ACVentures

BAIN & COMPANY

Indonesia Venture Capital Report 2023

November 2023

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1 Executive summary

The past 12+ months have seen a reset in the Indonesian venture capital (VC) industry, with investors adjusting the pace, scale, and focus of capital deployment in the face of market uncertainty.

Following a boom in 2021 that extended into the first half of 2022, capital deployment began to slow in the back half of 2022 as investors reacted to a deteriorating global macro environment driven by geopolitical tensions, rapidly rising interest rates and weaker consumer and business sentiment. Focus on deployment was further muted as capital allocators moved resources to portfolio support. This trend has continued in 2023, with data through August 2023 indicating that the Indonesian capital market will experience a 70% to 80% decline in deal value this year vs. 2022.

Investors have also adjusted their filters for appropriate investments they are funding (in line with public equities as well as VCs in other regions). Generally, investors have sought lower valuation multiples, stronger unit economics and ability for companies to reach break even. This trend can be seen in the worsening conversion rate from seed funding to Series A and Series B funding. As a result, there is pressure on start-ups to pivot from a growth-at-all-costs mentality to a focus on capital efficiency and profitability.

Despite these challenges, Indonesia remains a bright spot in the regional VC landscape. Attractive market fundamentals helped overall VC deal value in Indonesia hold up reasonably well in 2022 (flat year over year) vs. other markets globally (20% to 40% declines). Deal volumes also climbed around ~20% year over year in 2022 as investors increased focus on early-stage opportunities.

“Venture Capital investment in Indonesia has moderated over the past year or so to a more measured, sustainable pace as compared to 2020-21, which was an unusual period. Startups are now expected to meet or even exceed their targeted milestones before VCs will consider them for subsequent fund raisings. This should form the basis for a healthier startup ecosystem where founders focus on building products that customers actually want, creating durable business models and executing with a high degree of capital efficiency.”

Carlson Lau

Managing Director,
Northstar Group

A series of structural factors have helped support this relative resilience: (a) macro fundamentals in the country remain stable, and the country continues to have the most promising demographic tailwinds of any ASEAN economy; (b) the digital economy continues to expand, with consumer and SME adoption growing steadily.

Another attractive aspect of the Indonesian VC market is the diverse set of international and local investors deploying capital in the market. In particular, venture investors with Indonesia as their primary mandate have taken a growing share of deal flow in the country, mostly focusing on early-stage deals and deals under $50 million. These locally focused investors have emerged with a strong foothold in the market. Their share of deal value grew from around 3% in 2018 to 14% and 16% in 2022 and 2023 respectively. They have also been able to raise larger amounts in successive funds, indicating a good investment track record from earlier vintages. Assuming the quality of start-ups backed by these investors do not deteriorate, there will be a healthy pipeline of mid- and late-stage opportunities from their portfolio in the next three to five years.

One area of the Indonesian start-up ecosystem that remains nascent is exits. Given the relatively small scale of the market, exits have been lumpy and largely skewed toward strategic trade sales. In recent years (2021 onwards), initial public offerings (IPOs) have seen a pickup, largely caused by exits of e-commerce and mobility players Blibli, GoTo, and Bukalapak. It remains to be seen if start-ups can sustain this momentum, given increasing focus on profitability track records in the public markets. The next important step for these public big tech companies is to reach breakeven and generate cash flow in the near future. When these companies are able to produce cash flow, they may be able to create additional channels for exits by fueling their growth through inorganic ways.

> “Currently, in Indonesia's tech startup ecosystem, secondary exits are prevailing over IPOs as the dominant exit strategy. In Indonesia, the occurrence of IPOs remains limited, reflecting the global landscape where IPOs account for only about 10% of VC exits globally. Moving forward, it appears that secondary exits will continue to be a common exit strategy for the foreseeable future, while the potential growth of IPOs remains to be seen.”
>
> **Donald Wihardja**
>
> CEO,
> MDI Ventures

On the regulatory front, the Indonesian government has balanced adopting a business-friendly posture (e.g., strengthened digital infrastructure, facilitative policies on Indonesia Stock Exchange [IDX] listing) with protecting consumer and small business interests (e.g., recent social-commerce ban, stricter privacy regulations on fintechs).

In the future, a more resilient venture ecosystem is likely to emerge as stakeholders remain optimistic for long term prospects coupled with attractive asset prices. Here are several trends that may gain traction:

- Early-stage deals will likely stay prominent, especially in emerging sectors such as EV and energy (including the broader climate tech), consumer, healthcare and agritech.
- Growth and later-stage start-ups will prioritize profitability and cash conservation to ensure a longer runway. This shift is influenced by investor demands for quality metrics, such as profitability, over mere top-line metrics. However many will continue to struggle with valuation overhangs. Those which are well capitalized will seek opportunistic acquisition targets that help bring in synergistic products, markets and talent but likely only for distressed deals.
- The consolidation of digital infrastructure, through platforms like QRIS, SatuSehat, and the electronic national ID card, will pave the way for tech companies to further disrupt the national economy using digital tools.
- The local tech talent pool of "second generation founders," or people who previously held leadership positions in first generation start-ups, will continue to grow and create their own start-ups.
- There will be a heightened focus on environmental, social, and governance (ESG), both in terms of investment interest in the ESG space, aligned with a growing trend of new climate funds raised, as well as stronger emphasis on corporate governance in start-ups.

Overall, the outlook for the Indonesian VC market is bright. The market growth fundamentals remain intact, there is a clear pipeline of opportunities in emerging sectors, and there is a maturing investor base ready to provide capital to those companies. Together with a greater readiness of both the consumer and SME to adopt digital platforms for consumption and productivity and continued downward asset pricing pressure is likely to create conditions for strong vintage of venture investment for newly deploying investors.

> “Indonesia will still continue to be a significant force for investors looking to Southeast Asia. It is very hard as an investor to look into Southeast Asia, while ignoring Indonesia. We will continue to see a lot of interest, not just locally from an investment point of view, but also from a regional and global perspective.”
>
> **Gary Khoeng**
>
> Partner,
> Vertex Ventures
> Southeast Asia and India

2 Indonesia macroeconomic context

Indonesia is seen as a bright spot today, given strong fundamentals and structural drivers. Indonesia's economy is supported by its young population and burgeoning middle class, creating headroom for consumption. The country's GDP per capita growth reached 4.6% in 2022, one of the highest in the Association of Southeast Asian Nations (ASEAN) region, while the nation's household consumption as a percentage of GDP is at a healthy rate of about 55.6%, modestly surpassing ASEAN's average of 51.5% and China's 38.1%. At the same time, Indonesia's digital economy has seen rapid expansion, growing from $41 billion in 2019 to $77 billion in 2022, the highest in ASEAN. Urban digital users in the country had an 89% e-commerce adoption rate in 2022, with the population spending an average of 8.6 hours daily online.

> Indonesia has a notably young population, a rapidly increasing consumption capacity, and positive trends in terms of GDP per capita growth. These factors are contributing to the potential demand for technology and business investments in the future, and will continue to place the country as an engine of growth.
>
> **Steve Patuwo**
>
> Partner,
> SV Investment

Favorable macroeconomic tailwinds and policies have also supported Indonesia's economy.

