



# Southeast Asia **Tech Investment**

2022 H1



# ABOUT CENTO VENTURES



Cento Ventures is a venture capital firm focused on technology startups building products and services emerging from the digital transformation of promising growth markets, particularly Southeast Asia.

We are based in Singapore and backed by a team well experienced in internet business. We operate three funds that invest across industries through a disciplined, well-researched approach to locate technology investment opportunities originating from the Southeast Asian region.

Cento Ventures is convinced that the opportunity exists for Southeast Asian founders to build transformational digital companies, and we look forward to working with more startup teams to create new success stories.

Learn more about us at [cento.vc](https://cento.vc) and our social media pages: [LinkedIn](#), [Facebook](#), or [Twitter](#).



Our investment thesis is guided by these three principles

## Sectors ready for digital transformation:



There is an excellent opportunity for technology to solve some of the inefficiencies present in emerging markets. Most of our investments apply innovative business models to large industry sectors that are set in their ways, using technology as an enabler.

## Tech startups at an early stage, but with proof points:



Our investments are usually at Series A, where we lead the round. We invest once a company can show that a market exists for its product and that it is ready to use extra capital to scale.

## Founders with great ambition:



We look for founders who want to build large digital companies that are leaders in their category. Our preference is for business models that are light on physical assets and where the founders have ambitious plans to scale internationally.

# H1 2022 HIGHLIGHTS

## • Strong start to a tumultuous year

2022 started strong with US\$ 6.6B going into the regional ecosystem, second only to first half of 2018 thanks to Southeast Asia's core venture funding "stack", now able to supply the region with nearly US\$ 5B every half a year.

Yet number of deals done slipped 23% from H2 2021 to early 2021 levels as more companies opted to cut costs or borrow rather than issue new equity in the face of rapidly deteriorating capital markets.

As public markets nose-dived across the world and IPO window(s) closed, pre-IPO mega-deals slowed down across growth markets, Southeast Asia being no exception with just 9 US\$ 100M+ investment events in H1 2022.

Surging instead is the late growth stage, with deal activity in US\$ 50-100M per deal range growing 3X+ year on year as late stage investors retreat from mega deals and shore up the finances of their portfolio companies.



# H1 2022 HIGHLIGHTS

## Surging Series B valuations

2019-2022 fundraising run has expanded assets under the management of most early-stage Southeast Asia VC dramatically, shifting their erstwhile Series A focus towards US\$ 10M+ deals and Series B opportunities. The same set of opportunities in H1 2022 attracted the attention of global late-stage investors looking to move upstream and even further away from quickly souring US\$ 100M+ investments.

As a result, Series B valuations surged 50% in Southeast Asia, Series A valuations slowed their growth considerably, and pre-A valuations remained nearly flat, with a notable exception of Indonesia. GPs sought safety in tech-adjacent deals, adding commodity traders, F&B franchises, and retail chains to their repertoire (please note this report mostly excludes such investments from its tally; see our methodology slides for more).

Deal activity subsided slightly in the US\$ 3-10M deal range and slowed down significantly in the US\$ 0.5-3M range.

## Battle of narratives and search for the next growth story

Tracking increasing saturation and elevated valuations of Indonesian market, where median Series B pre-money valuation in H1 2022 exceeded regional median exit valuation by a factor of 2.1X, the search is under way for the new regional growth story.

H1 2022 saw the Philippines steady rise overtake Vietnam's volatile market yet again, as the narratives of Vietnam's "Next China" and the Philippines' "Next Indonesia" are being tested against each other.



# H1 2022 HIGHLIGHTS

## • **Imbalances and contradictions abound**

As the region entered the transition from years of high capital availability into the 2022 slowdown, its many imbalances and contradictions have been thrown into sharp relief. Venture capital distribution across the region remains broadly disconnected from the economic power of underlying economies, with Malaysia and Thailand (with combined nominal GDP nearly equal that of Indonesia) receiving 20% of Indonesia's venture funding.

Valuations across the region continue to vary wildly, with 6-8X gap between median pre-money valuations in the most and least funded markets across Series A and Series B. In at least two markets, Indonesia and Singapore, median Series B pre-money valuations reached or exceeded regional median exit valuations, with Vietnam well on the way to reach this point.

## • **Exit proceeds hit a high note**

Between H2 2021 crop of IPOs and H1 2022 robust trade sales and secondaries, Southeast Asia has just seen US\$ 5B of liquidity distributed to investors over 12 months, the strongest on record.

Encouragingly, the top quartile median exit valuation has continued its steady rise from under US\$ 100M in 2018 to nearly US\$ 0.5B in H1 2022, setting a new benchmark for the value of a well-built regional digital platform.

## • **Digital financial services remain key to the Southeast Asia market**

Responsible for 75% of overall liquidity in H1 2022, digital financial services have also absorbed nearly 50% of all investment into the region in the same period, up from just 8% in early 2019.

The sector's vitality reflects rapid upgrades to regional payment infrastructure and regulations, a variety of bank charters available to tech companies, and the shift of focus by existing digital platforms as they leave the "super-app" thesis behind in favour of financial services origination and distribution.

# Investment Landscape Overview

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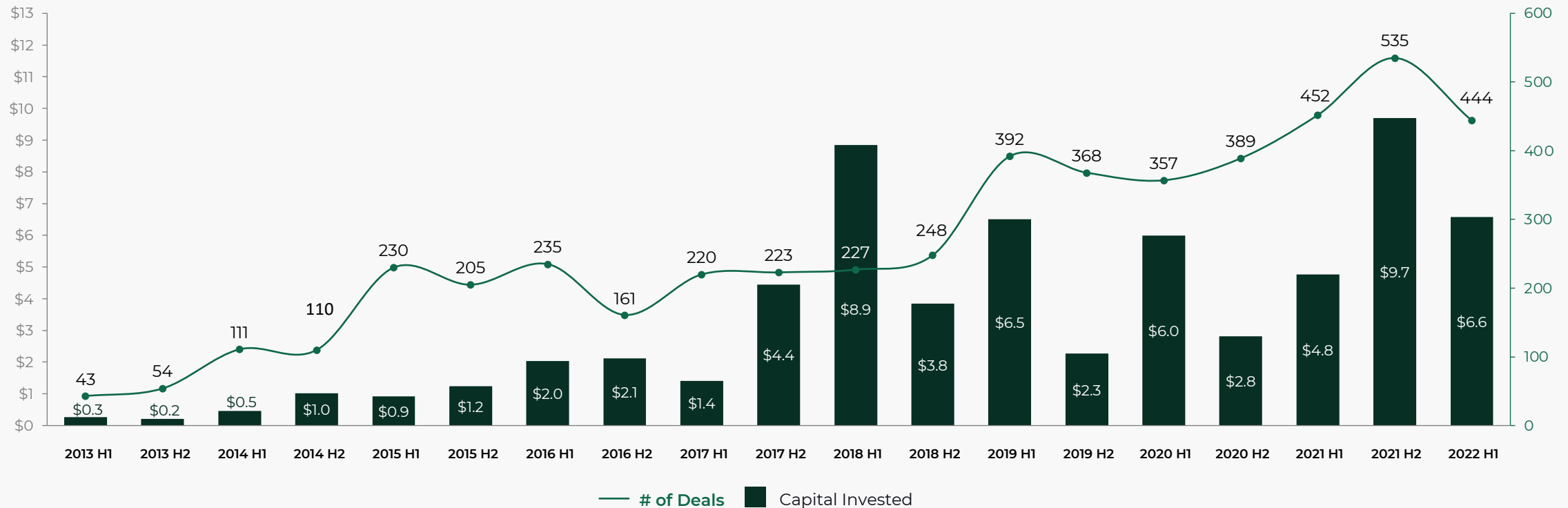
The numbers on pages 7-12 incorporate all events customarily reported as technology investments into Southeast Asia, including non-fiat investments, project financing, corporate subsidiary investments, and such. The further analysis only includes financing and liquidity events we consider venture investments into digital companies according to our methodology laid out at the end of the report. The total value of investment events falling outside our framework amounted to \$1.2B in 2022 H1

