los Angeles
9	Bangkok International Airport	Bangkok
10	The High Line	New York

Source: <http://blog.instagram.com/post/69877035043/top-locations-2013>

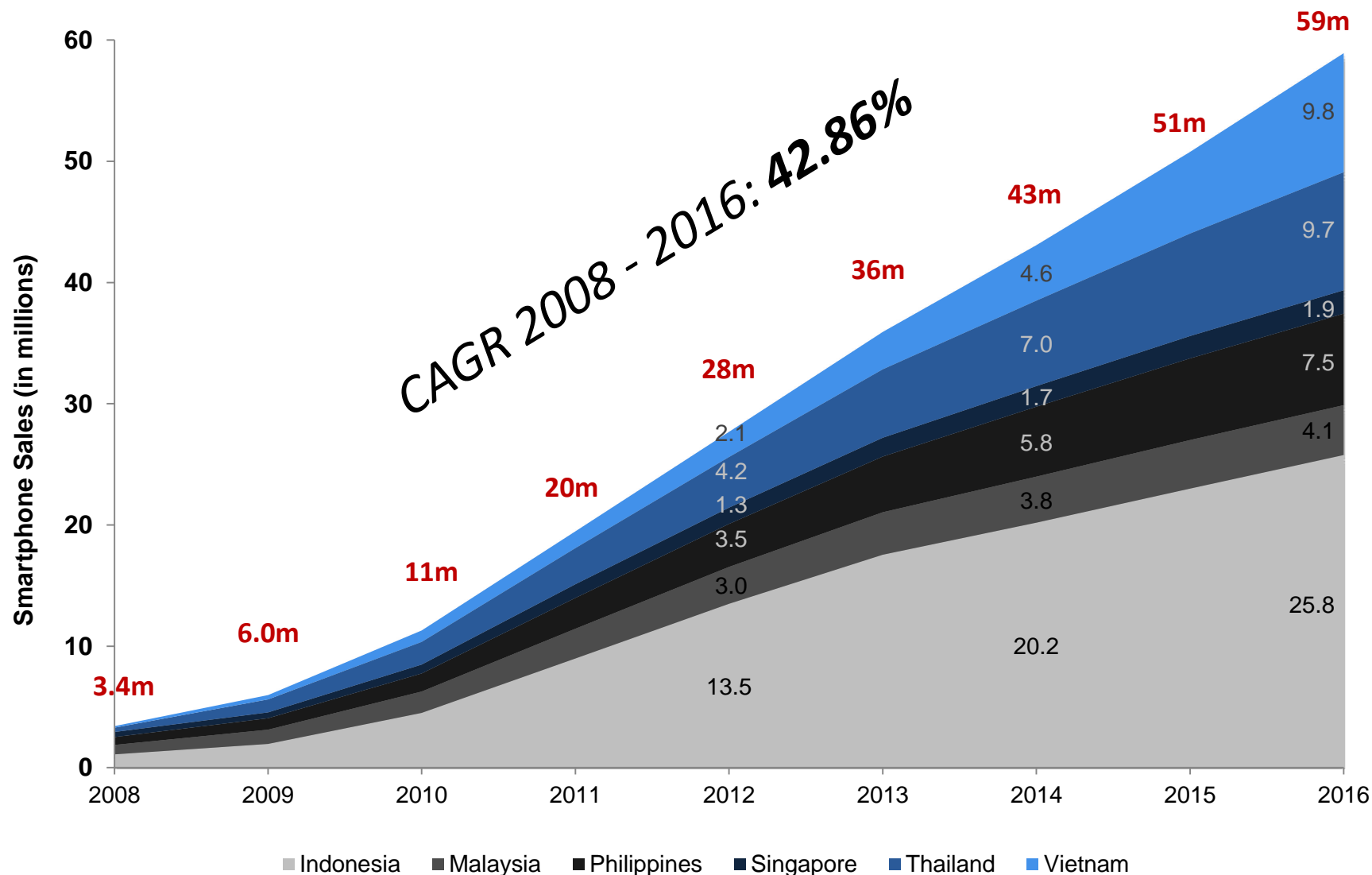
▶ Smartphone sales is robust and growing fast

Smartphone sales are expected to have a compound annual growth rate of **43%** from 2008 to 2016, reaching 59 million units in 2016



Source: GoogleResearch, Euromonitor 2013

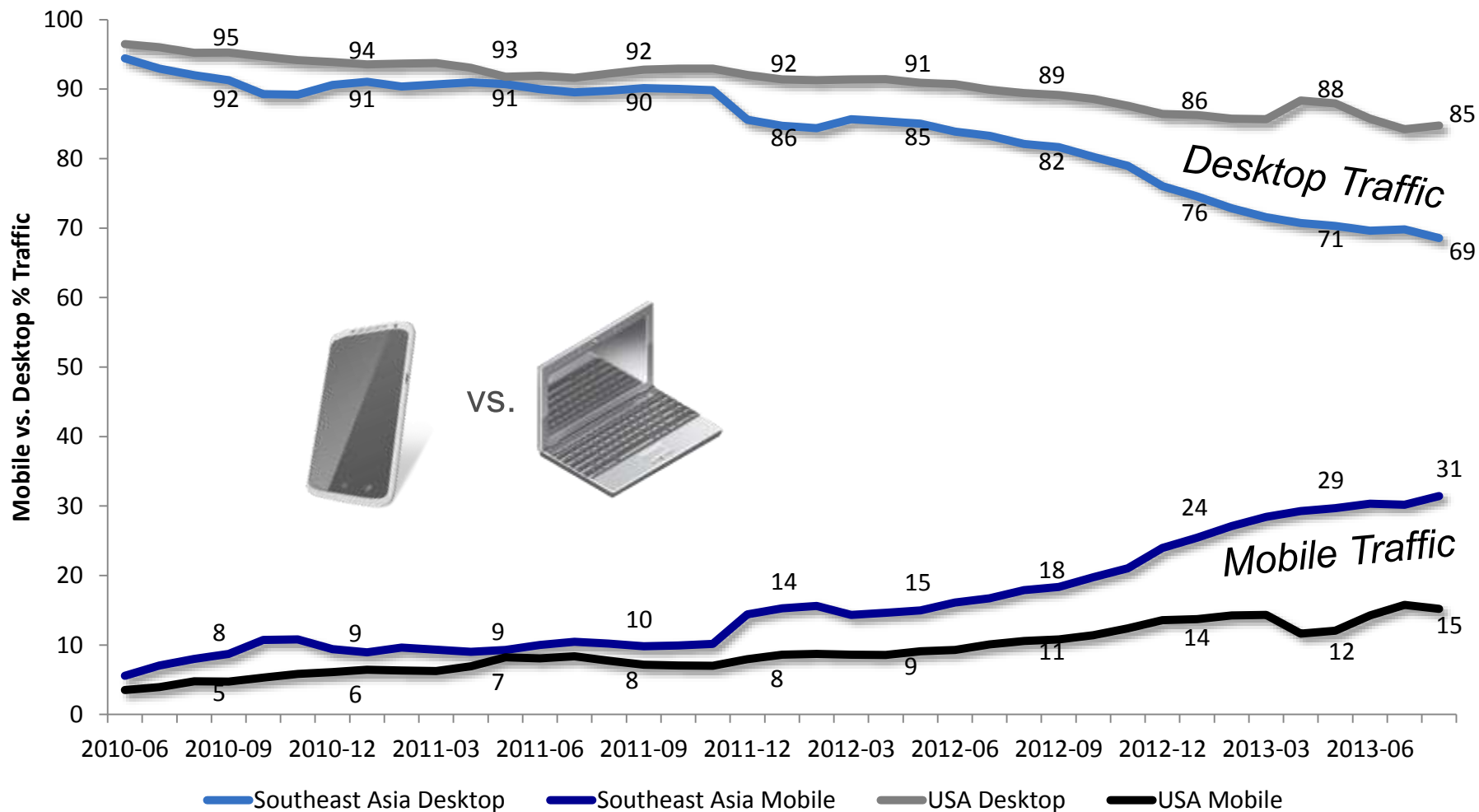
▶ Smartphone sales is robust and growing fast



