



eCommerce in Southeast Asia

Why invest now?

Dr Adrian Vanzyl

Ardent Capital

adrian@ardentcap.com

@adrianvanzyl



Three main parts

- 1) Data and macro trends. High level.
- 2) Opportunities and major growth areas in SEA
- 3) Specific examples – Ardent and others
- 4) Support slides – detailed data for all of SEA

Full slide deck available at

www.ardentcap.com

adrian@ardentcap.com

Who is Ardent? An “Operator VC”



- A successful operating company, focused on capturing a large share of the ecommerce value chain in Southeast Asia
- We do so by operating (majority ownership) or investing (minority ownership)
- A portfolio of seven companies, 350+ new jobs created, in < 3 years
- ROI in excess of 75%
- Headquartered in Bangkok, holding co in Hong Kong, investments across all of SEA
- My background is 20 years of pure Internet, 3 IPOs, 10 years VC in SF



Active Investor, bringing money into the region



Ardent itself has investment from **Recruit, GMO and Siemer** and has co-invested with these companies



How radically different is SEA really?



LINE Messenger

Thailand only

From unknown to dominant in 18 months

26+ million users in Thailand alone

Single largest channel to consumers

> Facebook

> Print + TV + radio

eCommerce engine

Ensogo took 2 years and \$4M to get to 4M members

Line flash sales did it in 72 hours

That is truly disruptive

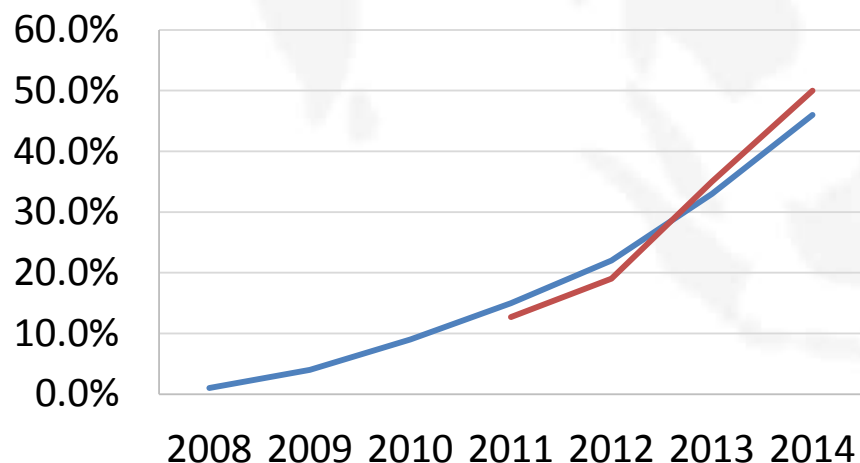


Comparative Study: Thailand vs China



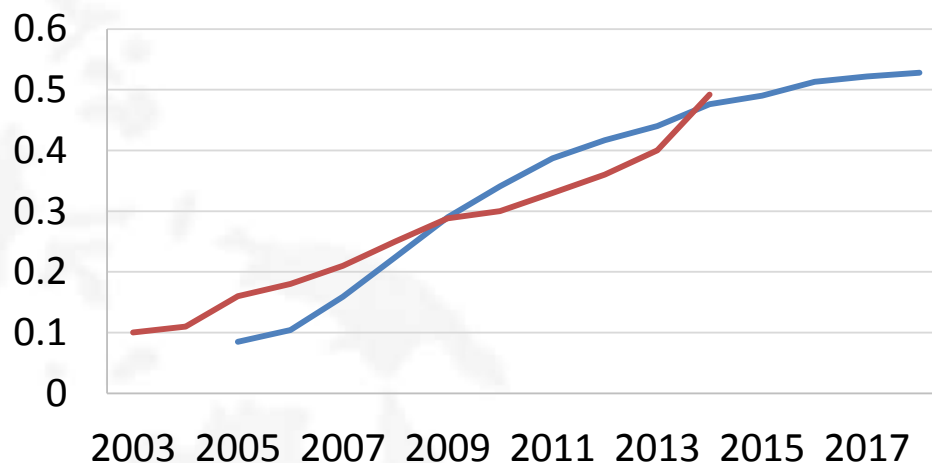
Thailand requires 1.5 vs 3 years to reach the same online penetration level as China's post 3G

Smartphone penetration



— Smartphone penetration in China
— Smartphone penetration in Thailand

Internet Penetration



— Internet penetration in China
— Internet penetration in Thailand

Source: CNNIC, UBS estimates

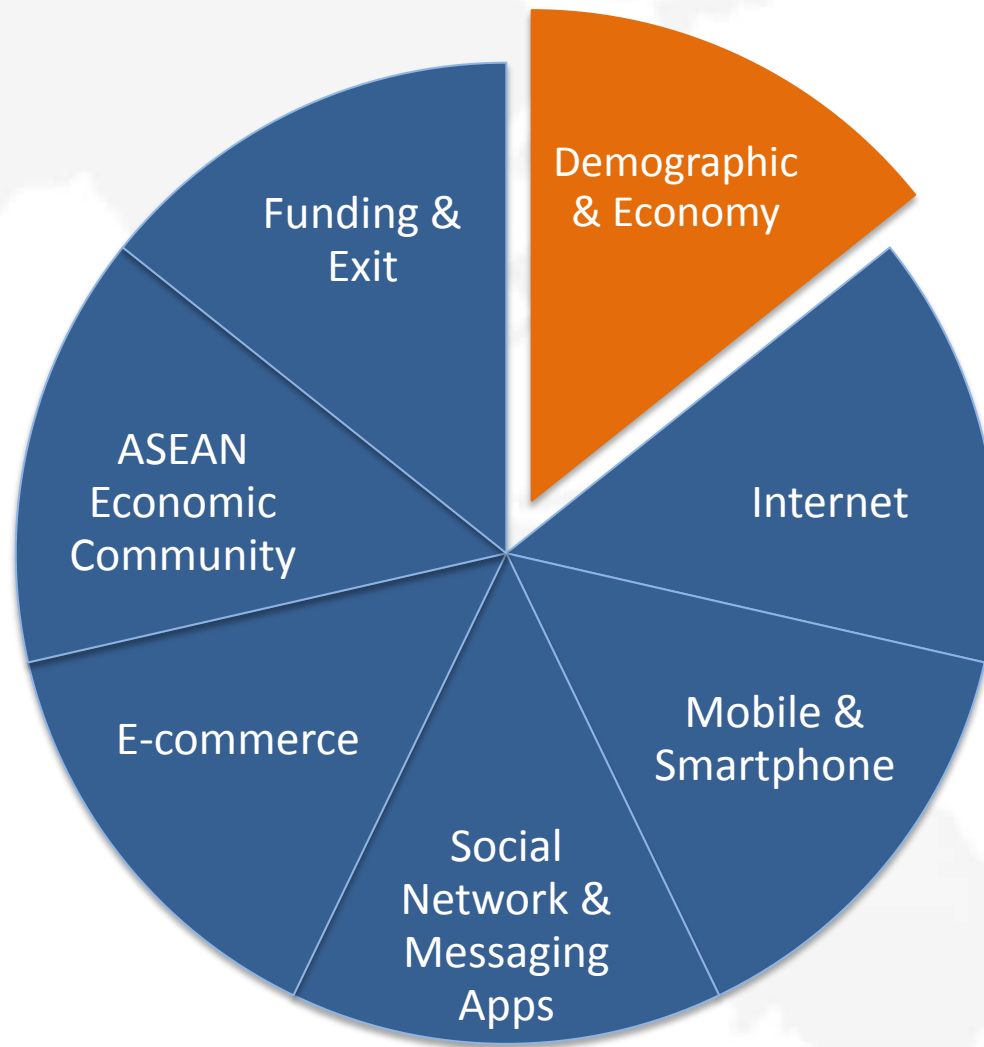
Why SEA and Why now?



- ➔ Sustainable GDP per capita growth (Avg. 5-6%)
- ➔ Rising disposable income
- ➔ Growing mobile broadband penetration
- ➔ Accelerating smartphone penetration
- ➔ Increasing Credit Card penetration
- ➔ Improving logistics and infrastructure
- ➔ Social is everything – Facebook, LINE

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

Why Southeast Asia?

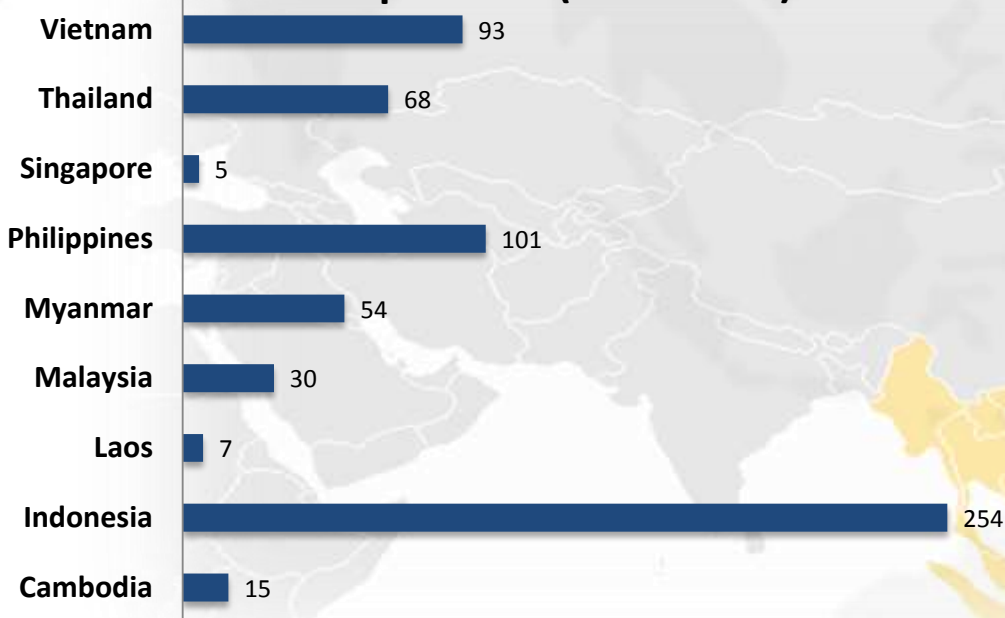


Southeast Asian Population

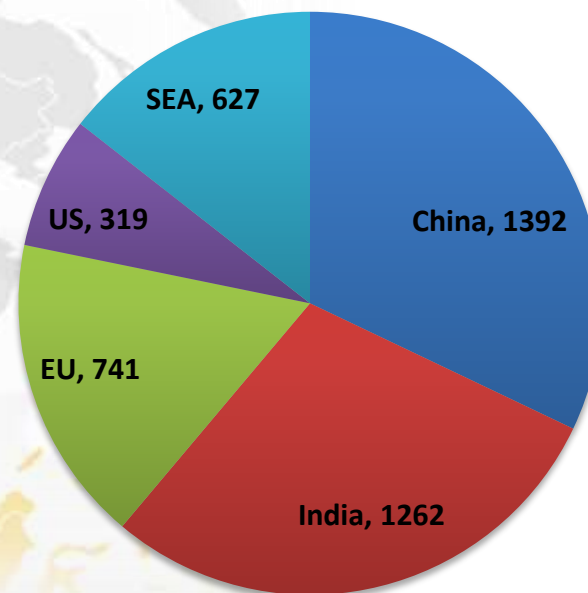


Southeast Asia is bigger (2x) than the US and bigger than the EU

Population (in Millions)

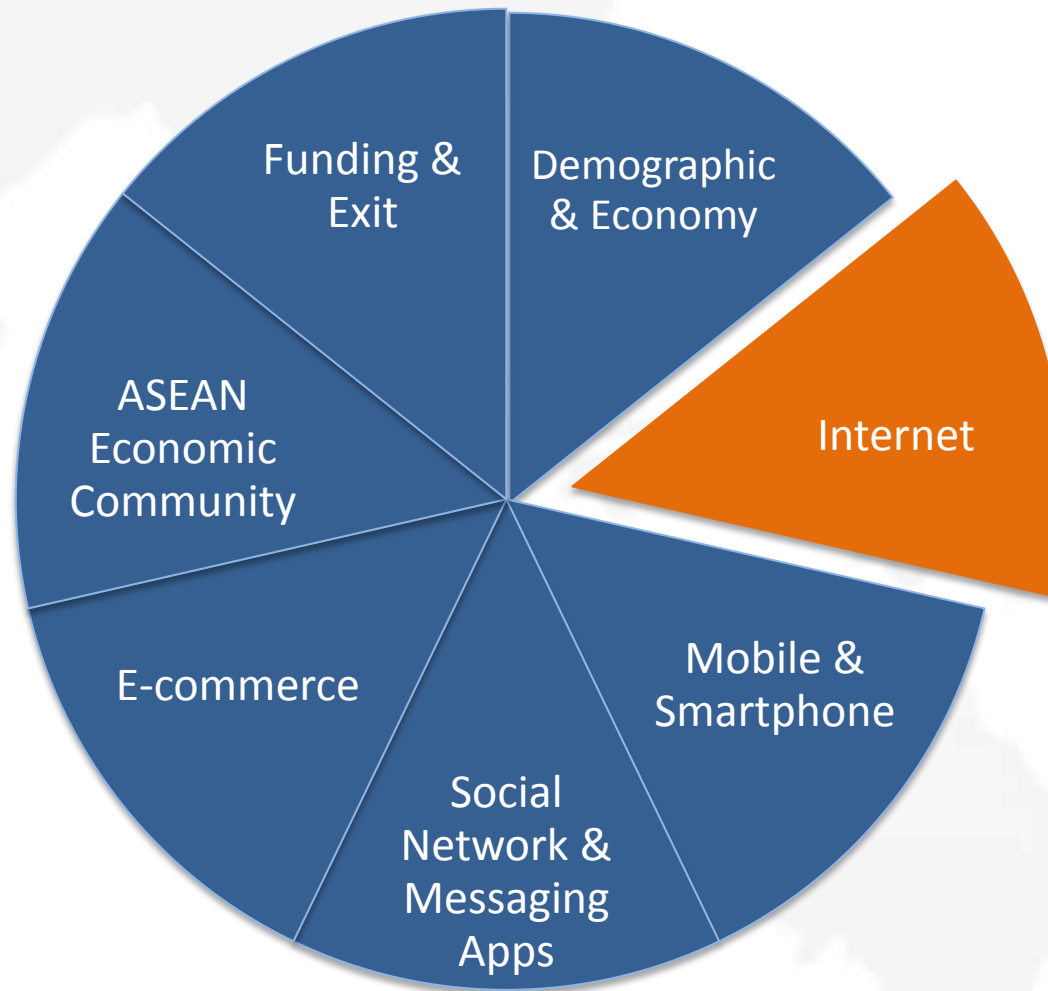


Population (in Millions)

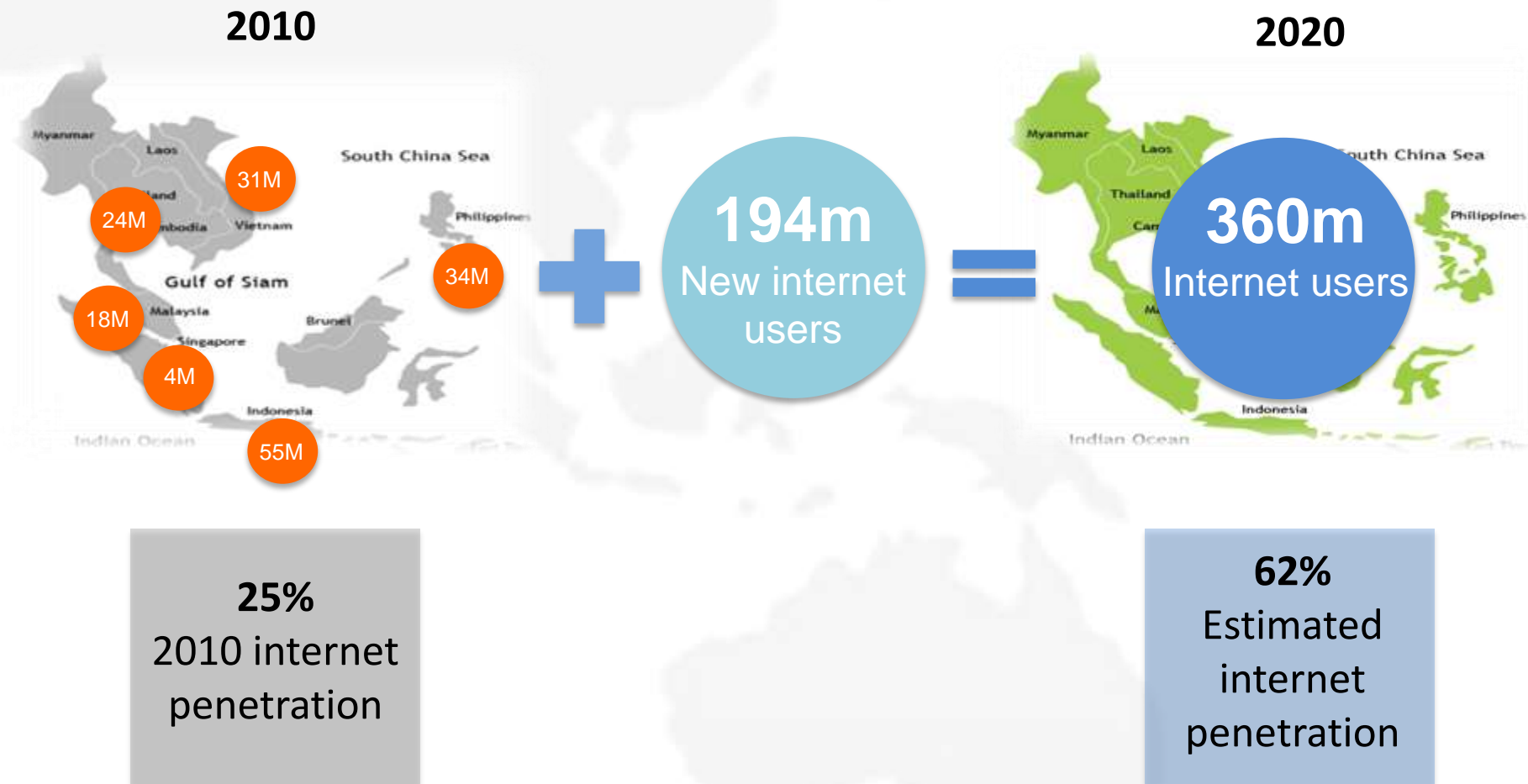


Source: World Population Review (2014)

Why Southeast Asia?



By 2020, over 60% of Southeast Asians will be online



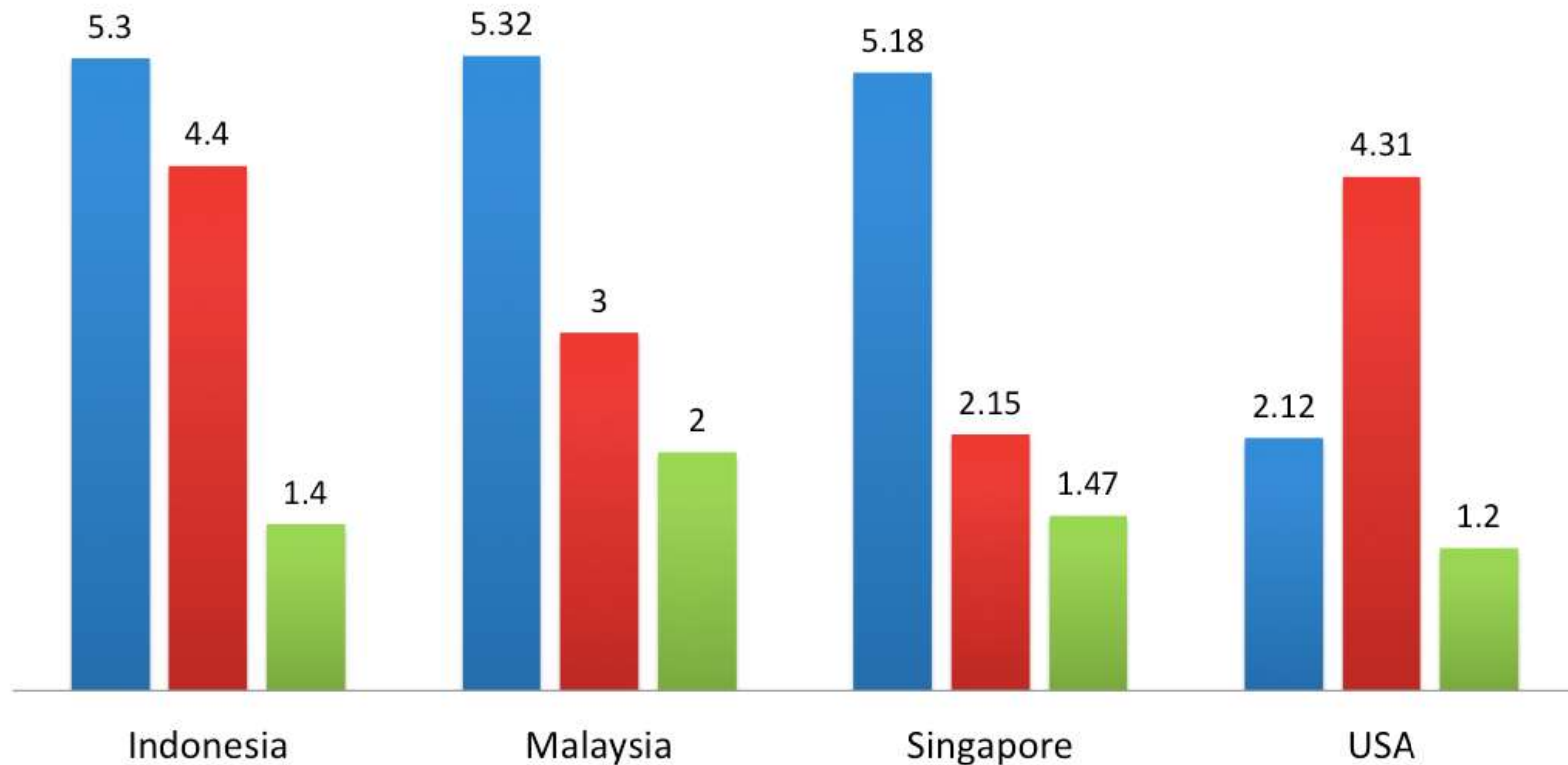
Source: We are Social, Accenture, 2012

Internet has surpassed TV in most SEA countries



Hours Spent Per Day on Media

■ Internet ■ TV ■ Radio



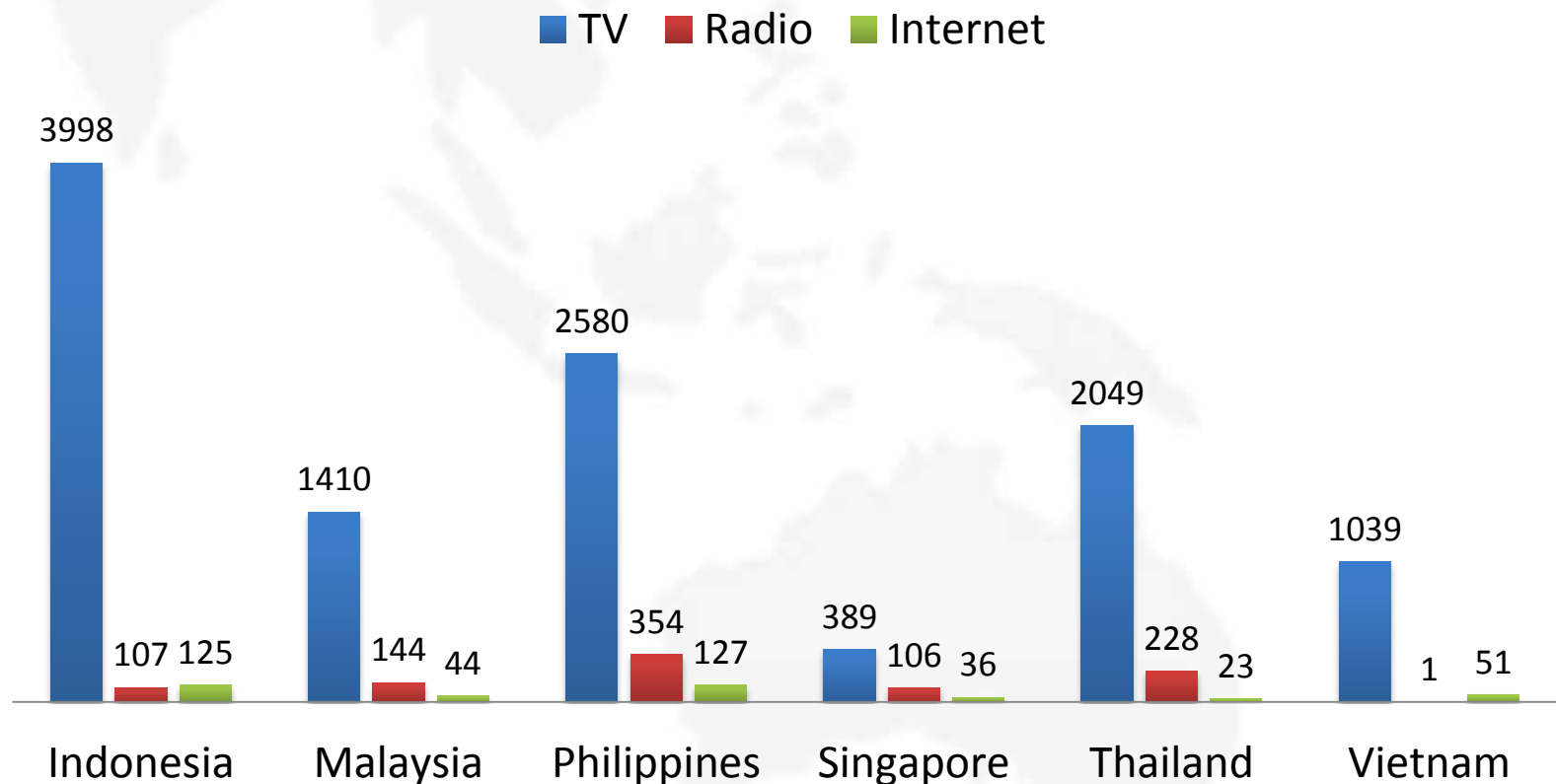
Source: Nielsen; eMarketer 2014

Online advertising is out of line cf time spent online



In Southeast Asia, although people spend **more** time online, only a small amount of advertising spending is devoted to online advertisement.