# SOUTHEAST ASIA ATTRACTED \$ 6.6B IN H1 2022 SECOND STRONGEST YEAR START EVER



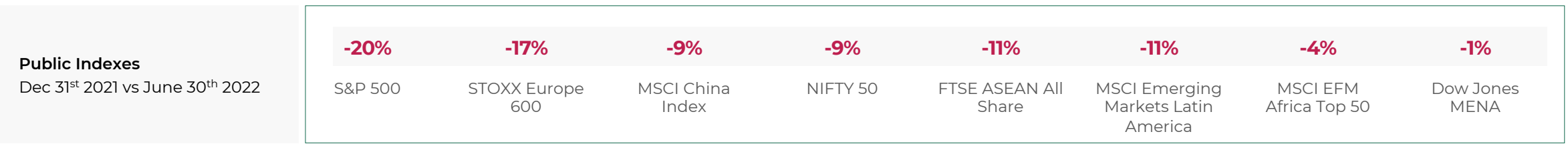
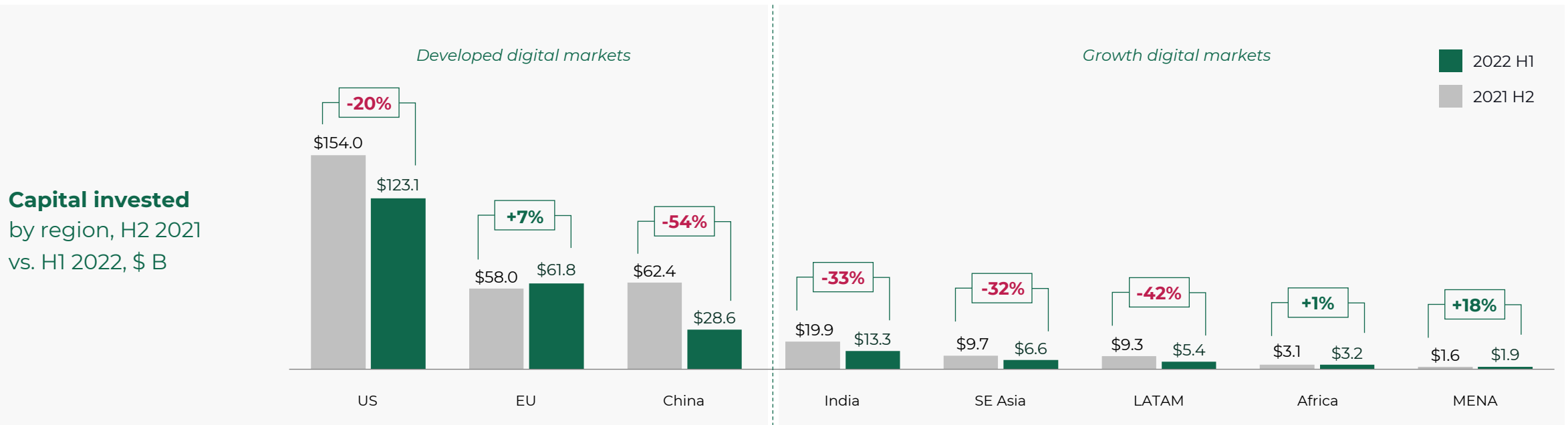
- Momentum from the H2 2021 high carries the region into mid-2022.
- The global slowdown in venture investment is set to arrive in Southeast Asia with a half-year delay, with the initial signal already visible through a 17% drop in # deals done vs H2 2021.

SE Asia capital invested by half-year period, \$ B and deals done, #



# SOUTHEAST ASIA VC INVESTMENT DECLINED FROM H2 2021 IN LINE WITH OTHER GROWTH MARKETS

- Global private market activity drop-off follows declines in public markets, reflecting tighter economic policies deployed across major economies.
- The newest digital growth markets of Africa and MENA maintained momentum through H1 2022.



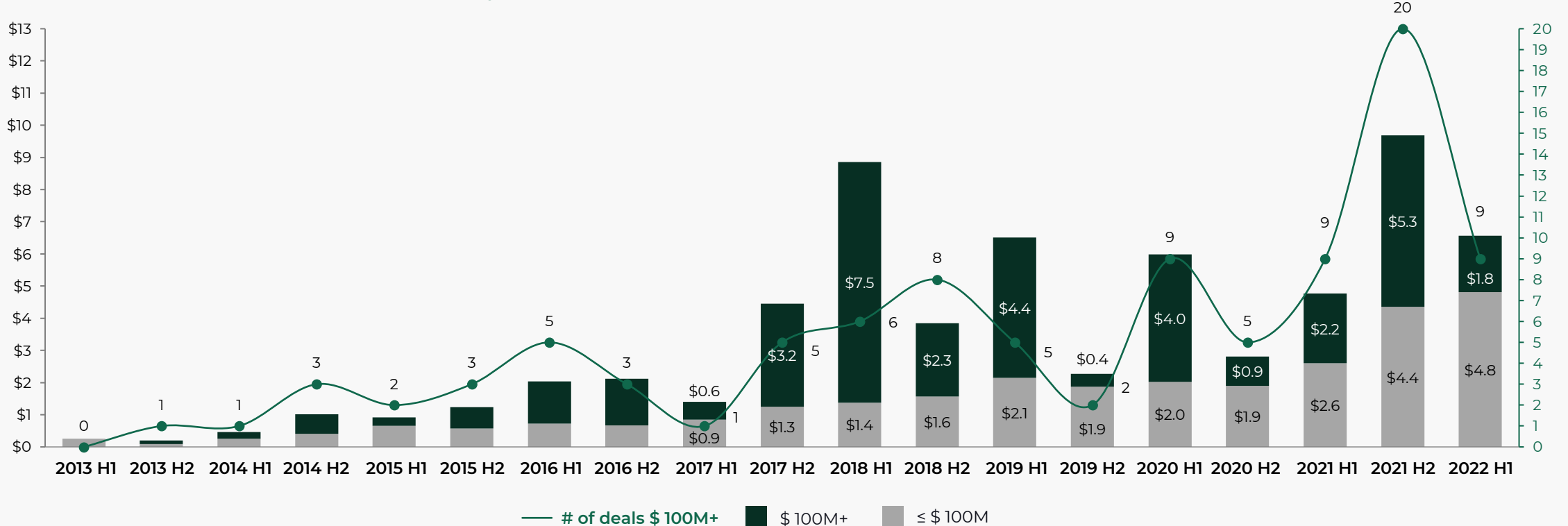
Source: US (NVCA, CB insights, Pitchbook), EU (Dealroom), China (Pitchbook Greater China Venture Report H1 2022), India (IVCA, EY), SE Asia (Cento Research), LATAM (LVCA), Africa (Africa, The Big Deal Database), MENA (GPCA)



# MEGA DEALS DECLINED OVER 60% vs 2021 H2

- Key drivers of mega deals of 2020-2021 (Grab, GoTo) went public end of 2021, and this report no longer tracks their capital intake.
- Top 5 mega deals of H1 2022 were funding rounds of Xendit, Carsome, Dana, Paymaya, and Voyager Innovations, which were mostly initiated in 2021.
- New \$100m+ deals are mainly driven by global investors and are the first to disappear as global markets slow down.

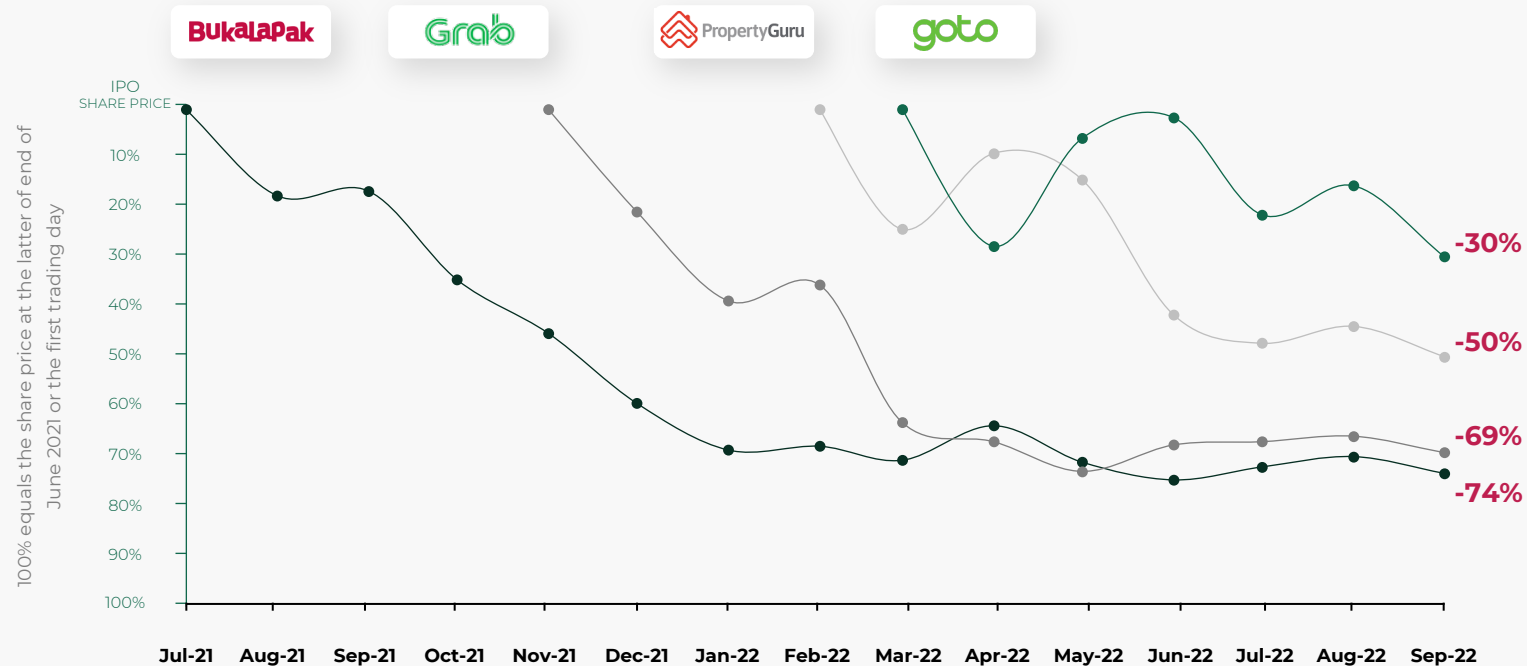
SE Asia capital invested, \$100M+ deal analysis, \$B, and \$100M+ deals done, #



# MEGA DEALS SLOW AS IPO WINDOW CLOSES

- IPO as the primary rationale for mega deals is no longer in place as listings are delayed.