Source: GoogleResearch, Euromonitor 2013

▶ Mobile and desktop usage is converging in SE Asia

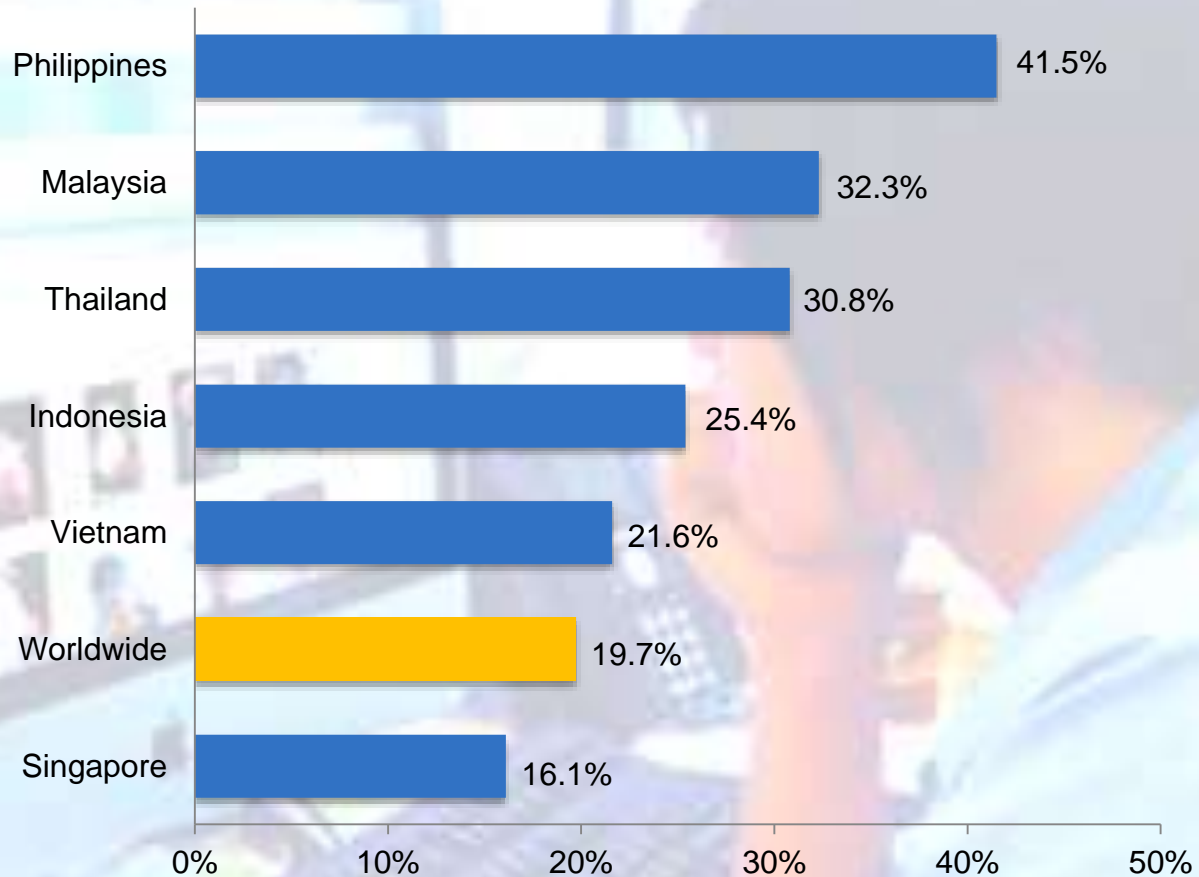
Southeast Asia is outpacing the US toward an equal mobile/desktop traffic share...



Source: StatCounter 2013

▶ Social networks take up a large share of time online

Social Network Share of Time Spent Online



Source: Southeast Asia Digital Future in Focus 2013, ComScore

▶ Most Promising Emerging Markets for Investors

Rank	Country	Overall Score
1	China	80.2
2	Thailand	63.5
3	Peru	60.9
4	Chile	56.5
5	Malaysia	52.4
6	Poland	51.3
7	Turkey	50.9
8	Russia	50.5
9	Indonesia	49.8
10	Czech Republic	47.7
11	Hungary	47.4
12	Colombia	47.1
13	South Africa	44.7
14	Mexico	44.0
15	India	42.3

* March 2012 issue of
Bloomberg Markets

▶ The Thai Economy: Big

Rank	Country	2011 GDP (PPP) (\$Billions)
1	United States	15,076
2	China	11,300
3	Japan	4,444
4	India	4,421
5	Germany	3,114
6	Russia	2,383
7	Brazil	2,294
8	United Kingdom	2,288
9	France	2,214
10	Italy	1,847
11	Mexico	1,667
12	Korea	1,554
13	Spain	1,406
14	Canada	1,395
15	Indonesia	1,125
16	Turkey	1,075
17	Iran	991
18	Australia	915
19	Taiwan, China	876
20	Poland	771
21	Argentina	716
22	Netherlands	701
23	Saudi Arabia	688
24	Thailand	602
25	South Africa	555

ASEAN Ranking

Rank	Country	2011 GDP (PPP) (Billions)
15	Indonesia	1,125
24	Thailand	602
29	Malaysia	464
32	Philippines	391
39	Singapore	315
41	Vietnam	300
75	Myanmar	83
102	Cambodia	34
122	Brunei	21
130	Lao P.D.R.	17

Source: IMF, World Economic Outlook Database, October 2012

SE Asian countries rank high in ease of doing business

Economy	Ease of Doing Business Rank ▲	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Resolving Insolvency
Singapore	1	4	2	5	36	12	2	5	1	12	2
Hong Kong SAR, China	2	6	1	4	60	4	3	4	2	10	17
New Zealand	3	1	6	32	2	4	1	21	25	17	13
United States	4	13	17	19	25	4	6	69	22	6	16
Denmark	5	33	8	14	6	23	32	13	4	34	10
Norway	6	43	23	14	7	70	25	19	21	4	3
United Kingdom	7	19	20	62	73	1	10	16	14	21	8
Korea, Rep.	8	24	26	3	75	12	49	30	3	2	14
Georgia	9	7	3	50	1	4	19	33	38	30	81
Australia	10	2	11	36	37	4	70	48	44	15	18
Finland	11	49	34	21	24	40	70	23	6	9	5
Malaysia	12	54	96	28	33	1	4	15	11	33	49
Sweden	13	54	25	9	35	40	32	38	8	27	22
Iceland	14	45	40	1	9	40	49	41	82	3	11
Ireland	15	10	106	95	53	12	6	6	28	63	9
Taiwan, China	16	16	9	6	32	70	32	54	23	90	15
Canada	17	3	69	152	54	23	4	8	44	62	4
Thailand	18	85	16	10	26	70	13	96	20	23	58

Source: Doingbusiness.org 2013

▶ The Thai Economy: Sophisticated

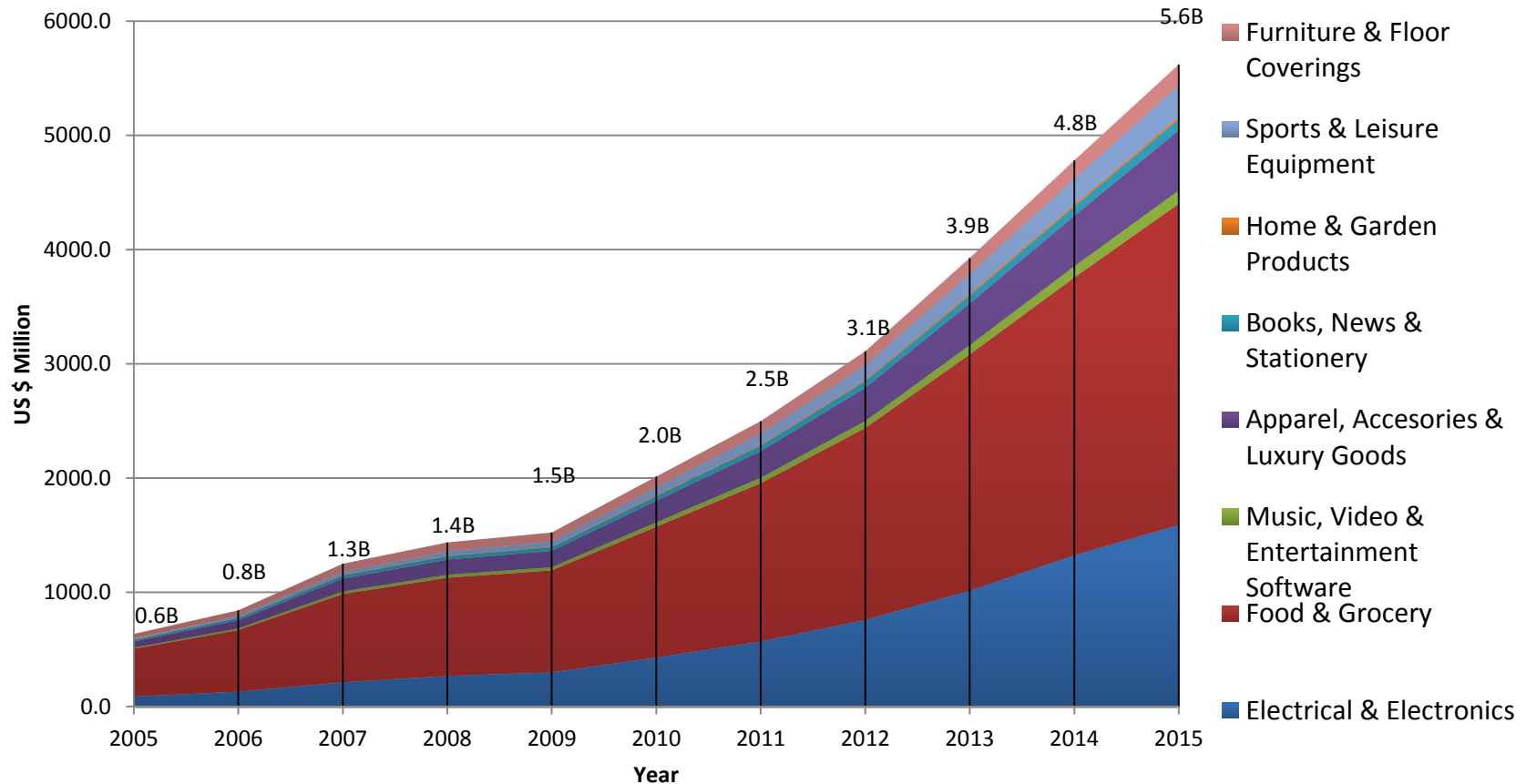
- 10th biggest car maker (>2m cars)
- Regional hub for auto, electronics, consumer goods, processed food.
- Middle class: 12 million
 - Malaysia (12m)
 - Indonesia (2.6m)
 - Vietnam (1.6m)
- Dynamic retail sector



▶ Thailand - Online Retail Sales Forecasts

2010-2015: Compound Annual Growth Rate of 22.78%

Thailand- Online Retailers Segmentation, Sales Forecast by Category (US\$ Million), 2005- 15. Source: ICD Research



▶ The ASEAN Economic Community (AEC)

In 2015, Southeast Asia will transform into an integrated market, making it easier for businesses in Southeast Asia to expand. Thailand is a logical regional hub



What it is comprised of...