Advertising Expenditure in Southeast Asia (\$US Mil)

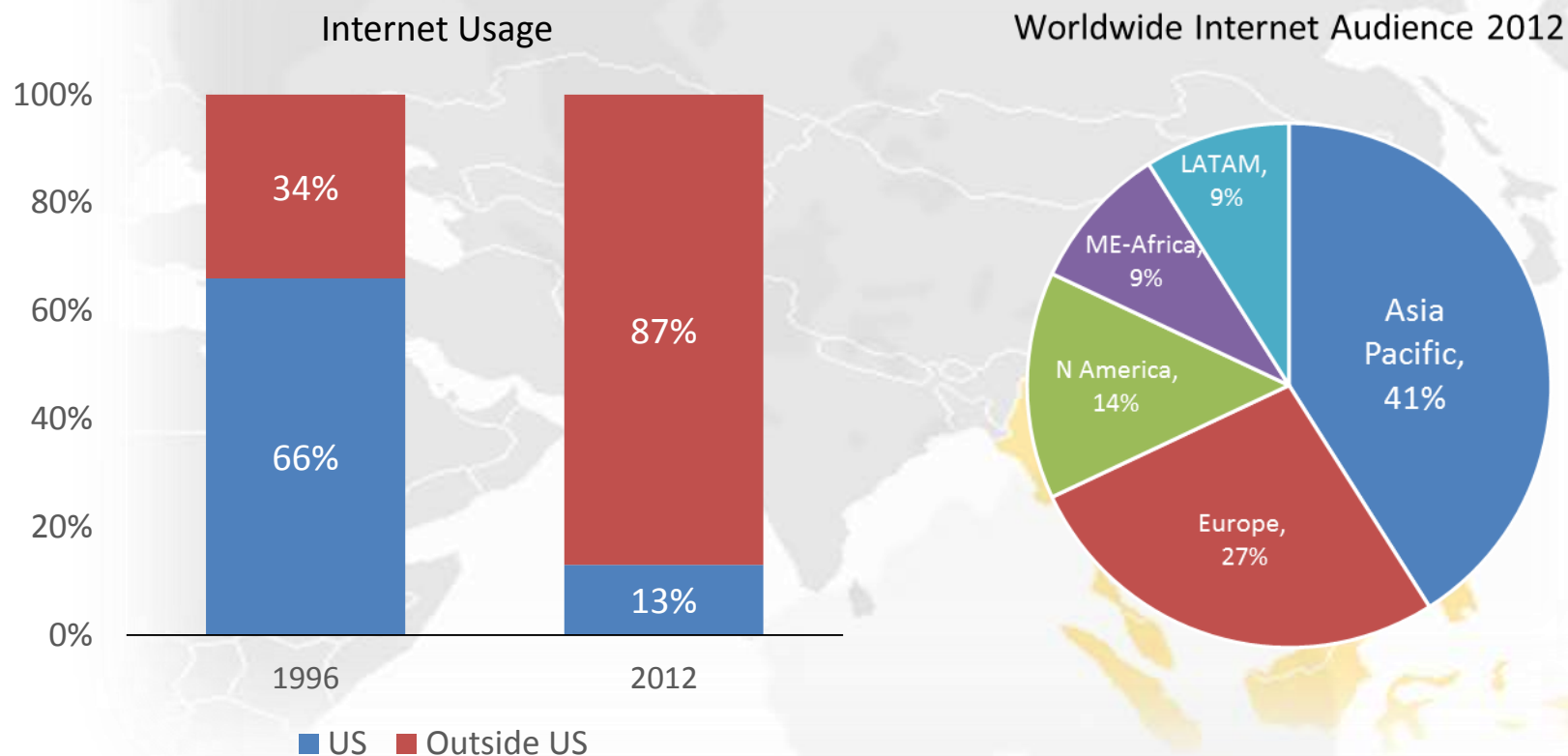


Source: Aegis Media 2014

Epicenter Outside US



- Massive growth in Internet usage, especially in Asia Pacific (>40%)
- US is no longer the epicenter of internet usage



Source: UBS, comScore Media Metrix

Why Southeast Asia?



Smartphone sales has been robust and is expected to have a compounded growth rate of 43% from 2008 to 2016, reaching 59mm units in 2016

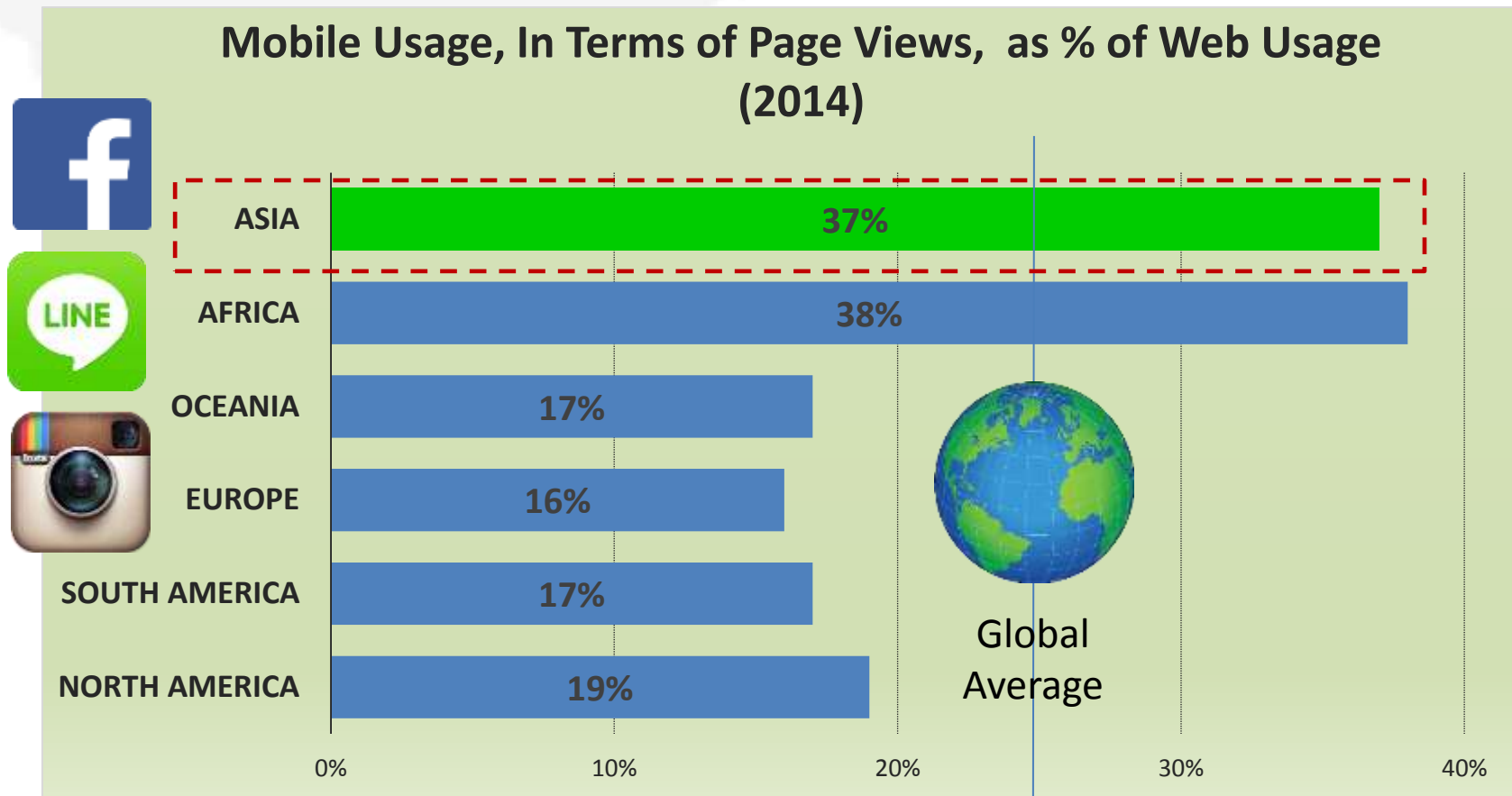


Source: GoogleResearch, Euromonitor 2013

Mobile Device Users



Asia is amongst the top mobile device users in the world



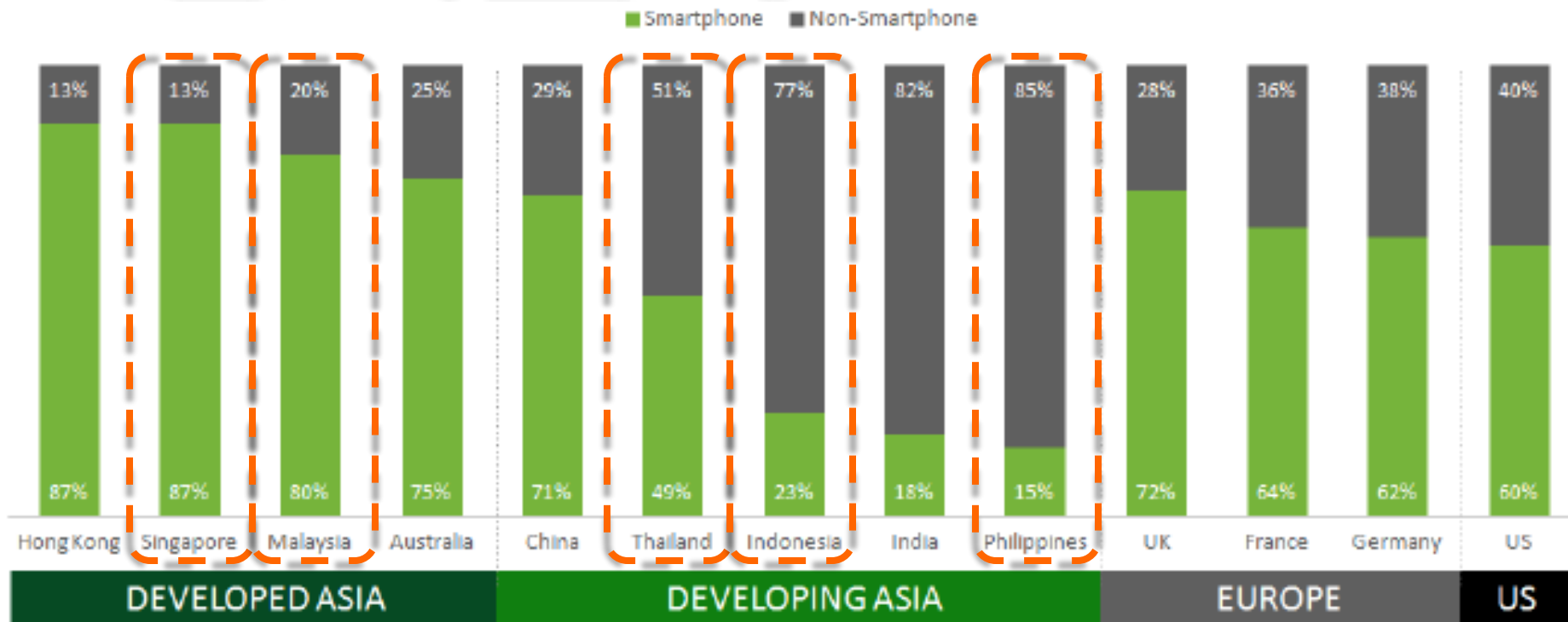
Source: Mary Meeker, Code Conference. StatCounter, 5/14.

There is still room for smartphone growth in SE Asia



Smartphone penetration rate in Southeast Asia is high in Singapore and Malaysia but there are still rooms for growth in other countries

Smartphone penetration rate (%)



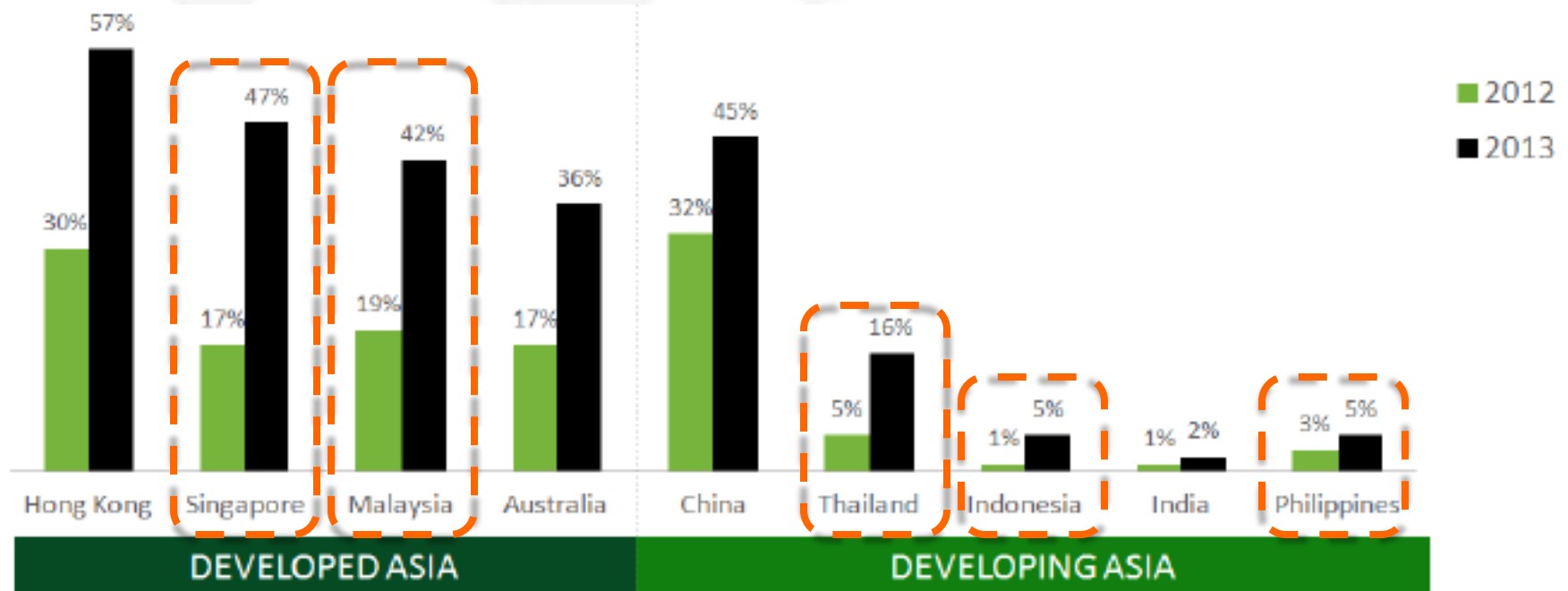
Source: The Nielsen report, *Decoding the Asian Mobile Consumer* (2013)

Tablet ownership ratio is high in some SE Asia countries



There has been a significant growth in tablet ownership in Southeast Asia with Singapore having surpassed China in 2013

Tablet Ownership (% of mobile users), 2013 VS 2012



Source: The Nielsen report, *Decoding the Asian Mobile Consumer* (2013)

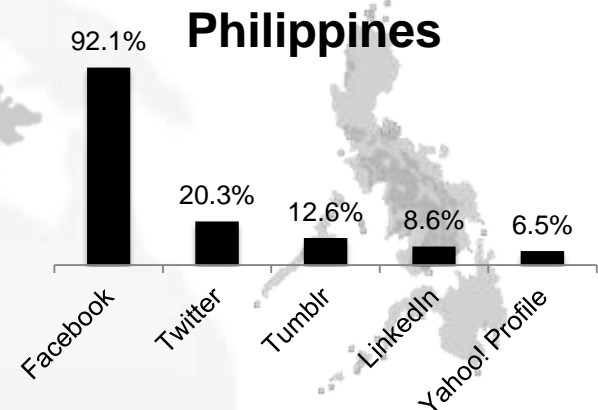
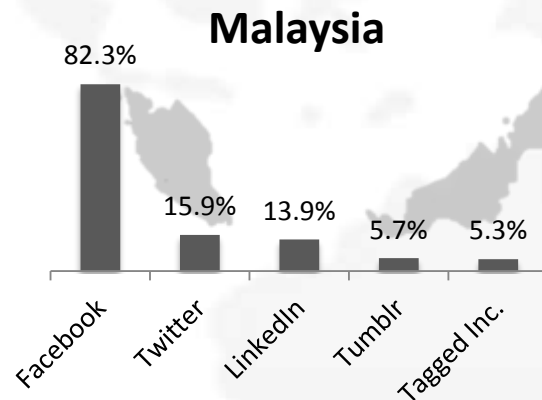
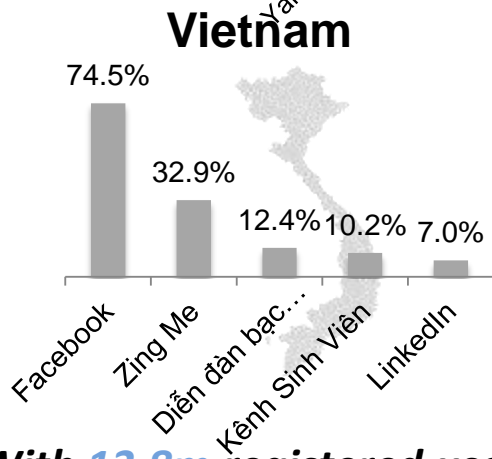
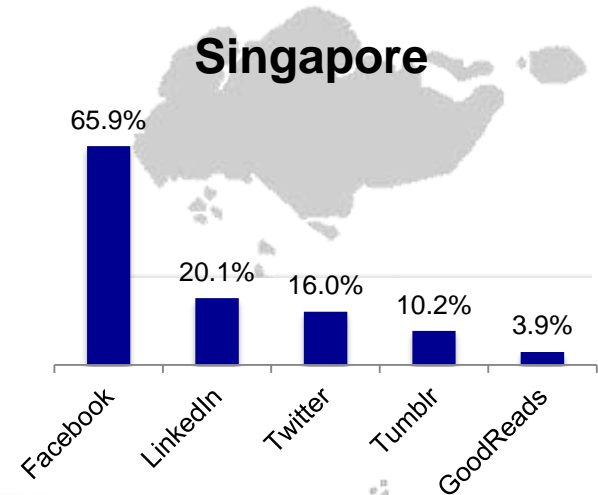
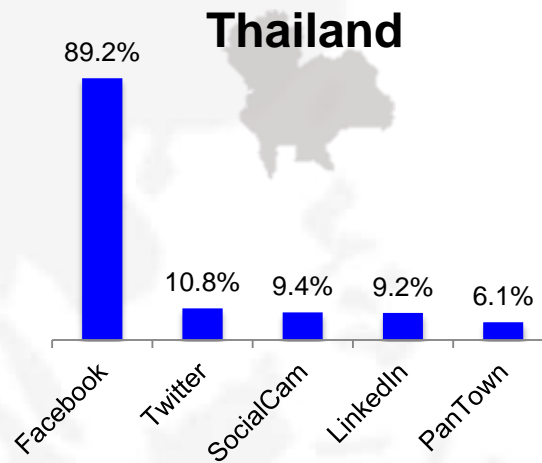
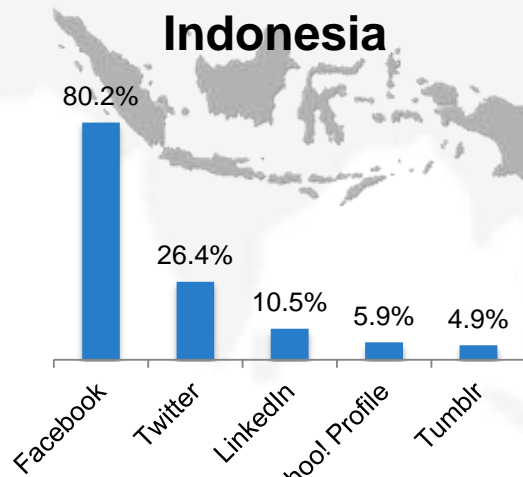
Why Southeast Asia?



Facebook dominates other social media in Southeast Asia



Reach of top 5 social media by country



With 13.8m registered users, there are more Facebook users in Bangkok than any other city in the world.

Source: Southeast Asia Digital Future in Focus 2013, Comscore; Accenture

LINE: 3 of top 10 countries for LINE users are in SEA



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

Pictures



Music



Newsfeed



Games



Stickers



Source: Statista 2013

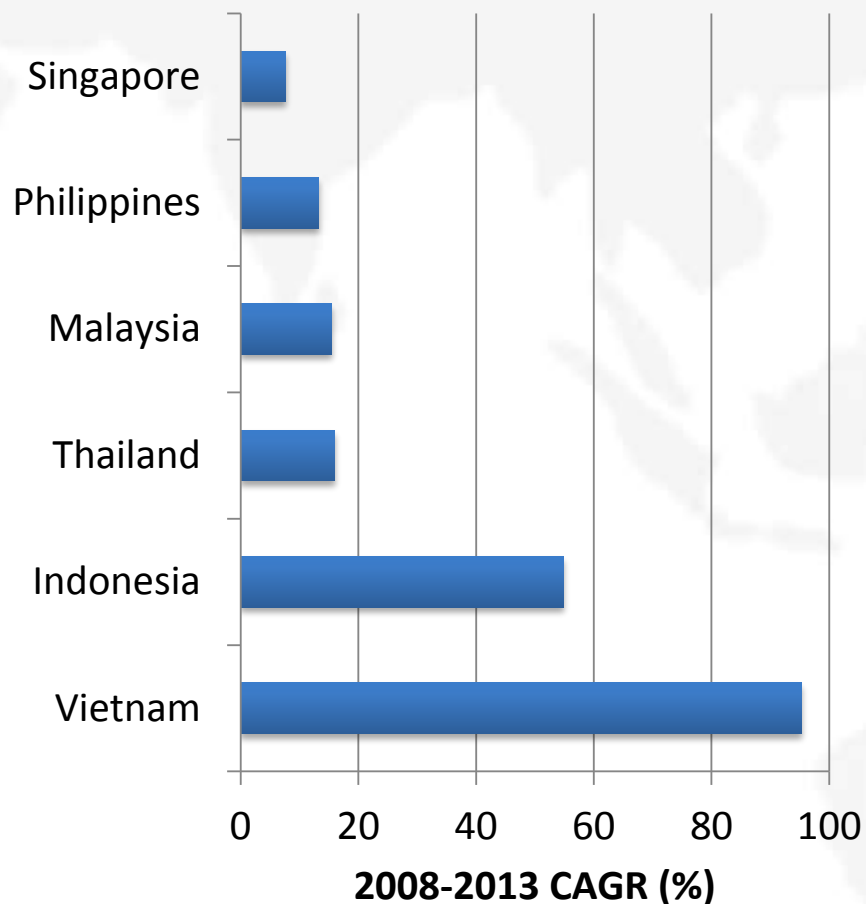
Why Southeast Asia?