Publicly listed SE Asia technology leaders' share price performance, end of Q3 2022, %



Other \$1B+ SE Asia companies<sup>1</sup> reported preparing for IPO during 2021 – H1 2022



Source: Cento research

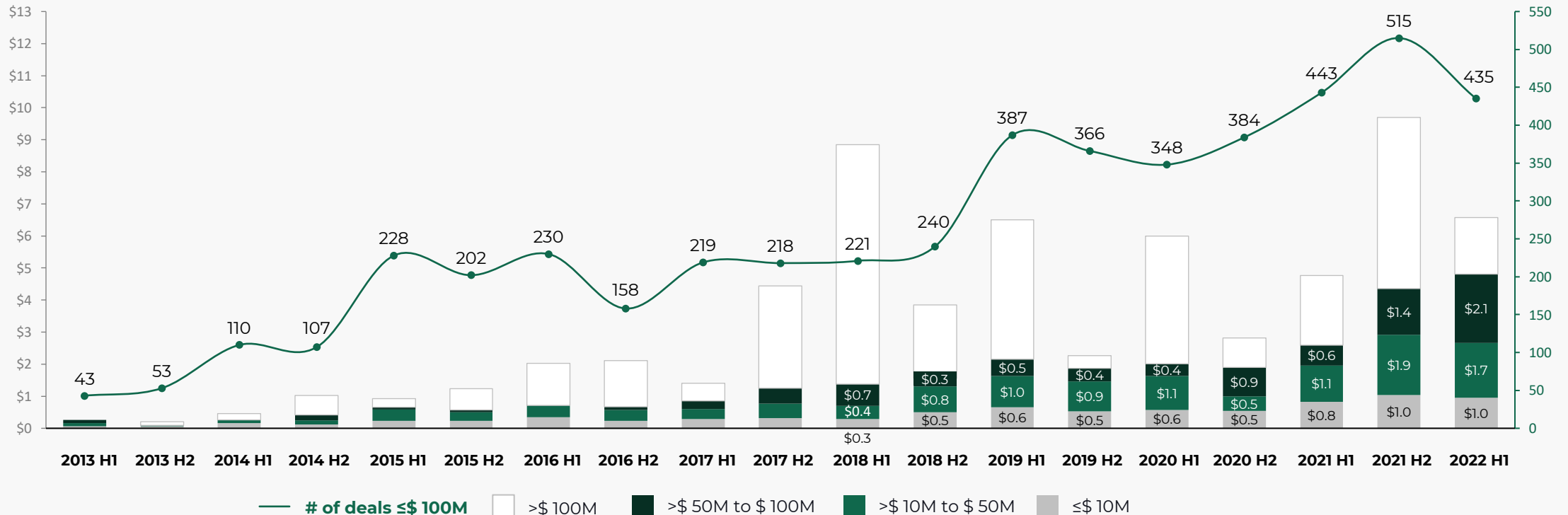
Note 1: This report focuses on independent digital technology companies; thus, the list may exclude \$1B+ companies that are logistic fleets, retail chains, and property operators.

# STRONGEST HALF YEAR PERIOD EVER FOR SOUTHEAST ASIA'S CORE VENTURE FUNDING "STACK"



- \$ 50M to \$ 100M category of deals leads the growth as late-stage investors retreat from the mega-deal category.
- 10 years of capital formation built a venture funding "stack" reliably supplying capital to Series A-C (up to \$50M) even during global slowdown; a development often obscured by mega-deal reporting

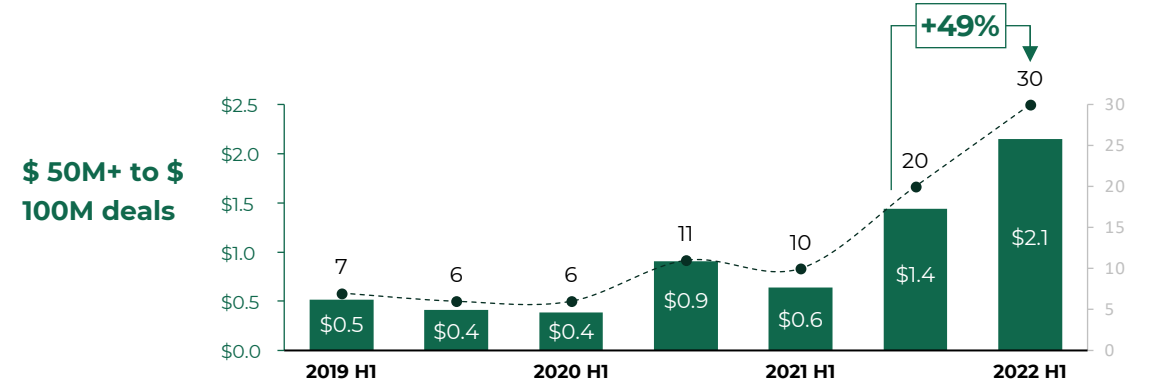
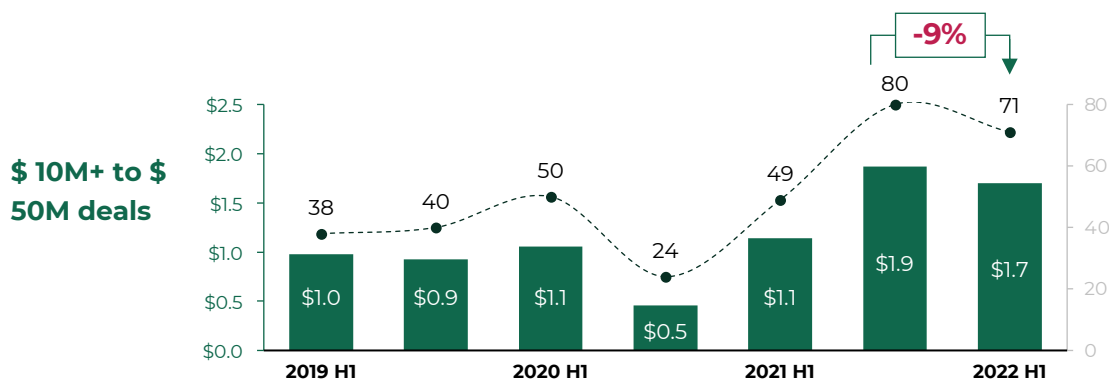
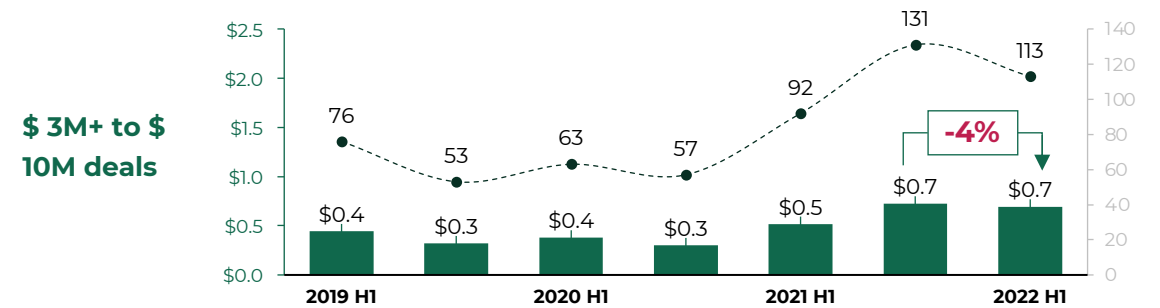
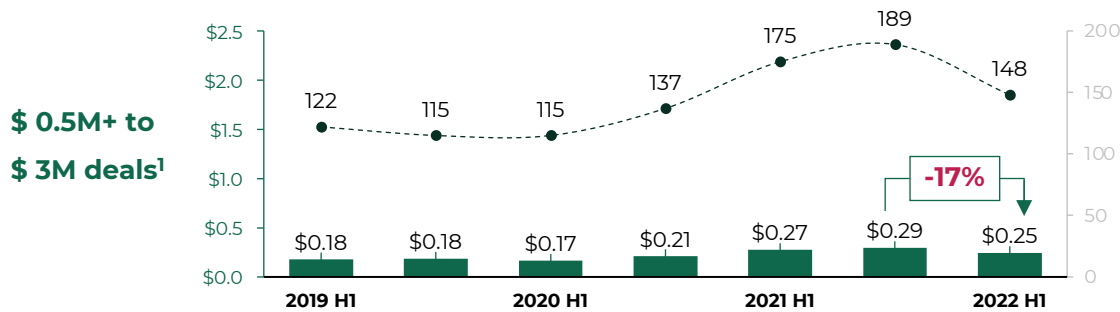
SE Asia capital invested, ≤\$ 100M deal analysis, \$ B and ≤\$ 100M total deals done, #



# WITHIN REGIONAL VENTURE STACK A DRIFT TOWARDS LATER STAGE



- Availability of pre-A and Series A capital (\$ 0.5M - \$ 10M) steady but limited as erstwhile Series A investors pursue higher AUM strategies.
- Growth in Series B+ capital availability follows both the expansion of region's fund sizes and the global late-stage investors' shift towards earlier-stage growth market strategies.



