

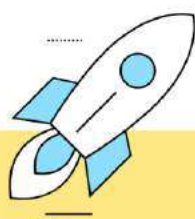
STARTUP REPORT 2017

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INTRODUCTION

Indonesian internet market is the largest in Southeast Asia. As the third largest economy in Asia, after China and India, with 260+ million people and approximately half of them actively accessing the internet for various activities, including commerce, the economic growth has been attracting foreign investments in shaping various industries, including tech startup ecosystem.

Startup Report is the annual report produced by DailySocial to provide general overview and some insights regarding the development of tech startup ecosystem and Indonesian landscape as a market for internet & digital-based business and investment activities.



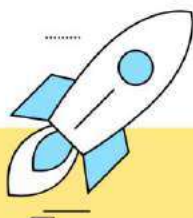
CHAPTER 1 / STARTUP REPORT 2017

INDONESIA INTERNET MARKET OVERVIEW



Various sources, including Google, eMarketer, Statista.com and others, agree based on each independent research that Southeast Asia is the fastest-growing internet market region of 2017. And of the SEA region, Indonesia is the single biggest by user population and continues to grow for 2018 and at least the near & mid-term future.

Number of active smartphone & internet users continue to grow, and internet usage has increasingly become more mobile than desktop: more Indonesian users are accessing & using the Internet from their smartphones & mobile devices than from their desktop or laptop devices.



INDONESIA INTERNET MARKET OVERVIEW

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177.9

unique mobile users



132.7

million internet users



130

million active
social media
users

Indonesia Internet & Mobile Overview 2017

(Source: InternetWorldStats, WeAreSocial)

Time Spent Accessing

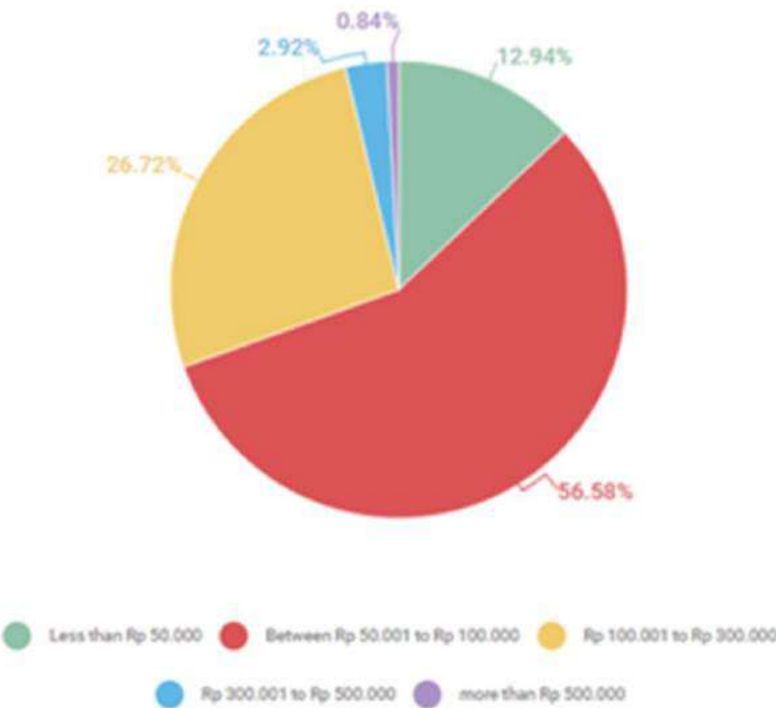
Do you feel you spend more time accessing the internet from your desktop/laptop PC or from your mobile device?



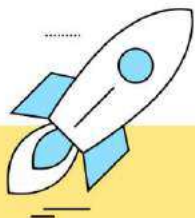
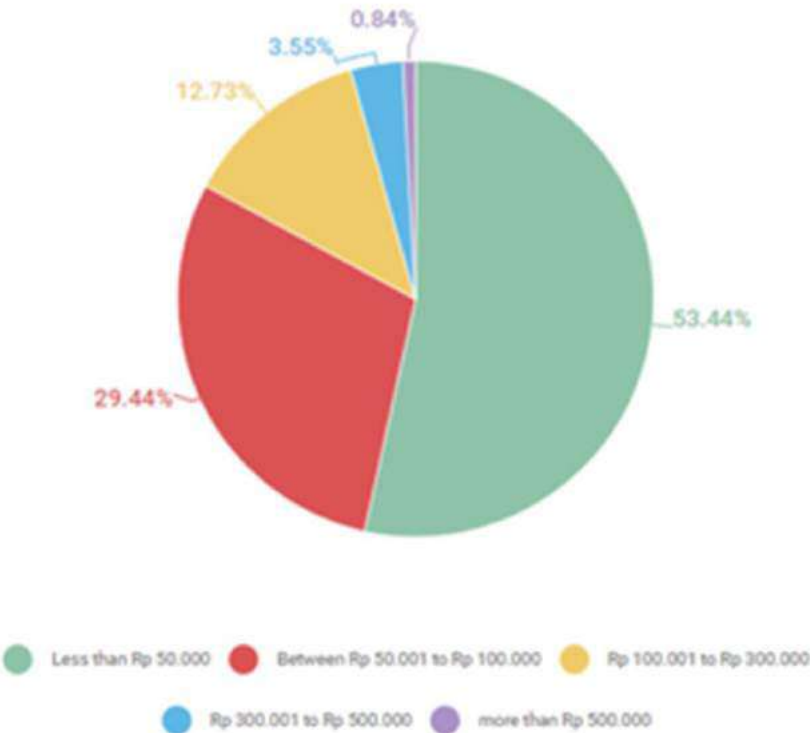
Based on DailySocial's survey, most Indonesian consumers are accessing internet for from mobile devices, compared to PC/Desktop, with most consumers claim to spend less than \$10 per month both mobile internet and home internet/broadband.



How much do you spend per month on mobile internet cost?



How much do you spend per month on home internet/broadband?



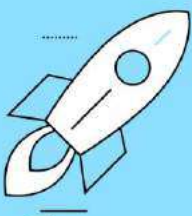
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Top Apps of 2017: Indonesia Combined iPhone and Android Phone Monthly Active Users



According to App Annie, three Facebook-owned apps (WhatsApp, Facebook, and Instagram) dominate the most used apps; with Facebook Messenger is trailing in #6.



INDONESIA INTERNET MARKET OVERVIEW

There are approximately 132.7 million active Internet users in Indonesia. Growth year-on-year for 2017 is at 50% by various estimates (We Are Social.sg, eMarketer, Google etc.). The growth percentage of unique cellphone users are also estimated at 66%.

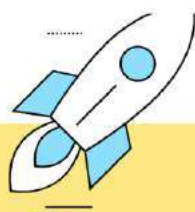
The E-commerce sector continues to be attractive, as does the Fintech sector. Consolidations and M&A's occur with increased frequencies as winners begin to become clear.

The Fintech sector is particularly exciting because Fintech has been receiving positive reactions from the conventional/traditional finance sector, where traditional/non-startup players consider fintech businesses/startups to be complimentary to them rather than competitive. This is somewhat unlike the E-commerce sector where many retailers consider E-Commerce to be a negative pressure on their existing businesses.