E-Commerce is seeing spectacular growth in SEA



Online Retail Sales Growth Value (2008-2013) and Forecast (2013-2018) in Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam (% CAGR)

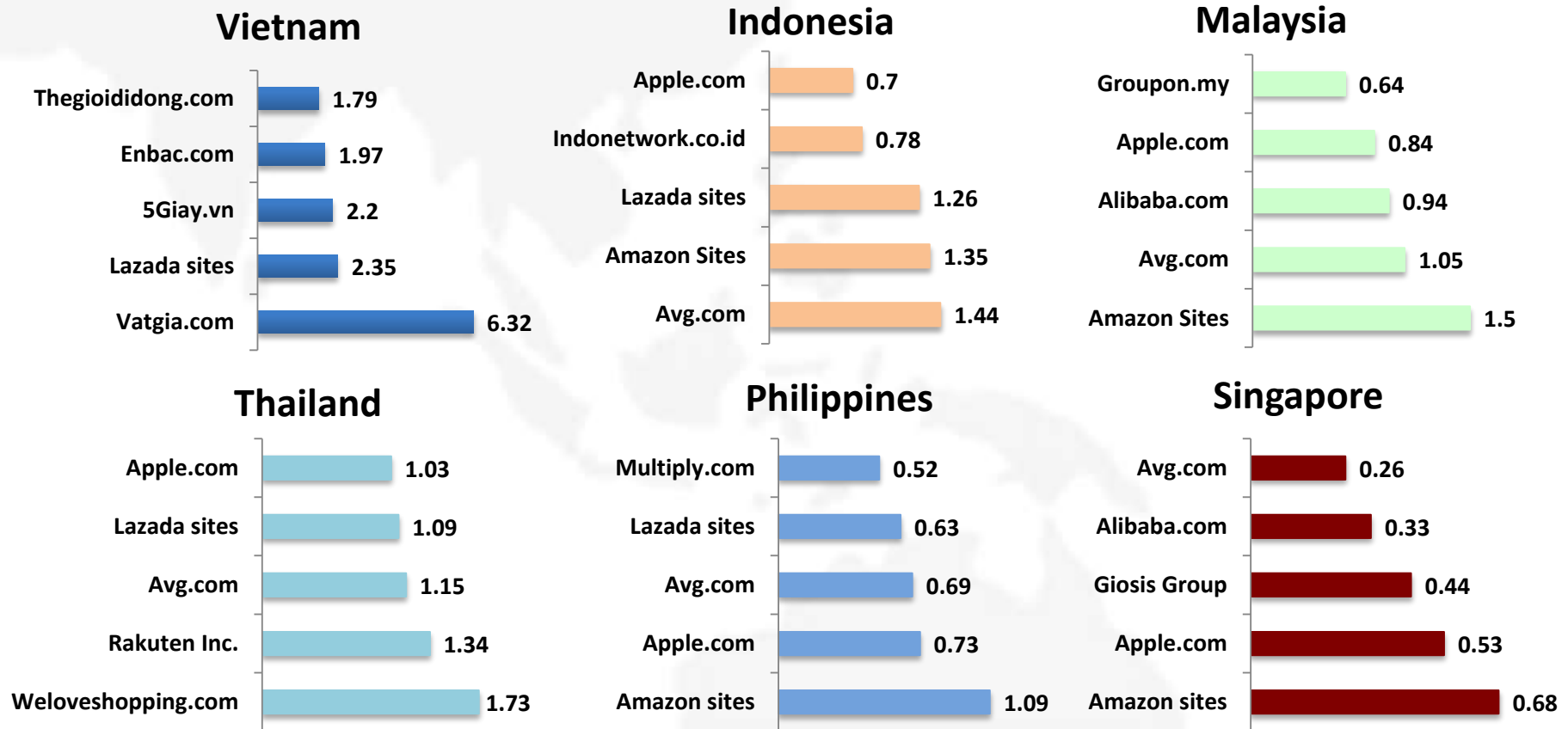


Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources 2014

E-commerce market in SEA is highly fragmented, unlike US



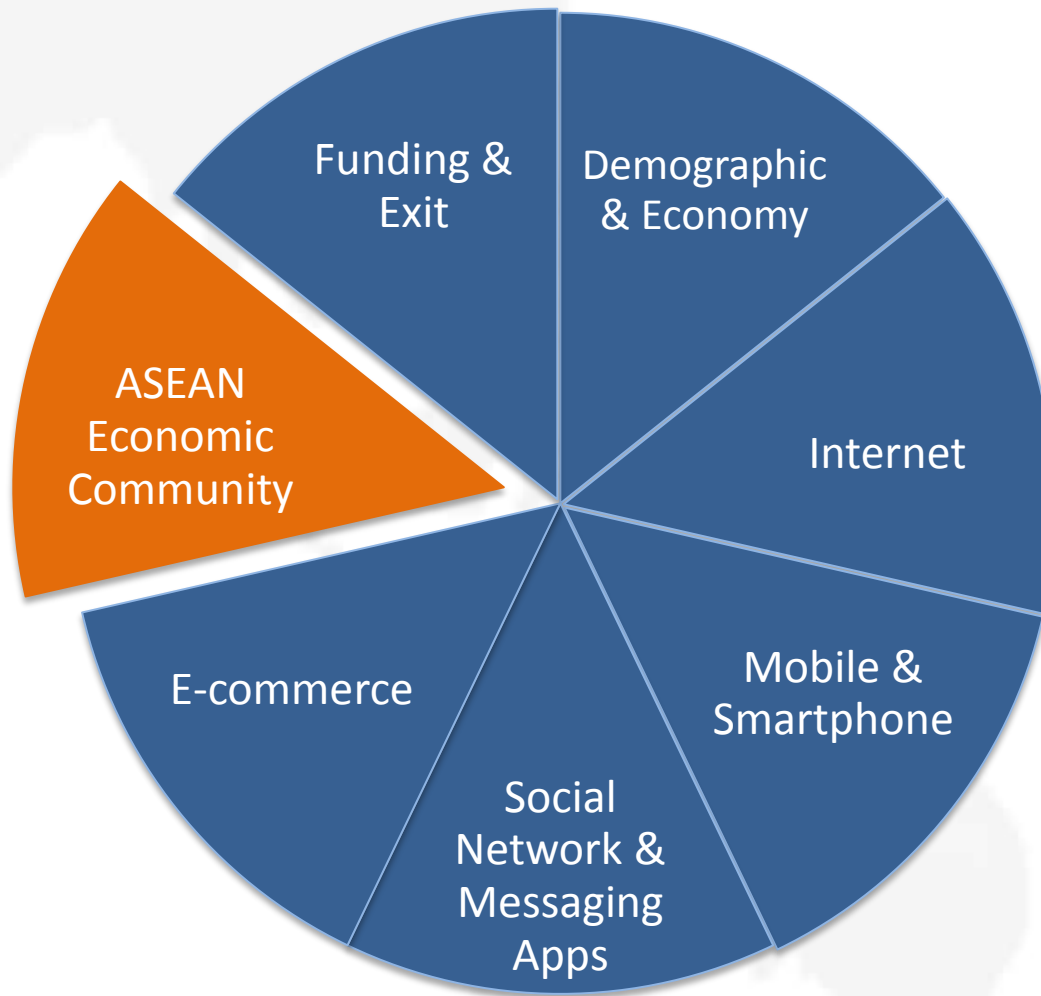
Monthly Unique Visitors (millions) of top 5 online retailers



In contrast, in the US, Amazon and eBay are the top two online retailers, with more than **250 million** monthly unique visitors

Source: ComScore Media Metrix (March 2013), Statista (2014)

Why Southeast Asia?



AEC represents a big opportunity for business in SEA



In 2015, Southeast Asia will transform into an integrated market, making it easier for businesses in Southeast Asia to expand.



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

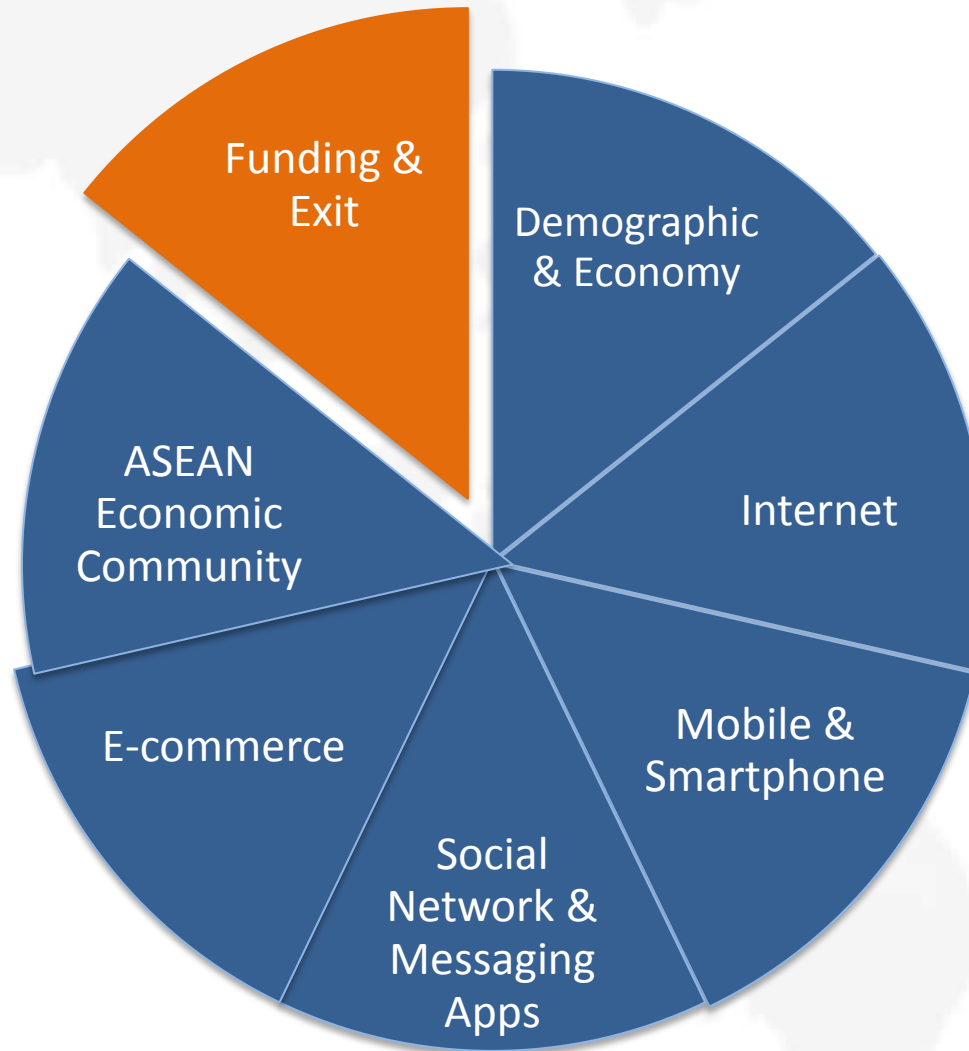
More attractive to foreign direct investment

Easier to obtain/move capital across the region.

Easier to recruit talent from countries in Southeast Asia

Source: ASEAN

Why Southeast Asia?



The Next BIG online businesses in the next 5 years



E-commerce: B2C and C2C marketplace

Transport and Logistics

Online/Mobile Payment

Online Classifieds: Property Listings and Rentals

Accessible capital for startups in SEA – small amounts



VIETNAM

Silicon Valley Project: Seed (\$10k-\$20k)
PVNI: Seed (Up to \$250k)
DFJ Vina Capital: A (\$1m-\$2m)
IDG Ventures: Seed, A, B (Up to \$2m)
CyberAgent: Seed, A (Up to \$1m)

PHILIPPINES

Launch Garage: Seed (\$30k)
Ideaspace: Seed (\$25k-\$100k)
Kickstart Ventures: Seed (\$100k)
Nest: Seed (\$50k)
Hatchd Digital: Seed (\$100k)
Narra Ventures: Seed/Growth (\$500k - \$1m)
IPVI: Later Stage (\$1m)
ICCP: Later Stage PE firm (\$1m and up)

THAILAND

True Incube: Seed (\$15k)
DTAC Accelerate: Seed (\$15k-\$50k)
Ardent Capital: Seed (\$100k-\$200k)
AIS Invent: Seed/ Series A (Up to \$2m)

SINGAPORE

Spring's ACE Startup: Seed (up to \$40k)
iJam Incubators: Seed (up to \$40k)
JDFI.Asia Accelerator: Seed (\$20k)

Early Stage (\$250-500k): **Wavemaker Labs, IncuVest, Reddot Venture, Stream Global, the Network Fund (TNF), Small World Group, Get2Volume, Innosight Ventures**

Growth Stage (\$1MM or more): **Jungle Ventures, Golden Gate Ventures, Walden International, Monk's Hill Ventures, SBI Ven Capital, New Asia Investments**

MALAYSIA








500 Durians: Seed (\$50k-\$100k)
1337 Accelerator: Seed (\$15k)
The Star Accelerator: Seed (Up to \$300k)
Asia Venture Group: Seed (Up to \$500k)
Catcha Group: A, B, C, D (All Range)

INDONESIA

IDEOSOURCE: Seed (\$500k)
Mountain Ventures: Seed (\$250k)
Rebright: Seed (\$200k)
East Ventures: Seed (\$50k)
Grupara: Seed (Up to \$50k)

SEA has seen several notable exits



Company	When?	Exit	Values
	Sep 2013	Acquired by  Rakuten	USD200mm
	Mar 2012	Acquired by  SingTel	USD321mm
	Nov 2007	Acquired by 	USD150M
 Asia's No.1 Online Property Group	Aug 2007	IPO at 	USD 178mm (Market Cap as of Mar 13)

Southeast Asia's recent deals



Company

When?

Deal

Values



July 2014

Raised Series B led by
existing investors
Garena and Eduardo
Saverin

USD23mm



June 2014

Raised Series A
led by Bangkok's
Inspire Ventures

USD10.7mm



April 2014

Acquired by



USD18.5mm



March 2014

Raised Series B
led by Japan's
Transcosmos

USD 10mm

Southeast Asia Startup Scene – A Selection (August 2014)



IPO ready



\$100m valuation



Luxola



Most promising



carousell

COMPUTERLOGY



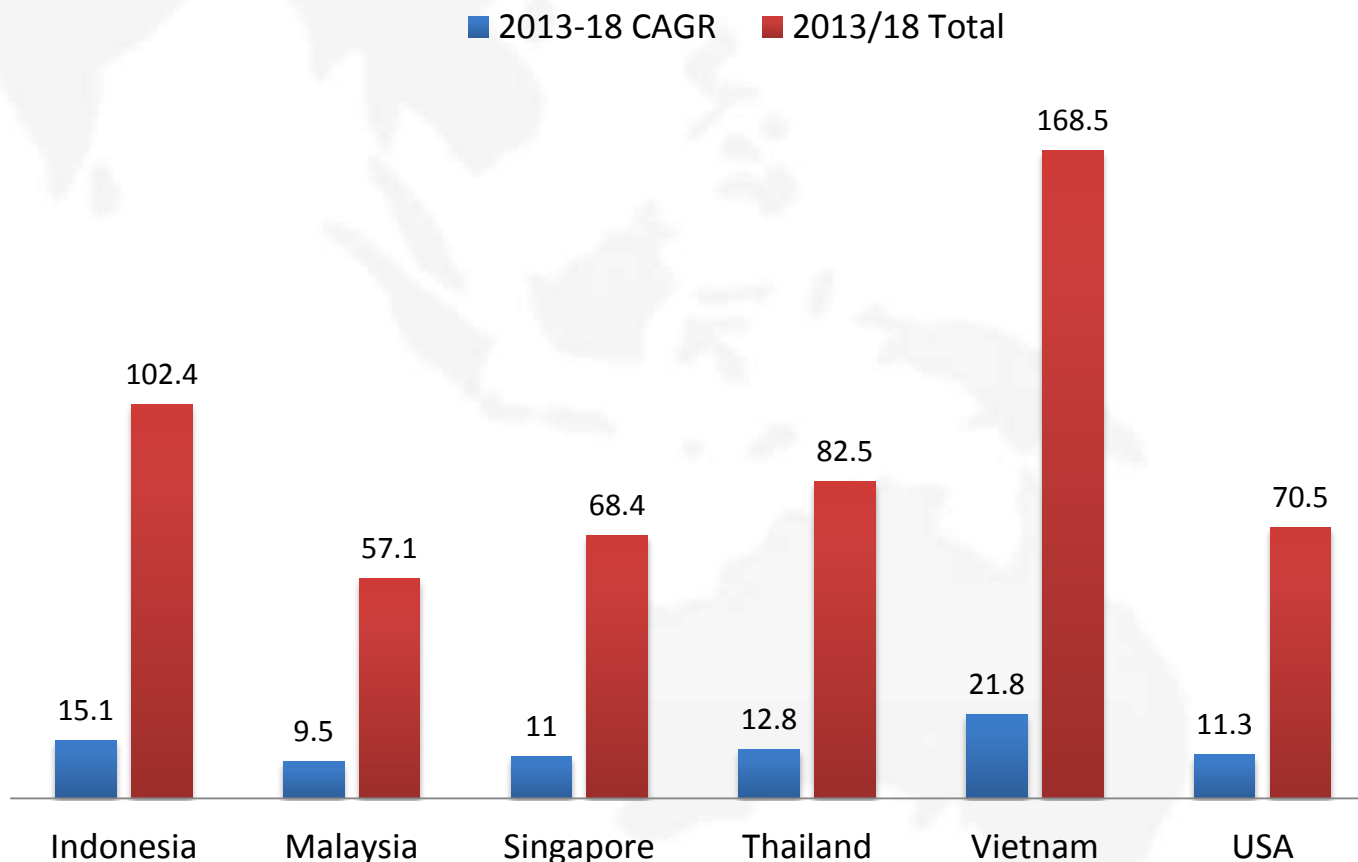
Source: How South-East Asia startups fare on the global stage, Innovation Is Everywhere, 2014

Big room for growth for e-Commerce in Southeast Asia



Online shopping makes up just 1% of total retail sales in SEA. This compares with 8% in China and over 10% in the U.S. and U.K.

Forecast Sales in Internet Retailing (% Value Growth)



Source: Centre for Retail Research 2014, Euromonitor 2014

Leading E-Commerce Players in SE Asia



By Country	B2C Marketplaces	B2C Multi-brand Retailers	B2C Private Sales & Daily deals	C2C Marketplaces & Classifieds
Singapore				
Thailand				
Indonesia				
Philippines				

B2C: Lazada is the fastest growing online store in region



“Amazon of SEA”

Traffic:>1M users/day and 79M visitors by Q1 2014

Facebook fans:6.9M

Unique visitors in 2013: 41M

#2 brand for non-store retailing in Philippines in 2013 (8.2% brand share)

ZALORA

Registered users in 2013: >1.6M

Target at 533M users across 6 SEA nations

Traffic:>17M monthly visitors

Facebook fans: 4.8M

Newsletter subscriptions: >6M

#1 brand for non-store retailing in Philippines in 2013 (9.6% brand share)



Registered users in Jan 2014:

230,000

Traffic:7,000 unique visitors/day & 900,000 views/mth

Average Purchase Value: \$295-\$337

Luxola

Operational centers base in Singapore, Thailand, Indonesia

Members: >200,000

Customers: >25,000 as of May 2014



Ranked as #1 e-Commerce player in Southeast Asia with a focus on flash sales and traditional e-Commerce
Turnover: S\$153M

C2C Marketplace: Solving real pain points



Problems of selling offline in Southeast Asia today for *sellers*



High rent



No money to set up e-Commerce



Competitive market, hard to manage orders, can't reach right customers

Problems of shopping offline in Southeast Asia today for *buyers*



Can't reach the sellers for boutique/secondhand products



Go shop online



Can't find the product buyers are looking for due to scattered websites

C2C e-Commerce market landscape in Southeast Asia



Established players in C2C e-Commerce space in SE Asia



Operates in Malaysia, Vietnam, Philippines, Thailand, Singapore, and Indonesia

OLX Philippines: #3 leading classified ads platform in the country in terms of user-base with >2.7M users and 12M visits/day

OLX Thailand: >1M postings online



Operates in Malaysia, Vietnam, Philippines, Thailand, Singapore, and Indonesia

Target: fashion merchants who will be able to set up their own personalized shop and get advice about selling online from Zalora's data experts, get help processing online payments and deliveries

Our view - the “eCommerce Stack” in Southeast Asia



Estimate share of revenue in ecommerce value chain

Brands & Products

Sourcing & Private label

Fulfillment & Logistics

Retailers & Distributors

Advertising & Marketing

Consumer

33%

17%

20%

30%



Sourcing

B2B

B2C

Demand Generation

SumoBUYS.com

Q-commerce
Power to the community

Singapore
POST

WHATSNEW
making life easier

Rakuten

ZALORA

LaZada

Google

facebook



Online Payment :

2C2P
YOUR PAYMENT PARTNER

PayPal

支付宝
Alipay.com

Mobile/Social:

LINE

Some personal insight – where is our money going?



- eCommerce 'stack' only
- Interesting mix of needs
 - Basic Web 1.0 infrastructure (fulfillment and logistics)
 - But with massive Smartphone, Mobile broadband, and Social layer on top
- Immature market
 - One or two dominant players (Rocket)
 - Rest wide open
- Capital available
 - Japan, local, China
- Biggest opportunities
 - B2B
 - B2C
 - Demand generation

aCommerce.asia – An example infrastructure investment





- Conceived and funded by Ardent
- Example of solving Ecommerce infrastructure needs in the region
- Ebay Enterprise (GSI Commerce) for Southeast Asia
- Allows brands and retailers to sell direct to consumer
- Warehousing, pick and pack, motorbike delivery fleet, payment gateways including COD, call center, demand generation (SEO/SEM), channel management
- Operating in four markets including large scale in Indonesia and Thailand
- 250 staff
- Grown from scratch to Series A in less than 18 months
- Customers include L'Oreal, HP, Nestle, largest retailers in TH and ID, largest carriers in TH, and large channels such as LINE messenger
- Raised US\$10.785M series A in Q2 2014

aCommerce clients



Retailers / Marketplaces



Brands



B2C focus - WhatsNew Group



An ecommerce portal for women shoppers – each verticals provides a boutique shopping experience while sharing a common backend platform



Petloft.com (Pet Supplies)



Venbi.com (Parenting)



Lafema.com (Beauty)



Sanoga.com (Health)

- Built on aCommerce infrastructure
- Key customer target is women shoppers who purchase for the entire family
- Basic staples that build scale and repeat business, and higher-margin products for profits while optimizing customer acquisition through shared shopping cart
- Inspired by Quidsi model in USA (diapers.com, wag.com) – sold to Amazon for \$545M
- Opportunity to build new, regional brand, from scratch, at reasonable cost – is NOW

Transportation: growing number of booking apps users



Problems of transportation industry in SEA today: Customers need reliable and safe way to commute and drivers want considerable incentives



Operates in Malaysia, Philippines, Thailand, Vietnam, and Singapore

Number users: >1m downloads

Usage: booking is made through the platform every 2 seconds, >200,000 bookings/week in SG

Raised: >\$15M in Series B



Operates in Bangkok, Jakarta, Ho Chi Minh City, Kuala Lumpur, Manila, and Singapore. It aims to be the “Starbucks of Transportation” in Asia

Number of users: Bangkok is one of UBER’s fastest growing cities with regard to demand

Raised: \$1.2B Funding Round at a \$17B valuation



Operates in Malaysia, Vietnam, Philippines, Thailand, Singapore, and Indonesia

Number of users: App has been downloaded >500,000 times in Thailand alone

Raised: \$40M in Series D, \$77M total raised so far



Pain Points

- **Low banking penetration rate** in some countries e.g. Philippines, Vietnam, Indonesia and **low credit card penetration rate** in most of the countries except Singapore
- **Online payment use** (including credit card) is extremely **low** across region
 - Only about 50% of Singaporeans paid online for their e-commerce orders.
 - In Indonesia, Malaysia, Vietnam and the Philippines, less than 5% of e-commerce shoppers paid online in 2013.
- **Bank Transfer and Cash on delivery (COD)** are **popular payment forms** for e-commerce in SE Asia, but they are inefficient and there are risks of loss, theft and nonpayment.

Opportunities

- **High growth** of **internet penetration rate** (2010: 25% → 2020: 62%) and **e-commerce market** (CAGR from 2013 to 2018 : 13.37%) will drive online payment in SE Asia
- **High mobile penetration rate** (2014: 109%) will accelerate the growth of mobile payment solution which has gained traction in the Philippines (22% mobile payment rate in 2011)
- There is a **need for secured form of payment** to solve the fraud payment problem

Challenges

- **Strict regulatory environment** and **low level of consumer acceptance** can post hurdles to the growth of online/mobile payment business

Source: TigerMine Research, 2014; Forbes, 2014, Southeast Asia eCommerce readiness index, VelaAsia 2013; TechInAsia, 2013



Online payment company, originated from Malaysia

- Possess over 680,000 physical and online payment channels across 80 countries, 60 MM annual transactions, and revenue over \$300 MM/yr
- MOL's main payment products include:
 - **MOLPoints** is an online wallet for purchasing virtual goods, specifically for game credits and online content.
 - **MOLPay** is an online wallet for purchasing non-virtual goods like products and services from online enterprises.
 - **MOLCards** is a prepaid card sold at MOL distribution channels. It is used to top up MOLPoints.



Online payment processing company

- Founded in 2003 and headquartered in Singapore
- processed over \$500 million worth of online payments in 2013, with annual revenue of roughly over \$2 million
- Aim to maintain a 30% to 50% growth in yearly transactions.
- Operate in SE Asia and Hong Kong
- Raised \$2MM series B funding with current valuation of \$16MM

Source: MOL; GamesInAsia; TechInAsia, 2014



Opportunities and Trends

- Southeast Asia **lacks a centralized source of real estate listings**
 - Most home-seekers start their search with Google and spend days hunting for a dream home on hundreds of different websites.
- Many of Southeast Asian countries are perceived as having **low- to medium- transparency** when it comes to **real estate markets**
 - Thailand, Philippines, Indonesia rank 36th, 38th and 39th while Vietnam and Myanmar rank 68th and 100th in global rankings of transparency of real estate market
- The **online classified market** is **shifting away** from **broker-driven marketplaces**
 - Traditionally, customers in newspaper classifieds and recent internet portals have been the brokers and agents.
 - Buyers, sellers, renters, and landlords rarely deal directly with one another because there were many processes they were not familiar with.
 - While the broker tend to have better market access and skillsets, principals have a much **stronger vested interest to market their product**. Thus, with more tools to use, they become more motivated to eliminate agents and perform direct marketing

Challenges

- **Strict regulation** in real estate markets can be hurdles to growth of online property portal

Source: Property Guru; TechInAsia; TheMalayMailOnline, 2014

Successful players in online property portal in SEA



Online property portal, headquartered in Malaysia

- Operate sites under iProperty.com brand in Malaysia, Singapore, India and the Philippines; GoHome.com.hk in Hong Kong; vproperty.mo in Macau and rumah123.com in Indonesia.
- Reaching over 4 million consumers on a monthly basis and serving 30,000 property agents and 400 developers
- Received \$106MM investment from REA Group in July 2014
- The transaction values iProperty at \$600MM

Online property portal based in Singapore

- Operate in Singapore, Malaysia, Indonesia and Thailand
- Hit more than 1M mobile apps downloads in Sep 2013 after 1 year
- The website is used by 10.5M property buyers, viewing over 90M property pages and generating over 400,000 enquiries for real estate developer and agent advertisers every month
- Current market cap is \$500 MM and is preparing for IPO by 2014



Online property portal, based in Bangkok

- Founded in 2012 and raised \$335,000 angel round in Sep-2013
- Currently users can search over 35k property listings in Thailand
- Aim to expand to Malaysia and other SEA countries from 2014

Source: TechInAsia; e27; Beijing Lps; SMH; TheMalayMail Online, 2014; TechInAsia, 2013

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 \$1B in 2012
- ➔ 30+ exits
- ➔ \$2.5B+ in revenue
- ➔ 7 companies currently in SE Asia

ZALORA

Indonesia
Malaysia
Philippines
Singapore
Thailand
Vietnam

foodpanda

Indonesia
Malaysia
Singapore
Thailand
Vietnam

pricepanda

Indonesia
Malaysia
Philippines
Singapore

EASY TAXI

Malaysia
Philippines

Lazada

Indonesia
Malaysia
Philippines
Thailand
Vietnam

kaymu

Indonesia

Wimdu
travel like a local

Indonesia
Malaysia
Singapore
Vietnam

Rocket's SEA bets



ZALORA

LaZada

- Started in Dec 2011
- Adaptation of Zappos.com
- 1,500+ employed across the region
- Annualized Gross Run Rate in 2013: €115mm
- **\$238M in total funding**

- Started in Feb 2012
- Adaptation of amazon.com and alibaba.com
- 2,000+ employed across the region
- Annualized Gross Run Rate in 2013: €92M
- **\$486M in total funding**

INVESTORS:



ACCESS INDUSTRIES



SUMMIT PARTNERS



SCOPIA CAPITAL



HOLTZBRINCK
VENTURES



Investment AB Kinnervik

J.P.Morgan
Asset Management

TESCO

NEA





- **BIG** – bigger than US (2x), bigger than EU
- **Social** – everyone is on social media (Facebook, LINE)
- **Mobile** – well over 100% penetration in most markets
- **Internet focused** – more time spent on the internet than on TV
- **Large gaps** – absolute disconnect between time and money spent online vs TV
- **Growing fast** – eCommerce CAGR 2008-2013 is 18.73%
- **Young** – much younger population than US and EU
- **Less competition** – not (yet) dominated by global players
- **Capital available** – funding sources available from seed to growth