- Inflation is abating faster than market predictions, thanks to a trade surplus and government policies encouraging USD to IDR repatriation. This deceleration allowed Bank Indonesia to moderate its monetary stance, holding the central bank rate steady at 5.75% since January 2023. This stable rate helps to stimulate the economy and bolster the Rupiah against global fluctuations.
- Household consumption growth increased to 4.54% year on year in the first quarter of 2023, in line with the rise in mobility (due to the lifting of pandemic restrictions) and the strengthening of purchasing power, coupled with lower inflation.
- Indonesia also maintained a positive trade surplus trend, where across 2022, the surplus trend reached $54.46 billion, rising from $35.34 billion across 2021.
- Foreign investment hit a record $43 billion in 2022, a 44% uplift from 2021. Including domestic contributions, total investments reached $80 billion, marking a 34% increase from the prior year.
- The Indonesian capital market closed 2022 with a positive performance, with the JCI increasing 4.09% from 2021. This outperformed the MSCI Emerging Markets Index, which declined by 20.09% over the same period.

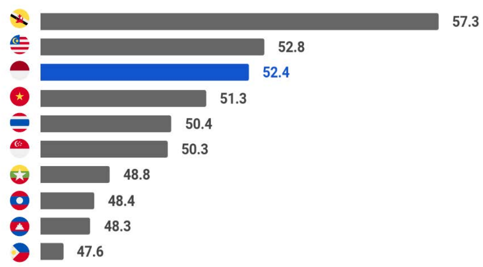
Despite Indonesia's current positive economic landscape, several factors may require Indonesia to navigate through macro headwinds moving forward.

- The ongoing tensions between the United States and China continue to drive investor caution, requiring Indonesia to navigate an uncertain geopolitical environment with judicious moves.
- The upcoming 2024 elections may bring uncertainty, potentially slowing investment as stakeholders become cautious and adopt a wait-and-see approach.
- Major tech players such as GoTo and Grab, as well as smaller and midsize tech companies, continue to lay off employees this year due to increased pressure to achieve profitability, among other reasons.
- Certain sectors of the economy, including e-commerce space, remain dynamic, following the recent restrictions on TikTok Shop in September 2023.

Indonesia is seen as a bright spot today

Demographic dividend

Population aged 20-54 (%)

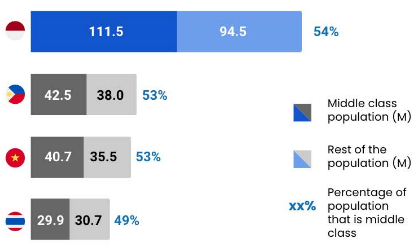


Indonesia has a relatively young population in the productive age bands (20-54 year old), ranking third in ASEAN.

Source: The ASEAN Secretariat (2021).

Growing middle class

Middle class population (M)

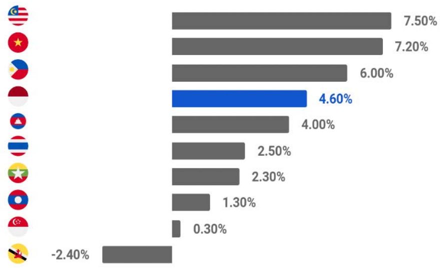


Indonesia has the largest middle class in the SEA region, both in absolute terms and in percentage[1].

Source: Euromonitor International (2023), AC Ventures analysis.

GDP per capita growth

GDP per capita growth

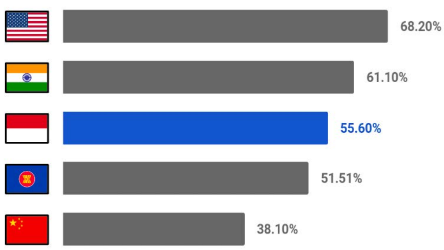


Indonesia has a moderate GDP per capita growth, faring better than most ASEAN peers.

Source: The World Bank (2023).

Household consumption

Percentage of GDP



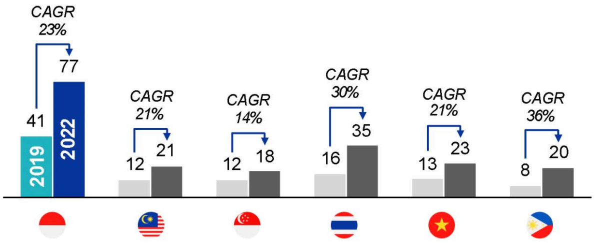
Indonesia has a moderate consumption percentage of GDP, signaling a thriving consumer-driven economy

Source: The World Bank (2023), 2021 data.

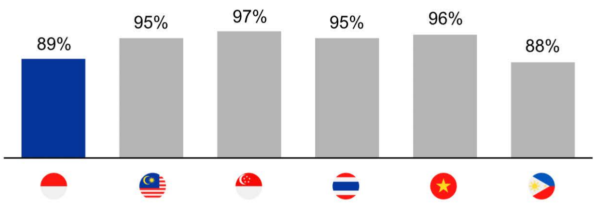
[1] **Note:** Middle class is defined as the segment of the population in each country with annual income between $1,500 and $5,000. This number only includes the population aged 15 and above.

Digital economy is rapidly growing across SEA, including in Indonesia

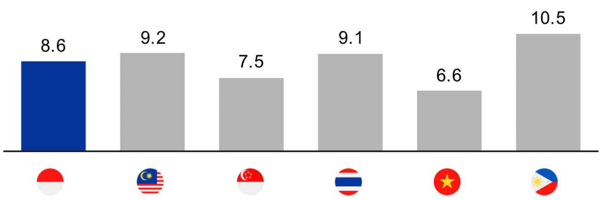
Digital economy GMV (2019-22, $B)



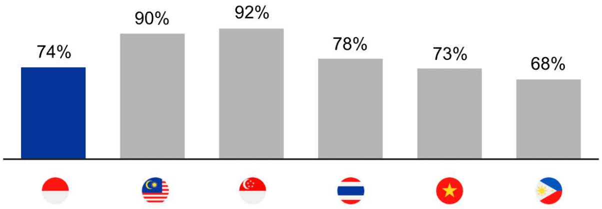
Percentage of urban digital users[1] adopting e-commerce (2022)