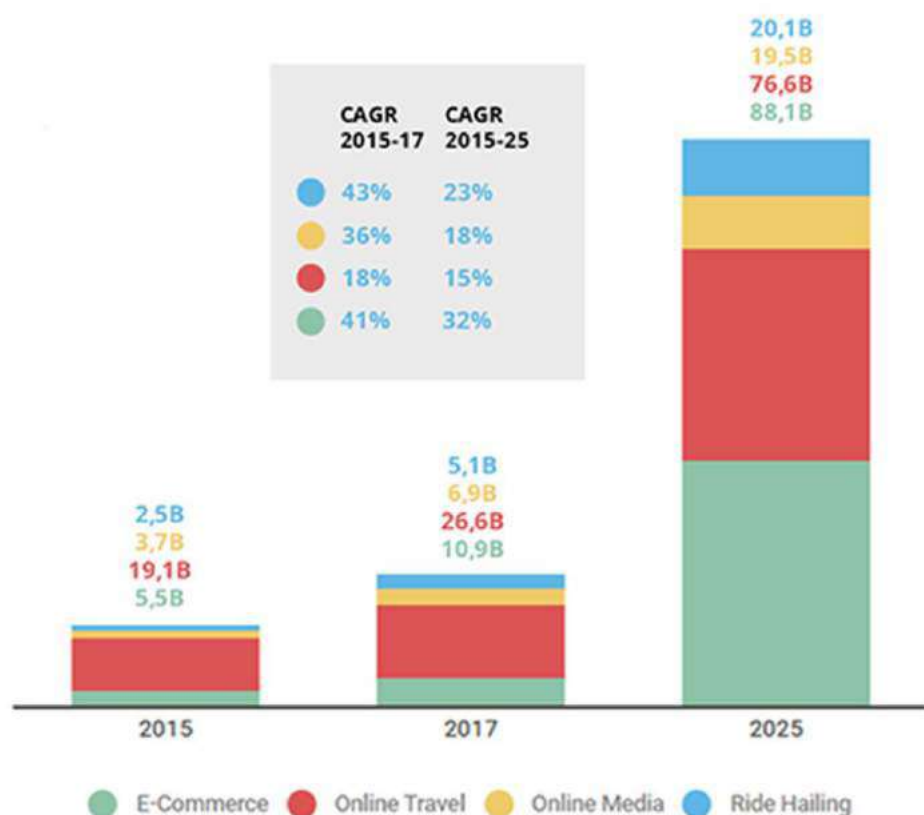
- Estimated total sales in E-Commerce market (2017): US\$7 billion
- It's estimated that number will be more than doubled to US\$16 billion in 2022.

Source: Statista



INDONESIA INTERNET MARKET OVERVIEW

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SEA Internet e-Economy Market Size (\$B)

(Source: Google Temasek SEA e-Economy Spotlight 2017)

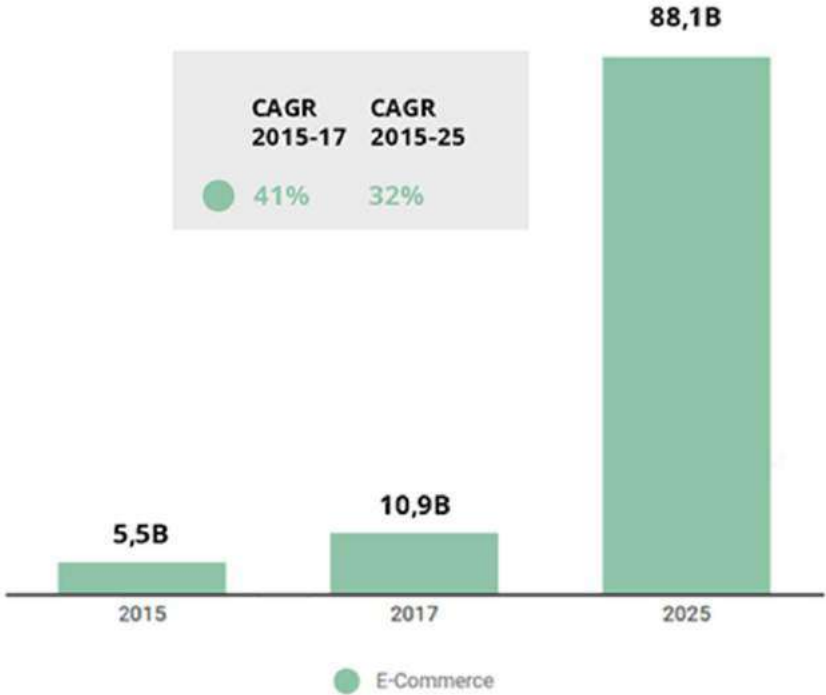
Southeast Asia, the Global Internet Economy Growth Engine

Comparatively the Southeast Asian Internet economy also continues to grow. According to research released by Google and Temasek Total market valuation SEA for 2017 is at US\$50 billion dollars, and is estimated to reach US\$200 billion by 2025.

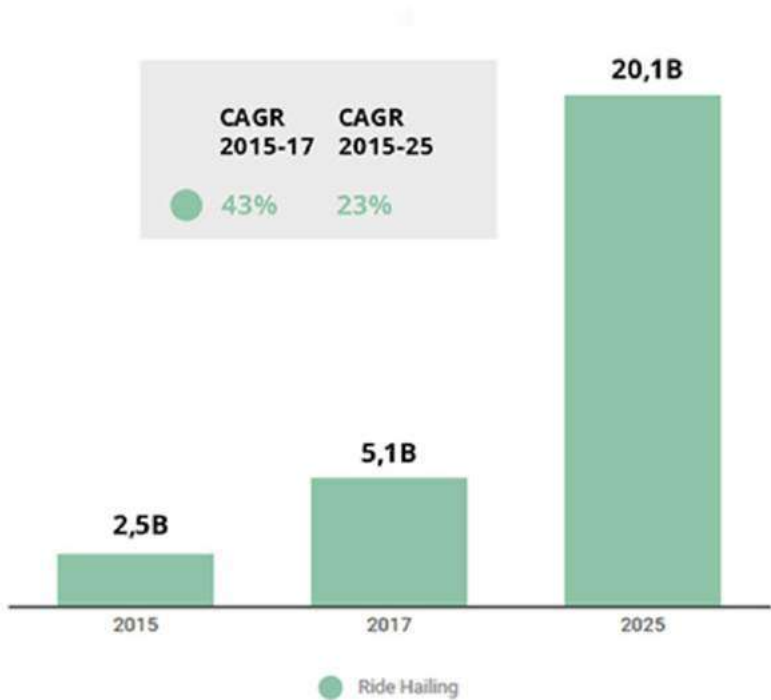
Google notes that Southeast Asia is the fastest growing internet market region in the world per 2017, and is predicted to continue as so in 2018 and beyond.



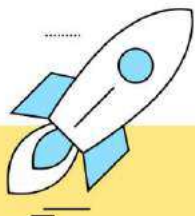
INDONESIA INTERNET MARKET OVERVIEW



SEA E-Commerce Market Size (\$B)
(Source: Google Temasek SEA e-Conomy Spotlight 2017)



SEA Ride Hailing Market Size (\$B)
(Source: Google Temasek SEA e-Conomy Spotlight 2017)



E-Commerce Highlights

- Tokopedia and Bukalapak are now unicorn startups
- Closure of several E-Commerce sites, including Alfamart
- Consolidation continues, including the acquisition of Elevenia by Salim Group

Two e-commerce startups, Tokopedia and Bukalapak, in 2017 reach “unicorn” status, counting four Indonesian unicorns (with valuation of more than US\$1 billion), including Go-Jek and Traveloka.