THANK YOU



Adrian Vanzyl
CEO
Ardent

www.ardentcap.com
adrian@ardentcap.com
[@adrianvanzyl](https://twitter.com/adrianvanzyl)



Thailand Office

946 Dusit Thani Building, 4th fl.,
Rama IV Rd. Bangrak,
Bangkok, Thailand 10500



Singapore Office

Oxley Bizhub, 61 Ubi Road 1, #2-13
Oxley Bizhub, Singapore 408727



Thailand Distribution Center

951/1 Soi Preeyanon, Sathupradit Road,
Bangpongpan, Yannawa
Bangkok 10120, Thailand



Indonesia Office

AXA Tower 45th Floor, Jl. Prof. Dr. Satrio
Kuningan Kav. 18, Kuningan City, Jakarta
12940



- The following slides contain additional data and statistics for SEA

About Me – Adrian Vanzyl



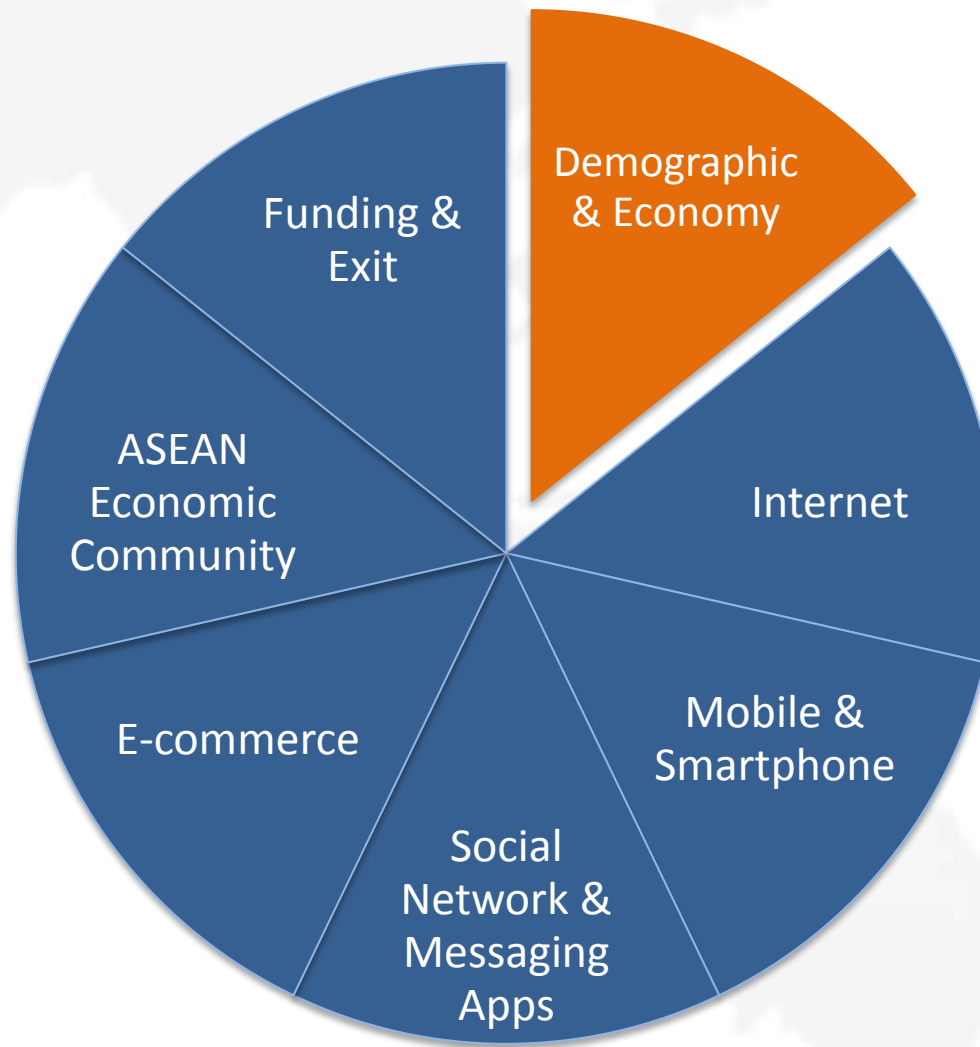
- 20 years of nothing but Internet
- Based in Bangkok, previously in San Francisco (12 years) & Australia
- **Ardent Capital**, Bangkok - *CEO and Co-Founder*
- **Blumberg Capital**, San Francisco - *multiple roles over 12 years (CTO & CEO of two portfolio companies, LP, Advisor)*
- **SLI-Systems**, San Francisco - *Co-Founder, Board Member*
 - NZX listed. Current Q2 market cap \$112M
- **LinkExchange**, San Francisco - *VP Business Development*
 - Sold to Microsoft for \$260M
- **LookSmart**, San Francisco – *CTO*
 - IPO NASDAQ. Peak market cap of \$3.5B
- **Sausage Software**, Melbourne AU - *CTO and Board Member*
 - First internet IPO in AU. Peak market cap \$1.5B



MD degree
MB BS Hons I
Monash University,
Australia



Why Southeast Asia?

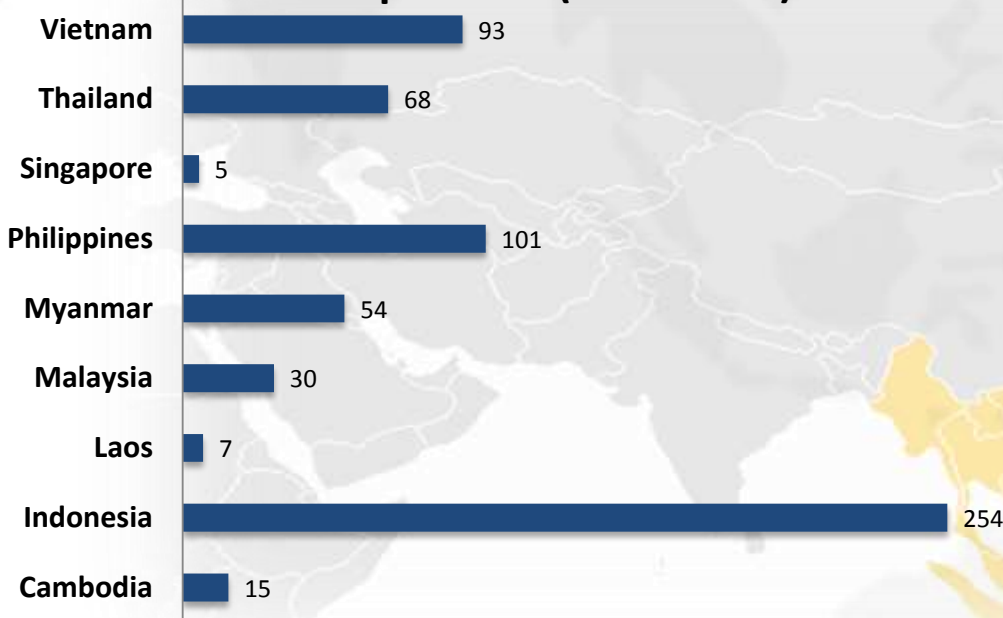


Southeast Asian Population

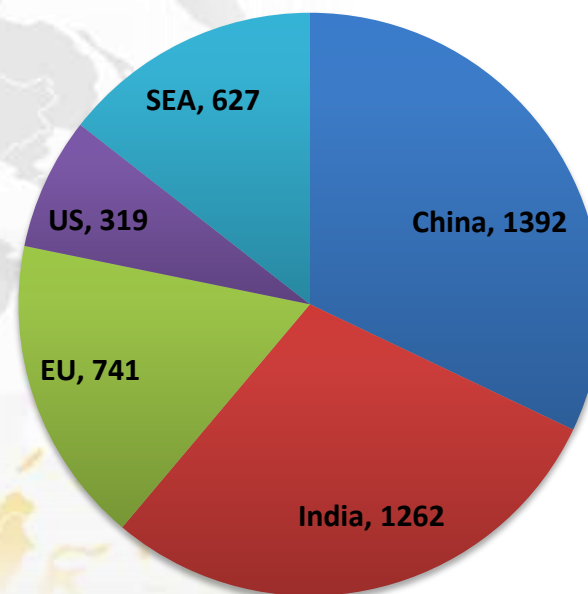


Southeast Asia is bigger (2x) than the US and bigger than the EU

Population (in Millions)



Population (in Millions)

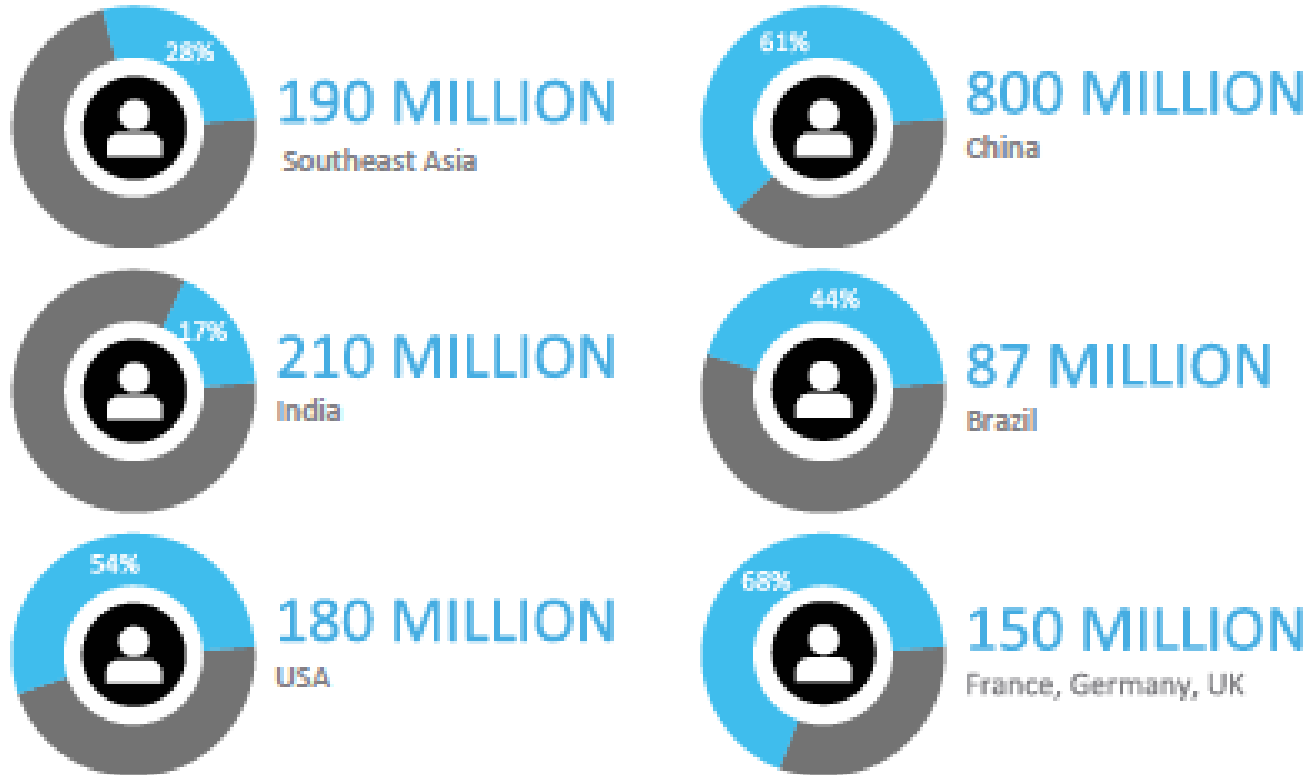


Source: World Population Review (2014)

Global middle class is emerging outside developed region



Global middle class in 2012



*Middle class: \$16 to \$100 disposable income per day

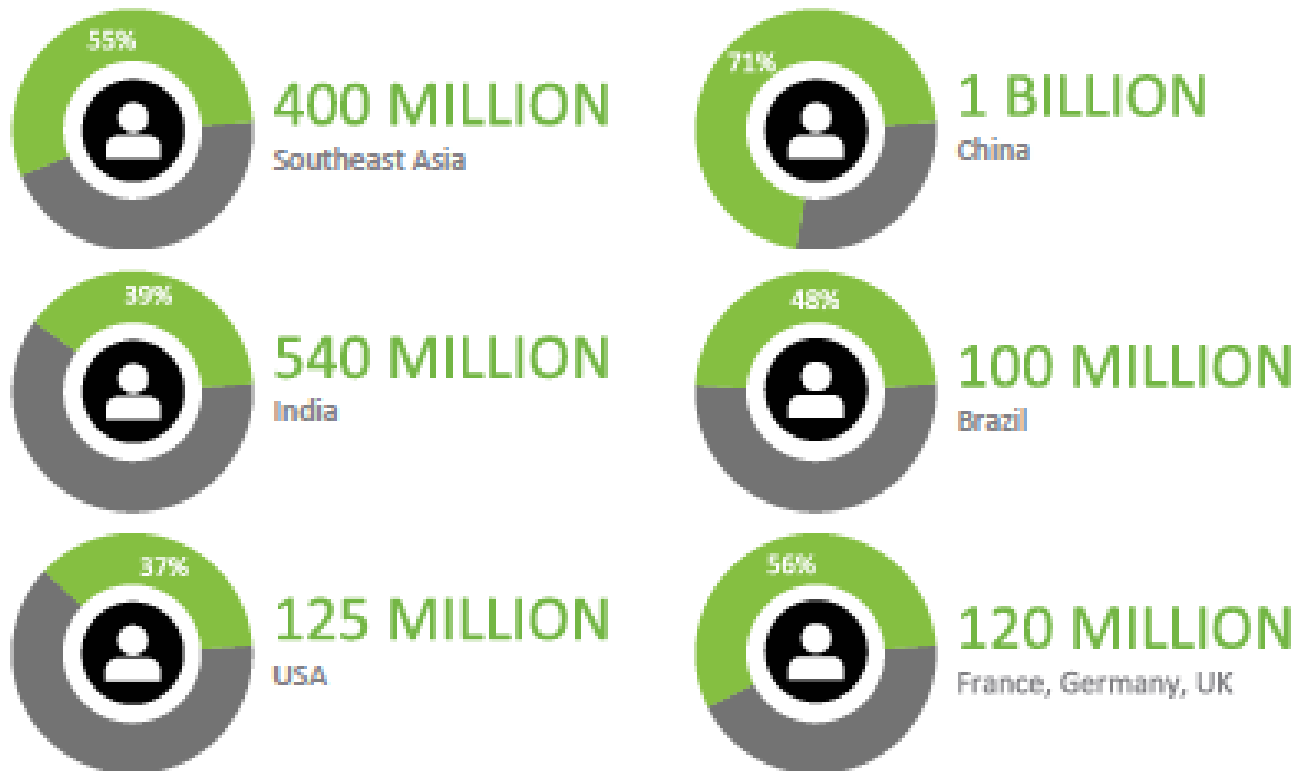
Source: the Nielsen Company 2014

SEA: Significant rise of middle class



Southeast Asia will have higher ratio of middle class than some developed regions

Global middle class in 2020



*Middle class: \$16 to \$100 disposable income per day

Source: the Nielsen Company 2014



ASEAN CONSUMERS REMAIN OPTIMISTIC

3 ASEAN countries among the to 10 most confident nations

1. Indonesia

2. India

3. Philippines

4. China

5. United Arab Emirates

6. Brazil

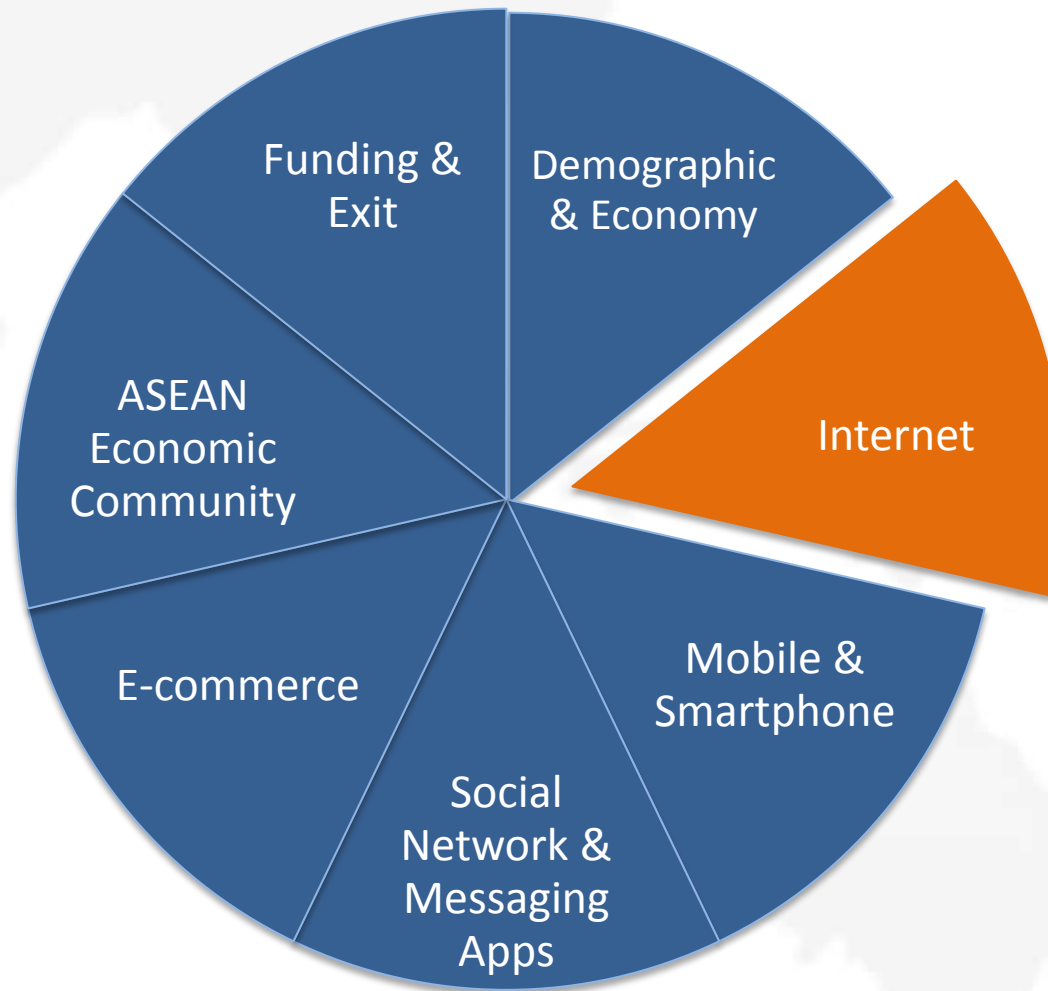
7. Thailand

8. Hong Kong

9. Denmark

10. Peru

Why Southeast Asia?



SE Asia Online Statistics 2014



GLOBAL SNAPSHOT

630,551,581

TOTAL POPULATION



45%

URBAN

55%

RURAL

52%

URBAN

155,173,606

INTERNET USERS



25%

INTERNET PENETRATION

35%

INTERNET
PENETRATION

161,996,000

ACTIVE SOCIAL NETWORK USERS



26%

SOCIAL NETWORKING PENETRATION

26%

SOCIAL
PENETRATION

688,607,654

ACTIVE MOBILE SUBSCRIPTIONS



109%

MOBILE PENETRATION

93%

MOBILE
PENETRATION

Source: Global Digital Statistics 2014

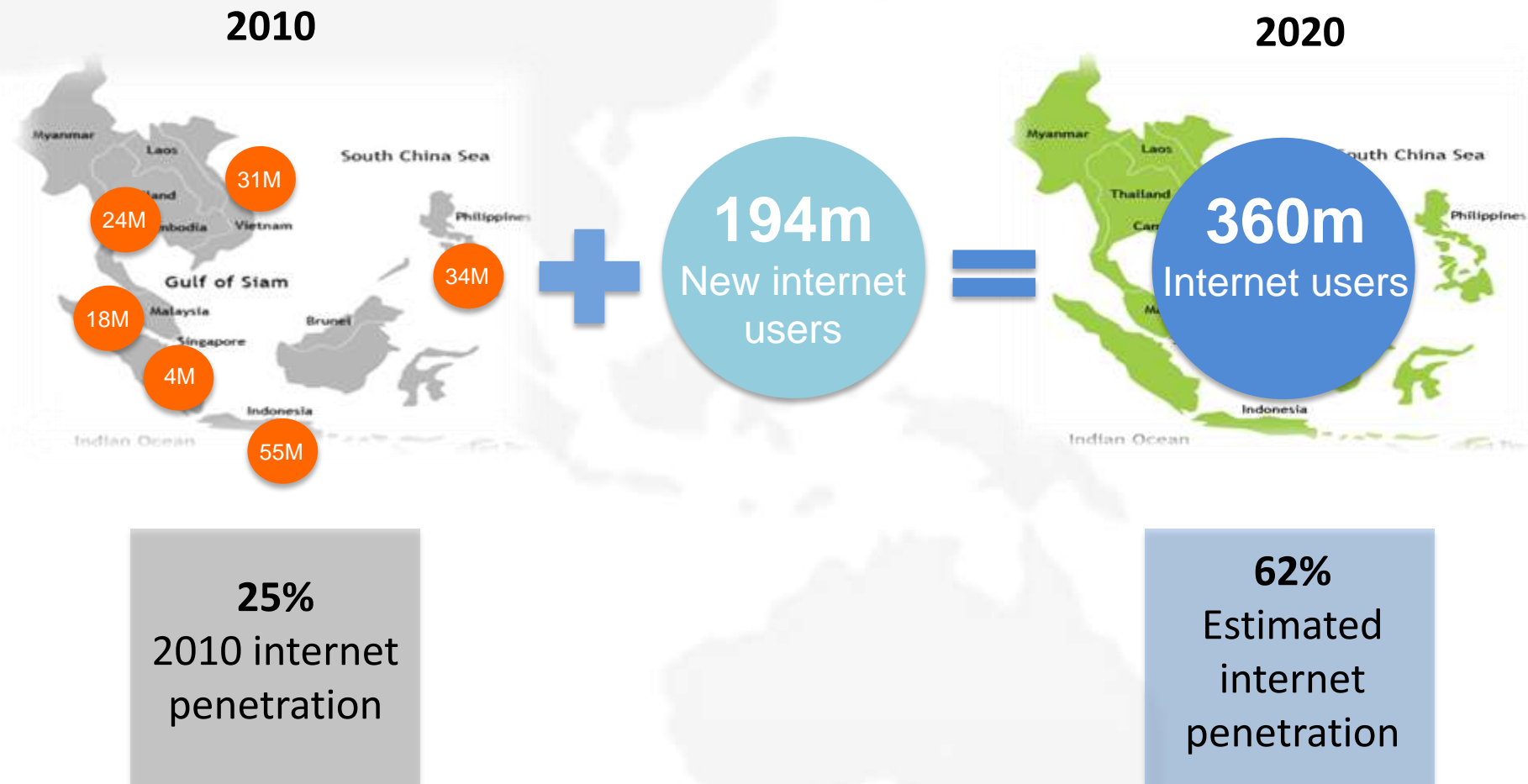
Internet penetration grew significantly from 2000 to 2014



	2000	2014
Vietnam	0.25%	43%
Singapore	36%	81%
Thailand	4%	29%
Malaysia	21%	67%
Philippines	2%	40%
Indonesia	1%	17%

Source: International Telecommunications Union (Geneva) 2014

By 2020, over 60% of Southeast Asians will be online

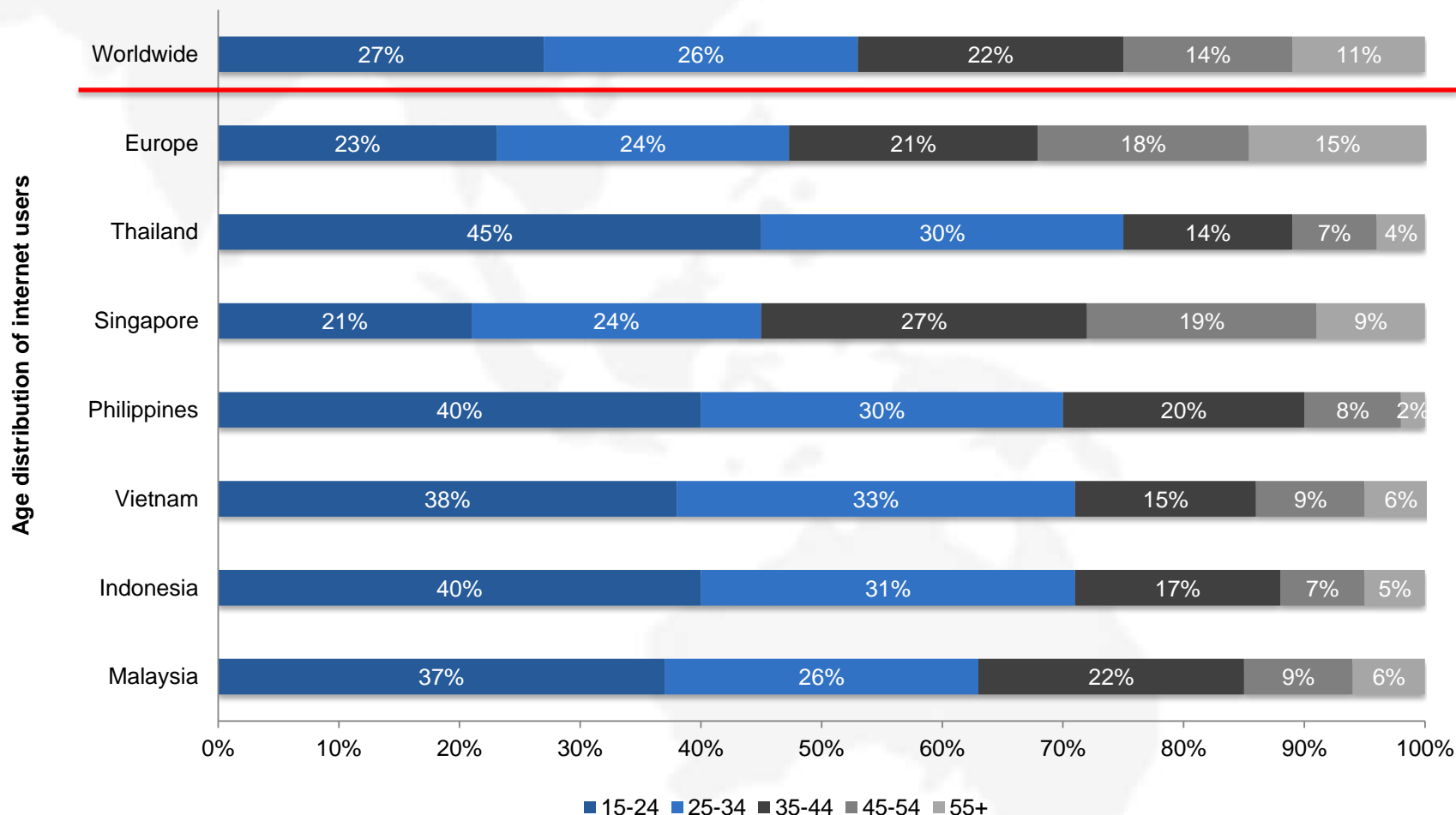


Source: We are Social, Accenture, 2012

SEA internet users are younger than rest of the world's



In Thailand, 75% of internet users are under 35 whereas only 53% of global internet users are under 35.