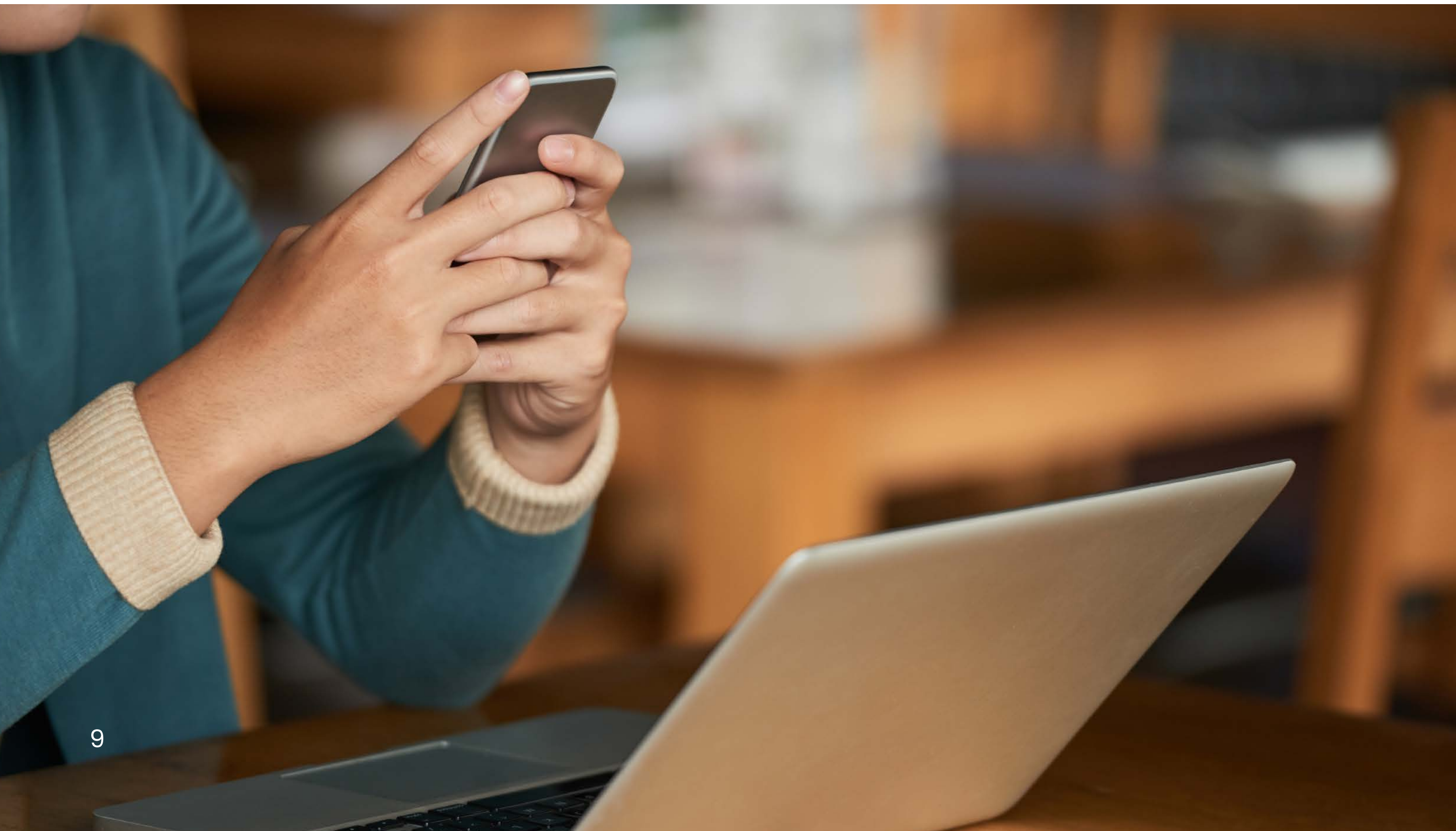
Hours spent daily using internet[2] (2022)



Internet users as percentage of population (2022)



(1) Only considers urban digital users (2)The average amount of time each day that internet users aged 16-64 spend across different kinds of media & devices.
Note: SEA stands for Southeast Asia. GMV stands for gross merchandise value.
Source: DataReportal, e-Conomy SEA Research 2022.



3 Indonesia VC deals landscape

In the midst of a volatile global VC environment, Indonesia's venture ecosystem, from 2021 to 2022, displayed remarkable resilience, maintaining a steady deal funding amount at $3.6 billion (flat year over year for 2021 to 2022)—despite 20% to 40% declines in other regions, such as the United States, China, and India, as well as globally. However, an evident increase in investor caution emerged from the second half of 2022 to the first half of 2023, marked by a reduced number of deals and a noticeable decline in deal sizes. The funding pace in 2023 has lingered at a slow rate through the third quarter. Although there is a slight uptick in deal value for the third quarter of 2023, it only stands at 0.3 times compared to the same quarter in the previous year.

Large and medium-large deals, exceeding $50 million, saw a significant drop in volume from the second half of 2022 to 2023 YTD, with 72% of the rounds happening within 2022 to 2023 YTD closed in the first half of 2022 before the wider macro headwinds notably affected the pace of capital deployment. In contrast, deal activity within small deals (<$10M) saw healthy growth over 2021, and these deals remain the most resilient in 2023, indicating steady early-stage momentum.

This growth is further emphasized by a significant increase in early-stage deals, mainly driven by a surge in seed fundings, reaching a historic high. However, Series B fundings experienced a downturn, shrinking in both the number of deals and average value per deal. Series C and D+ deals, though limited in number, have risen in terms of both deal count and average value.

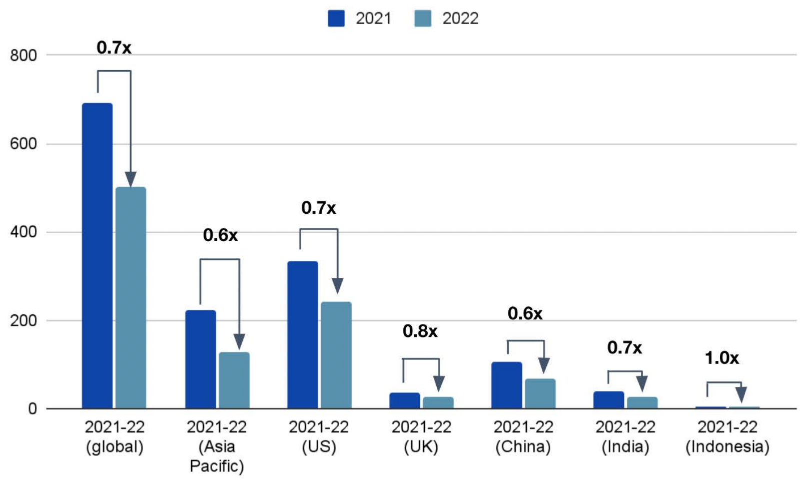
> "During 2021-2022, there was an unusual increase in venture activities such as rapid investments, new companies being formed, and faster pace of fundraising. However, this spike seems more like an exception rather than a lasting trend. Looking ahead, it is expected that the venture ecosystem will "normalize" and experience a steadier pace of growth, and the best companies will be focusing on fundamentals and tapping into the rising demand potential in the market."

Susli Lie

Partner,
Monk's Hill Ventures

Indonesia's VC funding from 2021 to 2022 remained a stable anchor while other regions faced slowdowns

Overview of global VC investments ($B)



Note: VC refers to 'Venture Capital'.
Source: Crunchbase; Bank Indonesia (2023).

Indonesia investments overview

Indonesia VC investments maintained steady growth in 2022 despite global macroeconomic headwinds due to pandemic recovery momentum.

Compared to other regions, **Indonesia's VC investments maintained a steady level year on year at $3.6B.**

With a **5.31% GDP growth in 2022 and stable political and demographic factors**, Indonesia presents a resilient and attractive market for VC investments.

Deal flow picked up quickly in 2021; growth rate declined in 2022 as investors got increasingly cautious

Annual VC investments in Indonesia ($M)

First-generation startups are rapidly evolving and scaling, fueled by surging investor optimism and a strong commitment to expansion.

In a global environment of low interest rates, Indonesia became an attractive target for VCs, drawing significant investments from major global VC firms and corporations.

