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## Venture capital in Southeast Asia – 2018 review

As the preeminent venture capital and private equity practice in the offshore legal arena, Walkers continues to see record activity levels in venture capital fund raisings and fund establishments in Southeast Asia. Fundraising in Asia during 2018 increased by 11 percent to US\$81 billion with the region experiencing record deal activity with 5,066 transactions, a 42 percent increase compared to 2017 reflecting the fifth consecutive year of increasing deals<sup>1</sup>. This is consistent with 2018 global venture capital activity reaching a new high of 14,889 deals worth a total of US\$274 billion, exceeding the previous high of US\$192 billion set in 2017<sup>2</sup>.

### Southeast Asia, Singapore and Indonesia

While China has traditionally dominated Asian venture capital activity, 2018 saw a surge in venture capital fund raising activity in Southeast Asia. Asia saw 40 newly minted unicorns in 2018<sup>3</sup>, two from Southeast Asia — Trax and PropertyGuru<sup>4</sup>. There is increasing investor interest in Southeast Asia with multiple venture capital funds being established with a Southeast Asian focus ranging from domestic managers to spin-offs and offshoots of large North American or European fund houses. According to the e-Conomy SEA 2018 report by Google and Temasek, funds received by internet economy companies in Southeast Asia totalled US\$24 billion in less than four years<sup>5</sup> while Dealstreet Asia estimates fund-raising levels in the

region topping US\$14.7 billion in 2018 alone<sup>6</sup>.

Singapore and Indonesia, as headquarters of the region's largest unicorns continued to dominate the charts, with companies in Singapore and Indonesia raising a total of an estimated US\$7.77 billion in funding and US\$3.37 billion, respectively, in 2018<sup>7</sup>. Singapore is also heavily investing in developing itself as a technology and venture capital hub with state-linked institutions and policy-makers supporting such development.

Other Southeast Asian countries with significant growth include Vietnam and Malaysia which reached US\$2.28 billion and US\$842 million, respectively, in total funding<sup>8</sup>. Internet economies across many Southeast Asian countries are growing at significant rates bolstered by the fact that Southeast Asian unicorns are also deploying funds to build businesses across the region<sup>9</sup>.

2018 saw the highly publicised merger of Singapore ride-hailing company Grab and Uber with the sale by Uber of its Southeast Asia-based business to Grab across eight countries<sup>10</sup> and the continuing US\$3 billion Series H fund-raising of Grab with latest figures reporting the investment round target at US\$5 billion<sup>11</sup>. Grab has become the first Southeast Asian “decacorn”, joining a league of less than 20 privately held companies globally valued at over US\$10 billion<sup>12</sup>.

Other notable deals include the additional US\$2 billion investment in Singapore headquartered e-commerce startup Lazada and the US\$1.1

billion fund raising by Tokopedia, Indonesia's e-commerce startup<sup>13</sup>.

Trends in 2018 include large fund-raising of ride-hailing companies and companies in the e-commerce, digital payments and online travel sectors. The 2018 e-Conomy SEA Report notes that e-commerce has been the most dynamic sector of the internet economy in Southeast Asia in recent years with predictions that it will exceed US\$100 billion by 2025<sup>14</sup>.

### Cayman Islands contribution

Cayman Islands continues to remain the domicile of choice for venture capital and private equity funds. Cayman Islands exempted companies are also the vehicle of choice for companies receiving equity funding, due to investor familiarity and preference and also as late-stage companies move toward an initial public offering or exit noting that Cayman Islands exempted companies feature heavily on the Hong Kong Stock Exchange, the New York Stock Exchange and Nasdaq.

### Conclusion

Looking at the year ahead, there are no signs of any slowdown in activity. In Asia, the internet economy is expected to exceed US\$240 billion by 2025<sup>15</sup>. Bain & Company expects Southeast Asia to produce at least 10 new unicorns by 2024 with a total value of US\$70 billion<sup>16</sup>. With an increasing number of investors looking to the region, venture capital activity is expected to continue to grow significantly.

1. Naomi Feliz, *Insights - Alternatives in 2019: Asia pushes its way to the forefront of venture capital deals*, Preqin, 17 January 2019  
*Ibid.*  
2. *Ibid.*  
3. *Ibid.*  
4. Dealstreet Asia, *2018: A breakout year for startups in Southeast Asia*, 2018.  
5. Google and Temasek, *E-Conomy SEA 2018, Southeast Asia's internet economy hits an inflection point*.

6. *Ibid.*  
7. *Supra*, note 4.  
8. *Supra*, note 4.  
9. *Supra*, note 5.  
10. Jon Russel, “It’s official: Uber sells Southeast Asia business to Grab”, *Techcrunch*, 26 March 2018 (<https://techcrunch.com/2018/03/25/gruber-official/>)  
11. Jon Russel, “Grab raises fundraising target to \$5B as Southeast Asia’s ride-hailing war

heats up”, *Techcrunch*, 28 December 2018 (<https://techcrunch.com/2018/12/28/grab-5-billion/>)  
12. *Supra*, note 5.  
13. *Supra*, note 4.  
14. *Supra*, note 5.  
15. *Supra*, note 5.  
16. Suvir Varma and Alex Boulton, *Investing in Southeast Asia: What’s Behind the Boom*, Bain & Company, 13 November 2018.