Free flow of goods

Free flow of services

Free flow of investment

Free flow of capital

Free flow of skilled labor

What it means...

Cheaper and easier to sell goods across borders

Easier to provide services and establish companies in the region

More attractive to foreign direct investment

Easier to obtain/move capital across the region

Easier to recruit talent from countries in Southeast Asia

▶ Key Thailand Incubators

- **True Incube**



- 500K THB (19K SGD) initial investment, with follow on for most start-ups
- 99 days bootcamp in co-working space
- Business support: 26M customer base, distribution channels, media support, business partnerships

- **AIS The StartUp**



- Mentorship program including market insights, investor access, business support, co-working space, and pitching workshops
- StartUp Weekends is a venture competition

▶ Key Thailand Incubators (cont'd)

- **Founders Institute**



- World's largest entrepreneur training and startup launch program
- Active in 55 cities including Bangkok
- 1000 companies participated
- 89.5% survival rate
- 10,000 jobs created

- **dtac Accelerate**



- 20 startups initially selected for the workshop stage
- Selection is subsequently narrowed down to 10
- Finalists present at demo day and winner(s) flies to Silicon Valley

▶ Key Thailand Co-Working Spaces

- **HUBBA Thailand**



- Located in Ekkamai
- Hosts various start up events
- Upcoming Start Up Accelerator Program & Demo Day
- Various business and technical workshops
- Ultra High Speed Internet
- Multiple Meeting Rooms

- **Launchpad**



- Located in Silom
- 800 sq.m. shared space
- Ultra High Speed Internet
- Six meeting rooms

▶ Why Thailand – highlights.

- Reasonable legal setup (BOI is a great structure)
- Corruption in private sector is low
- Reasonable payments infrastructure
- Good credit card and banking penetration in the population
- Reasonable logistics (transport and traffic are OK)
- High mobile phone penetration (> 100% saturation)
- High smartphone penetration
- High quality mobile broadband
- Large market
- Closed language market, price premium on exit

▶ Goldilocks Principle for SEA

- We do not start in Singapore
 - the market is too small
 - the exits are too small
 - It proves little, experience not relevant to the rest of SEA
 - Too easy, too many competitors
- We do not start in Indonesia
 - it is too difficult as a first market, with too many challenges
 - Legal, infrastructure, ownership, payments, staffing
- We start in Thailand
 - because it is difficult, but not too difficult
 - Lessons learnt are applicable to rest of region
- After Thailand
 - Indonesia
 - Then Philippines, Malaysia, Singapore, and Vietnam



Notable investments into Thailand-based companies

Company

Date

Investor(s)



Q4 2013



Q2 2013



Q3 2013



Q3 2013



Q2 2013



▶ Challenges for Entrepreneurs and investors

- Building a team is tough
 - People/HR/Culture scaling - Expertise to build a 500 person team in 18 months
 - Tech scaling - Expertise to build tech that scales to 100s of millions of transactions
- Think big vs perceived lack of capital
 - Historically have grown from cash flow – small, single markets
 - MUST think regional – minimum 3 of 6 markets
 - MUST think big problems – little solutions don't sell for much
- Think exits
 - Global acquirer doesn't need your IP
 - Does need your people
 - So turn the tech model upside down – People are more valuable than IP

▶ New Opportunities for Investors and Entrepreneurs

- Similar to rest of SEA
- Copying is not bad. OK to be inspired by proven models. Execution still very hard
- Focus on three things
 - Team – competition is manageable so a strong team has head start
 - Total addressable market – is it really big? Are you too early?
 - Proven models – give you a roadmap, reduce risk
- Ardent Capital – what are we doing?
 - Basic infrastructure
 - Transactional commerce – generate real revenue, easier to value, barriers to entry



Current Portfolio



► aCommerce.asia – Built by Ardent Capital



Online Orders



Phone Orders



Order Processing



Storage



Picking



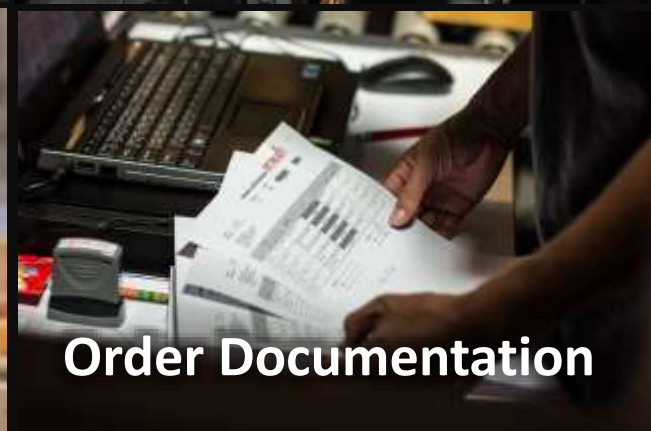
Order Checking



Quality Control



Packing

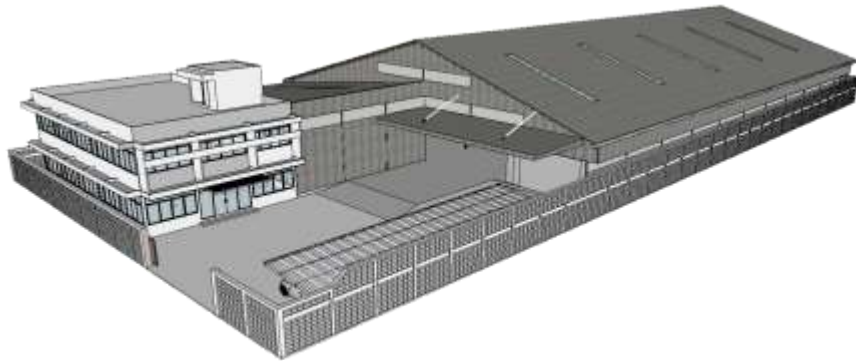


Order Documentation

▶ Full End-to-End Solution



► aCommerce Warehouses



Bangkok

- Storage Space: 2,600 sqm
- Office Space: 500 sqm
- Central Bangkok on Rama III Road
- Same day delivery

Jakarta

- Storage Space: 1,515 sqm
- Office space included
- Central Jakarta location
- Same day delivery

▶ aCommerce Clients – All in the last six months



No. 1 cosmetics and beauty company in the world



No. 1 messaging app in Thailand (20M users)



No. 1 Largest Retailer in Thailand



No. 1 Largest Retailer in Indonesia



No. 2 Largest Telecom company in Thailand



Leading online luxury cosmetics and skin care in SEA



Largest Regional Luxury Online Retailer (Funding \$79M)



No. 1 Japanese TV Shopping Network



B2B Beauty & Spa products distributor owned by IBS Beauty



B2C Beauty & Spa products distributor owned by IBS Beauty



B2B2C platform with 800 brands and 20,000 different items



Blackmores, Australia's leading natural health brand



Malaysian online buying and auction site



No. 1 Online parenting E-commerce site in Thailand



No. 1 Online Pet food and pet care E-commerce site in Thailand



Premium Craft Beer with hundreds of selection

WhatsNew Thailand – Vertical eCommerce

Overview:

- Highly optimized model around customer acquisition
- Quidsi model in USA (diapers.com, wag.com) – sold to Amazon for \$545M
- Petloft is now number 1 in its space in 5 months

Key Data

- Annualized run rate revenue: \$2M
- Monthly Burn rate: \$100K
- Staff: 12
- Funding to date: \$700K

Three months' top line average monthly growth of 47%





Thank you

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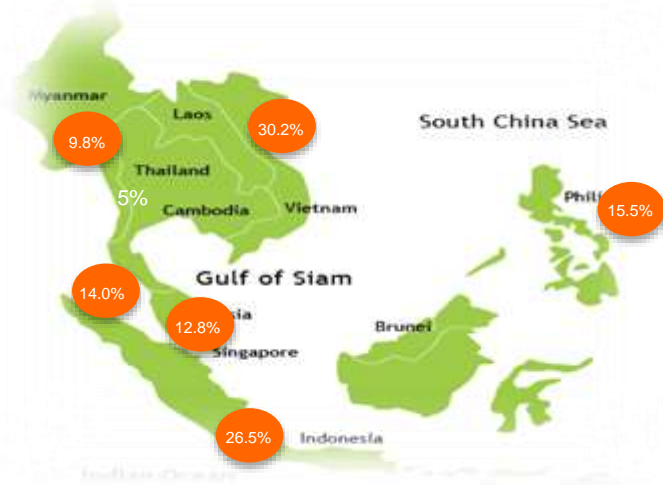
▶ Support Slides

- Additional data slides follow.