The early years saw numerous early-stage funding as the VC landscape in Indonesia was just beginning. Value of VC investments started to pick up around 2016 when start-ups started to raise growth rounds.

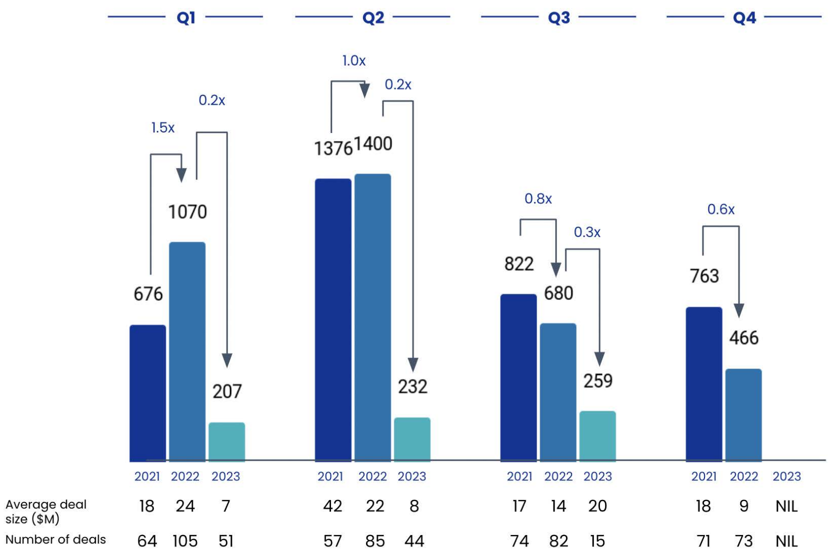
After initial caution due to Covid-19, investor confidence rebounded quickly and strongly in 2021, mainly driven by the rapid increase in digital adoption caused by the pandemic.

Investors recalibrated as they weighed impact of macro headwinds. The average deal size receded due to compression of valuation, but the deal volume experienced strong growth.

Note: VC refers to 'Venture Capital'.
Source: Crunchbase.

Deal flow slowed down over H2 2022 and H1 2023

Annual VC investments in Indonesia ($M), split by quarter



Note: VC refers to 'Venture Capital'; The data for Q3 2023 is current up to August 2023.
Source: Crunchbase.

Indonesia investments overview

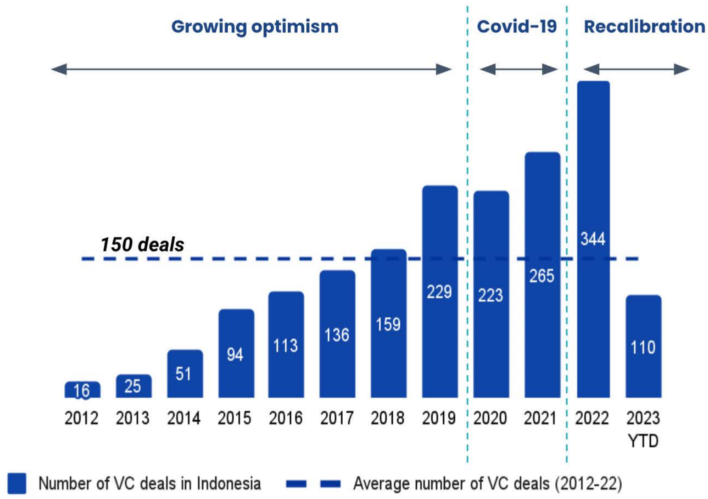
Strong momentum growth over to Q2 2022 despite early head-winds becoming visible (e.g., rising interest rates, geopolitical tensions).

Increasing investor caution over H2 2022 to H1 2023 evident by a lower number of deals vs H1 2022 and compressed deal sizes both indicates a material clampdown on the overall funding landscape.

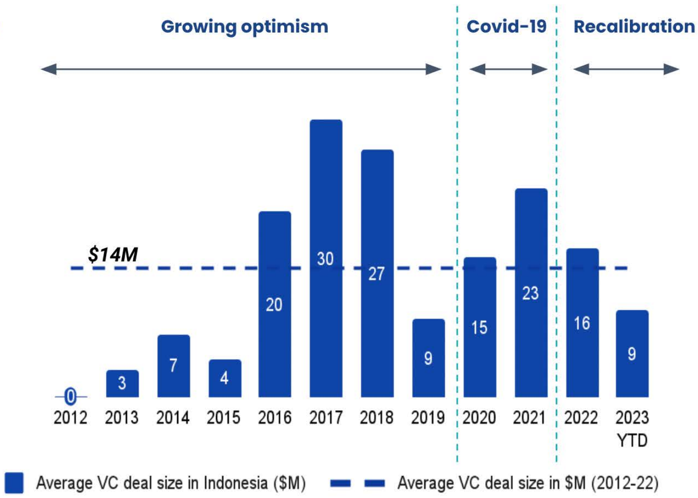
Funding in 2023 has remained sluggish up to Q3 2023. While there has been an increase in Q3 2023, it remains only 0.3x compared to Q3 2022.

Average deal size has been lower in last 4-5 years compared to 2016-2018

Number of VC deals in Indonesia



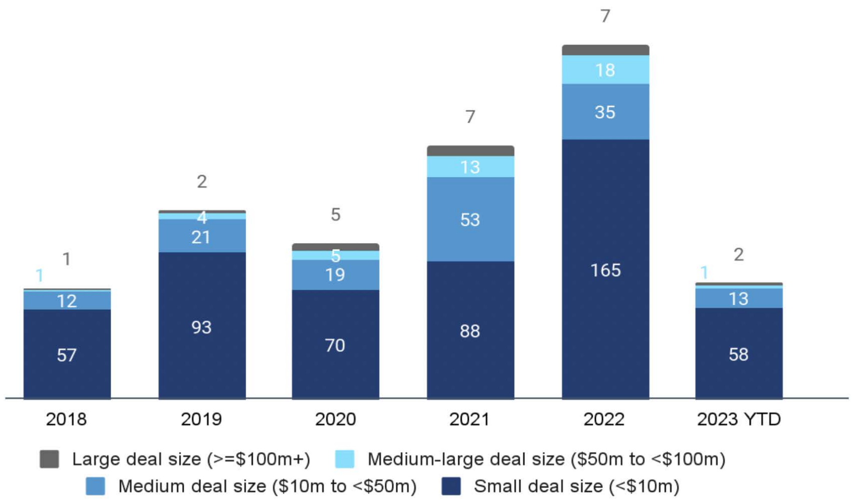
Average VC deal size in Indonesia ($M)



Note: VC refers to 'Venture Capital'; The data for Q3 2023 is current up to August 2023; YTD refers to Year to Date as of August 2023.
Source: Crunchbase.

Proportion of medium and large ticket size deals dropped significantly in 2023

Number of VC deals in Indonesia
(split by size of deal)



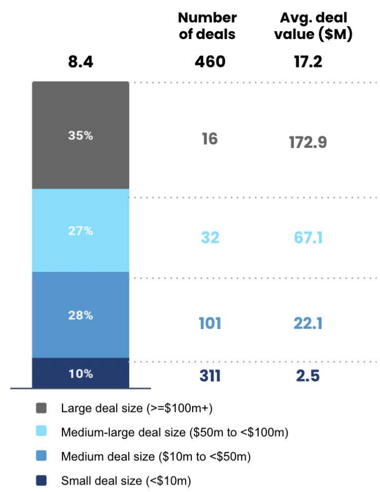
Large deals of $50M+ dropped significantly in volume over H2 2022 to 2023 YTD as 72% of rounds happening within 2022 to 2023 YTD closed in H1 2022 before broader macro headwinds had a demonstrable effect on pace of capital deployment.