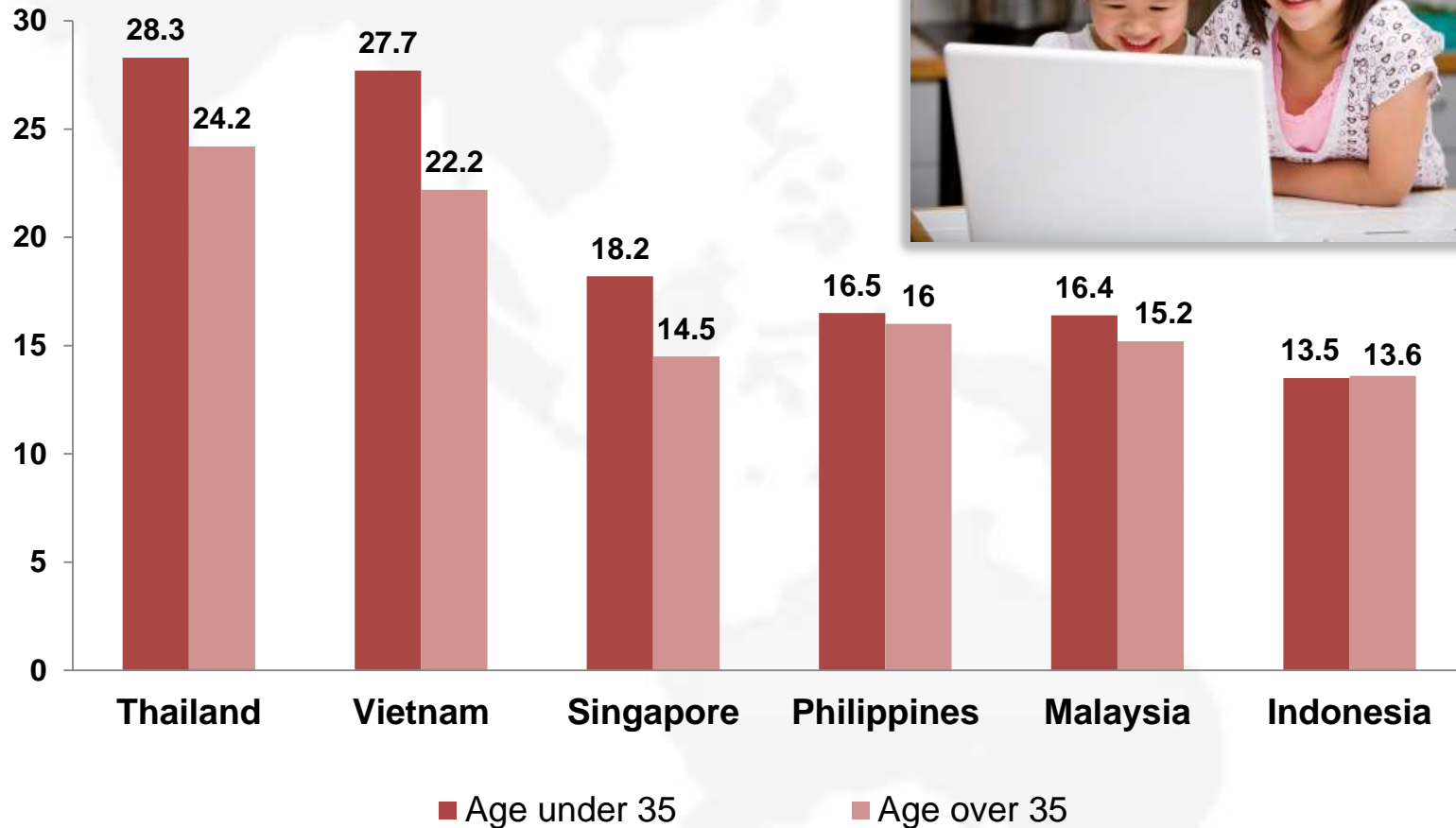


Source: Southeast Asia Digital Future in Focus July 2013, ComScore

...and young people spend more time on the internet



Usage hours per week



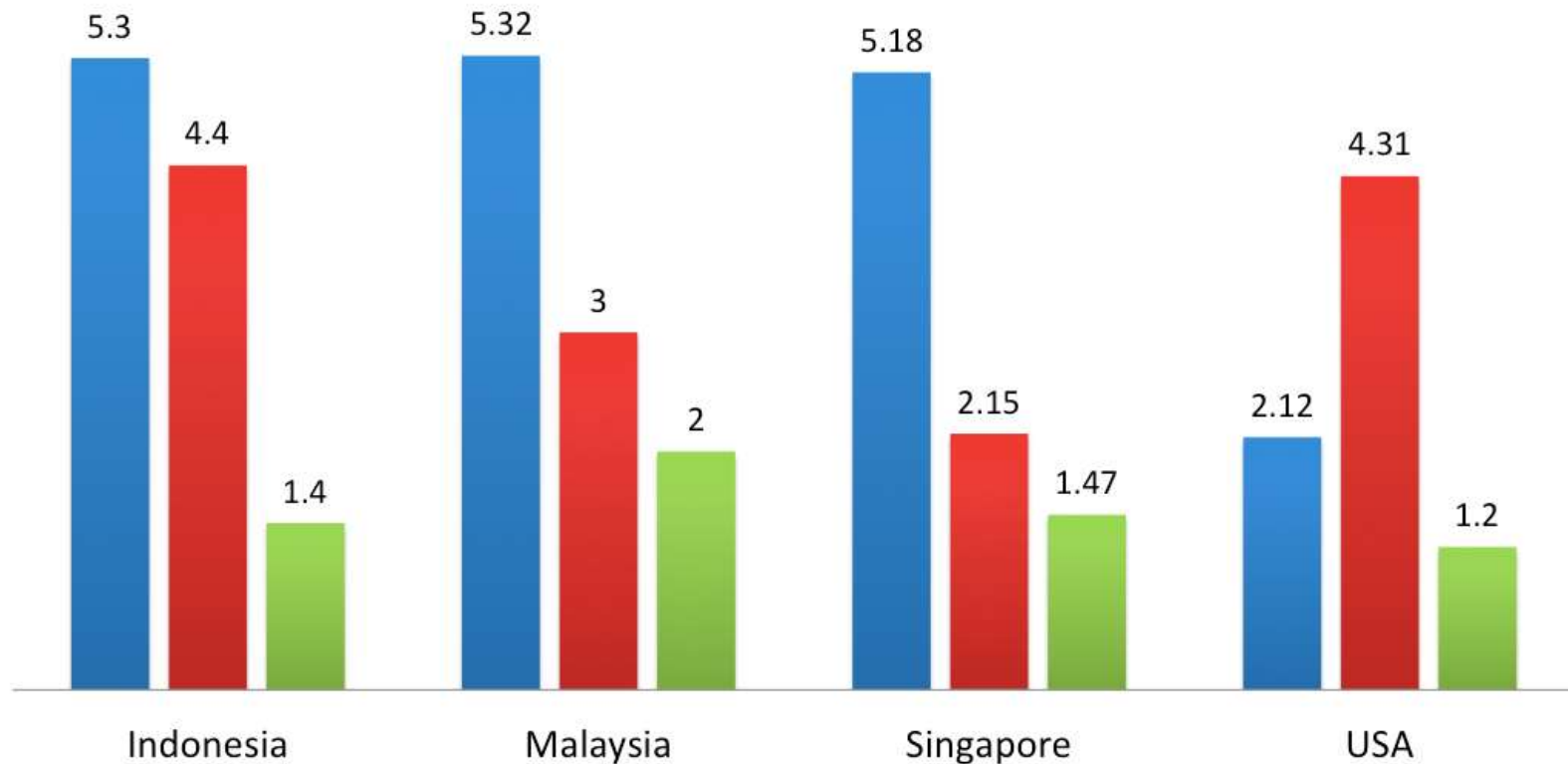
Source: Southeast Asia Digital Future in Focus July 2013, ComScore

Internet has surpassed TV in most SEA countries



Hours Spent Per Day on Media

■ Internet ■ TV ■ Radio



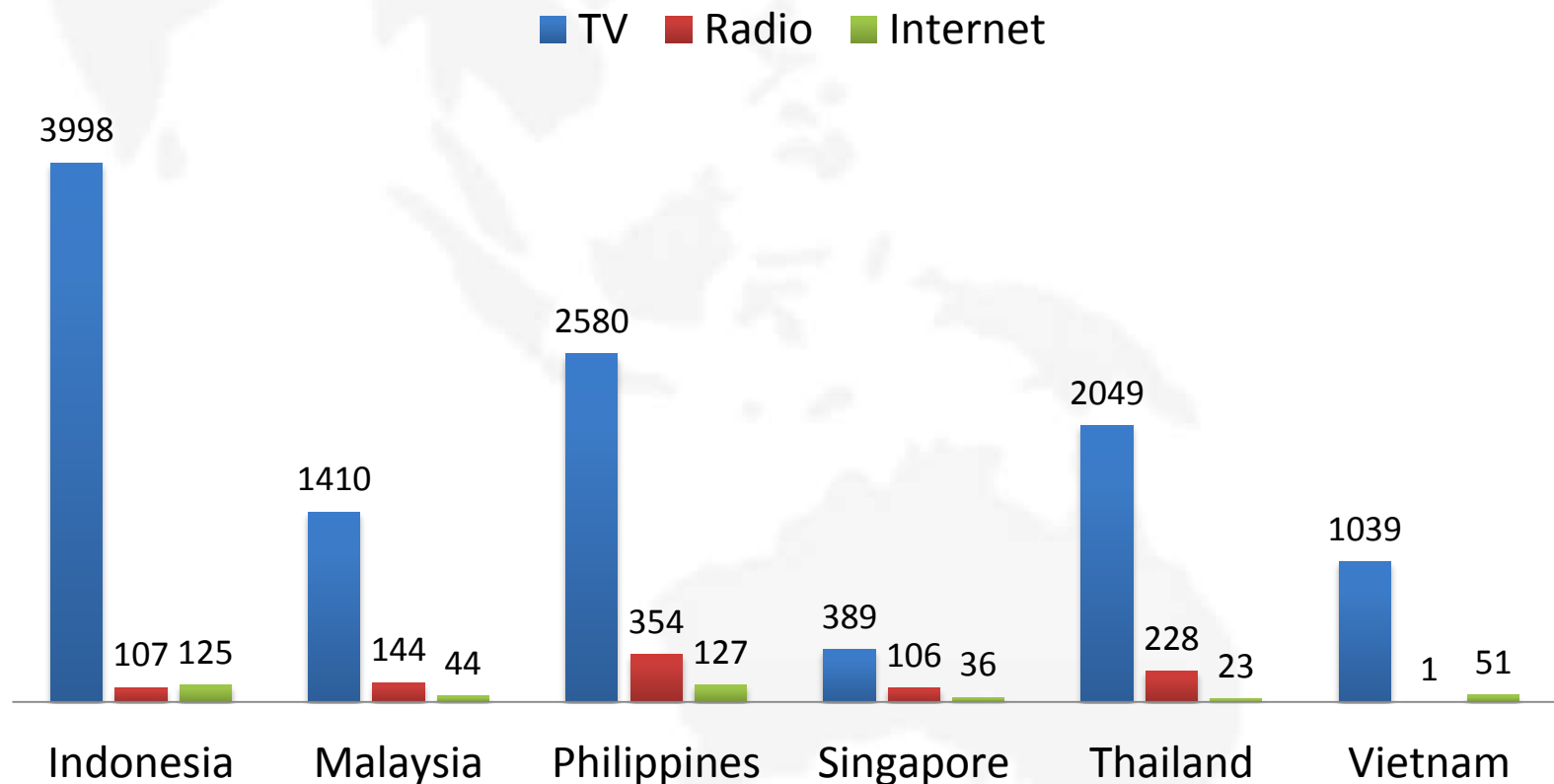
Source: Nielsen; eMarketer 2014

Online advertising is out of line cf time spent online



In Southeast Asia, although people spend **more** time online, only a small amount of advertising spending is devoted to online advertisement.

Advertising Expenditure in Southeast Asia (\$US Mil)



Source: Aegis Media 2014

Why Southeast Asia?



Smartphone sales has been robust and is expected to have a compounded growth rate of 43% from 2008 to 2016, reaching 59mm units in 2016

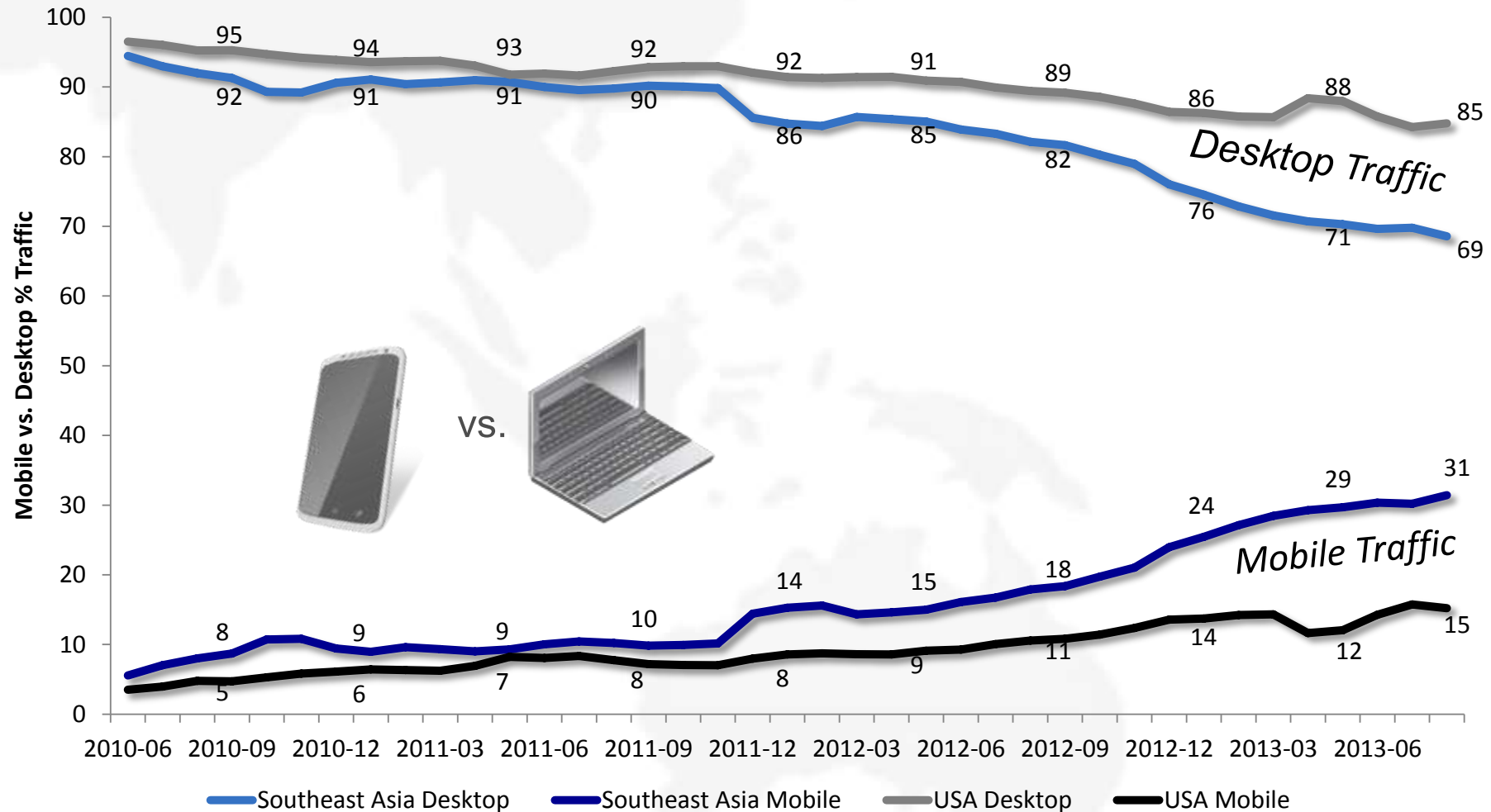


Source: GoogleResearch, Euromonitor 2013

SEA: outpace US toward an equal mobile/desktop traffic



Mobile and desktop usage are rapidly converging in Southeast Asia



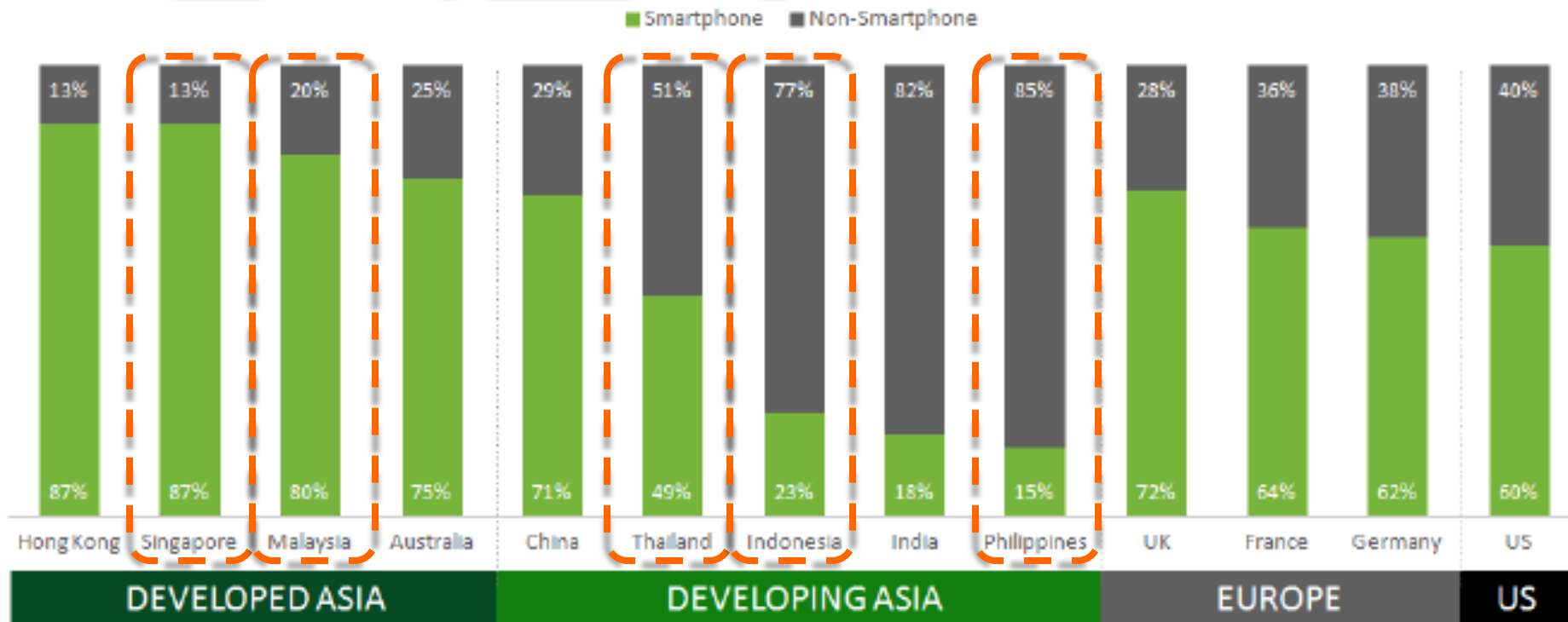
Source: StatCounter 2013

There are still rooms for smartphone growth in SE Asia



Smartphone penetration rate in Southeast Asia is high in Singapore and Malaysia but there are still rooms for growth in other countries

Smartphone penetration rate (%)



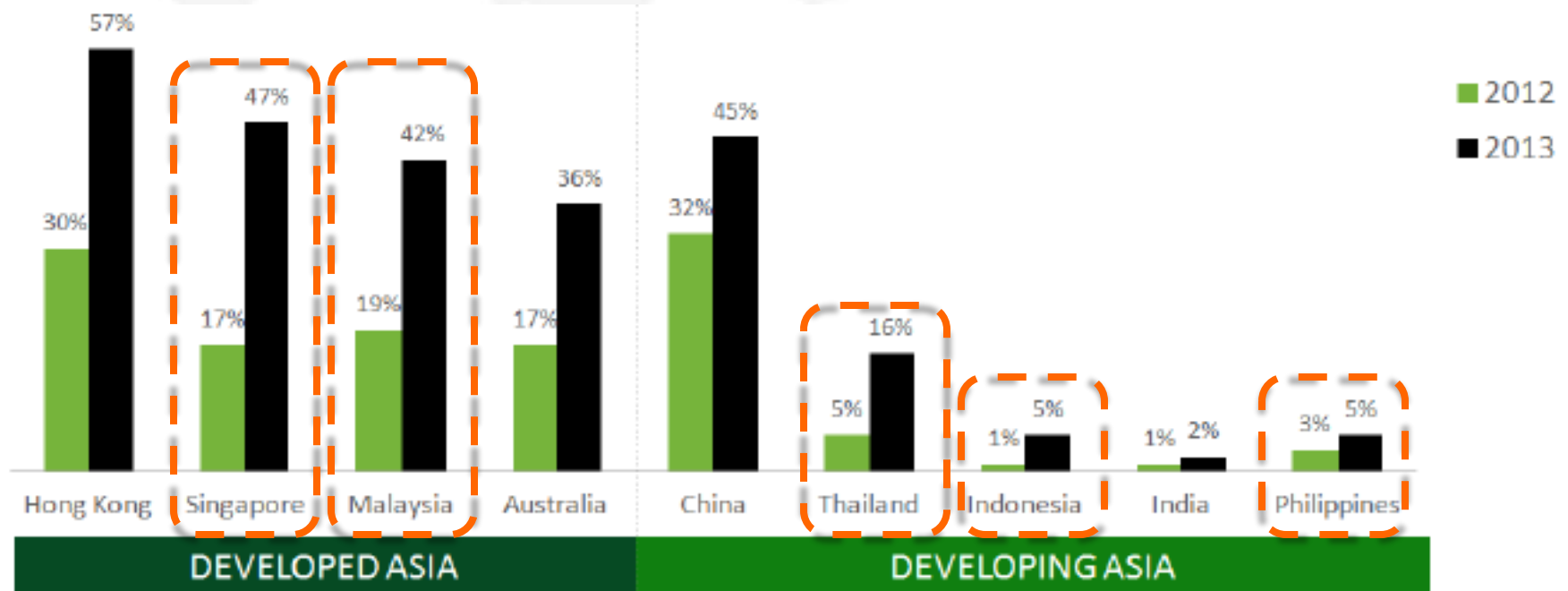
Source: The Nielsen report, *Decoding the Asian Mobile Consumer* (2013)

Tablet ownership ratio is high in some SE Asia countries



There has been a significant growth in tablet ownership in Southeast Asia with Singapore having surpassed China in 2013

Tablet Ownership (% of mobile users), 2013 VS 2012



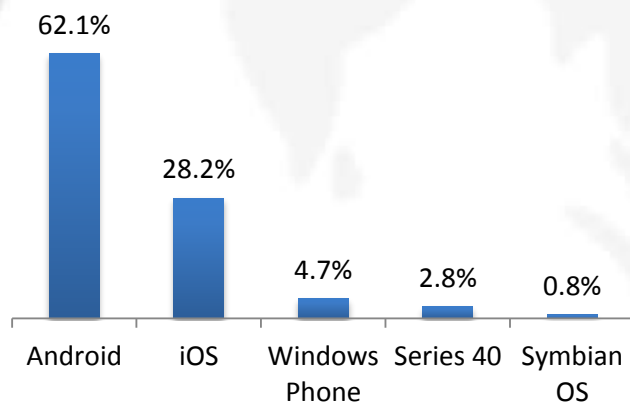
Source: The Nielsen report, *Decoding the Asian Mobile Consumer* (2013)

Top 5 Mobile Operating System in SE Asia in 2014

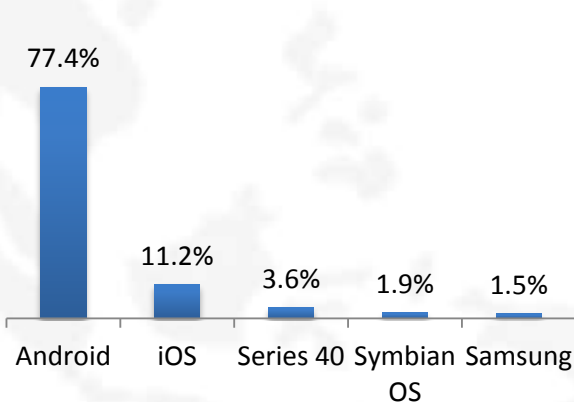


Android is the most popular mobile operating system in SE Asia except Vietnam where iOS dominates