E-commerce continues to be a hot sector, even with some e-commerce startups closing such as Alfamart & others. The number of e-commerce players are getting fewer, but each are becoming bigger. Niche e-commerce startups continue to be founded.

Top 3 Shopping Apps in Southeast Asian Markets
(by Average Smartphone MAU in Q4 2017)



According to App Annie, by the end of 2017, Tokopedia leads Indonesia's shopping app monthly active users. However, based on various statistics, it's believed that Lazada still leads for traffic, as it does in other Southeast Asia countries.

Shopee is very aggressive in 2017 and significantly boost its position to #2 in most Southeast Asia countries, including Indonesia.

(Source: App Annie)



Fintech Highlights

- Fintech Regulation
- Payment Gateway & E-Wallet
- Go-Pay Spinoff Plans, Financial Inclusion

Fintech regulation in 2017 has mostly been welcomed by stakeholders. Concrete rules regarding payment gateway & E-wallet has given much needed certainty to industry players. That said as 2017 is only the start, more work & coordination still needs to be done between the government side and the industry side.

While payment still leads in term of number of transaction, peer-to-peer lending segment has the highest growth and this trend is estimated to be continued in 2018.

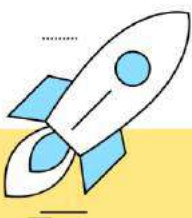
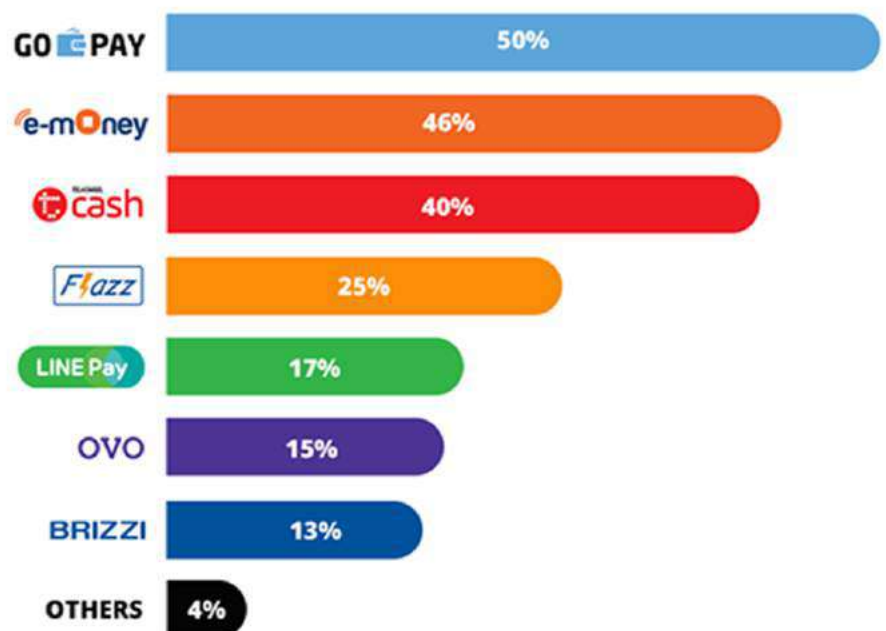
Consolidation in the Fintech space continues. 12 of the announced M&A in Indonesia involve Fintech startups. One of the biggest M&A news being Go-Jek's acquisition of three Fintech startups, and plans to spin off Go-Pay into its own Fintech entity focusing on Financial Inclusion.

While cash and bank transfer are mostly still be used for digital transaction, the emergence of electronic money (e-money) can't be ignored.

According to recent JakPat's survey, Go-Pay from Go-Jek is the most popular server-based e-money, followed by Tcash from Telkomsel.

For card-based e-money, E-Money from Bank Mandiri is the most popular, followed by Flazz from BCA.

Ownership of Electronic Money Product



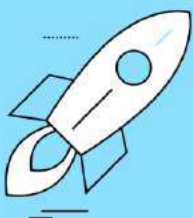
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Peer-to-peer (P2P) lending adoption is still low in Indonesia. However the trend shows the market is growing. OJK states that 250,000 people had taken out loans through fintech.

Around 30 P2P startups had extended 2.6 trillion rupiah (\$193.8 million) in lending (as of January 2018). By the end of 2016, it was 247 billion rupiah of lending

(source: Reuters)



On-Demand Services Highlights

- Between Go-Jek, Grab, and Uber
- Payment methods: e-money, payment wallet, credit card
- On-Demand grows beyond Transportation
- Go-Jek acquires three fintech startups including Midtrans
- Grab uses Ovo for payment services
- Uber collaborates with Tokopedia and BBM

Go-Jek continues making waves as competition with Grab and Uber is getting intense. Go-Jek can be said to be in the lead though as troubles haunt Grab and Uber. Grab with the momentary revocation of its Grab-Pay electronic payment service pending licensing issues clear-up. And Uber with its trouble at their San Fransisco headquarters as they transition to new C-Level Leadership. Go-Jek has undeniably benefited from these hiccups.

Meanwhile many smaller On-Demand transport services disappear from the market, though some new players attempt to establish new markets for example in West Papua.



According to App Annie, by the end of 2017, Go-Jek is still the leading player in on-demand market, followed by Grab is close second.

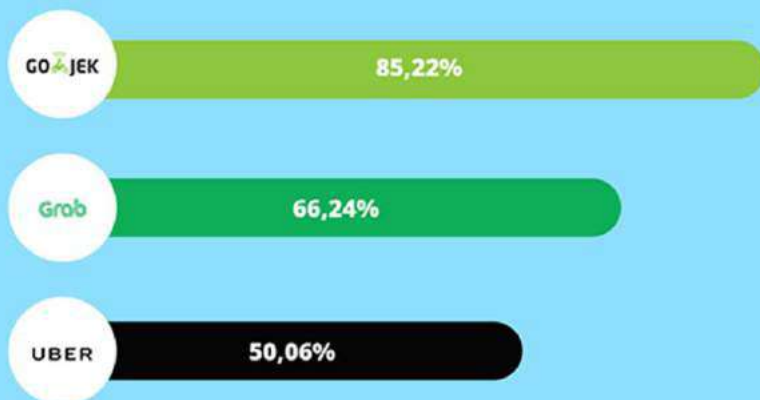
Uber maintains no lead in all Southeast Asia countries, including in Indonesia, raising concerns about its continuous efforts in the region.



INDONESIA INTERNET MARKET OVERVIEW

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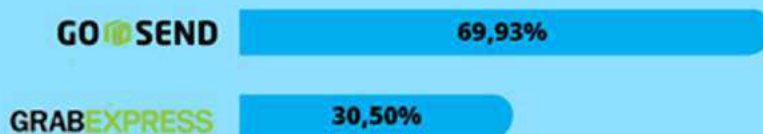
What transportation app have you ever used?