Source: Cento research

Note 1: Cento data for deals under \$ 1M is not exhaustive

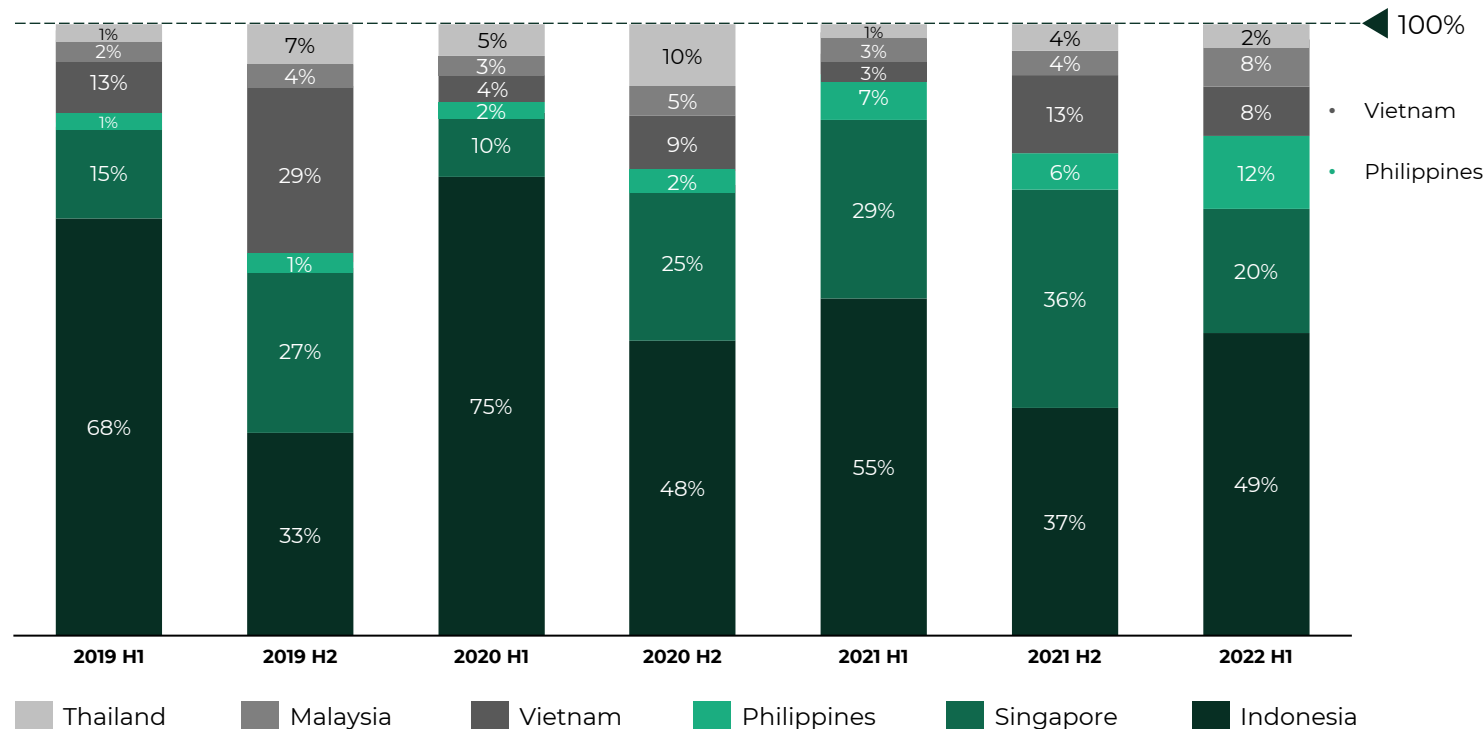
---- # of deals

■ Capital Invested, \$ B

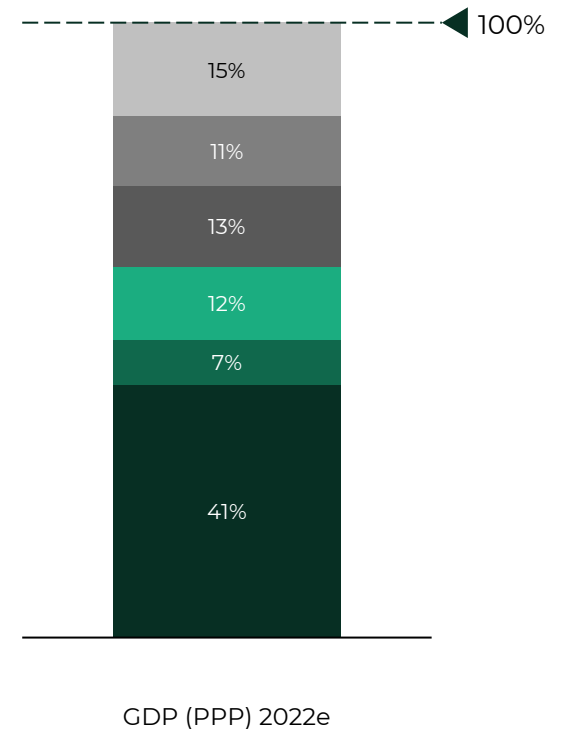
# COMPETITION FOR “NEW GROWTH STORY” HEATS UP BETWEEN VIETNAM AND THE PHILIPPINES

- The Philippines market overtakes Vietnam as the #3 VC investment destination yet again as the two markets compete to be the next VC growth story.
- VC investment distribution across the region remains disconnected from the size of underlying economies.

**New VC Investment by country, %**



**GDP (PPP) by country, %**



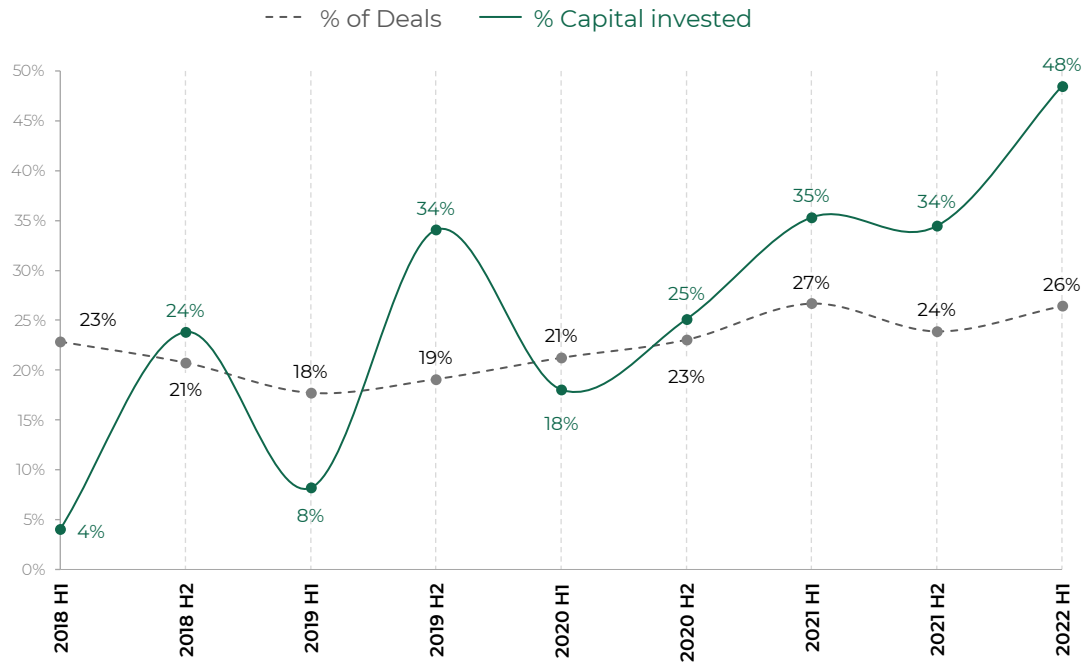
Source: Cento research, 2022 GDP (PPP) is based on IMF estimation.