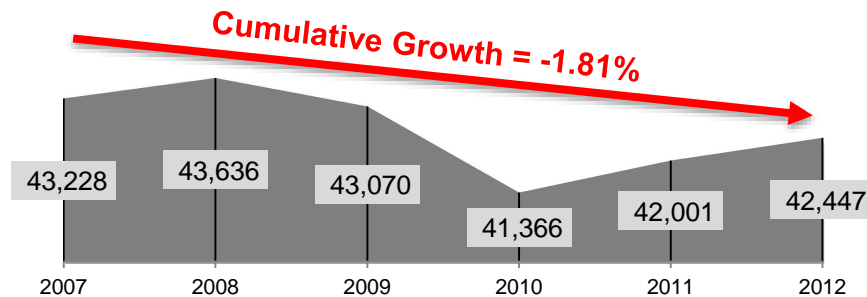
▶ Double Digit GDP Growth from 2007 to 2012

In contrast to the USA and Japan, Southeast Asia has experienced double-digit growth in **GDP per capita** from 2007 to 2012

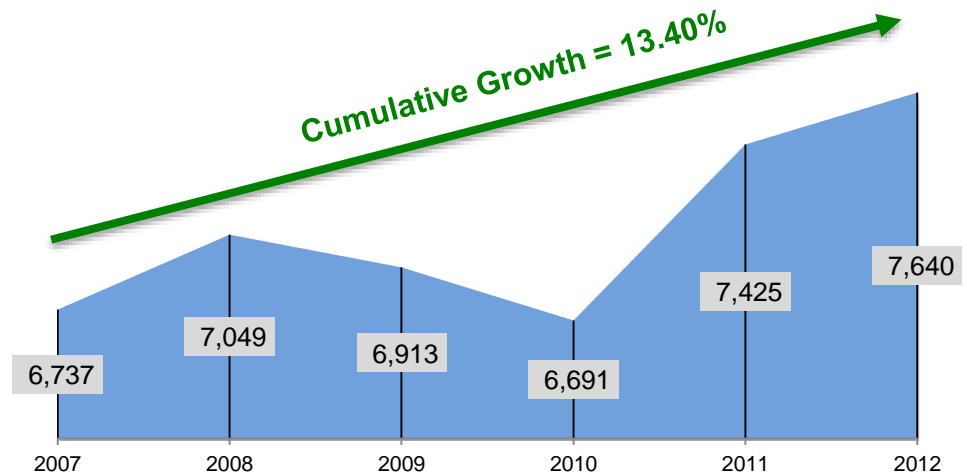
Cumulative Growth in GDP per Capita 2007-2012



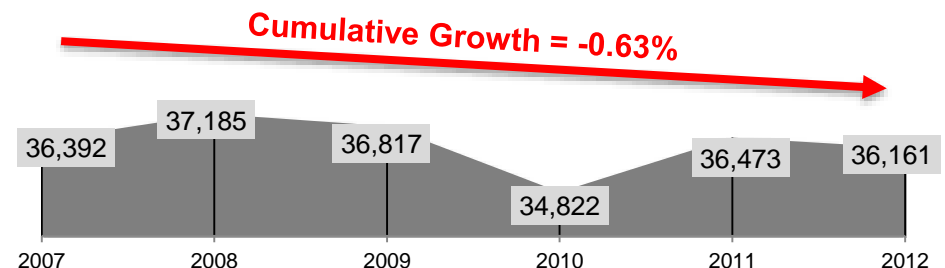
USA



Southeast Asia's Average



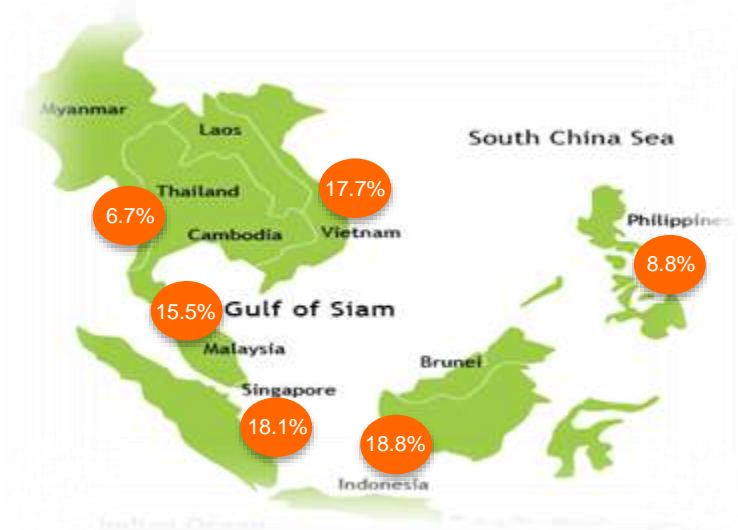
Japan



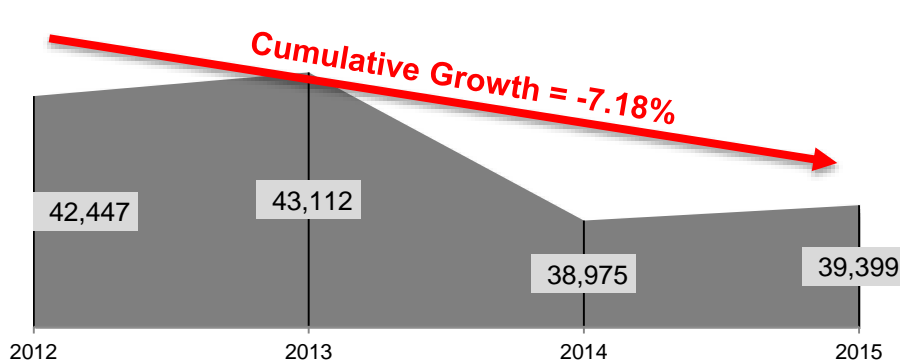
Source: Trading Economics

► And further GDP growth is expected

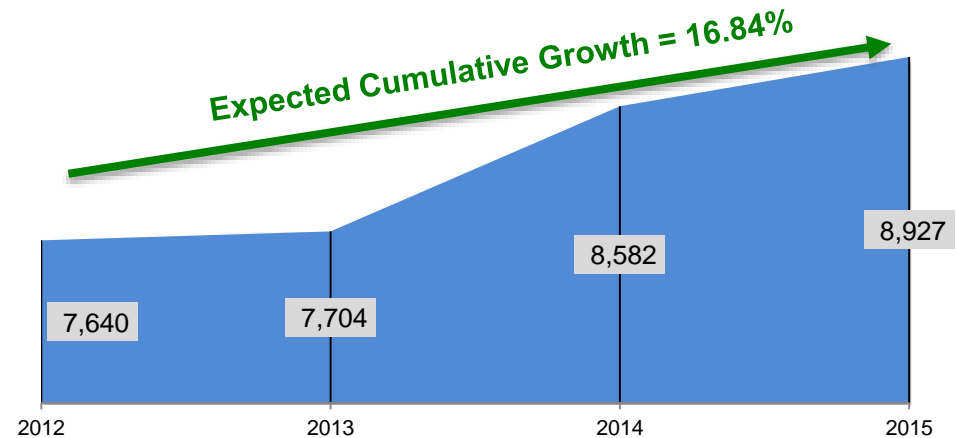
Cumulative Growth in GDP per Capita 2012-2015