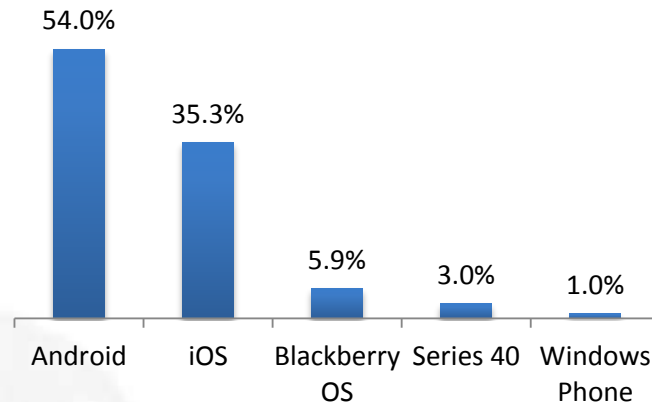
Thailand



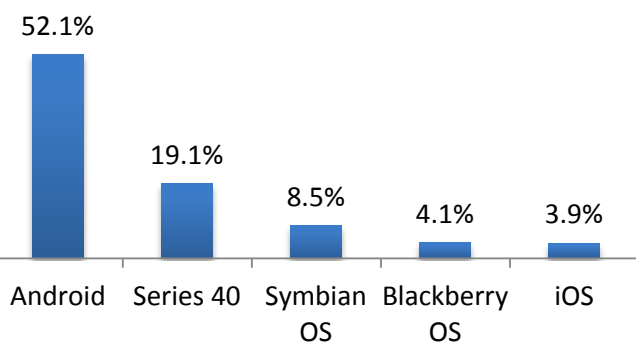
Malaysia



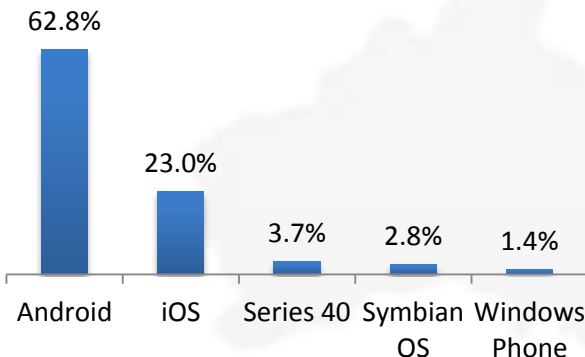
Singapore



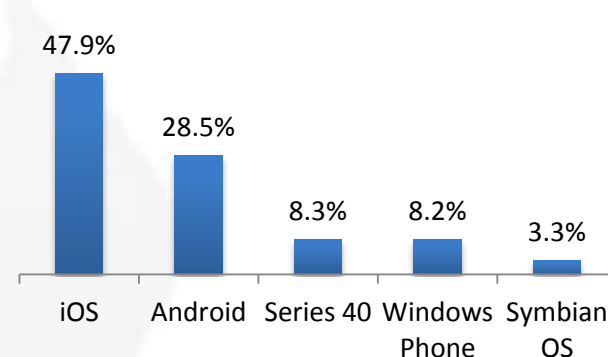
Indonesia



Philippines



Vietnam



Source: StatCounter Global Stats (2014)

State of telecommunication infrastructure in SE Asia



Half of the countries in Southeast Asia already have 4G available in the country



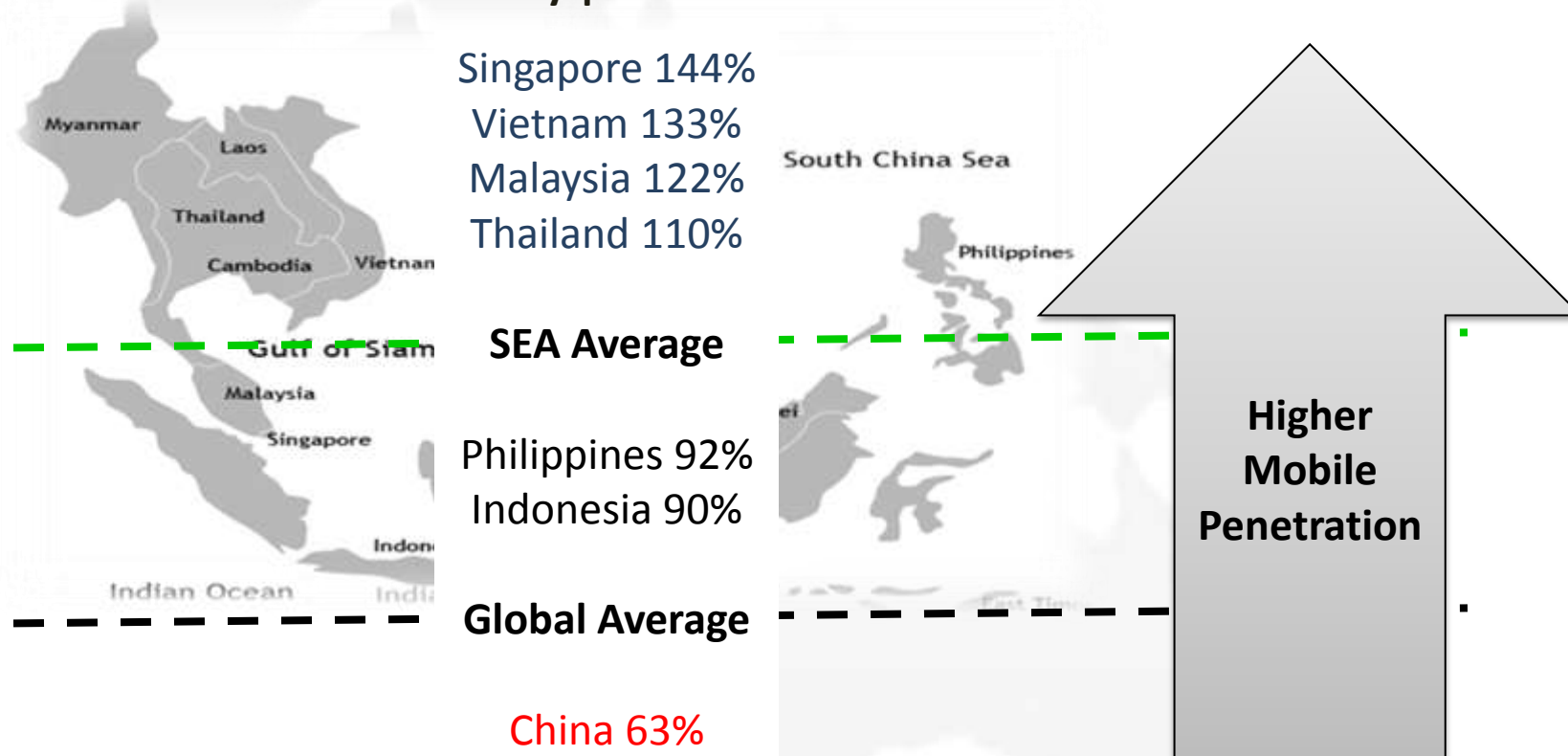
Source: Tech in Asia (Dec 2013)

SEA Mobile Penetration



All major SEA countries are above the global average in mobile penetration

Country | Penetration

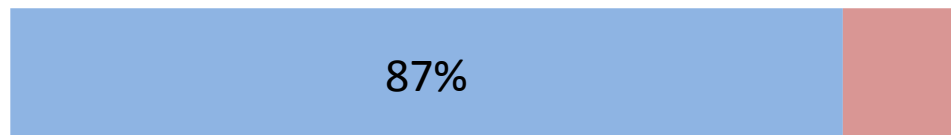


Source: Bain&Company

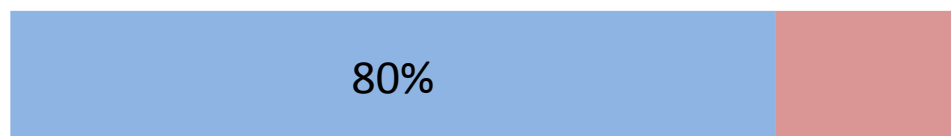
Smartphone Penetration in SEA (2013)



Singapore



Malaysia



Thailand



Indonesia



Philippines



■ Smartphone
■ Feature Phone

0% 20% 40% 60% 80% 100%

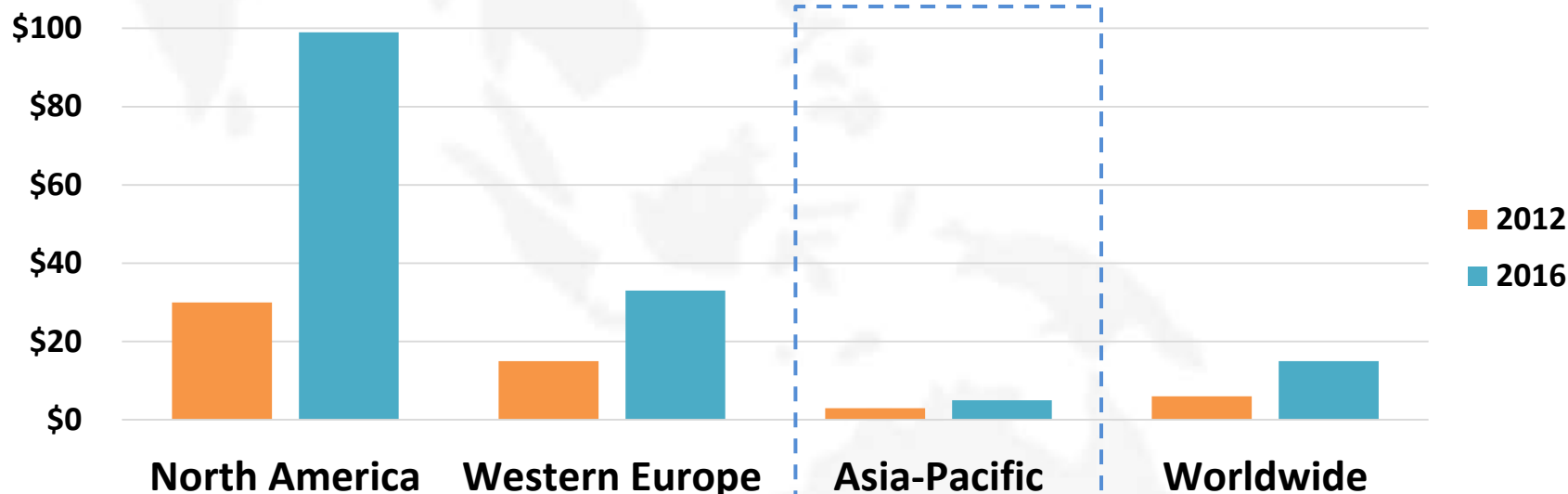
Source: TigerMine Research

Mobile Advertising Opportunities



High discrepancy between Mobile Ad Spending per User and Actual mobile usage in Asia-Pacific, specifically in SEA

Mobile Ad Spending per Mobile Internet User



101%
North America

129%
Western Europe

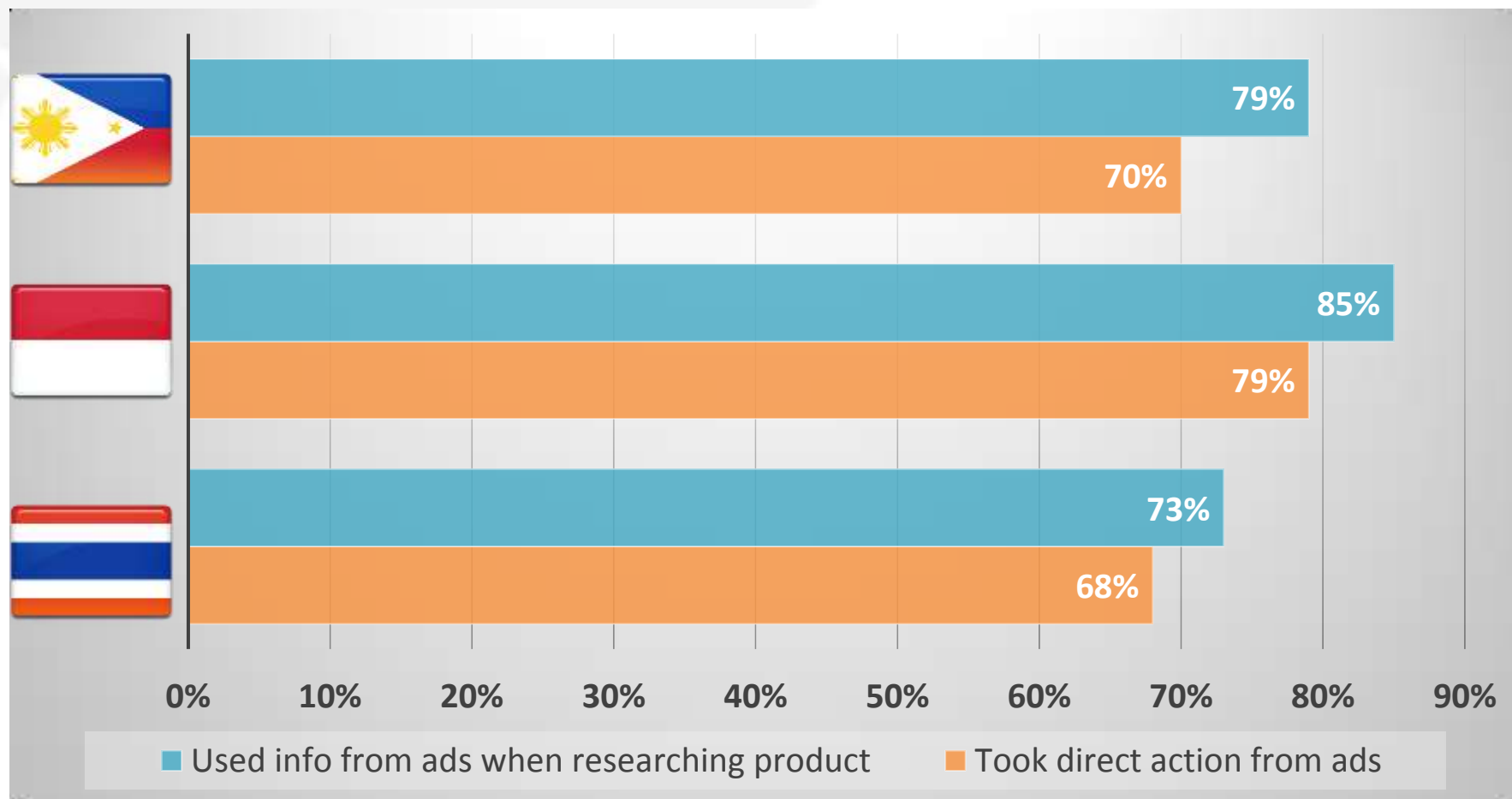
109%
Southeast Asia

93%
Worldwide

**Mobile
Penetration**

Source: eMarketer, WeAreSocial

Online Advertising

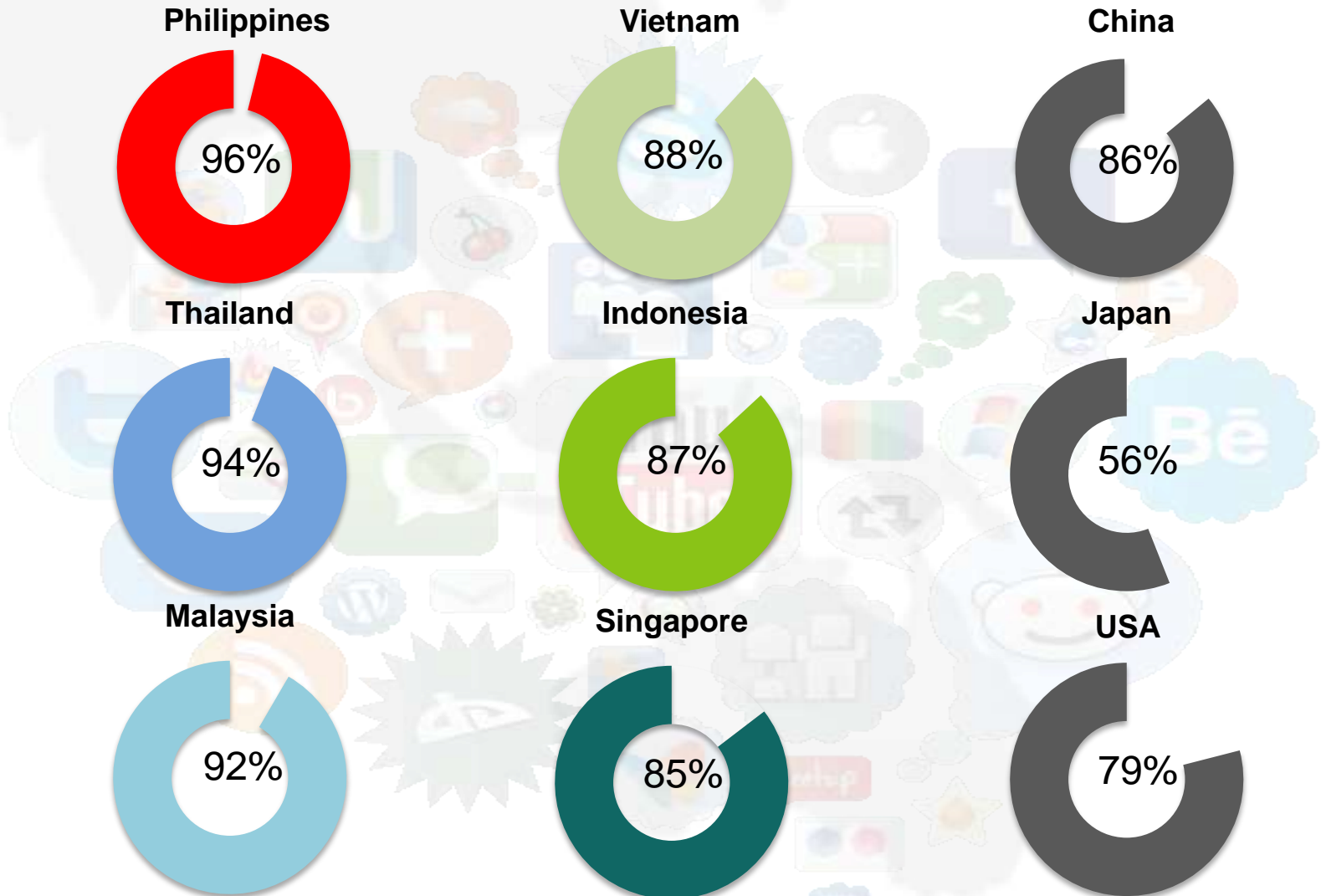


Source: Google Southeast Asia Online Shopper Study

Why Southeast Asia?



Almost all internet users in SE Asia use social networks

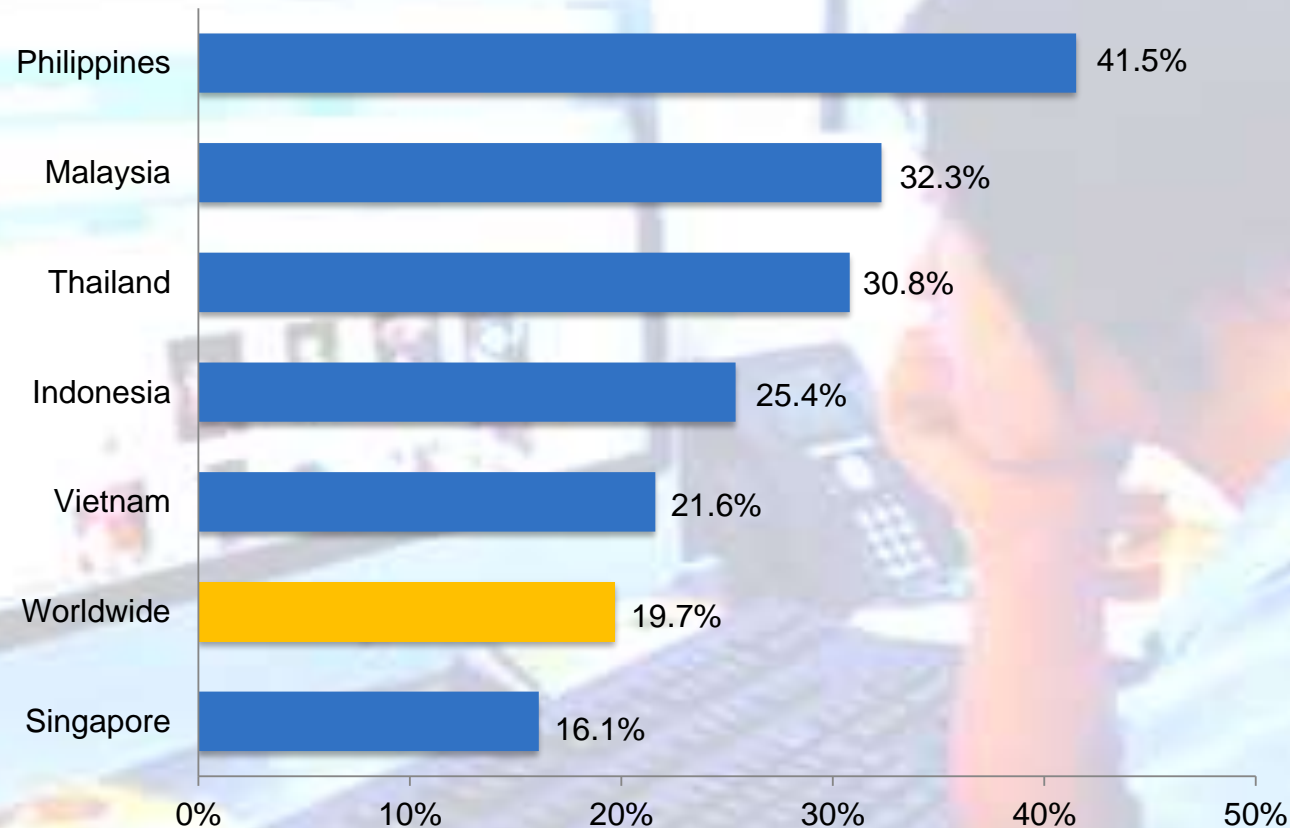


Source: Southeast Asia Digital Future in Focus 2013; 2013 China Digital Future in Focus; Japan Digital Future in Focus 2013, Comscore

SE Asians Social Networks Share of Time Spent Online



Southeast Asians spend a large share of their internet time on social networks



Source: Southeast Asia Digital Future in Focus 2013, ComScore

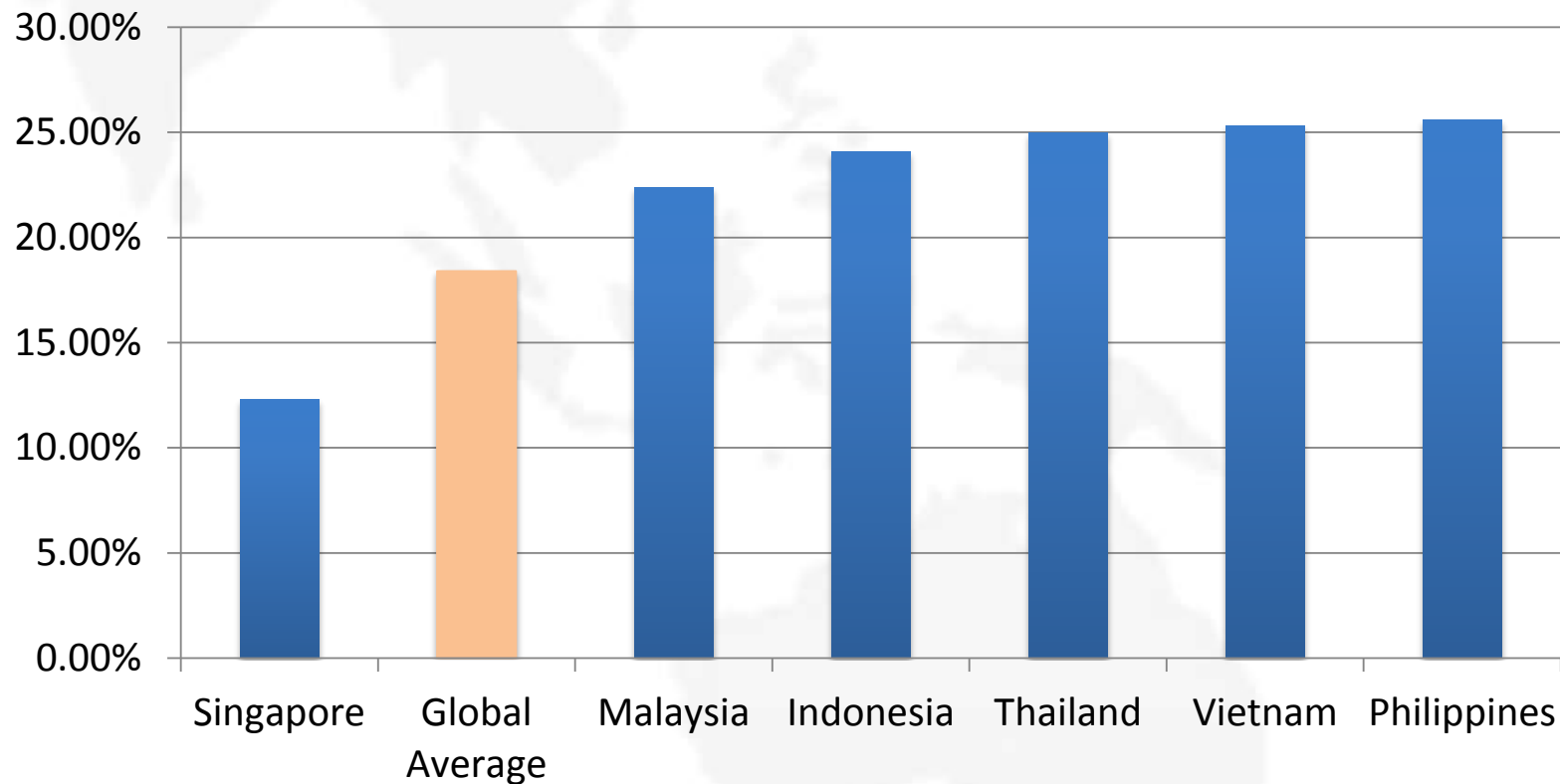
SE Asia leads world in online brand engagement



Apart from SG, SE Asians engage with brand online more than the world average

Online Brand Engagement – Southeast Asia

(Average rate across all content channels*, % of total internet users – Q4 2013)