Deal activity within small deals (<$10M) saw healthy growth over 2021, and these deals remain the most resilient in 2023, indicating steady early-stage momentum.

Note: VC refers to 'Venture Capital'; Ticket size indicates total investment value in respective rounds (inclusive of all investors). The data for 2023 is current up to August 31, 2023.
Source: Crunchbase.

Megarounds in the last three years are typically seen in marketplaces, fintech, and logistics sectors

Cumulative VC investments in Indonesia from 2021-2023 YTD
($B, split by size of deal)



Overview of large-ticket-size deals with $100M+ funding

Not Exhaustive

Name	Sector	Money raised	Year	Investors
SiCepat Express	Mobility and logistics	$170M	2021	Falcon House Partners, etc
Bukalapak	B2C e-commerce	$234M	2021	EMTEK, etc.
Bukalapak	B2C e-commerce	$400M	2021	Resorts World, etc.
GudangAda	Mobility and logistics	$100M	2021	Alpha JWC Ventures, etc.
Xendit	Financial services	$150M	2021	Accel, etc.
Ajaib	Financial services	$154M	2021	Alpha JWC Ventures, etc.
Modalku	Financial services	$144M	2022	AVV, etc.
Sayurbox	B2C E-commerce	$119M	2022	Alpha JWC Ventures, etc.
Xendit	Financial services	$300M	2022	Accel, etc.
Pintu	Web3	$113M	2022	Intudo Ventures, etc.
DANA	Financial services	$250M	2022	Sinar Mas Group
Akulaku	Financial services	$200M	2022	MUFG
eFishery	Food and agriculture	$108M	2023	42XFund, etc.
Halodoc	Healthcare	$100M	2023	Astra Digital International

Note: VC refers to 'Venture Capital'; The data for 2023 is current up to August 31, 2023; B2C refers to 'Business-to-Consumer'.
Source: Crunchbase.

Early-stage seed deals are flourishing, while early growth stage saw a slump

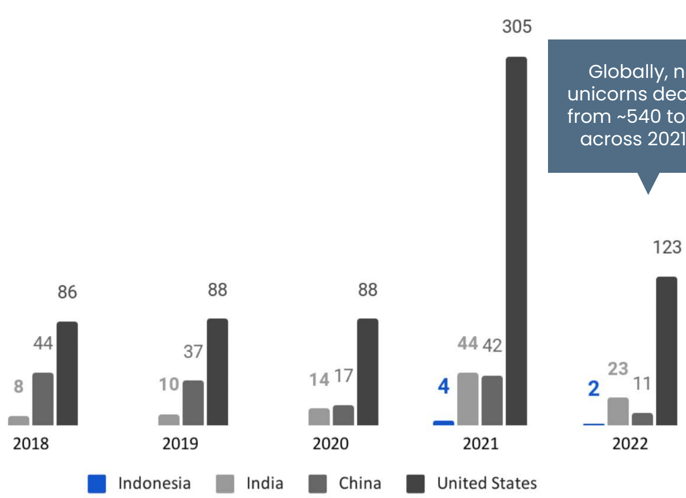
Number of deals (Average VC deal value in Indonesia)

	2021	2022	Volume growth over 2021-22	
Seed	62 (~$1.7M)	128 (~$2.2M)	~2.1x	**Early stage deals significantly increase,** caused by uplift in seed fundings reaching historical high.
Series A	41 (~$16.6M)	41 (~$12.1M)	~1.0x	
Series B	30 (~$40.1M)	22 (~$35.0M)	~0.7x	**Series B fundings see a slump,** contracting in terms of number of deals and average value per deal.
Series C	9 (~$51.7M)	11 (~$74.3M)	~1.2x	**Series C and D+ deals,** although small in number, **rose** in terms of number of deals and average value per deal.
Series D+	3 (~$70.3M)	6 (~$78.7M)	~2.0x	

Note: VC refers to 'Venture Capital'; Series D+ includes series D to series E.
Source: Crunchbase.

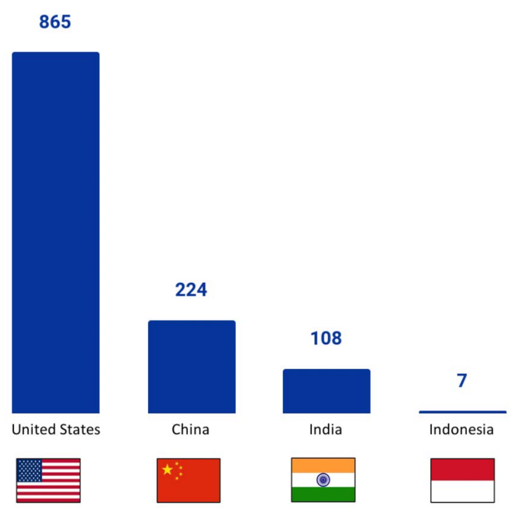
Indonesia still in its early years in creating unicorns

Number of new unicorns



Source: Bain India Venture Capital Report 2023, CB Insights (2023), literature search.

Total number of unicorns created to date (2007-2022)



Source: Bain India Venture Capital Report 2023, CB Insights (2023), literature search.

4 Key investment themes in 2022–2023

The Indonesian VC investment landscape has evolved through three distinct phases.

The first phase (before 2020) saw investors primarily investing into platform businesses with network effects, particularly those with winner-takes-all characteristics. The key sectors during this period were e-commerce, mobility and logistics, and fintech (e-wallets, payments, etc.).

This second phase (2020 to 2022) marked a shift in investment priorities as investors targeted sectors that directly benefited from Covid-induced movement restrictions and a global surge in investing interest. The popular sectors during this phase included e-commerce, fintech (with a particular interest in buy now pay later, lending, and wealth platforms), and a short-lived interest in Web3 technologies.

The current (2023 onwards) trend in investments leans towards ESG and climate tech, particularly electric vehicles (EVs) and battery technologies. Health-tech remains robust in a conservative deal climate, and there is an upswing in digitally native, direct-to-consumer (D2C) brands maximizing the influence of e-commerce platforms and social media tools.

“

Investment sectors in Indonesia are expected to continue along current trends. However, new developments might emerge in sectors like healthcare, driven by specific regulatory changes. Additionally, with the rise of foundational Artificial Intelligence (AI) technologies, we could see a surge in applied AI use cases across the country. Despite challenges in the ecosystem, the primary strengths of Indonesia's investment sectors are rooted in consumer and financial services.

”

Gary Khoeng

Partner,
Vertex Ventures
Southeast Asia and India

A few emerging investment themes include the following:

- Consumer tech investments witnessed a significant dip from around $580 million in the first half of 2022 to around $81 million in the first half of 2023. Nonetheless, the investor sentiment seems positive, buoyed by Indonesia's burgeoning middle class and vast working population.