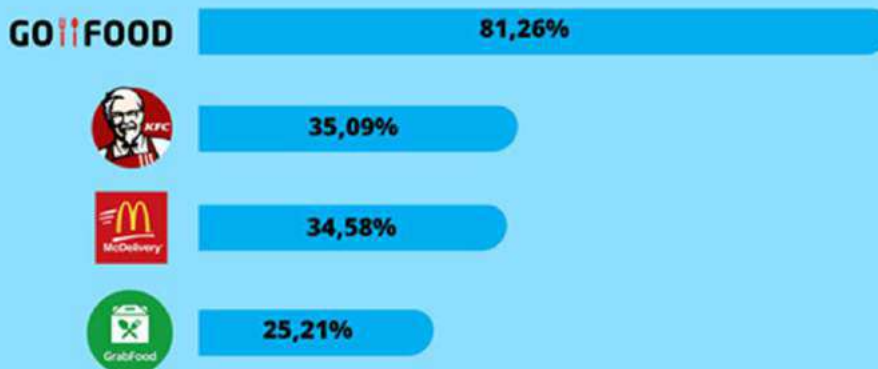
On-demand segment is not only about transportation.

Based on DailySocial's survey (2017), Go-Jek's services, including food delivery, package delivery, and home cleaning service, is leading ahead of its competition.

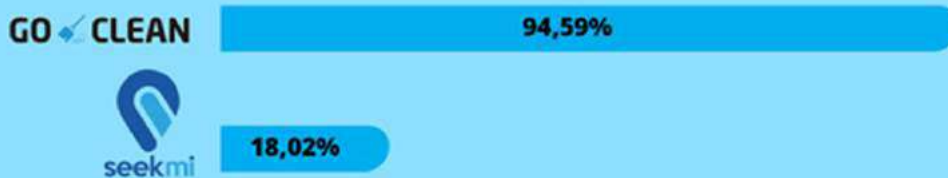
What mobile app have you ever used to send a letter/postal package?



Which mobile app have you ever used to order food?



What cleaning app have you ever used?



CHAPTER 2 / **STARTUP REPORT 2017**

Total value of disclosed investment in tech startups for 2017 is around US\$3 billion, where US\$ 1.6-2.8 billion of that invested to three unicorns: Go-Jek, Tokopedia, and Traveloka. Go-Jek is widely known to raised around \$1.2 billion, but isn't full closed until early 2018.

Total number of Indonesian startups launched are more than 230; slightly less than 2016, but total combined value is higher.

Announced Mergers & Acquisitions number at 14 and for the first time in the Indonesian market this year, we see two Initial Public Offerings.

Total value of disclosed investments **US\$ 3 billion**

Number of startups launched **> 230 startups**

Number of Mergers and Acquisitions **14 startups**

Initial Public Offerings **2 startups**

Announced investment/funding rounds **91 startups**

GO JEK

Investment round with total target US\$1.2 billion, new investors including Tencent, JD.com, Google, Temasek, and Meituan-Dianping



Investment by Alibaba Group for US\$1.1 billion

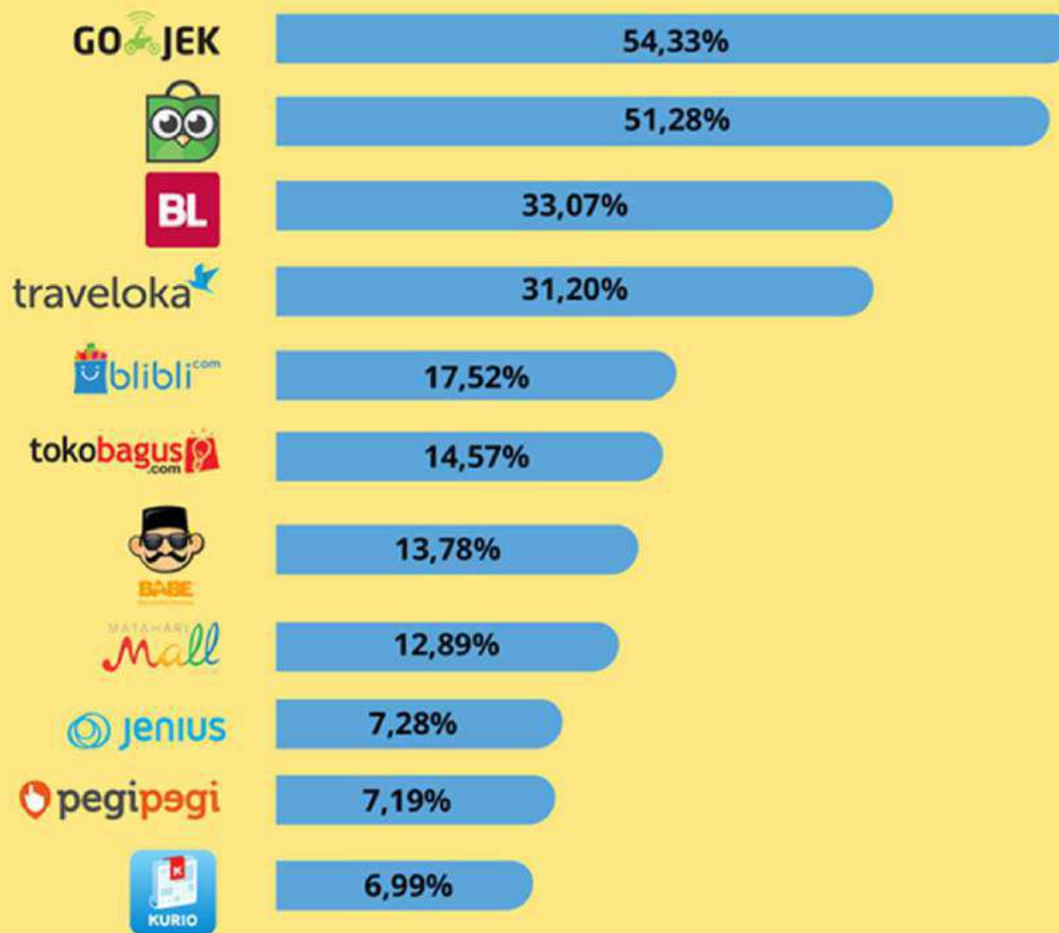
traveloka

US\$500 million investment round led by Expedia

There's big gap of funding, as majority are concentrated at unicorn startups.

It's also said that Bukalapak receives significant funding that boost its valuation to unicorn status. However the detail about the investor and the amount of investment is undisclosed.