# DIGITAL FINANCIAL SERVICES CAPTURE ~50% OF VC FUNDING IN SOUTHEAST ASIA

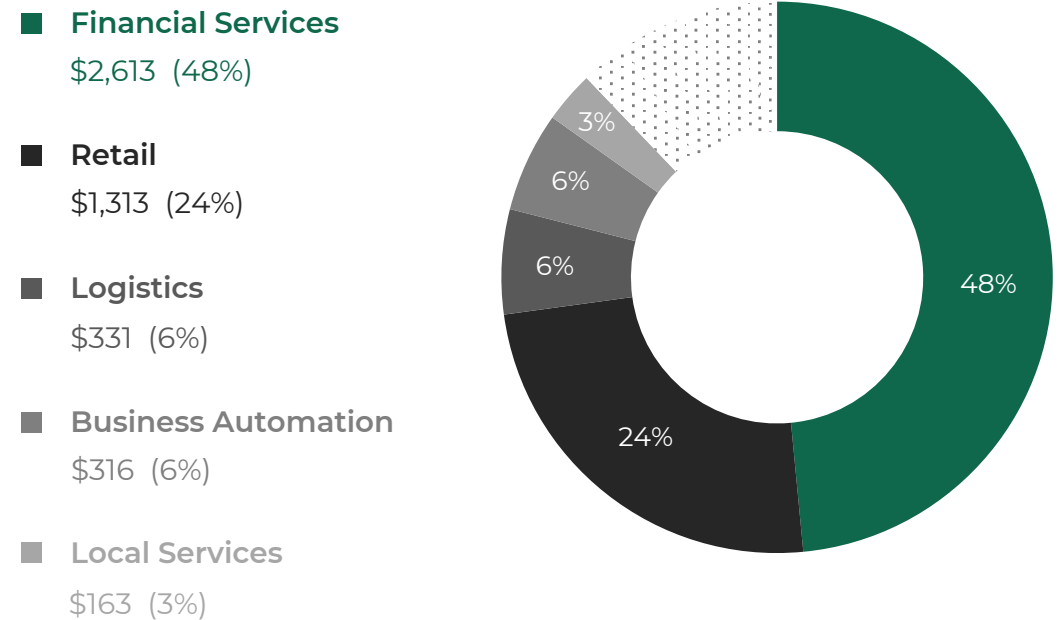


- The surge of investment into digital financial services tracks rapid upgrades to regional payment infrastructure and regulations, various bank charters available to tech companies, and existing digital platforms looking to embed financial services.

Financial Services as % of VC capital invested and # of deals



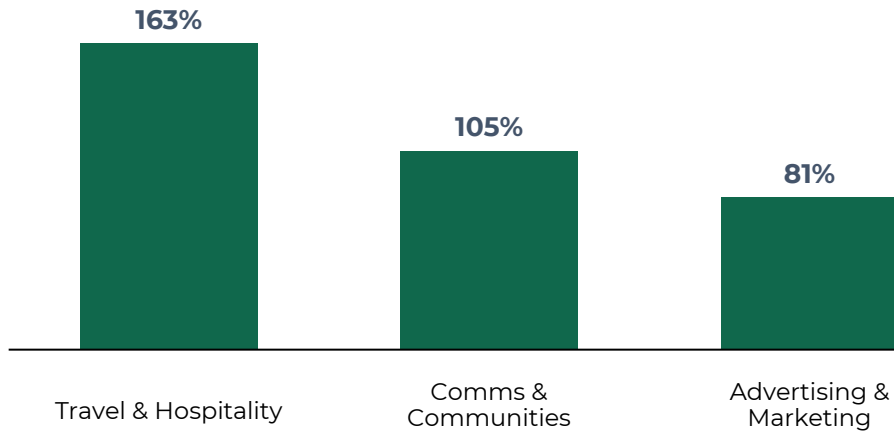
Capital invested by sectors, top five, 2022 H1, \$ M and %



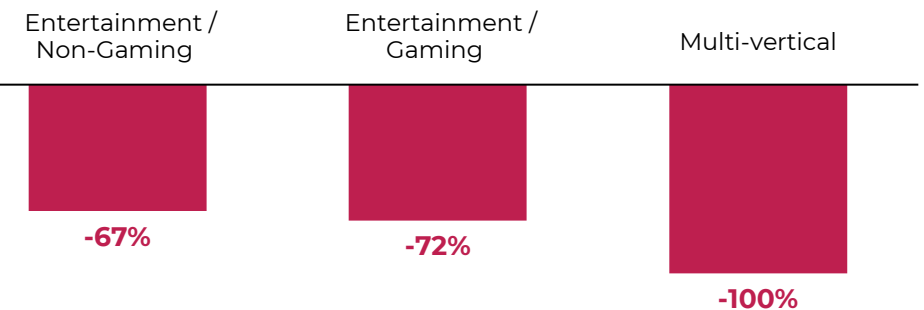
# INVESTMENTS INTO SUPER-APPS AT AN ABRUPT HALT

- Southeast Asia's multi-vertical digital platforms, usually referred to as super-apps and sometimes “wallets”, have absorbed almost \$17B of venture investment since 2015
- The narrative powering the super-app thesis appears to have run its course as companies in the sector have gone public, undergone trade sales, or shifted their focus to payment collection or financial services distribution
- Other sectors losing steam include gaming, previously driven by crypto-based game development and currently set back by several high-profile company implosions.

Capital invested growth 2022 H1 vs. 2021 H2, top gainers, %



Capital invested growth 2022 H1 vs. 2021 H2, top losers, %

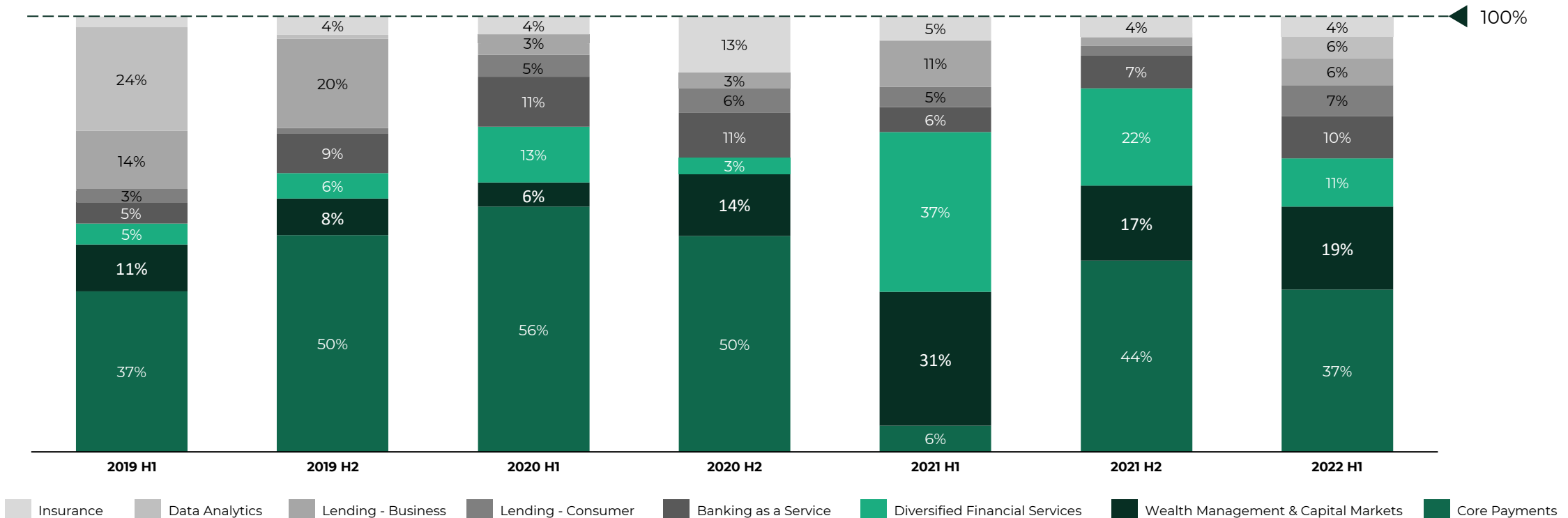


# PAYMENTS VALUE CHAIN REMAINS THE KEY BATTLEGROUND



- Digital financial services investments continue to be driven by ongoing seismic changes in Southeast Asia's payment landscape.
- The distribution reach of consumer-facing payment acceptance services continues to be leveraged by diversified financial services providers, especially the region's nascent digital banks.