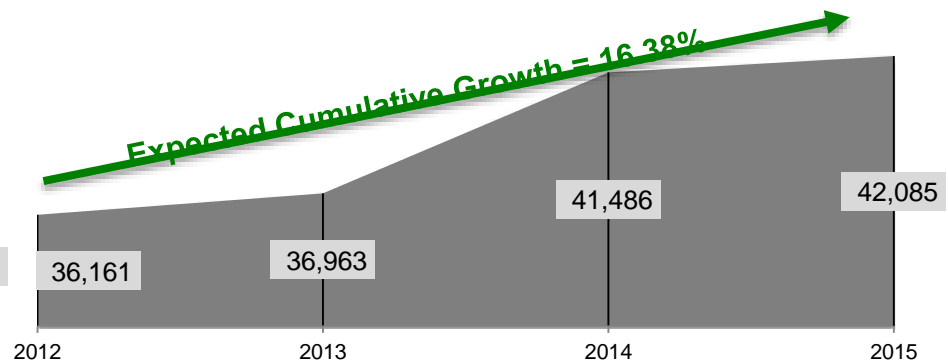
USA



Southeast Asia's Average



Japan

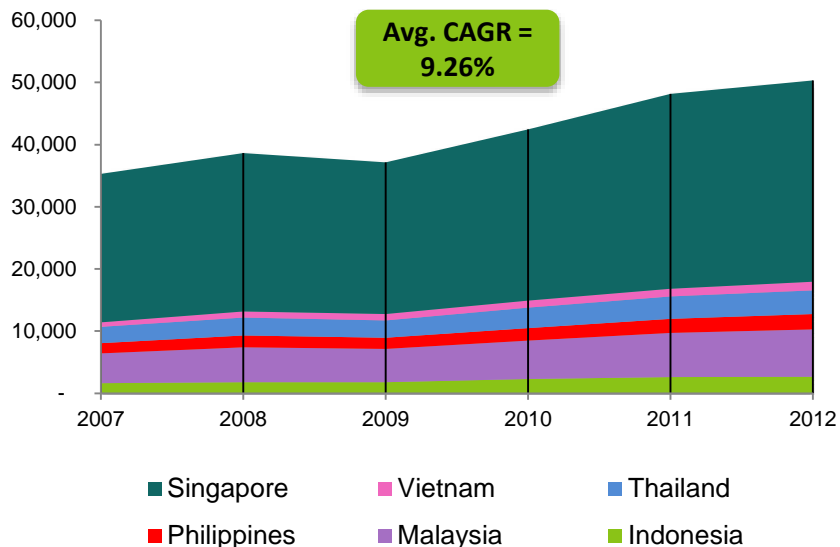


Source: Trading Economics

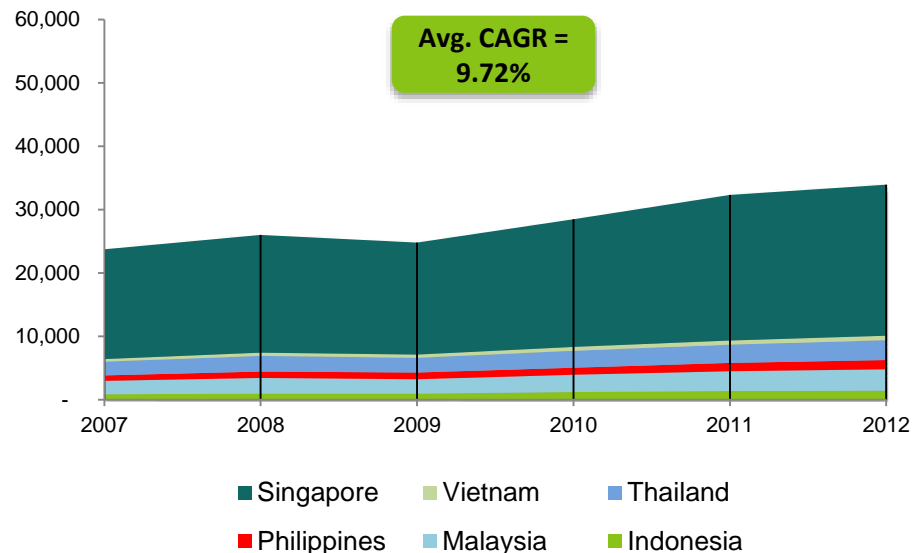


Disposable income has increased since 2007

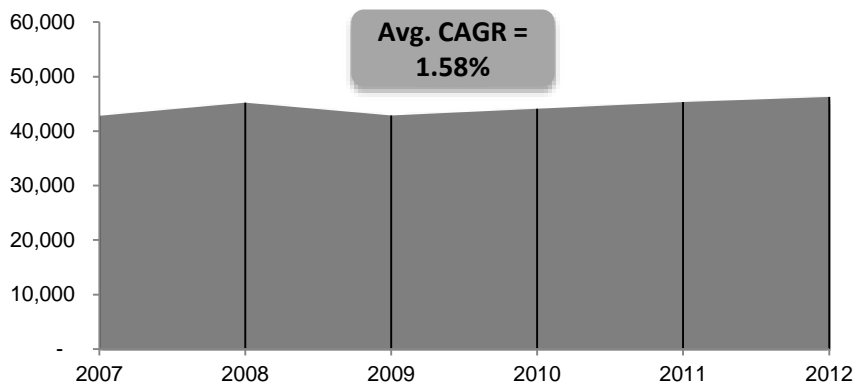
Disposable Income per Capita [Male] (US\$)



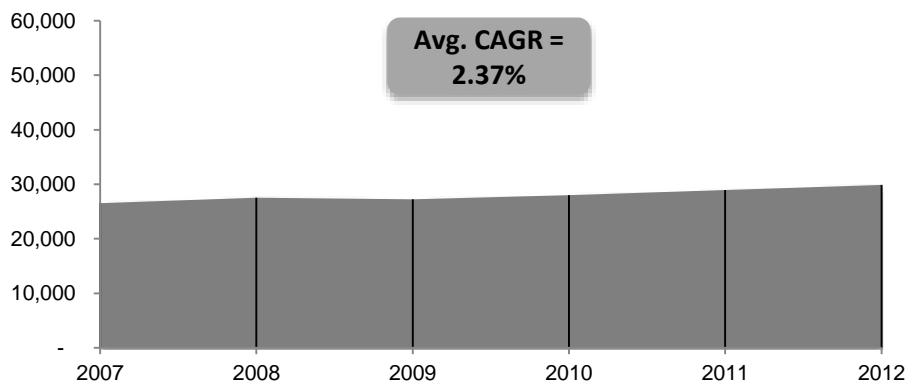
Disposable Income per Capita [Female] (US\$)



USA Disposable Income per Capita [Male] (US\$)



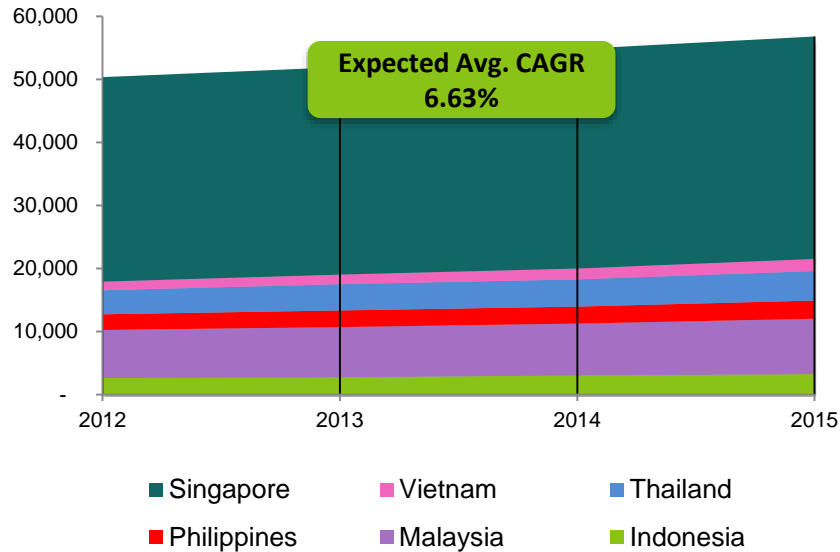
USA Disposable Income per Capita [Female] (US\$)



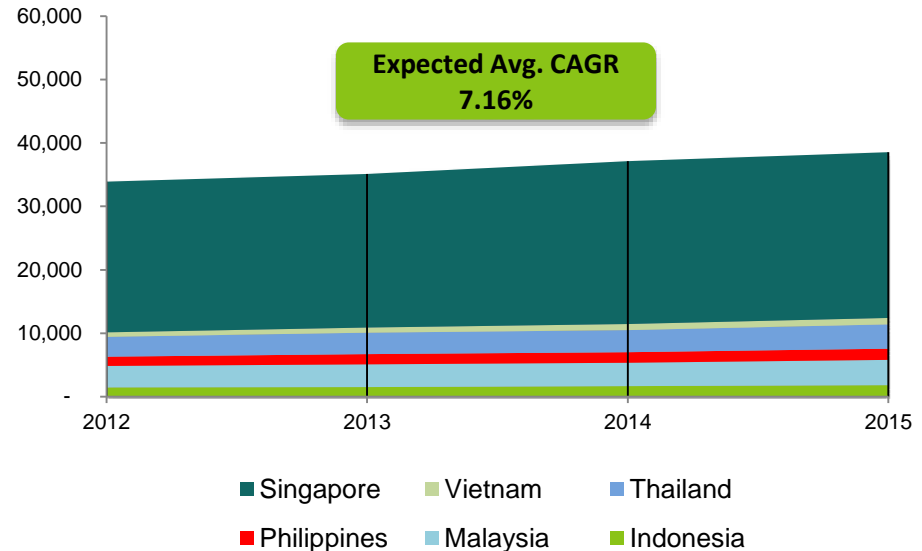
Source: Euromonitor

▶ ...and will continue to grow

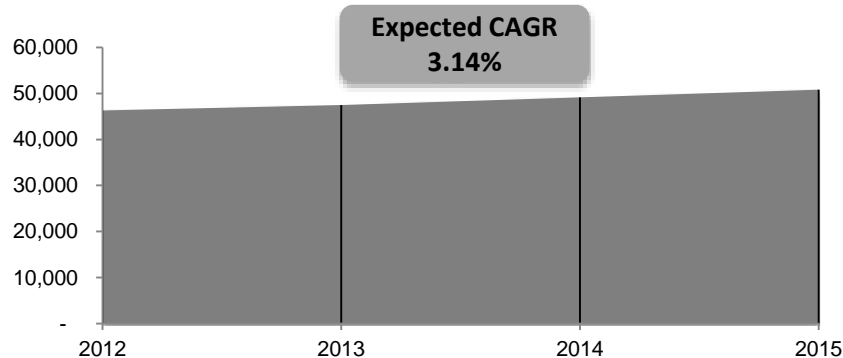
Disposable Income per Capita [Male] 2012-2015 (US\$)



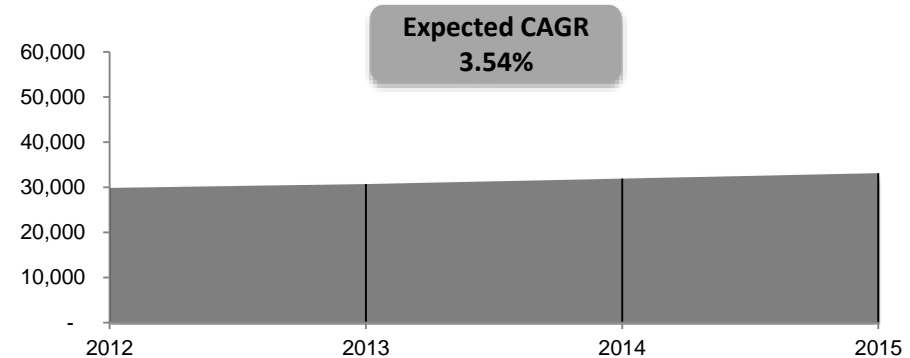
Disposable Income per Capita [Female] 2012-2015 (US\$)



USA Disposable Income per Capita [Male] 2012-2015 (US\$)



USA Disposable Income per Capita [Female] 2012-2015 (US\$)