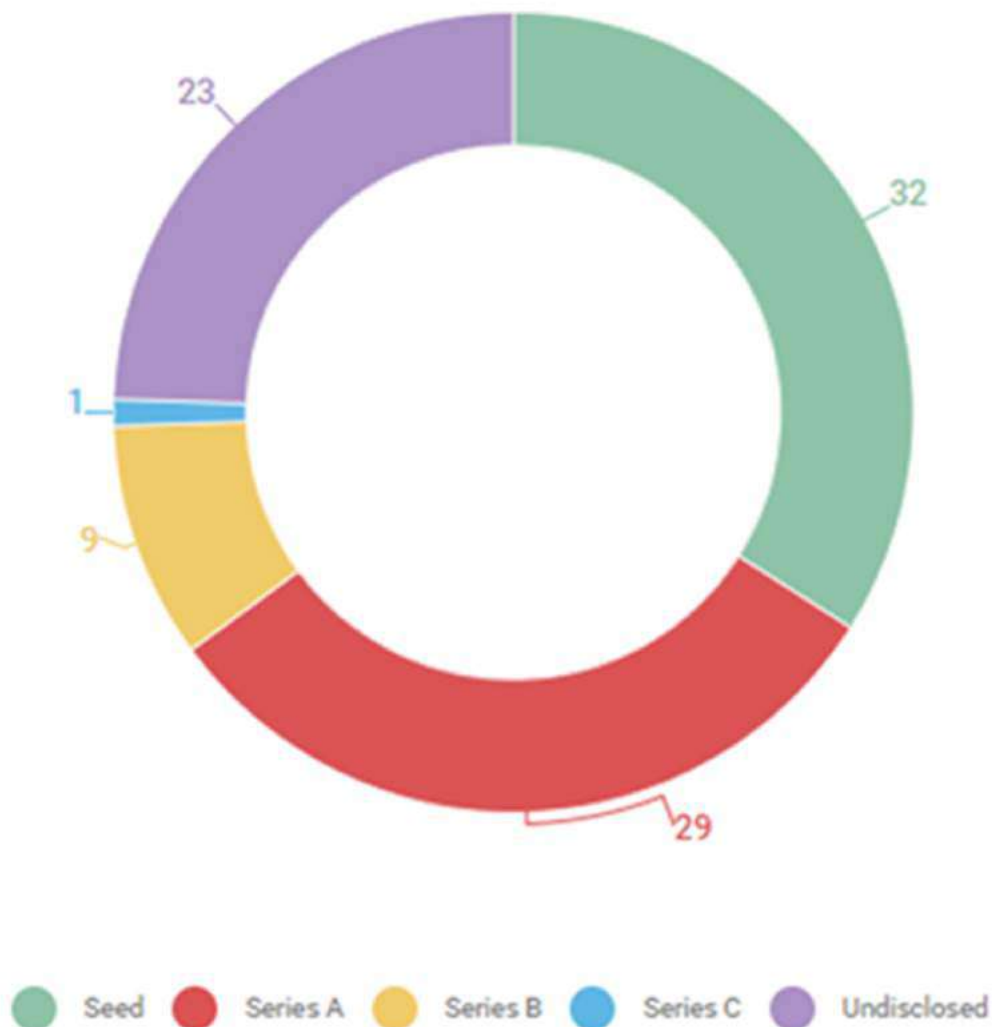




Unsurprisingly 4 unicorn startups are also the most popular local apps, according to survey by DailySocial (2017).

Go-Jek is top of mind app among Indonesia consumers, followed by Tokopedia, Bukalapak, and Traveloka.



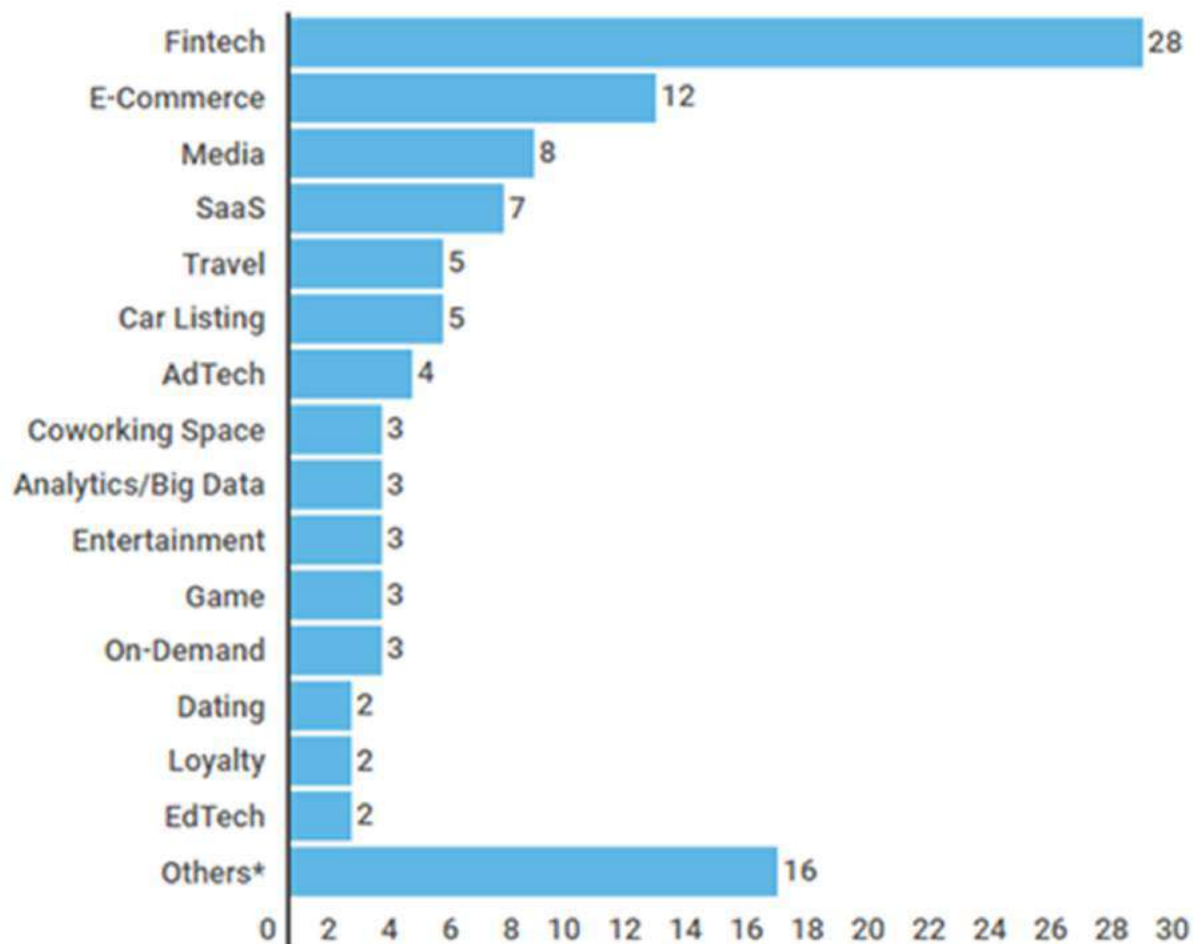


(Source : DailySocial Research)

The investment is still dominated by early stage (seed and Series A) round (65%), with few select startups be able to raise late stage funding. It's quite lesser if compared to 2016 (with additional pre-seed and pre-Series A), however we see more startups raise Series B round compared to last year.