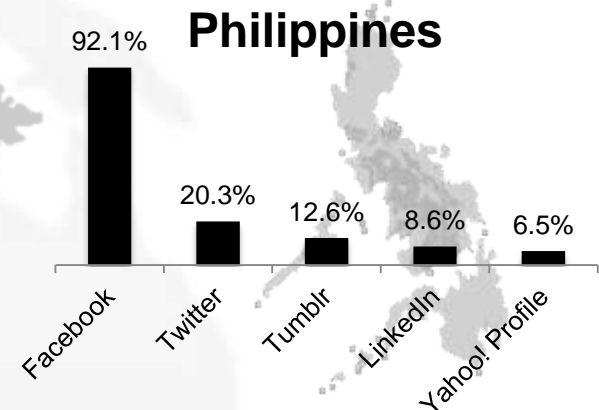
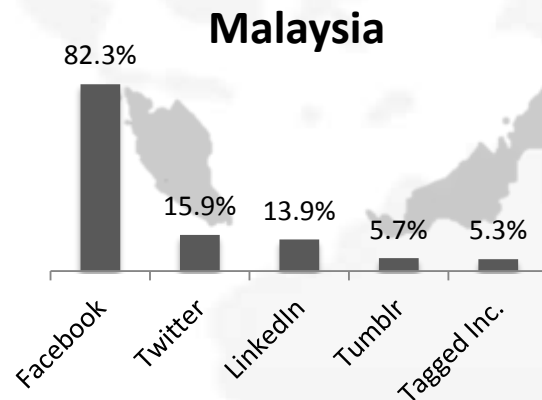
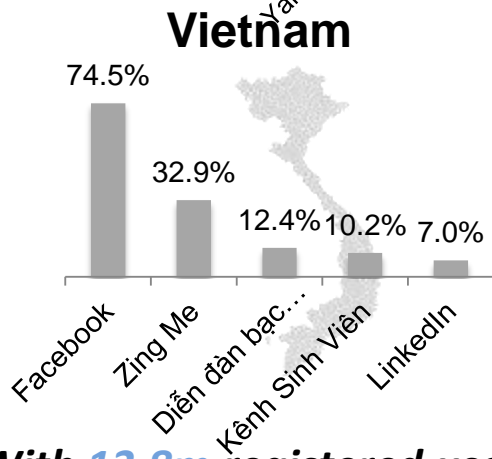
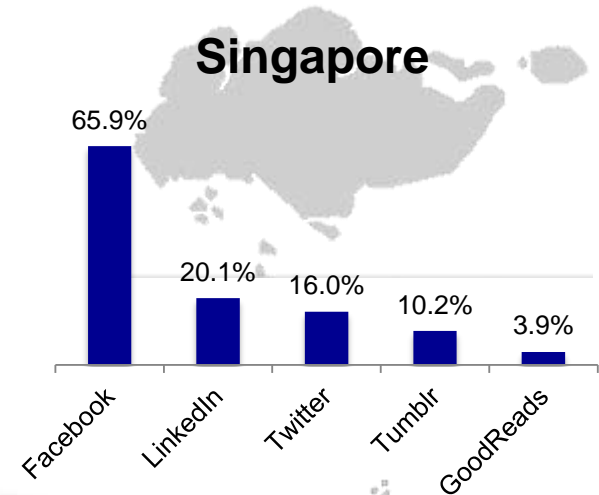
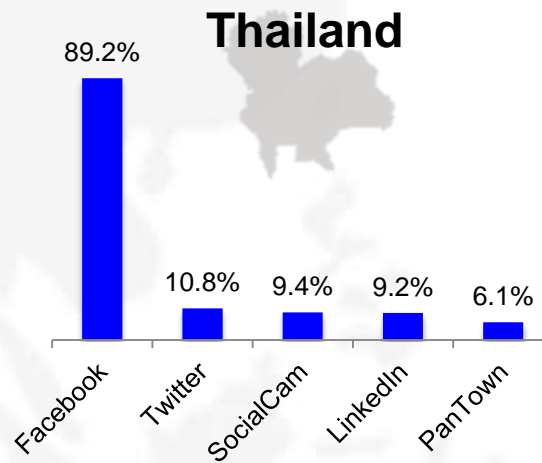
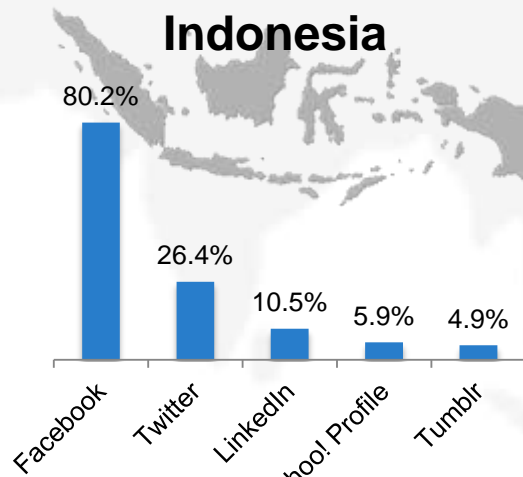
*Content Channels include company websites, social networks, blogs, app stores, video sites and games.

Source: GlobalWebIndex, Research Wave: Brand Engagement Touchpoint – Q4 2013; chart by TigerMine Research

Facebook dominates other social media in Southeast Asia



Reach of top 5 social media by country



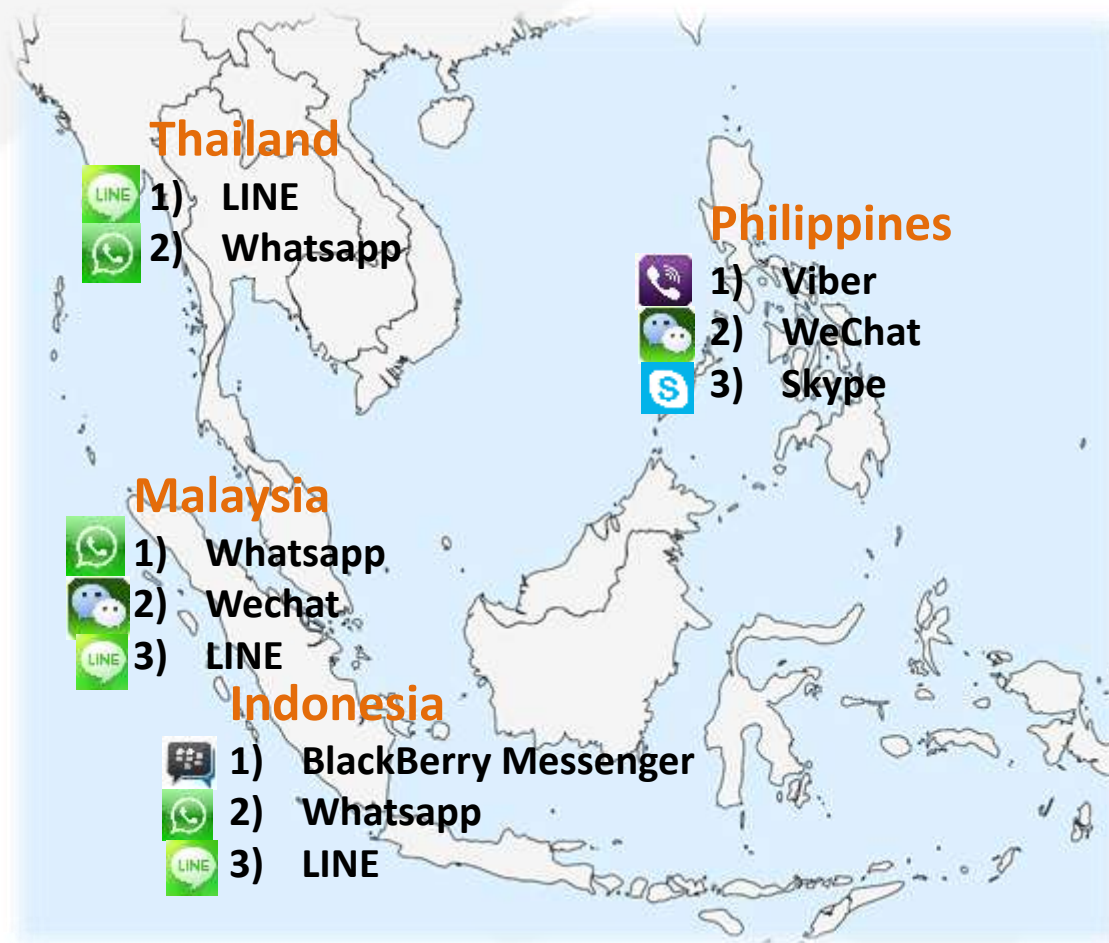
With 13.8m registered users, there are more Facebook users in Bangkok than any other city in the world.

Source: Southeast Asia Digital Future in Focus 2013, Comscore; Accenture

Free messaging apps space is fragmented & competitive



Top messaging apps in Southeast Asia (based on app penetration with average time spent per month)



Source: The top 10 smartphone apps in Southeast Asia based on Nielsen Informat Mobile Insights, February 2014

LINE: 3 in top 10 countries of LINE users are in SEA



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

Pictures



Music



Newsfeed



Games



Stickers



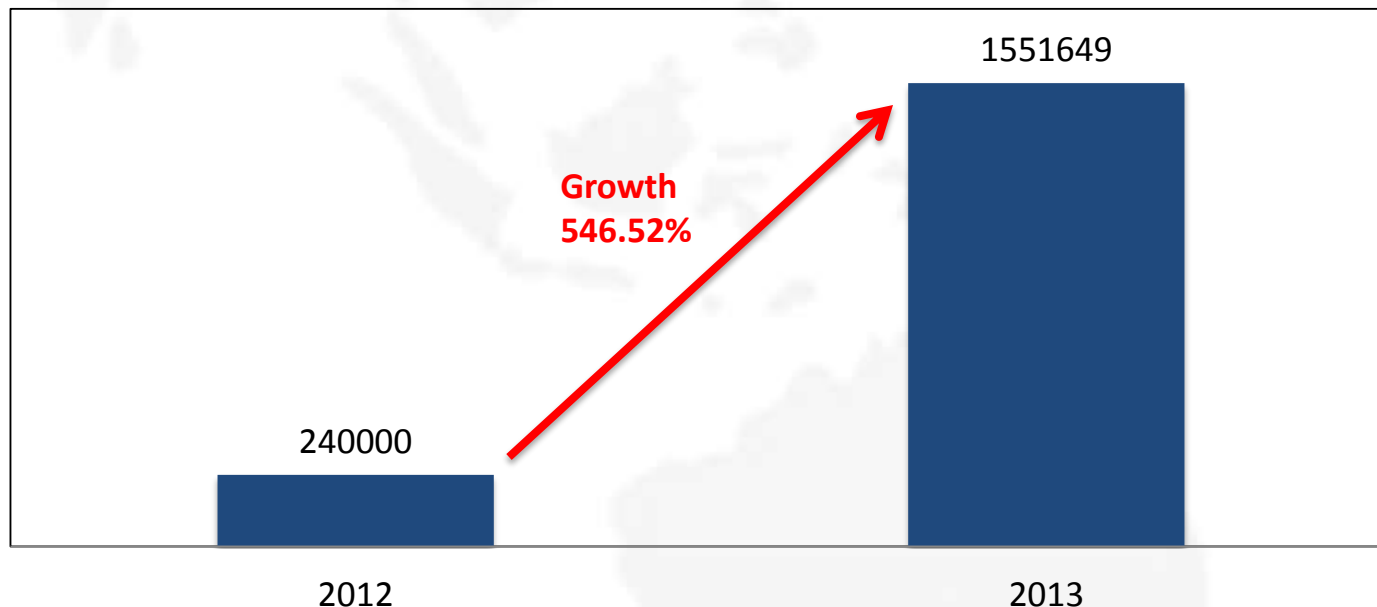
Source: Statista 2013

Instagram: spectacular growth in SEA especially Thailand



Of all the users, normal users make up 89.26% (avg of 261 followers) , “influencers” make up 10.48% (avg of 5,636 followers), and celebrities make up 0.26%(172,013 followers) of the app’s user-base in Thailand respectively

Number of Instagram Users in Thailand



Source: Zocial Inc 2013

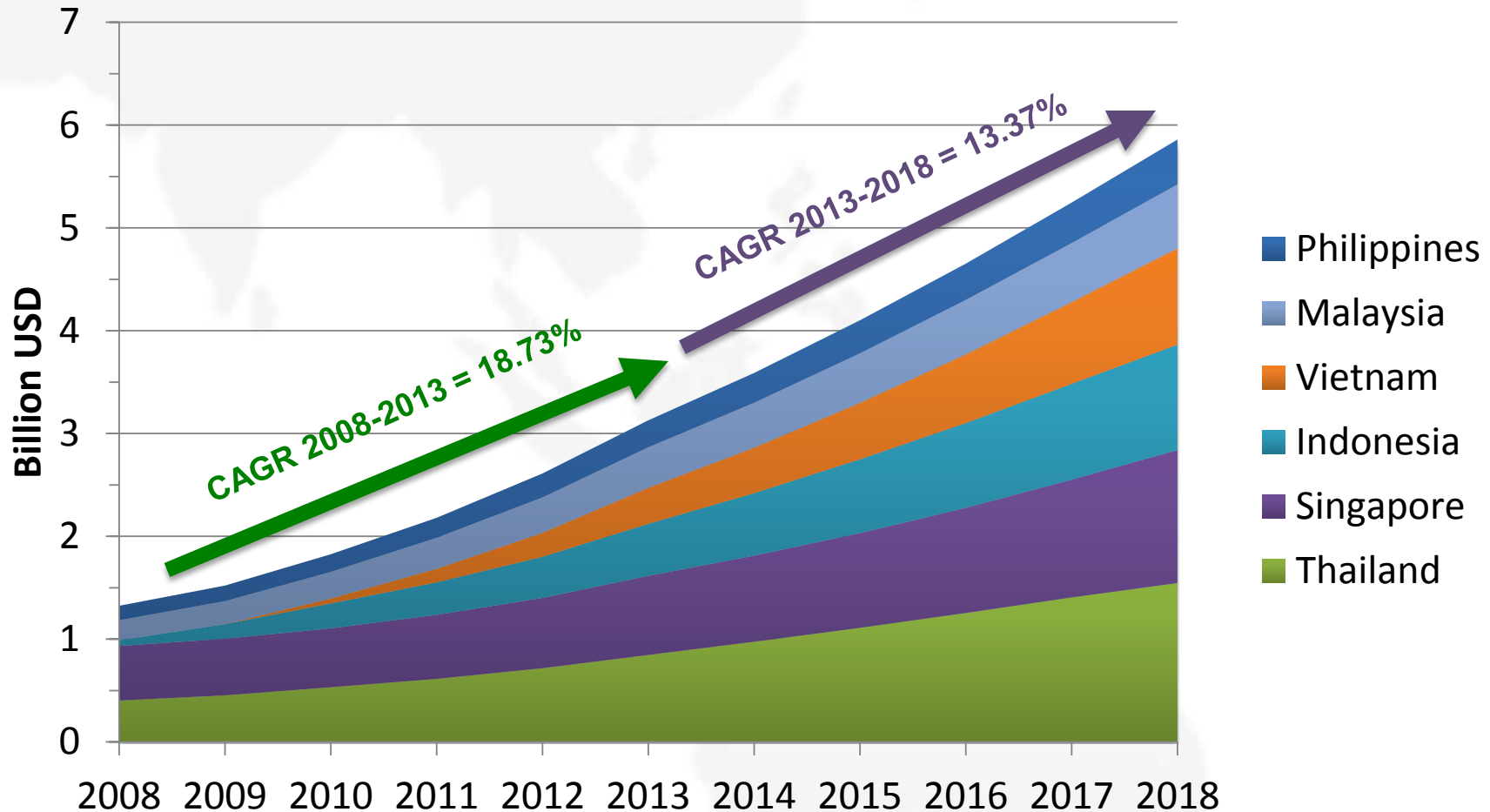
Why Southeast Asia?



E-Commerce sales in SEA projected to reach \$6B by 2018



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

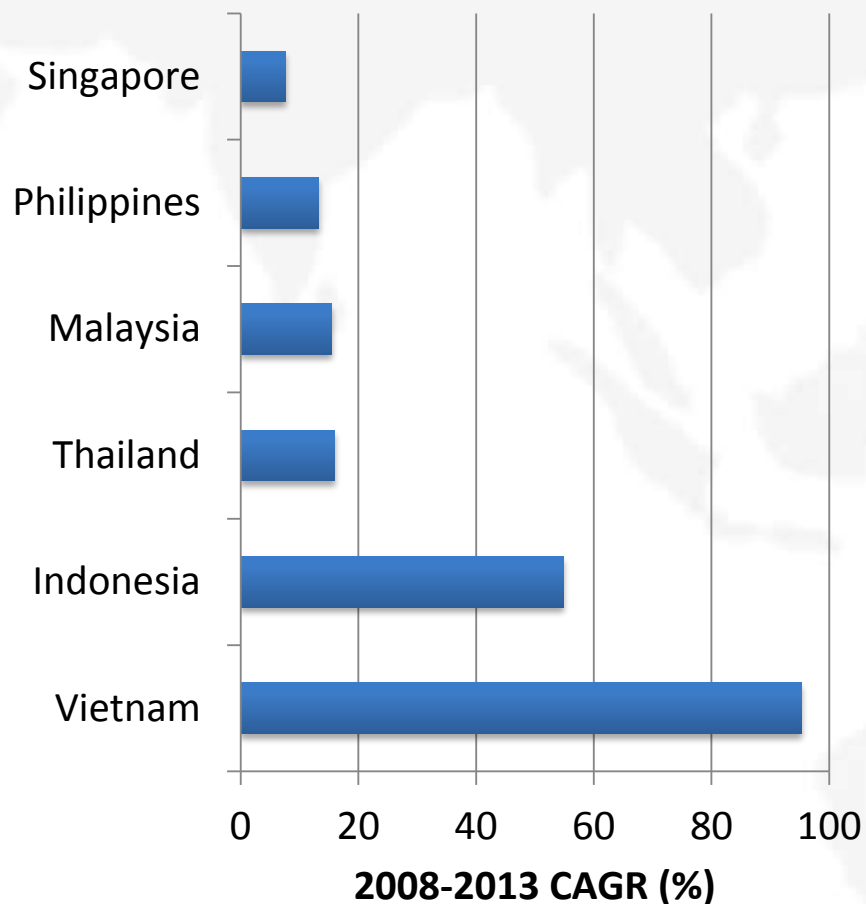


Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources 2014

E-Commerce is seeing spectacular growth in SEA



Online Retail Sales Growth Value (2008-2013) and Forecast (2013-2018) in Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam (% CAGR)



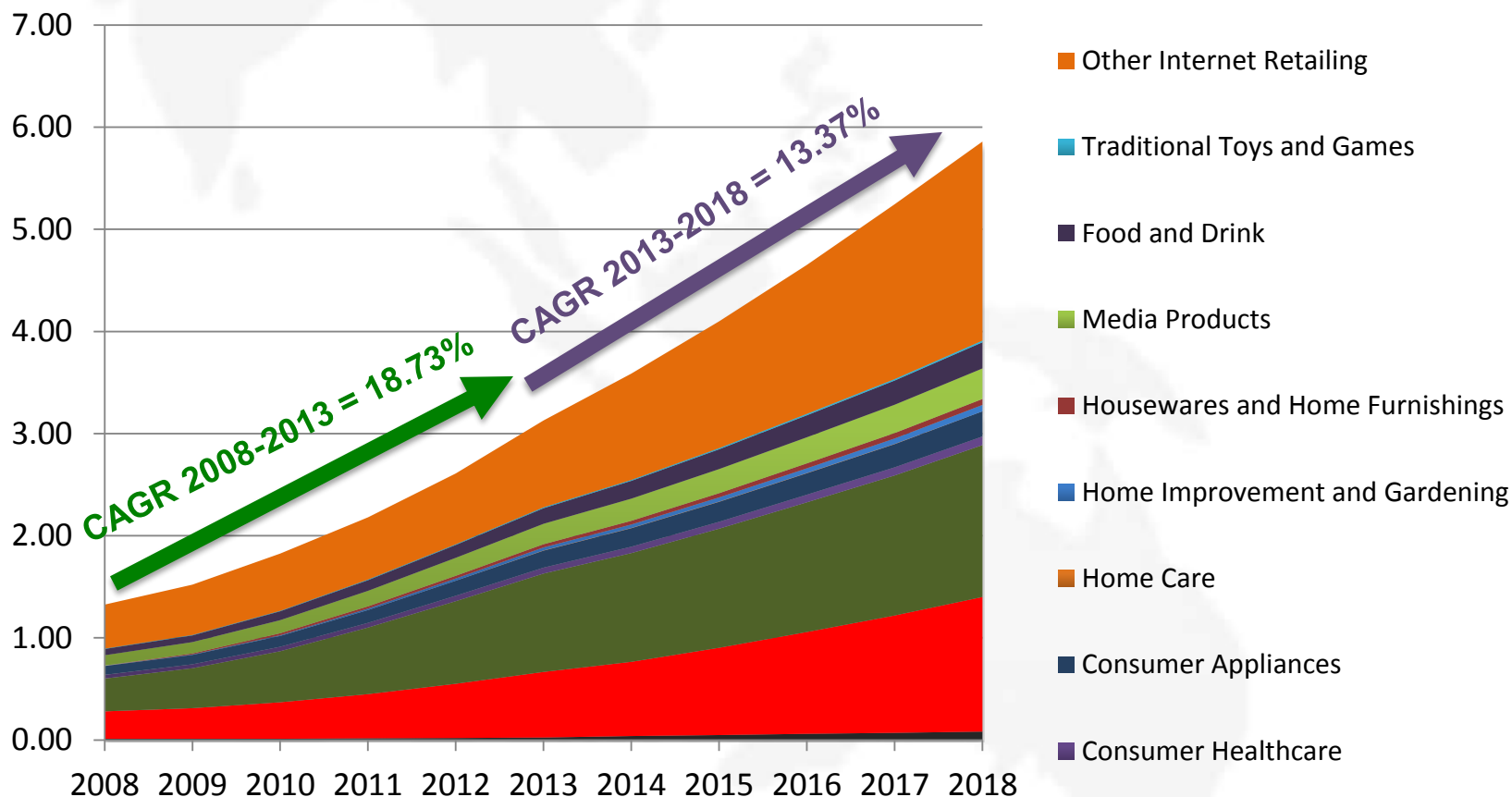
Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources 2014

Online Retail Sales in SEA from 2008-2018 by segments



Consumer Electronics and Houseware and home furnishing have the highest sales volume among all sectors in online retail in SE Asia

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



Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources 2014



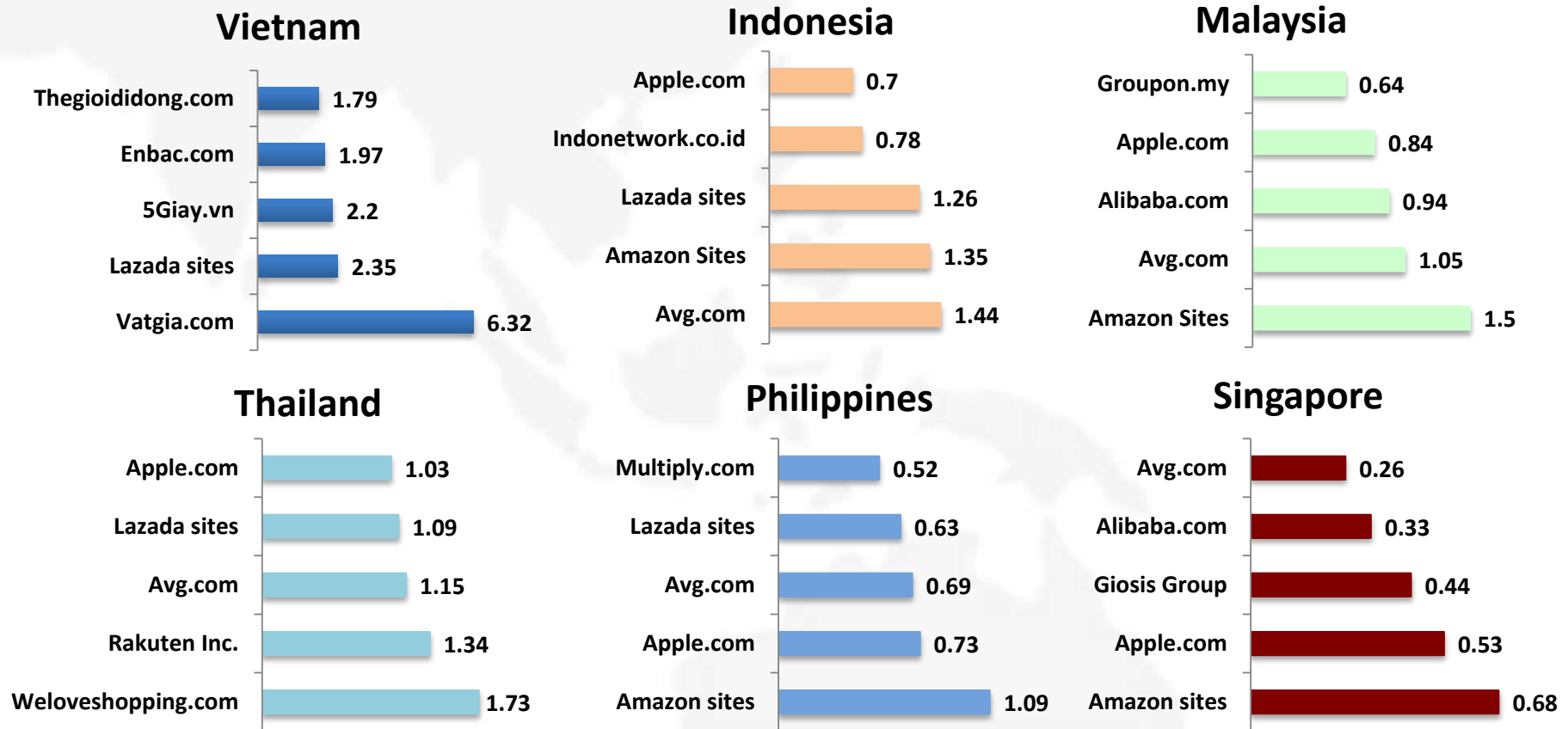
Most e-Commerce segments in SE Asia had double-digit growth rates from 2008-2013, with the top three categories in terms of growth being Home Improvement & Gardening, Housewares & Home Furnishings, and Consumer Electronics and Video Games Hardware growing over 73%, 67%, and 20% respectively on a Compounded annual basis