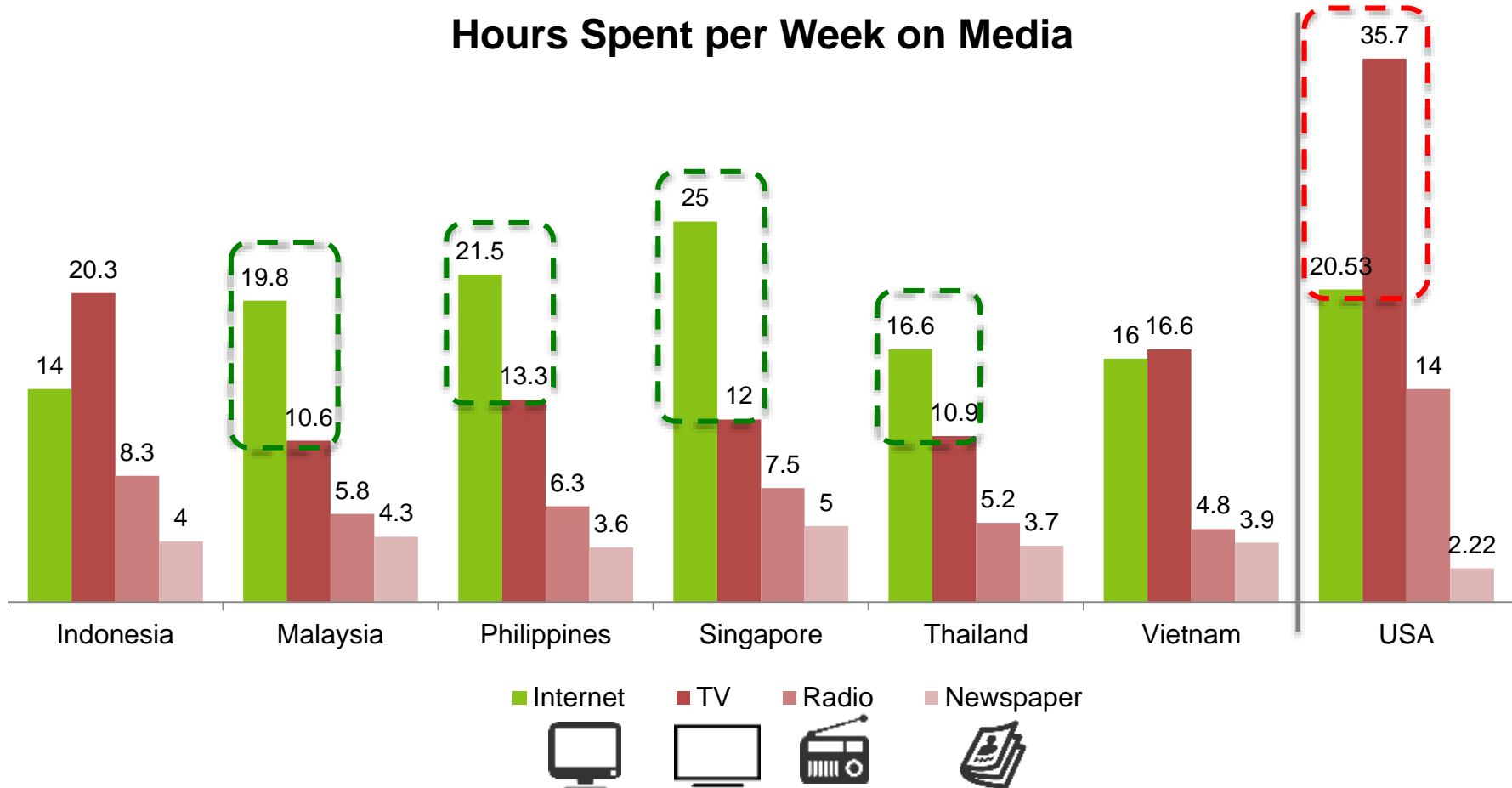


Source: Euromonitor

▶ Internet is the number one medium

Unlike the US, internet has surpassed TV in most Southeast Asian countries as the #1 medium

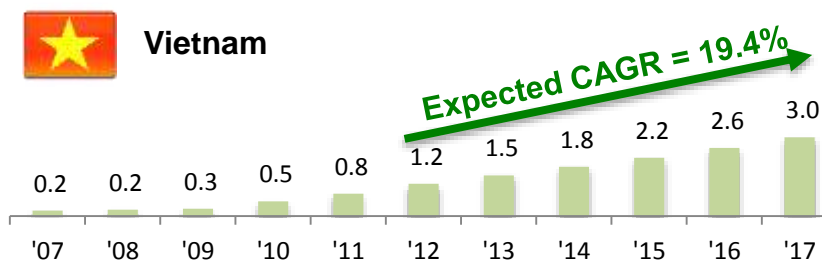
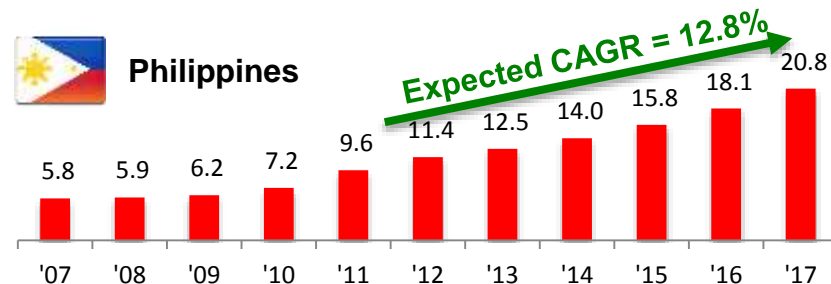
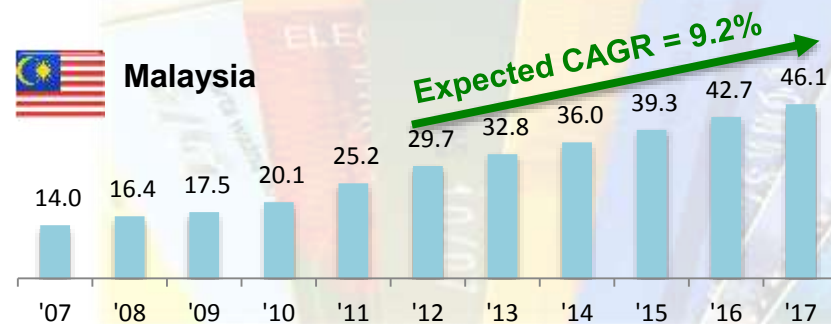
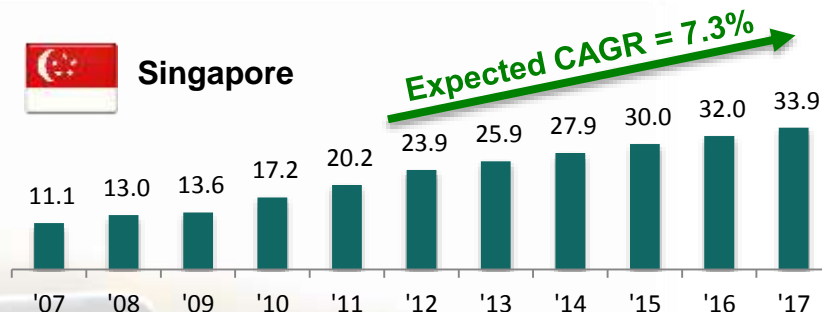
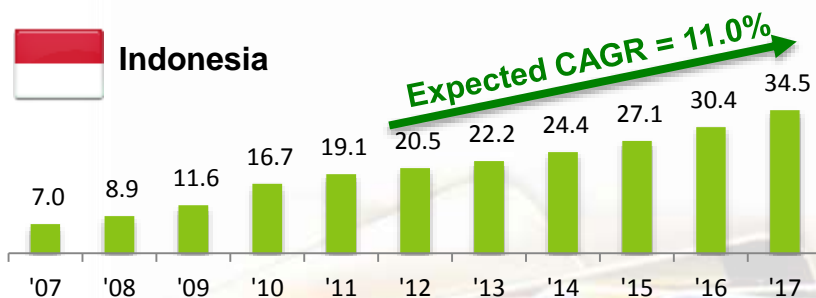
Hours Spent per Week on Media



Source: The Digital Media and Attitudes of Southeast Asian Consumers 2011, Nielsen; eMarketer

Credit card usage has increased significantly

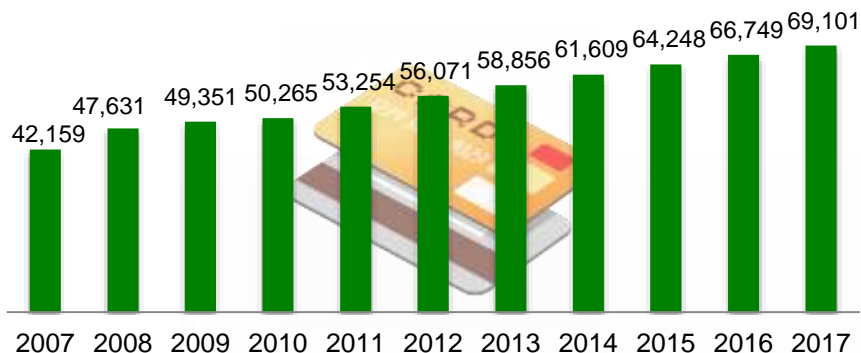
Credit Card Transaction Value (\$US Billion)