Funding Rounds by Industry Vertical



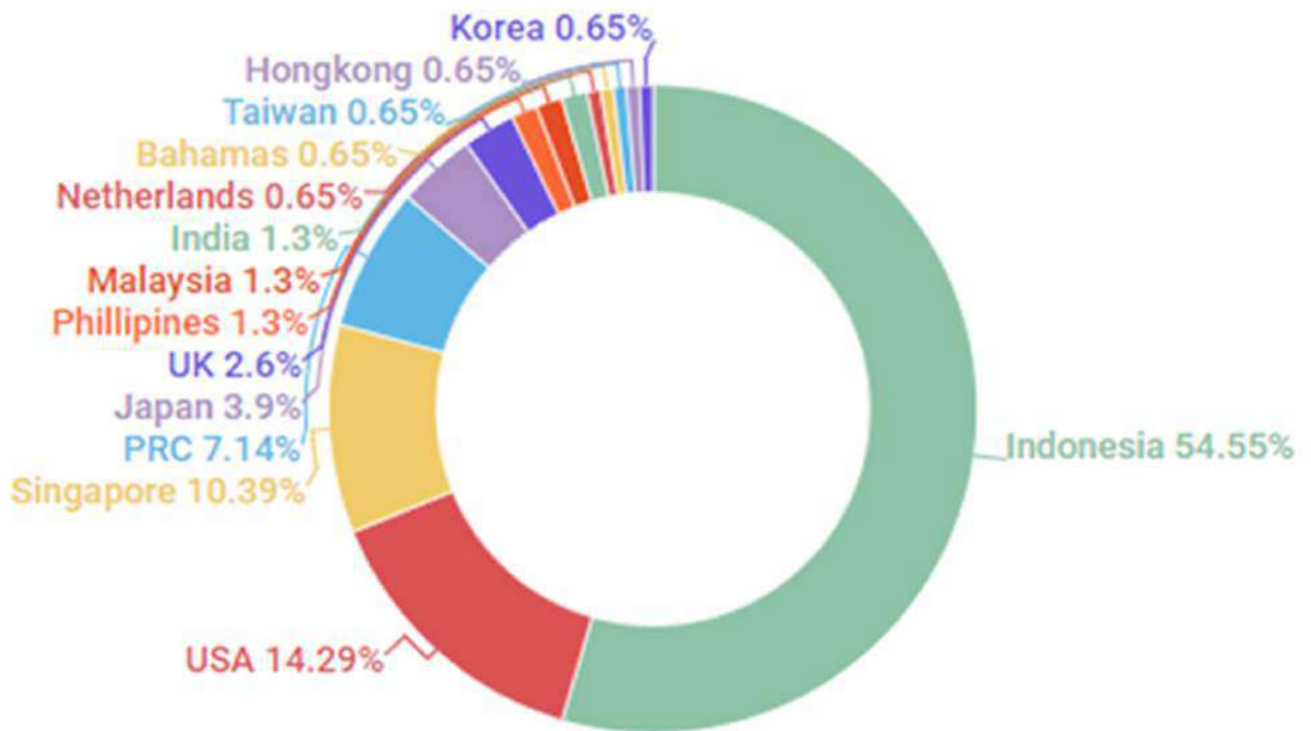
**The rest are funding rounds on Verticals each with one startup. These single-player verticals include: AI, Email Marketing, Fisheries, Food, Healthcare, HR, IoT, Logistics, Messaging, Printing, Security, Sports, Vendor Marketplace, Virtual Item Marketplace, VR/AR, Wearable*

Fintech and E-commerce are still top two verticals to be funded, however it's noticeable that while last year the comparison was pretty on par, this year the number of fintech startups raising fund is twice as many as e-commerce startups.

In other note, media startups are starting to gain more attention from investors with 8 media startups raise new fund in 2017.

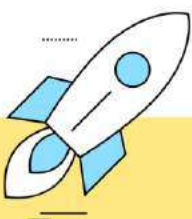


Indonesia vs. International Investors



- 54.55% of disclosed startup investors are based in Indonesia—the rest being foreign funds or undisclosed.
- The largest number of foreign investment firms are from the USA at 14.29%.
- Followed by Singapore (10.39%), People's Republic of China (7.14%), and Japan (3.90%).
- Total number of disclosed investment firms: 154 firms.

So it can be said that although foreign investment interest is strong, over half of investments comes from Indonesian individuals and/or funds. And yes unlike popular belief, the largest number of foreign investors in Indonesian startups is not from China, but instead is from the USA.



Based on DailySocial's survey (2017) to 72 founders, we found that:

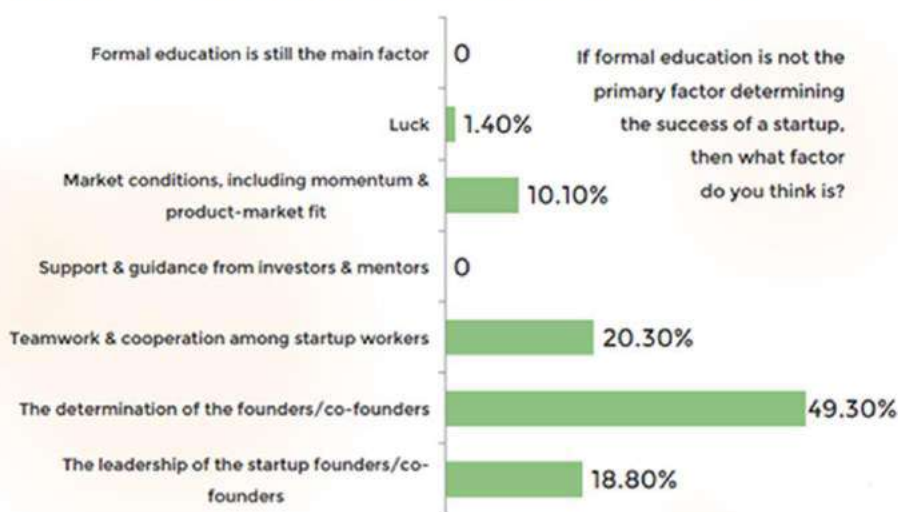
- 90+% are having at least undergraduate degree.
- Around 20% are graduated from foreign universities.
- Binus, UI, and ITB are the top universities for startup founders.

ALMAMATER

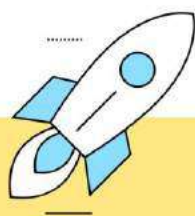
Which of the following universities/institutions would you count as ever having formally attended?



FORMAL EDUCATION AND STARTUP SUCCESS



While 46% respondents think formal education influence the success of a startup, majority believe formal education is not the primary reason of success. It mostly lies on the determination of the founders.



CHAPTER 3 / **STARTUP REPORT 2017**

In 2017

2 IPOs

14 Mergers & Acquisitions

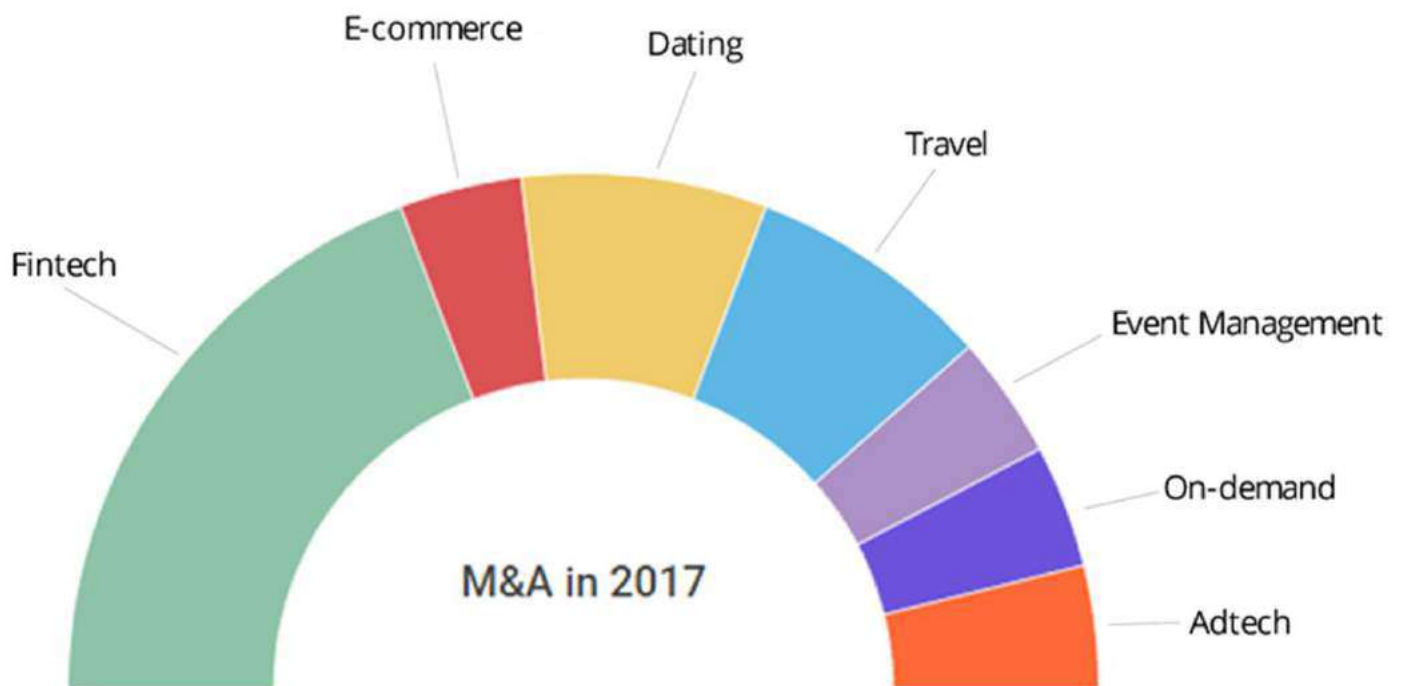
2017 has been an interesting year in terms of Indonesian startup exits. There have been 14 reported M&As, and for the first time ever we now have not one, but two IPOs.