## Capital Invested by Financial Services Sub-sector, %

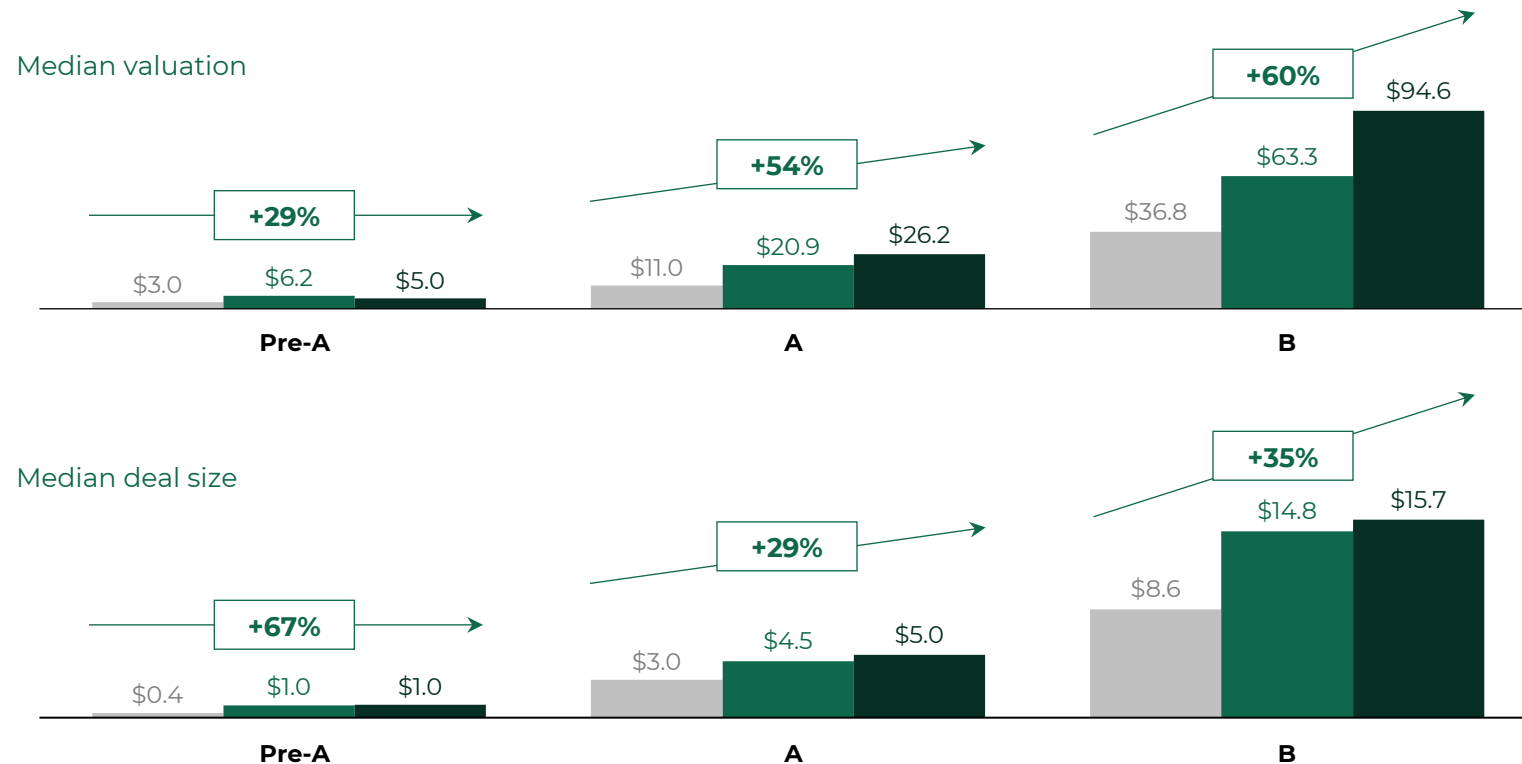




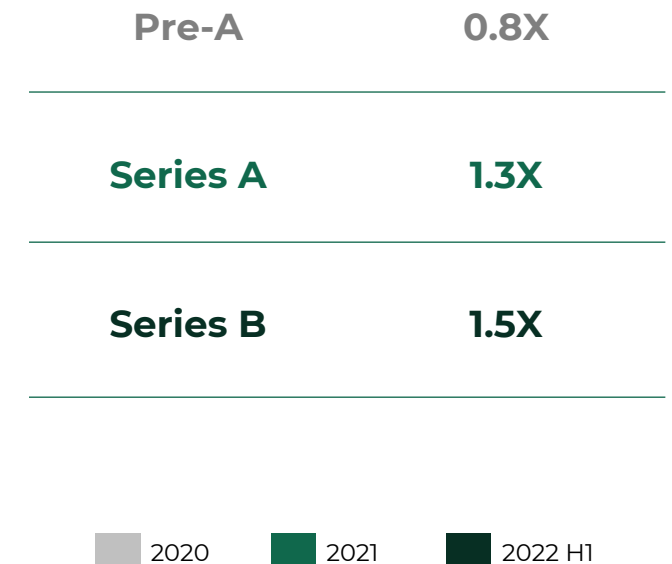
# VALUATION GROWTH SLOWS DOWN IN SERIES A, CONTINUES IN SERIES B

- Southeast Asia valuations and deal sizes continue to grow while investment volume is decreasing
- Series B pre-money valuation has shown the most significant growth at 50% vs. 2021, with most above-median valuation deals in the category prominently featuring Tiger Global.

## Median pre-money valuation and deal size by stage, \$ M, and CAGR, %



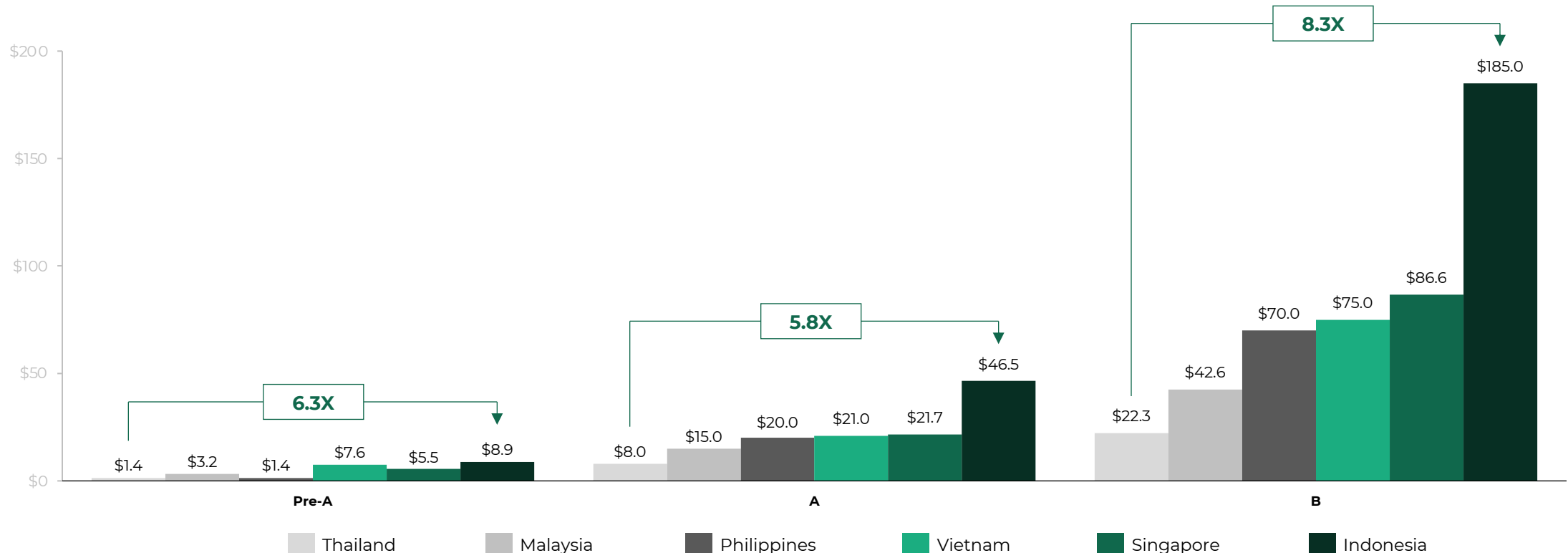
## 2022 H1 Median Valuation vs 2021



# SE ASIA SEES 6-8X VALUATION GAP BETWEEN MARKETS

- Pre-A capital availability remains low in Thailand, Malaysia and the Philippines
- Series A and B capital remain heavily concentrated in Indonesia
- The Median pre-money valuation of Series B start-ups in Indonesia reached 2.1X of the regional median exit valuation

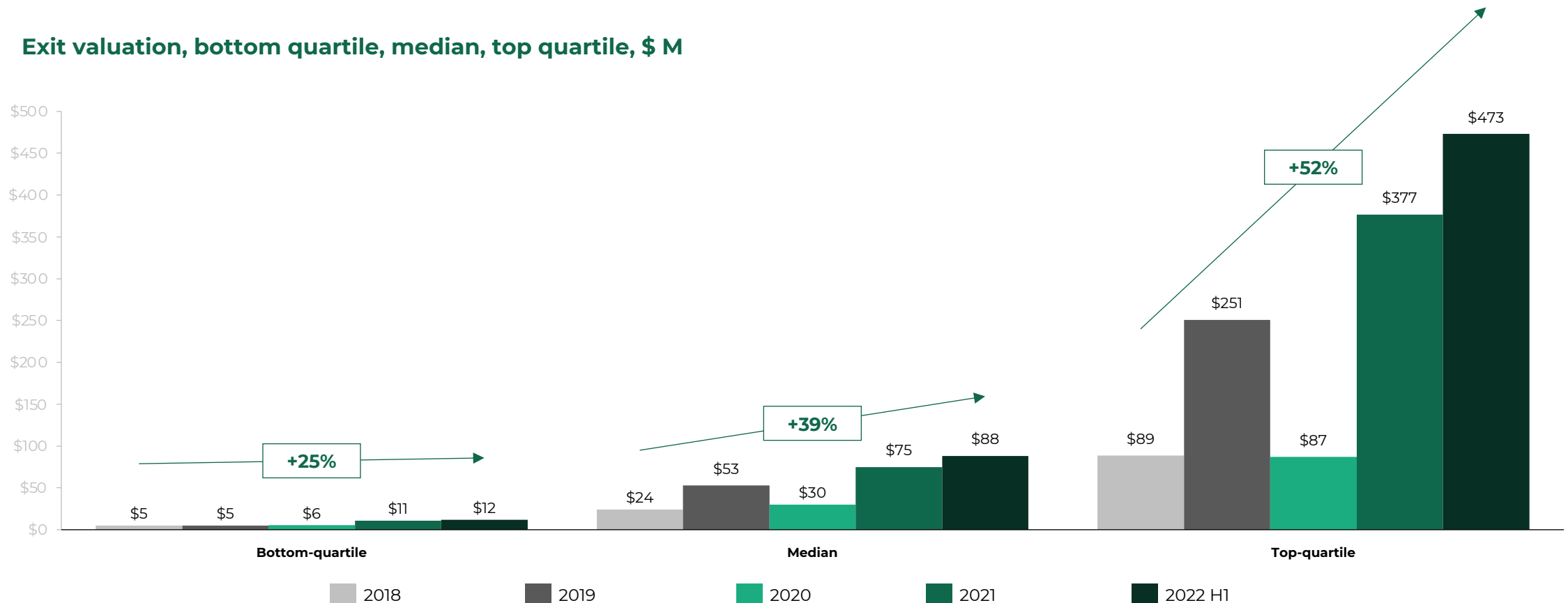
Median pre-money valuation by stage and country 2022 H1, \$ M