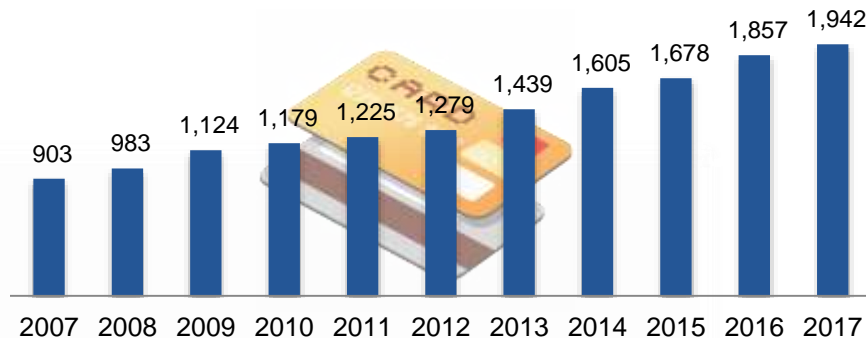
Source: Euromonitor

▶ Credit card and transaction volume will also grow

**Number of Credit Cards
in Southeast Asia ('000s)**



**Number of Credit Card Transactions
in Southeast Asia (millions)**



**2007 Southeast Asia
Credit Card Transaction
Value**

**\$56.12
billion**

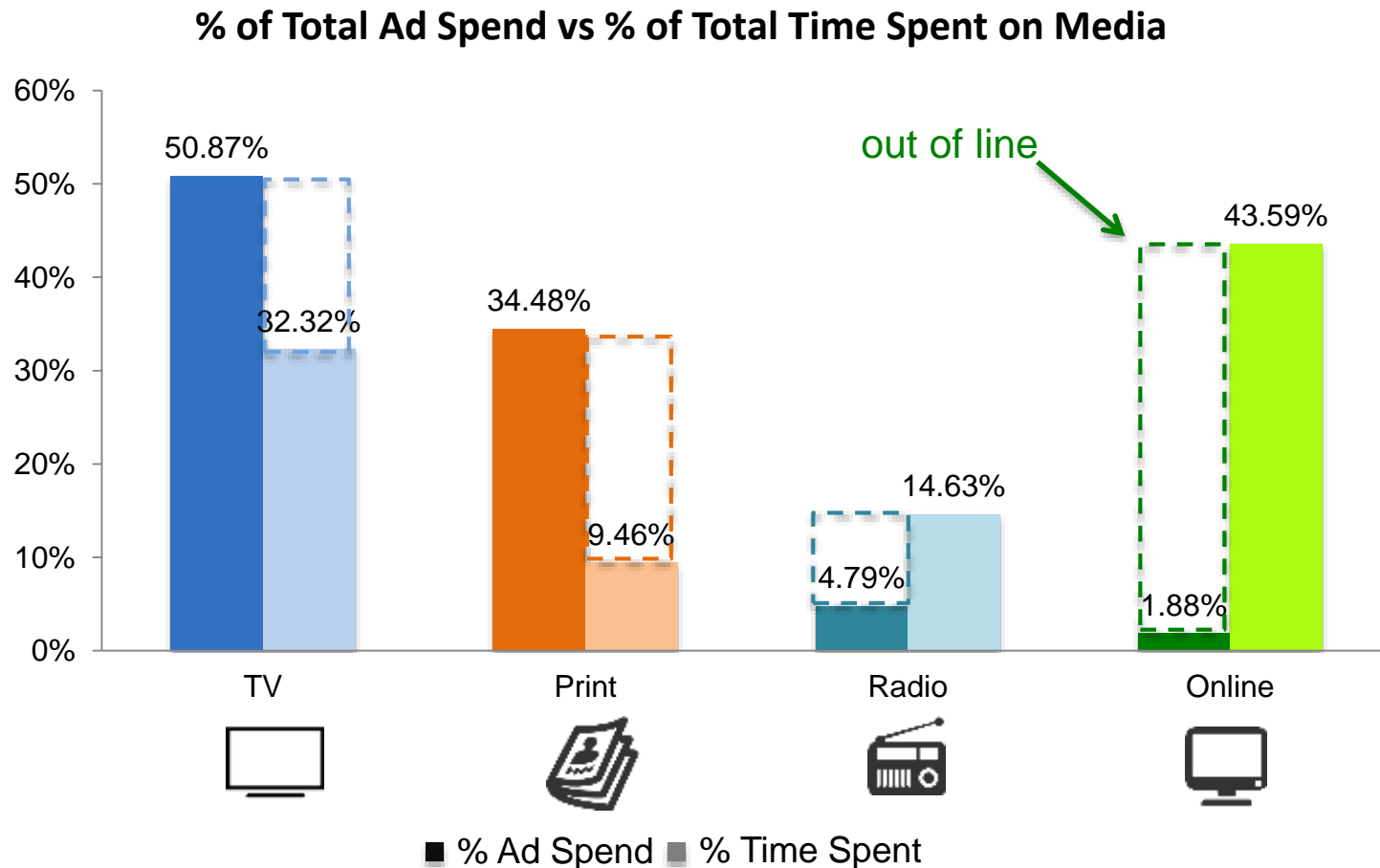
**2017 Southeast Asia
Expected Credit Card
Transaction Value**

**\$187.35
billion**

**234%
Cumulative Growth**

▶ Online Advertising is Totally Out of Line

In Southeast Asia, people spend 44% of their media time online, but only 2% of advertising spending is devoted to online advertisement; however, e-commerce is changing this



▶ Biggest player in SEA - Who is Rocket Internet?

Rocket Internet has built over 100 companies in 50+ Countries

- ➔ Started in 2007; headquartered in Berlin
- ➔ 75+ active independent portfolio companies
- ➔ Employing over 27,000 people
- ➔ Raised over \$1bn in 2012
- ➔ 30+ exits
- ➔ \$2.5bn+ in revenue
- ➔ 7 companies currently in SE Asia



▶ Rocket's SE Asia bets:

Z A L O R A

- ➔ Started in Dec 2011
- ➔ Adaptation of Zappos.com
- ➔ 1,300+ employed across the region
- ➔ Annualized Gross Run Rate: €115mm
- ➔ **Well over \$126mm in funding**
- ➔ **Spent over \$23mm in marketing in 2012**

LaZada

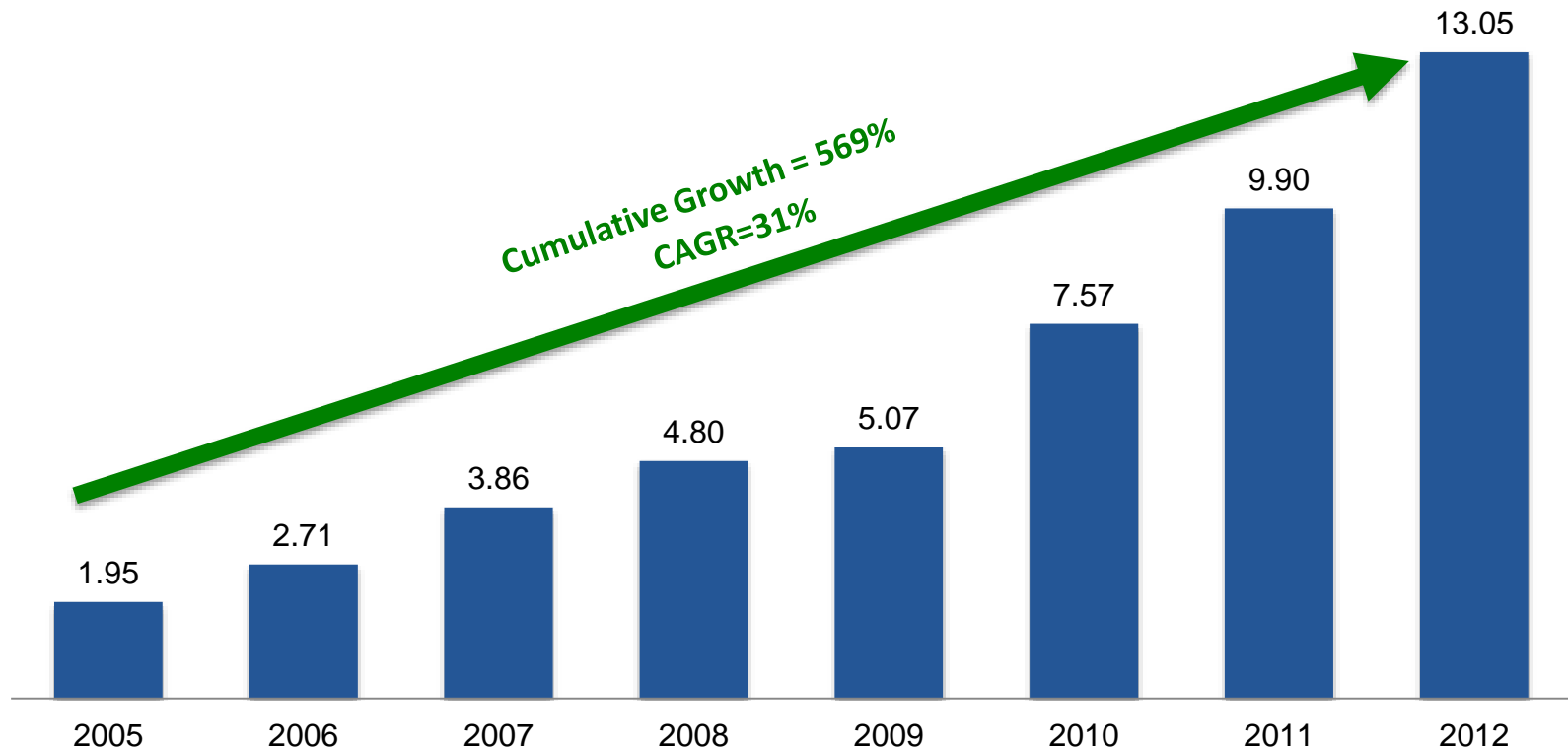
- ➔ Started in Feb 2012
- ➔ Adaptation of amazon.com and alibaba.com
- ➔ 900+ employed across the region
- ➔ Annualized Gross Run Rate: €92mm
- ➔ **Well over \$185mm in funding**

INVESTORS:



▶ E-commerce has seen spectacular growth in SE Asia

Online Retail Sales Value in Indonesia, Malaysia, Philippines, Thailand (US\$ Billion)