- Financial services investments plummeted from over $1 billion in the first half of 2022 to around $25 million in the first half of 2023. The investments in financial services in the first half of 2023 predominantly catered to insurtech, rural banking, and mortgages.

- EV and energy saw a significant increase in investments, from around $3 million in the first half of 2022 to around $18 million in the first half of 2023. Additionally, a $38 million investment in Maka Motors during the second half of 2023 brought the total 2023 YTD investment in this space to $56 million. This uptick is partially driven by supportive government initiatives, including policies and regulations as well as subsidies for retail customers. The consumer mindset is gravitating towards EVs, facilitated by more affordable financing options when compared to ICE vehicles. Mobility titans like Grab and GoTo, having extensive networks of drivers and vehicle fleets, have initiated collaborations with EV brands such as Electrum. This shift garners support from extensive interest across related sectors, such as charging infrastructures and original equipment manufacturers.

- Investments in agritech saw a significant relative increase in 2023 YTD, with aqua-culture alone showing 1.2 times growth from the first half of 2022 to the first half of 2023. A significant highlight was the hefty $200 million investment in eFishery.

- The health-tech sector experienced a substantial boost, with investments jumping from $8 million in the first half of 2022 to $51 million in the first half of 2023. Halodoc's Series D funding round alone secured $100 million, raising the total 2023 YTD investment to $151 million.

“

Firstly, the consumer sector in Indonesia is poised for the next phase of hyper growth, fueled by rising income levels and consumers' willingness to try new products. This growth will be supported by more mature logistics and online payment systems, which should catalyze the emergence of new brands.

Secondly, despite historical reluctance towards new technologies in Indonesia's agriculture sector, success stories such as eFishery offer a glimpse of how the seamless integration of tech into a traditional workflow can help a business model scale massively. This playbook is now being replicated by other startups in Indonesia.

Lastly, the MSME sector remains a vast but yet under-penetrated field. Founders are building new, innovative software solutions to help MSMEs drive operational efficiency. We see emerging opportunities in the digitalization of supply chains, incorporation of AI agents into external customer and internal employee facing workflows and utilization of AI to facilitate better decision making and business planning.

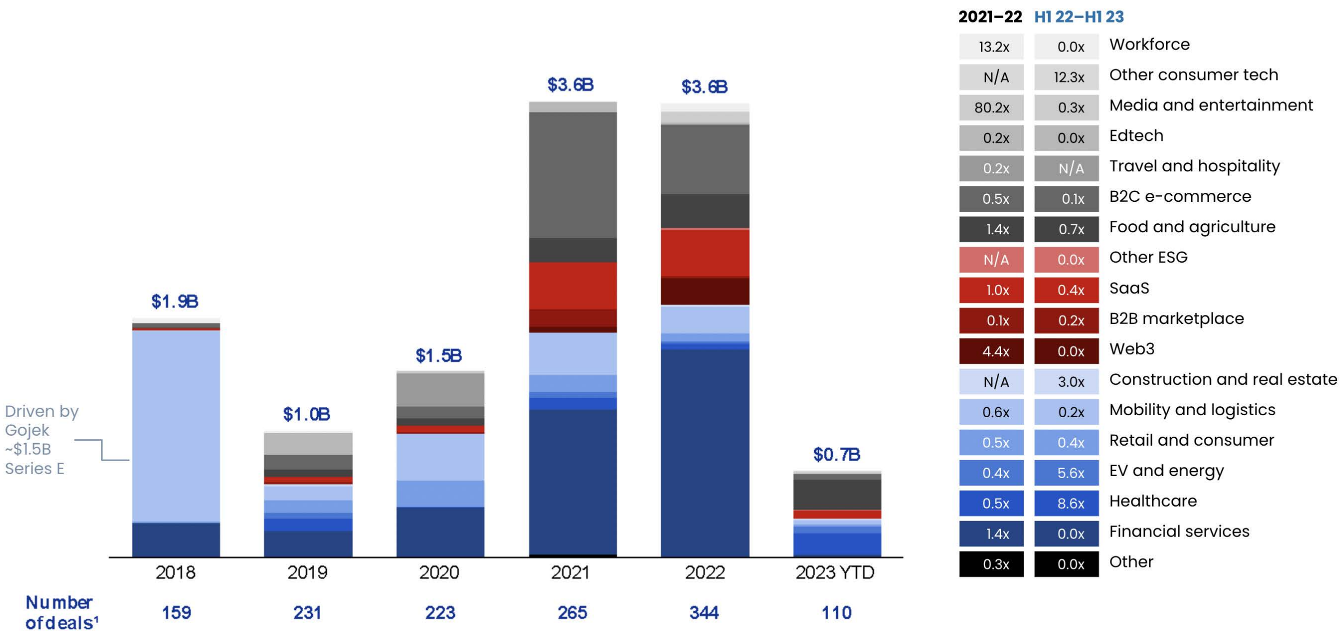
”

Carlson Lau

Managing Director,
Northstar Group

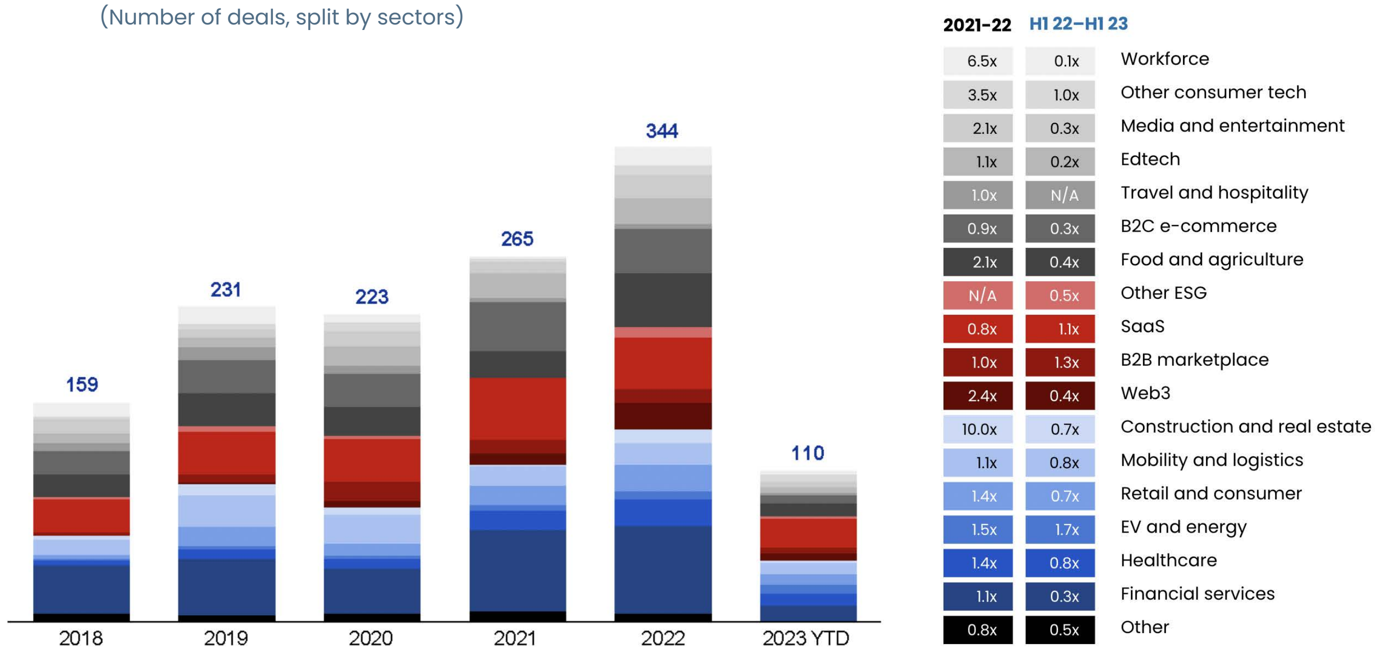
Investors appear to increasingly focus on new themes such as EV, energy, and healthcare