# EXIT VALUATIONS GREW ACROSS ALL QUARTILES

- Top quartile exit valuation has nearly reached half a billion \$
- While the new median is approaching \$100M

Exit valuation, bottom quartile, median, top quartile, \$ M

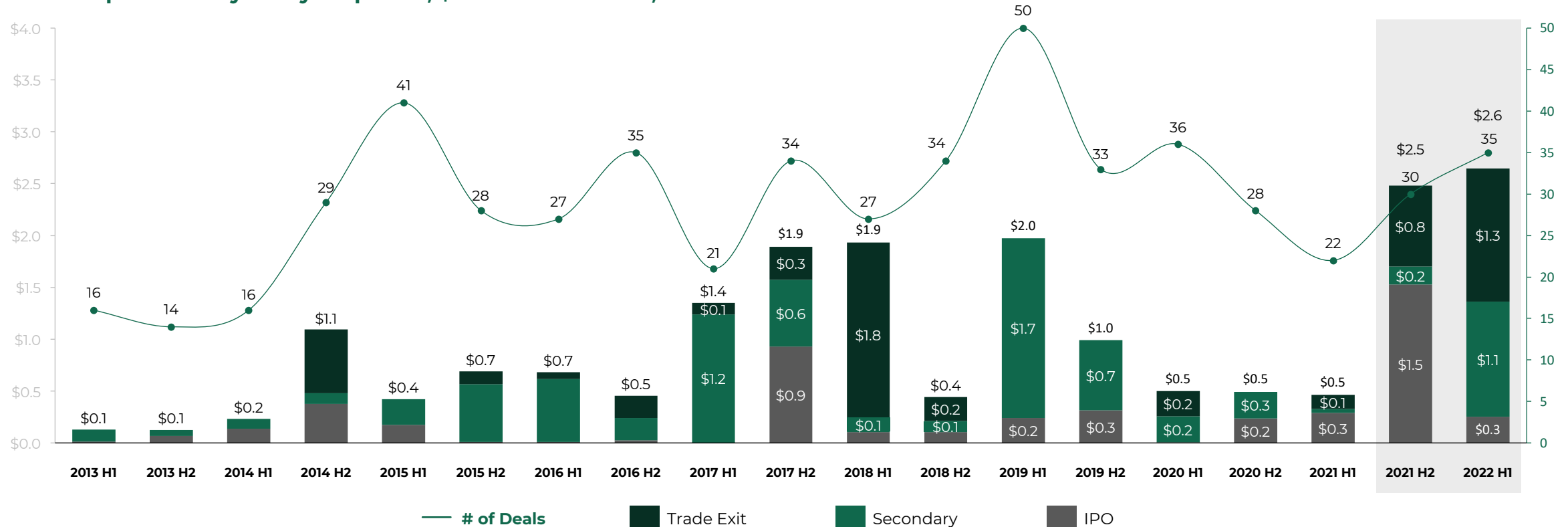


# H2'21 - H1'22 SAW ~\$ 5B IN EXIT PROCEEDS, THE STRONGEST 12 MONTHS OF LIQUIDITY ON RECORD



- Despite the IPO window closing in late 2021 and only one IPO of note occurring in H1 2022 (PropertyGuru's NYSE listing), H1'22 has seen \$2.6B of liquidity, the strongest 6 months on record.
- Secondary transactions at record volume as companies with significant war chests raised in 2021 started market consolidation.

Exit proceeds by half-year period, \$ B and deals done, #

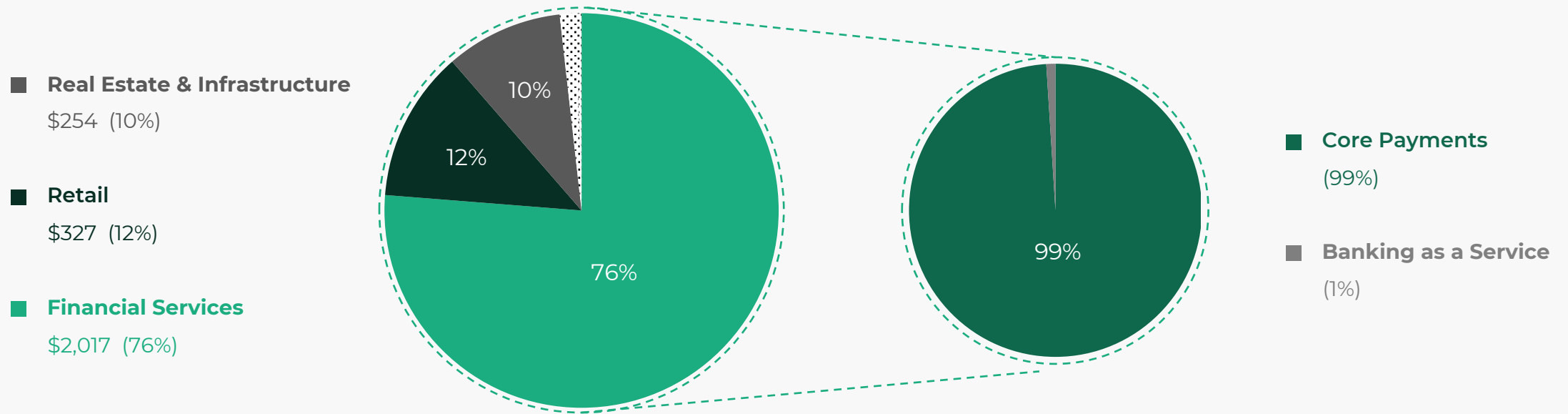


# SECTOR DRIVING EXIT PROCEEDS

## FINANCIAL SERVICES - PRIMARILY PAYMENTS DIGITAL

- 75% of liquidity came from major realignments in the payments sector
- Local (Lazada, MDAQ, Nium) and global (Ant Financial, Binance's proxies) strategics and PE players expended ~\$ 2B to acquire stakes in regional leaders like 2C2P and Coda Payments and several countries and vertical-specific payment companies like Coins.ph, Dana, Wave Money, Wallex, Curlec, and soCash.

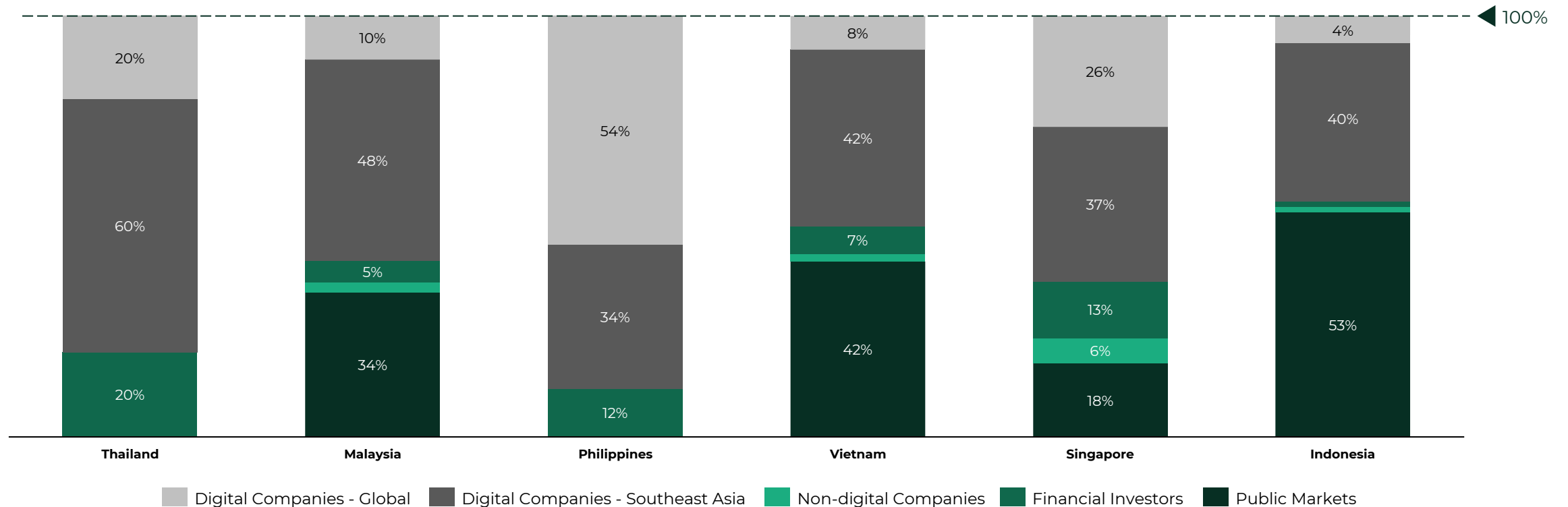
Exit proceeds by sector, top three, 2022 H1, \$ M and %