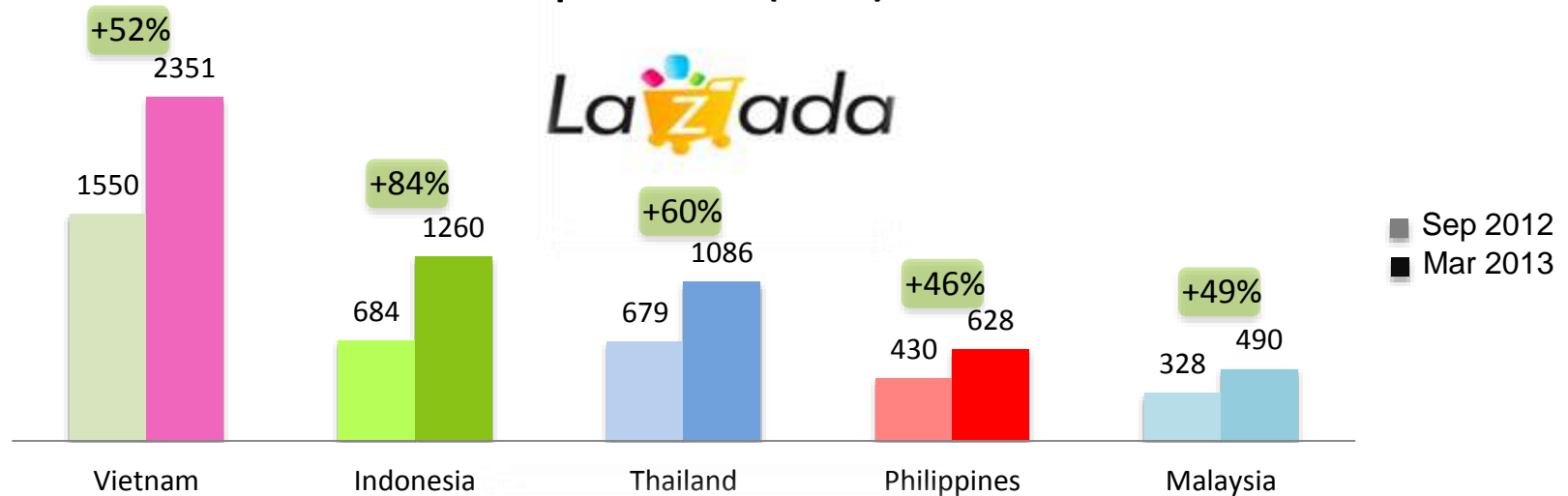


Source: Online Retailers in Emerging Asia to 2015, ICD Research

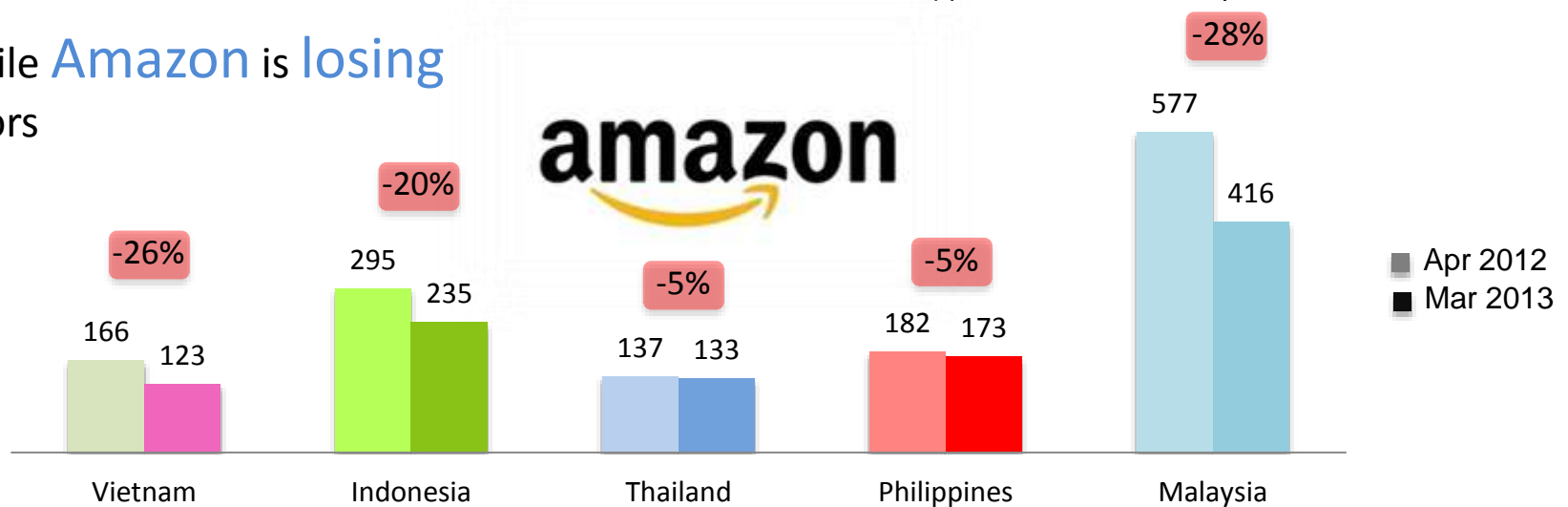


Rocket Internet's Lazada is catching up

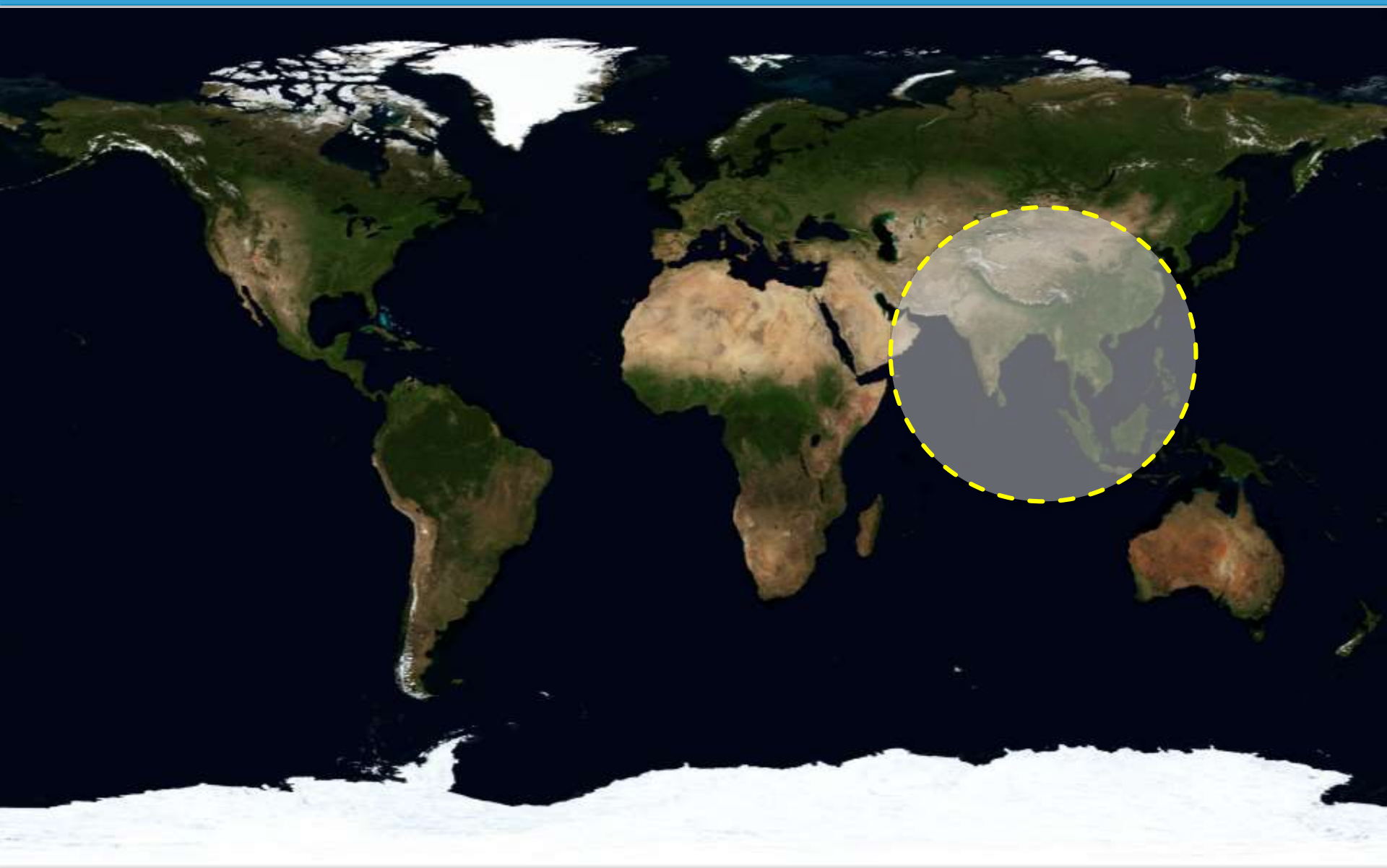
Unique Visitors ('000s)



...while Amazon is losing visitors



▶ More people living inside this circle than outside



Anything.lk – The Amazon of Sri Lanka

Overview:

- Little competition, > 90% market share
- Path to exit started with 26% sale to Dialog/Axiata (dominant carrier)
- Full product selection
- 100+ staff

Key Data

- Annualized run rate revenue 2014: \$5.8M
- Monthly Burn rate: \$112K
- Staff: 108
- Funding to date: \$2M