5 startups acquired this year are in Fintech, including three bought by Go-Jek on December (pending approval by the regulator).

Interestingly, two startups acquired are in dating industry, both by foreign companies in May.

Two travel startups (Tiket.com and Indonesia Flight) are bought by the same e-commerce company, Blibli.

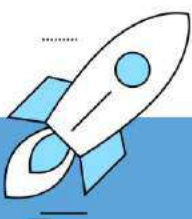




IPO is the least likely option for Indonesian startups in the past several years given the nature of startups that are still seeking for business model or revenue and more focus on growth. IDX has formulated a way to ease this problem by allowing startup to IPO based on verified clean administration and long-term plan.

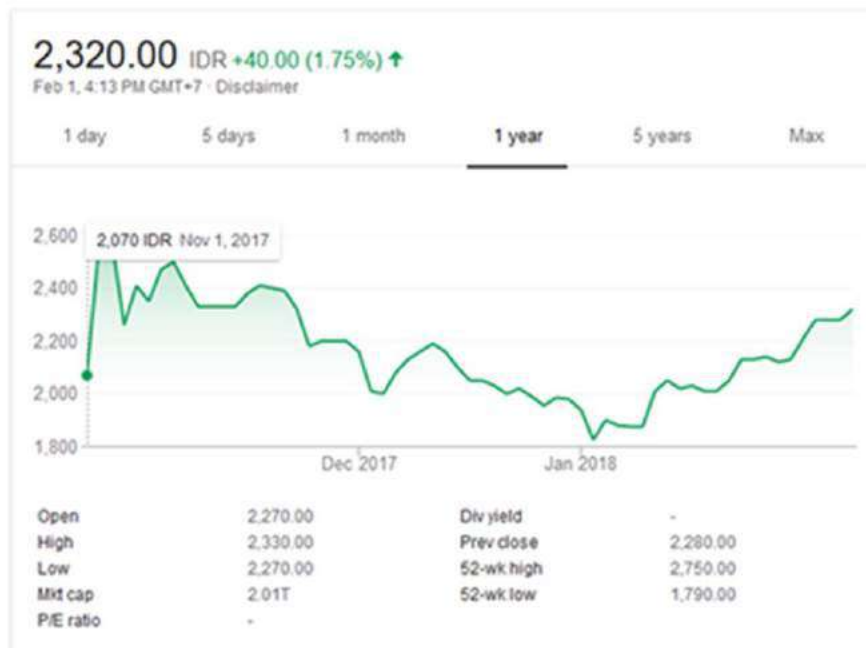
Two fintech startups were debuting with IPOs in 2017. The first Indonesian tech startup IPO occurred on October 5th with Kioson (KIOS). A month later M Cash (MCAS) followed on November 1st.

We forecast there will likely be four more IPOs in 2018, reaching a total of 6 IPOs by end of 2018.

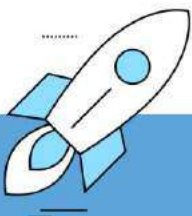
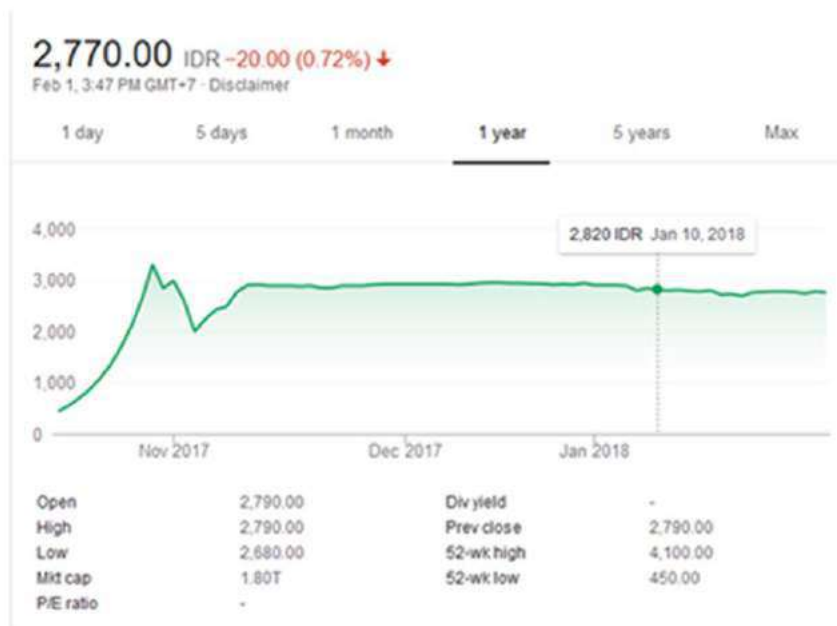


Stock Performance (IPO-to-date)

KIOS



MCAS



CHAPTER 4 / **STARTUP REPORT 2017**

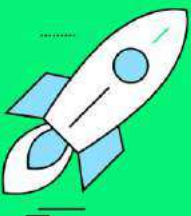
ISSUES & PREDICTIONS

Some issues highlights:

- Talent shortage
- Regulatory hurdles
- Matchmaking between Investors & Founders
- Paradox of Unicorns

We see several challenges facing the Indonesian startup landscape in 2017. These are talent shortage, regulatory hurdles, and investor-founder matchmaking.