# PUBLIC MARKETS AND DIGITAL STRATEGICS: KEY SOURCES OF EXIT LIQUIDITY

- Sources of exit liquidity vary by market, with digital strategics using M&A to consolidate and expand a constant across the region.
- Public market liquidity is present in markets with well-understood global narratives (Indonesia, Vietnam), developed capital markets (Malaysia), or both (Singapore)
- Thailand, despite advanced domestic capital market infrastructure, missed the IPO window of 2018-2021

**Exit Proceeds by exit channel and market, 2018 – 2022 H1, %**



# METHODOLOGY

## • Key premises

Numbers and conclusions in this study rely upon a company's reported last round valuation. At best this is a partial reflection of a company's true value. To all in our audience who appreciate the importance of financing terms over headline valuations, and who recognise that a more complete understanding of any underlying business is helpful, we apologise. To atone for this oversimplification, we'd like to take this opportunity to give a commendation to the great work being done by a few in academia who probe deeply into the contradictory nature of how tech valuations are reported, and produce splendid research that will one day help us as an industry upgrade our reporting systems and, perhaps, change how tech company narratives are formed. In this report, our recognition goes to Will Gornall and Ilya A. Strebulaev (professors at the Sauder School of Business at the University of British Columbia and the Stanford Graduate School of Business, respectively) for their comprehensive work on "Squaring Venture Capital Valuations with Reality", available here: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2955455](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2955455) and with media coverage <http://nymag.com/intelligencer/2018/11/fake-unicorns-are-running-over-the-venture-capital-industry.html>

## • Geographies covered

This iteration of our report does not make an attempt at covering some of the newer digital ecosystems within ASEAN beyond the customary six countries, or the developments in countries starting to gravitate towards SE Asia venture scene such as Pakistan, Bangladesh, Sri Lanka, Hong Kong, and Taiwan.

## • Data sources and completeness

Our data is compiled from a number of sources, although we primarily rely on public press announcements and community disclosures from the companies and their investors. Our team researches the validity of claims to an extent possible and supplements incomplete information with insights from our own industry sources and, on occasion, somewhat educated guesswork.

In this report, we analysed and verified over 5,500 financing and liquidity events. Inevitably, a few large deals would avoid detection on occasion of exceptionally secretive nature of the transaction or due to the methodology we apply. It is also our impression that our pre-Series A deals data in the region is far from exhaustive due to a sheer volume of deals in \$ 10 - 250K range happening in the market – while total dollar value of inflow and outflows is unlikely to be impacted heavily, do take our "number of deal" assessments for pre-Series A with a large handful of salt. Finally, as new facts come to light and as erstwhile announcements are verified, we adjust our databases retroactively, leading to mild inconsistencies between various versions at the same period.

## • Category definitions and company profiles include

This report aims to describe the state of financing and liquidity generated by companies focused on digital technology-driven opportunities in Southeast Asia. The exact definition of what a digital technology-driven opportunity constitutes is a subject of much debate.

While leaving biotech, new materials and space tech out is relatively straightforward (but including software and digital services enabling these industries), telling an offline company with digital elements apart from a business where value creation is primarily tied to either its technology core or its digital distribution is anything but simple. We have generally taken a view that if something is valued as a technology company, we can trust its investors that it probably is.

At the same time, we also endeavour to exclude categories that, while adjacent to digital economy, tend to attract non-VC capital to a degree where their financing / liquidation events interfere with the signal from the rest of the ecosystem (notably, excluding the companies with valuations determined by token economics).

Furthermore, we currently do not include traditional TV stations, content producers, sports and entertainment brand, non tech-enabled consumer brands, telcos, IT infrastructures and system integration companies as well as holding level entities that buy or develop technologies in addition to their core business into our reporting.



## Company classification

### Country of origin:

Determined by the country in which the company was founded, and has its primary base of operation (defined in terms of revenue, if known). At the (subjective) point where the company has both operations in multiple countries in Southeast Asia and substantial revenues generated in multiple countries, then it may be classified as Southeast Asia / regional in the country of origin.

### Sector classification:

Centor's definition of the industry segment in which the company's primary business focus sits. A full taxonomy of sector allocation is listed below. In cases where a company focus on multiple sectors with different units generating thought to generate substantial revenue, then multi-vertical category is used. We also note that a company's sector may change as the company progresses; the company's sector is evaluated according to the primary business focus during the event of financing.

- Advertising & Marketing Technology: companies that facilitate the acquisition of customers including coupons and rebates, price comparisons and affiliate marketing
- Business Automation: tools that automates non industry-specific business activities such as CRM, ERP, workplace communication tools, etc.
- Comms & Communities: social networks and dating
- Education: provision of goods and services revolving teaching and learning, including adult training and education
- Employment: companies that manage and facilitate the management of employees including onboarding, benefit, payroll, etc.
- Entertainment/ Gaming: gaming development, distribution and publishing
- Entertainment/ Non-gaming: content production and news aggregation
- Financial Services: companies that apply technology into traditional banking services i.e. payment, lending, wealth management, etc.
- Healthcare: provision of goods and services revolving around medical and wellness services including, but not limited to, e-pharmacy, medical tourism and telehealth
- Local Services: platforms that connect local merchants/ service providers to consumers in an urban setting including, but limited to, ride-hailing services, local search and directory and food delivery
- Logistics: companies that facilitate the movement of goods including, but not limited to, acquiring, storing and transporting of goods
- Multi-vertical: our name for diverse digital businesses such as Grab & Goto, often called 'super-apps'
- Real Estate and infrastructure: construction, buying & selling and management of real estate assets, including the tools facilitating those activities
- Retail: companies that sell or rent goods using internet technology, including tools that facilitate those activities e.g. Store-front management software, POS systems, etc.
- Travel: tourism and hospitality

## Sector classification – financial services:

- Banking as a Service: companies that digitise basic banking functions. This includes digital banks that is licensed to provide financial services directly to clients, software layers that help banks communicate to external software, and companies that supplement banks' process such as debt collection.
- Core Payments: companies that enable a transfer of cash/cash equivalent between two or more parties, including wallets and remittances.
- Data Analytics & Scoring: the utilisation of data to predict the credibility of consumers or businesses.
- Insurance: companies operate or assist in the distribution, product design, and underwriting of insurance products.
- Wealth Management & Capital Markets: companies engage in asset allocation to generate higher returns, including platform that enable clients to manage their assets and those that do so on the clients' behalf.
- Lending – Consumer / Business: Companies that facilitate individuals' or businesses' exchange of cash/cash equivalent for a secured and unsecured repayment contract.
- Diversified Financial Services: companies that generate businesses from multiple financial products. This includes wallets that provide other financial services and multi-product financial comparison platforms.

## Currency

\$ refers to United States Dollar (\$) unless otherwise stated.

## Deal definitions

### Deal stage:

Each series definition is determined as follows:

- Pre-Series A: Purpose of investment tends to be building the idea/team; in some cases, the company generates revenue.
- Series A: The product has been built and proven via initial but repeatable revenue. Investment purpose tends to be establishing domestic position, and sometimes scaling regionally.
- Series B: Investment purpose tends to be building scale, either domestically or regionally.
- Series C+: any amount invested later than Series B. Series C, Series D, later series investments, pre-IPO, mezzanine.

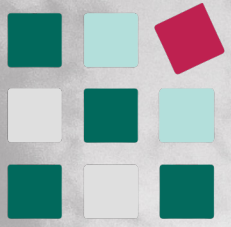
We have also estimated a particular company's valuation through a recent substantial financing or liquidity event and known business developments

### Deal type:

We focus mainly on venture capital deals – investments made by fund entities into early stage startups, whether they are from independent funds of corporate venture capital entities. This is a subset of the total number of early stage tech deals in the region.

We separate the following from most of our data, apart from the 'total capital invested and total deals done' chart:

- Corporate transfers: events where a corporate entity funds an entity in the region in which it owns a majority or significant minority stake (e.g. Rocket Internet, Lippo Group)
- Project financing: A deal which was a partnership for an identified purpose – e.g. Grab-Honda.
- Non-Southeast Asia deals: e.g. India and China focused companies that happen to use Singapore for their corporate domicile.



# cento

Contact

 [www.cento.vc](http://www.cento.vc)