Annual VC investments in Indonesia
($B, split by sectors)



(1) Number of deals displayed is the number of all deals in each year, including those without known value
Notes: This graph only includes pre-seed, seed, series A to E, and other select venture funding. EV stands for Electric Vehicles. VC stands for Venture Capital. N/A stands for Not Applicable. B2C stands for Business-to-Consumer. ESG stands for Environmental, Social and Governance. SaaS stands for Software as a service. B2B stands for Business-to-Business. The data for 2023 is current up to August 31, 2023.
Source: Crunchbase, S&P Capital IQ, Preqin, AVCJ, literature search.

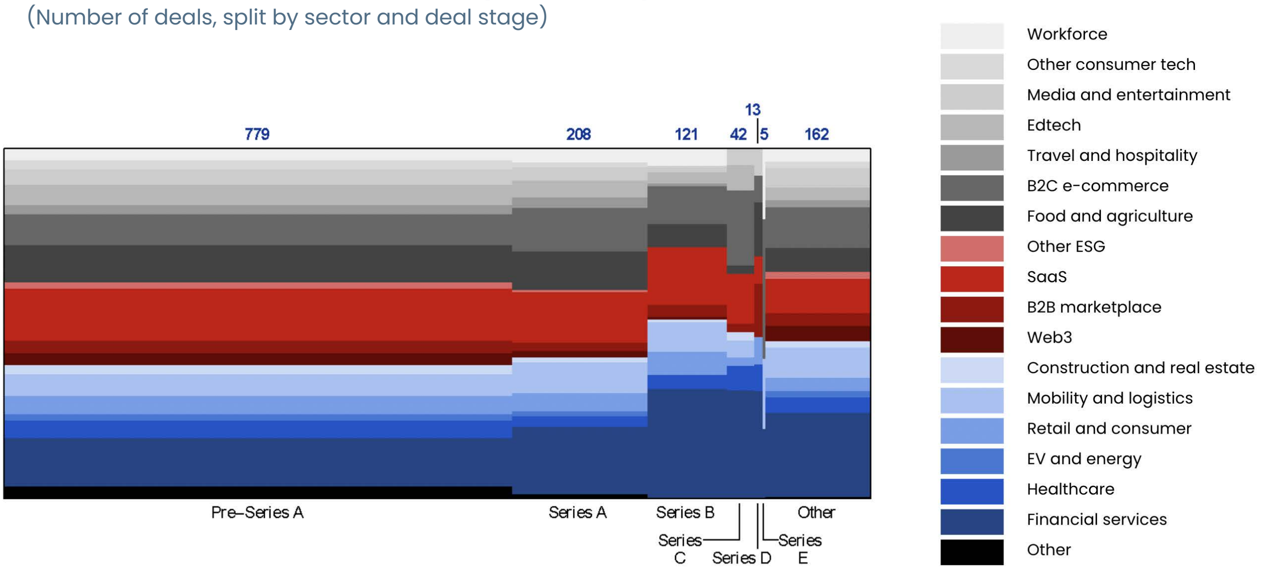
Annual VC investments in Indonesia
(Number of deals, split by sectors)



Notes: This graph includes all deals, regardless of whether their value is known. The data for 2023 is current up to August 31, 2023.
Source: Crunchbase, CapIQ, Preqin, AVCJ, literature search.

Series B and onwards funding rounds tend to see higher share of Financial Services deals

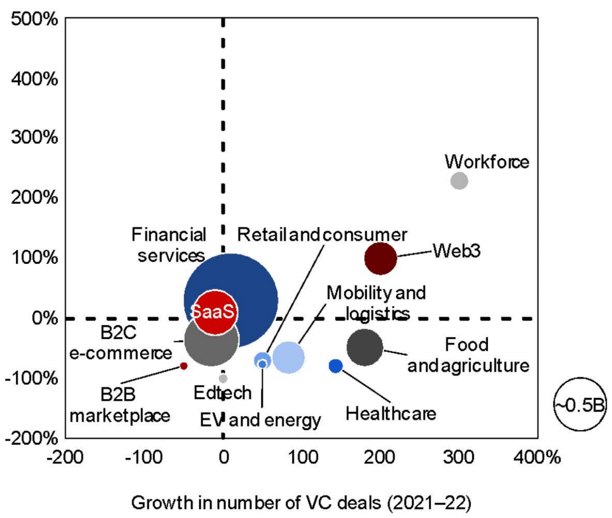
Annual VC investments in Indonesia (2018–23 YTD)
(Number of deals, split by sector and deal stage)



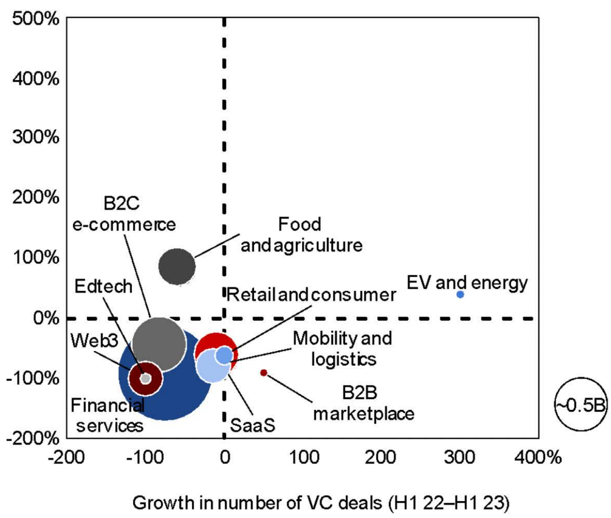
Notes: This graph includes all deals, regardless of whether their value is known.
Source: Crunchbase, CapIQ, Preqin, AVCJ, literature search.

Investors shift sector focus in 2023; bright spots observed in EV and energy, food and agriculture sectors

Growth in average VC deal value
(2021-22)



Growth in average VC deal value
(H1 22 - H1 23)



Notes: Sector deal size (size of bubble) based on 2022 aggregate values; sectors with low N, low aggregate deal sizes, or outlier data excluded. EV stands for Electric Vehicles. VC stands for Venture Capital.
Source: Crunchbase, S&P Capital IQ, Preqin, AVCJ, literature search.

"

Sectors such as biotech, energy, EV, and cleantech are poised for continued growth, making Indonesia an increasingly attractive destination for investments. The market's appetite, coupled with a broader industry shift towards sustainability and a green economy, will further fuel expansion in these areas. Other businesses that transcend basic models by incorporating AI innovations – operational AI and other pivotal technologies or those possessing unique intellectual properties (IPs) with substantial growth potential, carve unique, defensible niches in their markets, making them particularly enticing for investors.