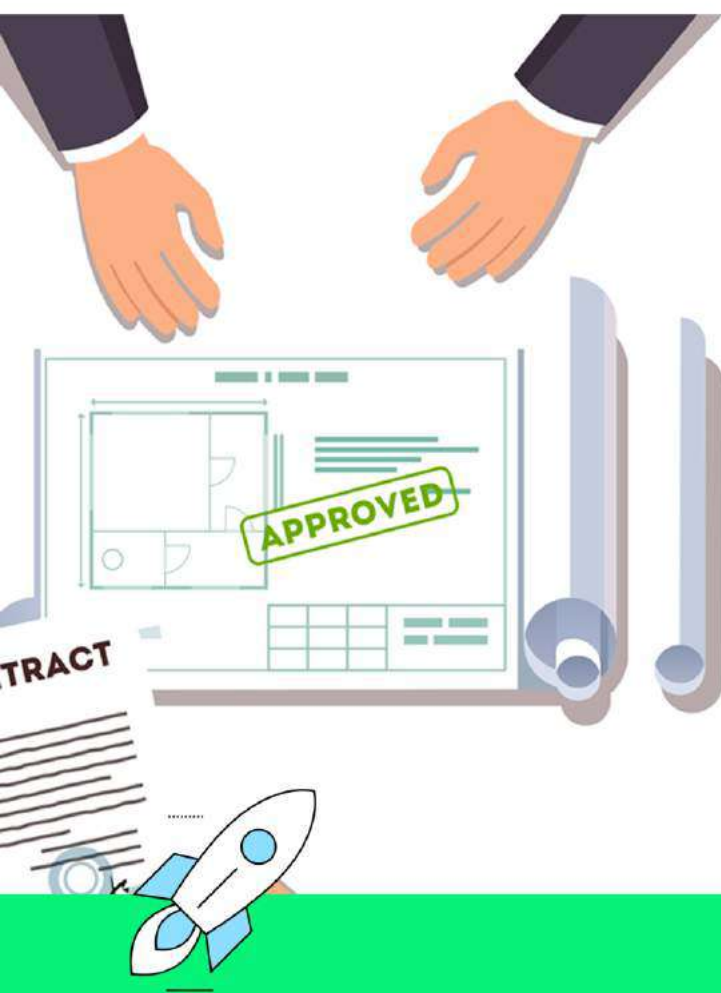
Additionally we also see that over fifty percent of investments in 2017 has gone to startup unicorns, and these unicorns at this time mostly serve the market in Jakarta and Java. We see the market beyond Jakarta as ripe for development.



Talent Shortage

The issue with talent recruitment is not the number of available recruits nor the number of available positions; rather the problem is of qualification.

The workers available are under-qualified, meanwhile the positions available require skills less available in the market.

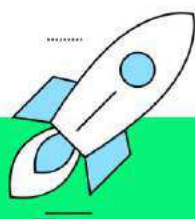


Regulatory Hurdles

Some significant new regulations had been enacted in 2017 particularly affecting the Fintech sector. New regulatory letters from the Indonesian central bank, and the establishment of the BI Fintech Office. The new rules though are overall good for the market, providing certainty to stakeholders, protecting consumers & users, raising service quality baseline standards.

Investors + Startups Matchmaking

Again as in the case with talent, the primary issue here is about meeting standards. Funders & investors find that startups in the market often do not meet the management & quality standards that investors are looking for.



The Paradox of Unicorns

Indonesian startups reaching Unicorn status:

- Go-Jek (2016),
- Tokopedia (2017),
- Traveloka (2017),
- Bukalapak (2017)

All four are primarily doing business in Jakarta; the market beyond Jakarta remain open for entry & development .

Undoubtedly most startup investment activities has focused on Jakarta and Java. This is inevitable as most capital and most economic activities in Indonesia focus on the capital and the surrounding regions.

But internet economic activities in Indonesia do not only occur in Jakarta and Java, and in fact half of active smartphone users reside outside Jakarta in the provinces of Central and Eastern Java, the island of Sumatra, in Kalimantan (Borneo), and this market is underserved.

There are plenty of startup opportunities in greater Indonesia, and some startups have already begun developing these so far somewhat ignored regions.

Investment & Growth Predictions for 2018

Potential growth sectors:

- Fintech
- Media
- Health

We predict 2018 to be another Fintech year. Technology-supported financial services will continue to grow as market demands become more sophisticated as the market becomes more familiar with what benefits financial technology gives to consumers & users.

Media will also be a hot sector particularly since 2018 will be an election year in Indonesia. Media consumers will seek out media that most suit their needs both for news & insights, and political players will seek out avenues to influence public opinion whether directly or indirectly.

Health technology will also grow as existing health startups continue to mature, and gain experience on how to comply with health regulations while providing the most efficient health services through internet & mobile technologies.

Investment & Growth Predictions for 2018

- Technologies to keep an eye on:
- IoT
- blockchain
- AI

Internet-of-Things (IoT) - As microprocessor & embedded computing technologies reach a critical tipping-point, business cases for Internet-of-Things applications will become more economical to implement in-market. Already some research-oriented hardware startups have begun to explore IoT opportunities in Indonesia, for industrial use-cases at first but eventually to more consumer-oriented applications as well.

Blockchain - Applications of blockchain & distributed ledger technologies continue to be developed, as several banking institutions have begun exploring uses of blockchain tech for their day-to-day operational needs. Blockchain tech has cryptographic applications that benefit banks & finances' need for security and anti-fraud. But as for cryptocurrency & bitcoin, volatility continue to hamper the use of cryptocurrency as actual day-to-day applied currency, although speculative investments continue to grow hotter.

Artificial Intelligence (AI) - Artificial intelligence is also becoming more practical for day-to-day consumer usage. For applications as simple as smart digital photo image processing, to facial recognition, to predicting consumer & market behavior, as AI grows so too the businesses developing them. And we're not just talking about Google, Amazon, Facebook, or Apple either.



Investment & Growth Predictions for 2018

New opportunities in under-developed sectors/verticals:

- Logistics
- Digital enablers
- Talent solutions
- Agriculture

Although we predict that Fintech, Media, and Health-Tech will be the big growth sectors for 2018, we also highlight three verticals that are currently underserved and represent opportunity for new players.

Logistics

On-demand services Grab and Go-Jek are currently serving short-range package delivery very well, but we also see that inter-city and inter-province delivery to be a space ripe for technological disruption. Traditional logistics companies have begun to use Websites and GPS tracking for some of their operations but smartphone & app-based solutions are still lacking. Innovative startups can do well to imagine new ways of doing things in this sector.

Digital Enablers

What we mean by digital enablers are consulting firms & agencies that are in the business of helping traditional companies “get more hip” with the Internet economy. From as simple as helping an older company set-up a mobile-friendly responsive website, use social media properly & effectively for customer support and for sales canvassing, for converting their paper-based records to electronic and secure Internet-connected databases, and so on and so forth. Very few are playing this space in Indonesia, and new startups could do well by serving this market.

Talent Solutions

The Internet Startup sector here is facing talent shortages & mismatch. Contrary to popular belief job-search services & websites will not help much with this situation. What is more needed in Indonesia are tech talent training solutions. We need more startup workshop solutions for increasingly specialized IT skills. Universities & formal education providers would also benefit from help in developing curricula and courses that match industry needs.

Agriculture

As an agrarian nation, a breakthrough in agricultural-related activities is needed. There's problem in every corner, that most of them can be solved by the help of technology. For the past two years, we have seen the rise of several agritech startups, from helping to finance the farming (crowdfunding), doing a better farming with proper methodology, to deliver the farm products directly to the consumer (simplify the distribution). We expect to see more and more solution in this area that will help farmer's standard of living and better value proposition for the consumer.

CLOSING STATEMENT

The Indonesian startup market value will continue to grow. In 2018 we predict growth primarily in the verticals of Fintech, E-Commerce, and Media.

Growth in regions outside of Jakarta continue to offer wide opportunity, and market acceptance grows as consumer familiarity with digital mobile technologies continue to improve.

Market consolidation will continue in the form of further Mergers, Acquisitions, and Stock Market IPOs.