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources 2014

E-commerce market in SEA is highly fragmented, unlike US



Monthly Unique Visitors (millions) of top 5 online retailers



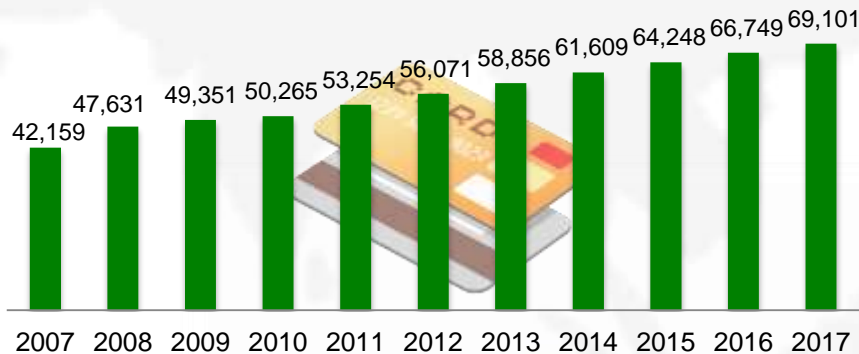
In contrast, in the US, Amazon and eBay are the top two online retailers, with more than **250 million** monthly unique visitors

Source: ComScore Media Metrix (March 2013), Statista (2014)

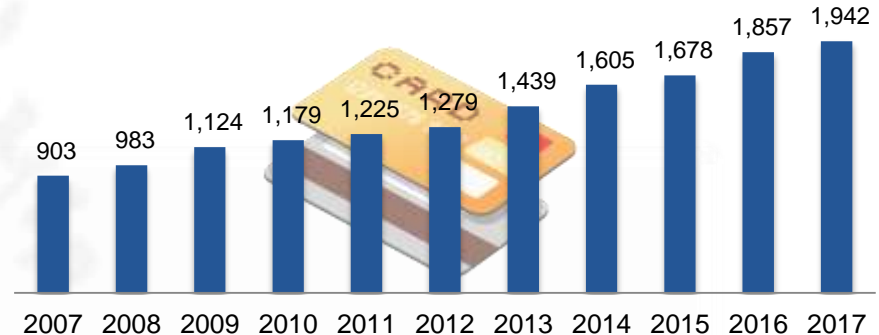
Credit card and transaction volume will also grow



**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**

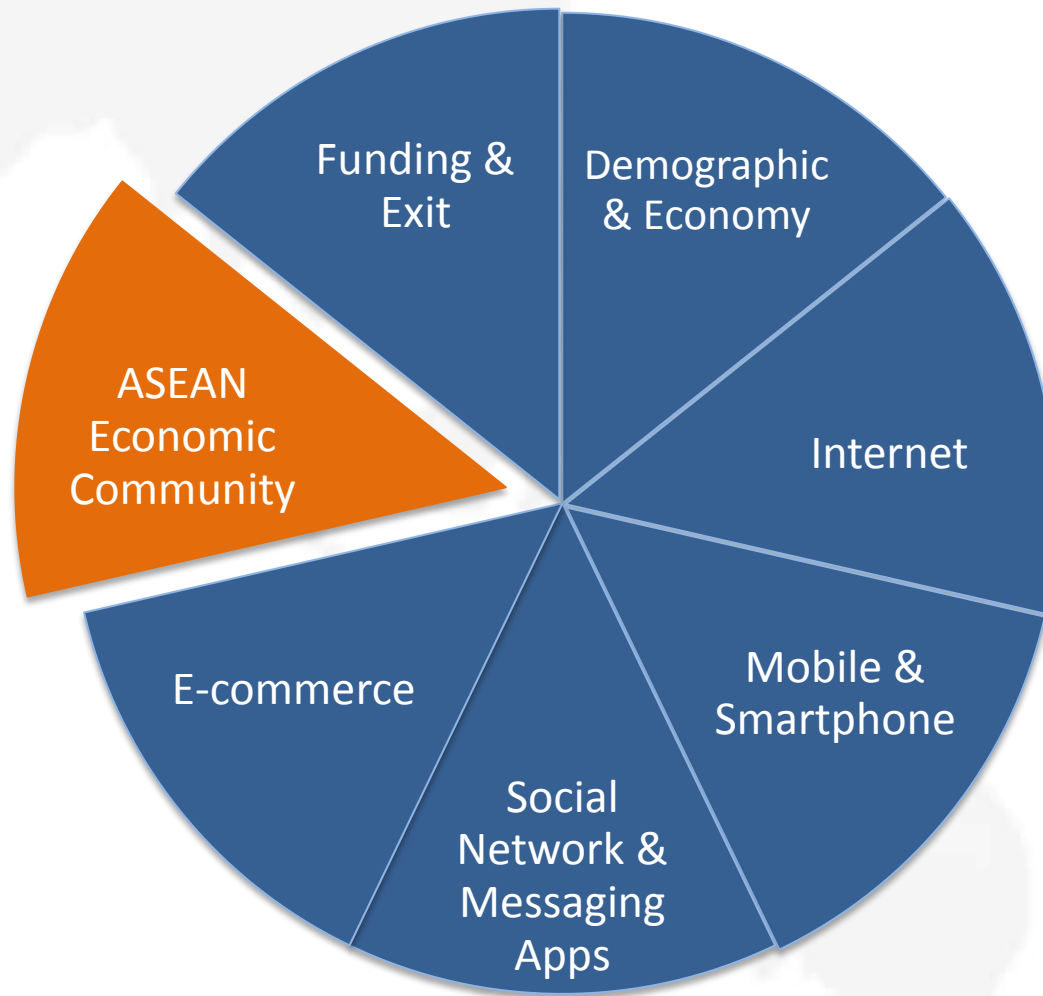
**2017 Southeast Asia
Expected Credit Card
Transaction Value**

**\$187.35
billion**

**234%
Cumulative Growth**

Source: Euromonitor

Why Southeast Asia?



AEC represents a big opportunity for business in SEA



In 2015, Southeast Asia will transform into an integrated market, making it easier for businesses in Southeast Asia to expand.



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.

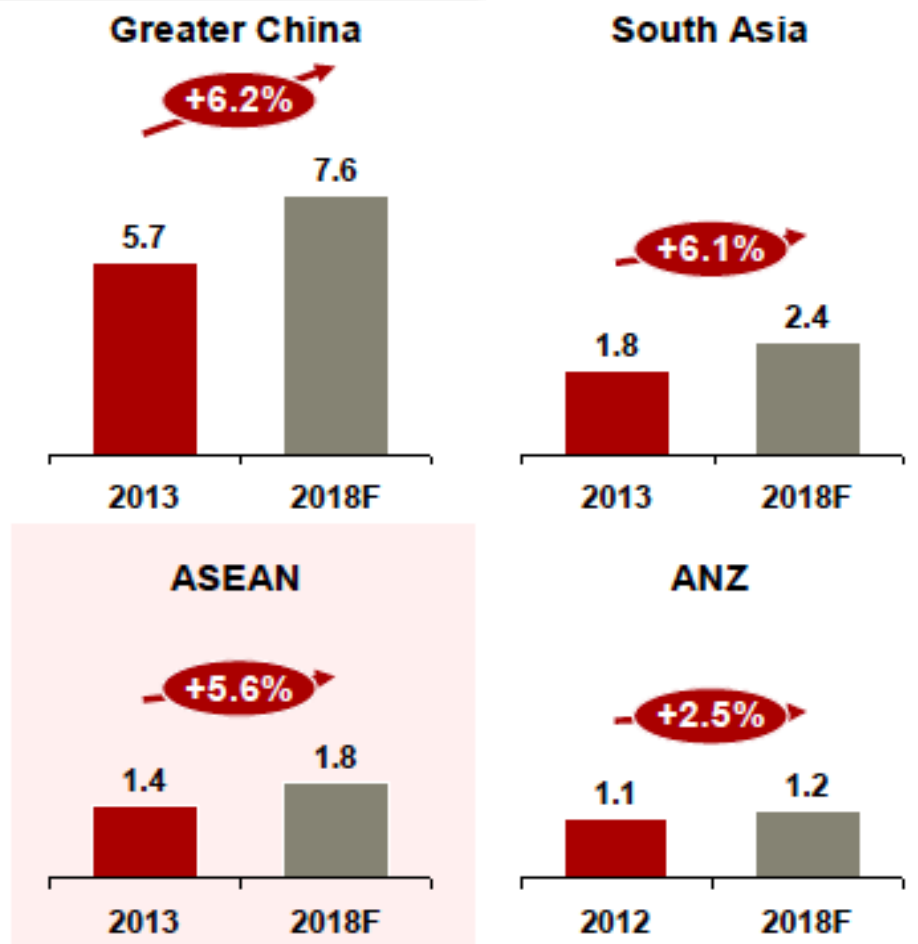
Easier to recruit talent from countries in Southeast Asia

Source: ASEAN

ASEAN as a key growth region in Asia



Within the next 5 years, ASEAN is foreseen to have the high economic growth among all regions in Asia



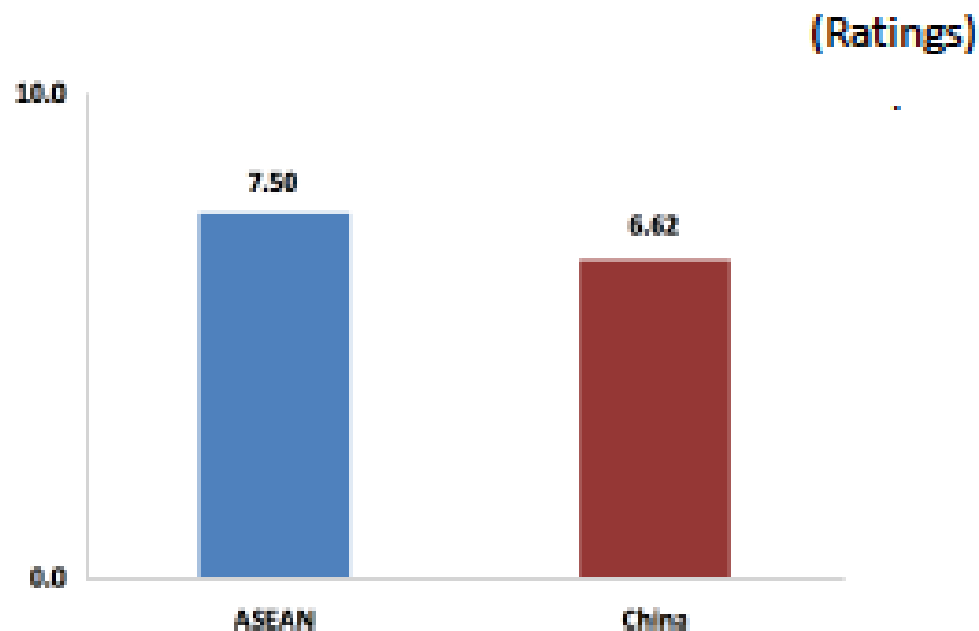
Source: EIU Data, AT Kearney Analysis 2014

Attractiveness of ASEAN vs China

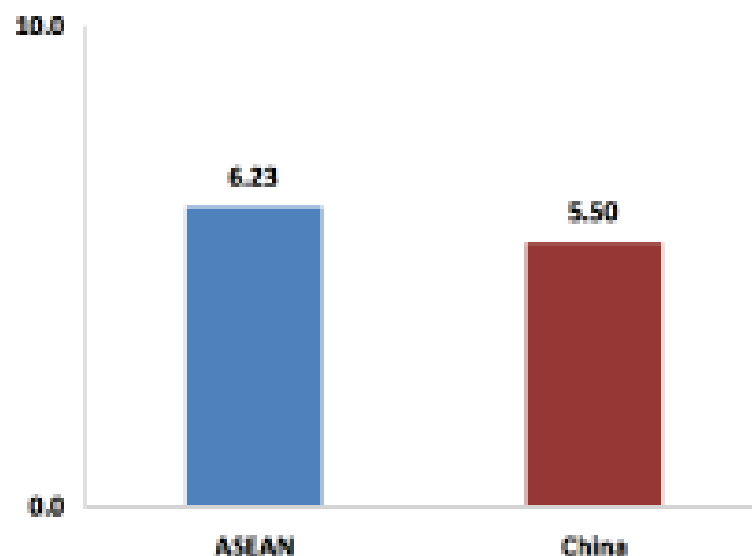


ASEAN is more attractive than China for companies who already have base in SE Asia

a. As a market for goods & services



b. As a production location



Source: Authors' calculations based on survey data

Source: 2013 ASEAN BAC Survey

Consumption & investment are key drivers of growth



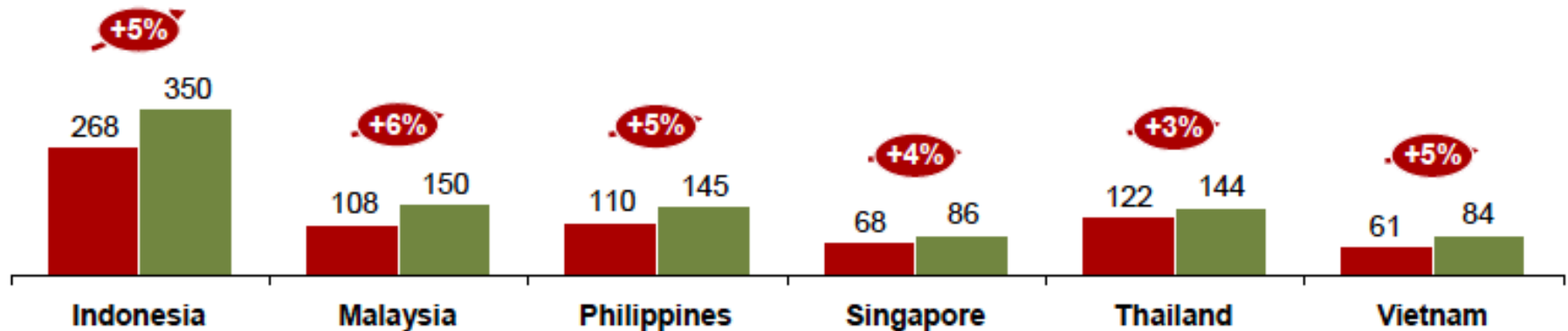
ASEAN's consumption and investment

Private consumption

Real value at 2005 prices

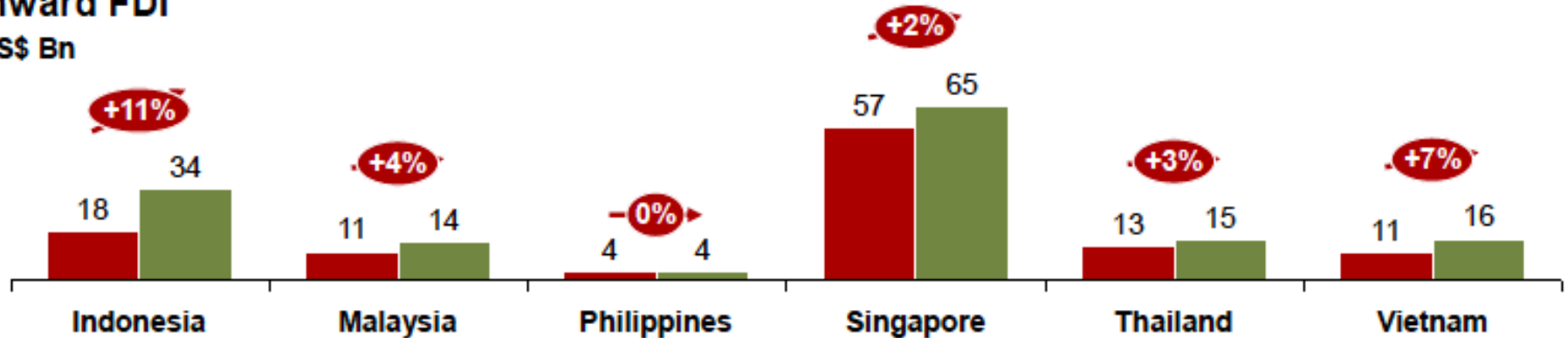
US\$ Bn

■ 2013 ■ 2018F



Inward FDI

US\$ Bn



Source: EIU Data, AT Kearney Analysis 2014

AEC : positive impact on business and supplier network

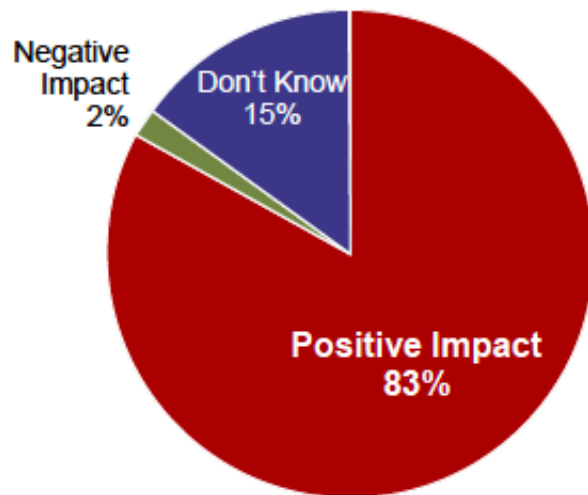


Most executives feel that the AEC will have a positive impact on their business and supplier network will be most impacted

AEC's impact

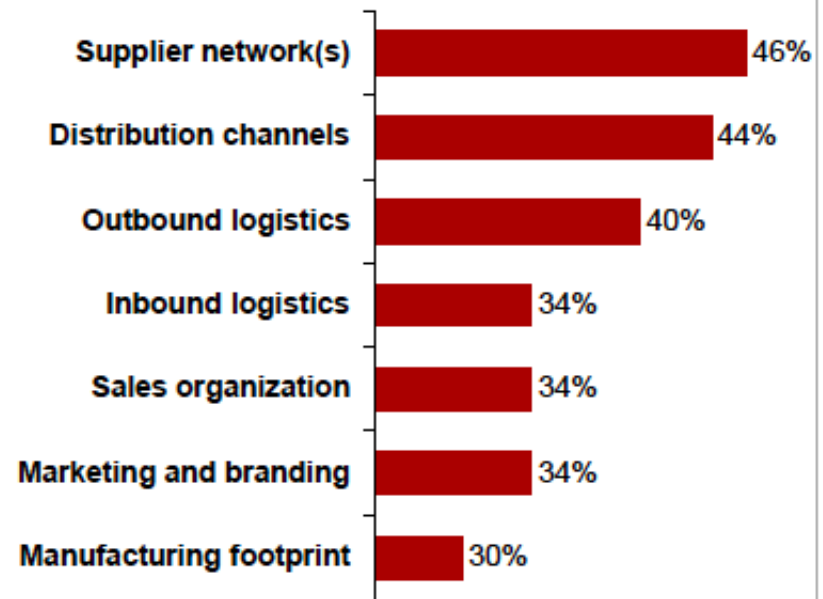
AEC's impact will be mainly positive

% Respondents Rating The Extent of AEC Impact



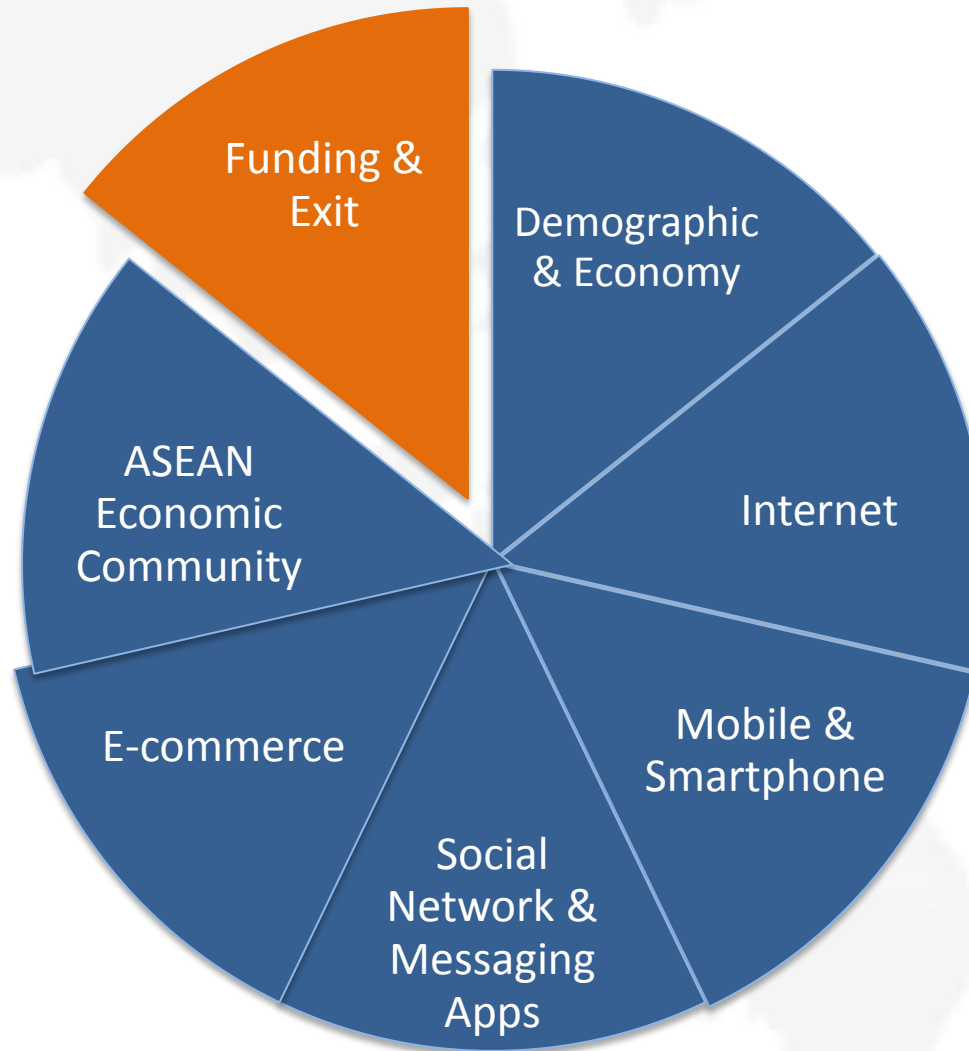
AEC has the highest impact on supplier network(s)

% Respondents Rating Significant / High Impact by Company Area

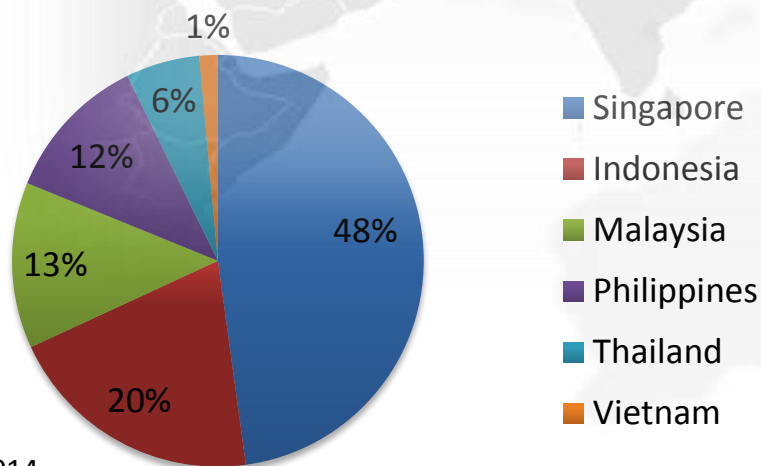
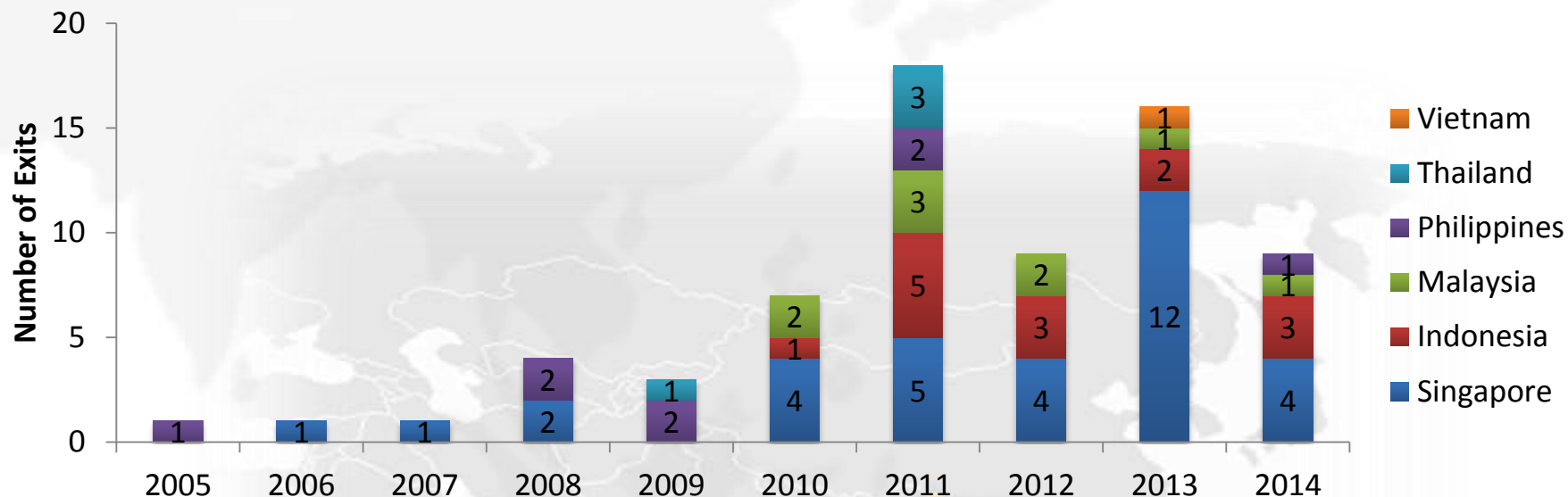


Source: EIU Data, AT Kearney Analysis 2014

Why Southeast Asia?



69 Tech Acquisitions in SEA Since 2005



Singapore and Indonesia make up **68%** of the total tech exits since 2005.

Source: TechInAsia, 2014