"

Steve Patuwo

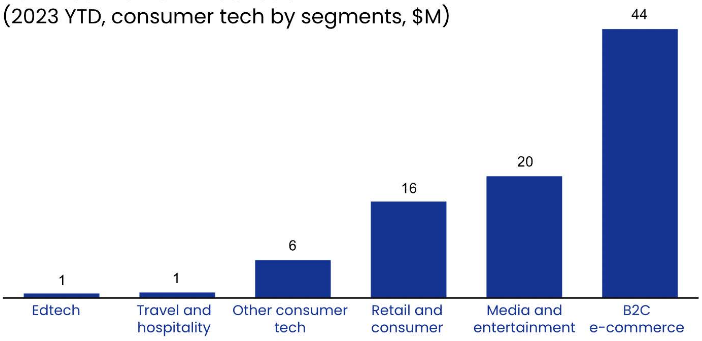
Partner,
SV Investment

Sectoral Deep Dive

Sector deep dive: Consumer sector

Funding overview

VC investments in Indonesia
(2023 YTD, consumer tech by segments, $M)



	Edtech	Travel and hospitality	Other consumer tech	Retail and consumer	Media and entertainment	B2C e-commerce
Growth (H1 22–H1 23)	0x	N/A	12x	0.4x	0.3x	0.2x
2023 YTD Deal volume	1	2	2	4	2	5
2023 YTD top deal	**N/A**	**N/A**	**Supermom** ($6M)	**Legit Group** ($14M)	**Migo** ($20M)	**Evermos** ($39M)

Key drivers

Continued expansion of middle class and rising disposable income
Beyond spending more, Indonesian consumers are also trading up, in terms of purchasing higher quality products and services, or consuming products in more convenient formats.

K-pop, Generation Z consumers, and TikTok
K-pop influence can be seen across various consumer sectors, from beauty and personal care, to F&B category. TikTok's rising popularity among an increasing base of Generation Z consumers gives rise to a new wave of KOLs and livestream shopping.

Future outlook

Omnichannel strategy for D2C brands
Given that Indonesia is still a predominantly offline economy, digitally native D2C consumer brands would have to expand to offline channels.

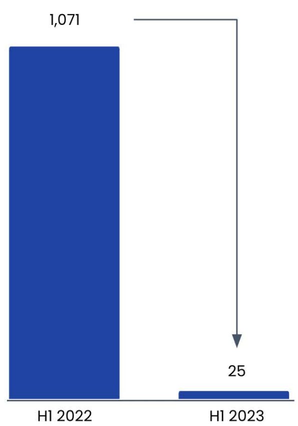
Investors to continue focus on improving unit economics
Consumer brands will need to balance high growth with strong profitability by leveraging lower-cost supply chain and cost-effective marketing.

Notes: VC stands for Venture Capital. YTD stands for Year to date. F&B stands for food and beverage. KOL stands for Key Opinion Leader. B2C stands for Business-to-Consumer.
Source: Crunchbase.

Sector deep dive: Financial services

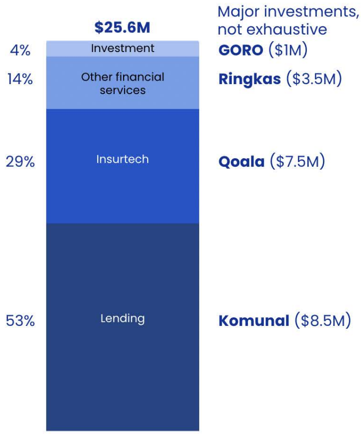
Funding overview

VC investments in Indonesia
(financial services, $M)



Sectoral trends

Segment split
(2023 YTD, financial services, $M)



Key drivers

Under-penetration of financing
Indonesia's loan book outstanding as a percentage of GDP lags other markets (i.e., SEA peers, developed markets), and various sources have estimated a financing gap of >$50B in Indonesia.

Favorable population demographics
Indonesia's large middle class population of >50M people that does not yet have full access to financial services (e.g., loans, wealth products, insurance).

Future outlook

Growth in other fintech verticals
Ability to provide customers with low ticket sizes products in insurance, investments to unlock currently unserved market by incumbents.

Rise of specialized finance
Increased specialized, segment-focused approach toward lending (e.g., embedded finance in supply chain lending) rather than pure unsecured lending.

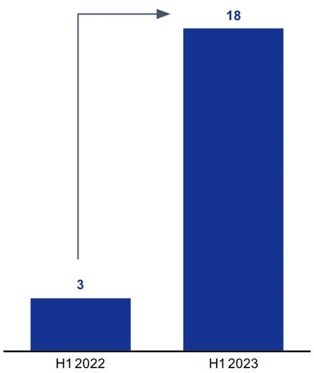
Notes: VC stands for Venture Capital. YTD stands for year to date.
Source: Crunchbase.

Sectoral Deep Dive

Sector deep dive: EV and energy

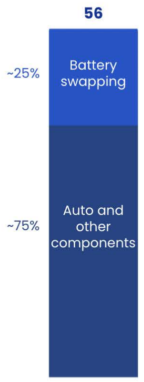
Funding overview

VC investments in Indonesia
(EV and energy, $M)



Sectoral trends

Segment split
(2023 YTD, EV and energy, $M)



electrum — *undisclosed amount*

- Joint venture between TBS and GoTo
- Offers electric motorbikes with swappable batteries

maka — **$38M**

- EV manufacturer with plans to launch the pilot of its vehicles in 2023
- Raised $38M seed round in 2023 to mass produce electric motorbikes. Deal set to propel two-wheeler EV adoption in Indonesia

Key drivers

Total cost of ownership (TCO)
Sustained adoption has to be supported by a lower TCO vs. ICE vehicles. EVs typically have fewer components, potentially leading to lower maintenance costs.

Ecosystem players as key GTM partners
Mobility giants (e.g., Grab, GoTo) have huge access to drivers and vehicle fleets and have begun to utilize EV brands such as Electrum.

Consumer awareness around EV and lower financing costs (better access vs. ICE vehicle).

Future outlook

Higher requirement on domestic supply chain
The TKDN (domestic component level) to quality for EV subsidy will rise, from current 40% to 60% in 2029 and 80% in 2030.

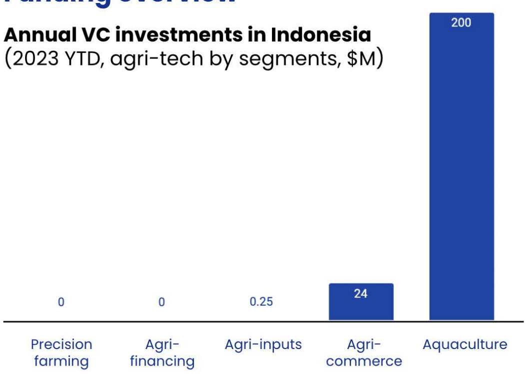
New opportunities in the broader EV ecosystem
There may be opportunities for businesses in fast charging and battery recycling, based on observations of other countries with higher EV adoption rates.

Notes: EV stands for electric vehicles. VC stands for Venture Capital. YTD stands for year to date. ICE stands for internal combustion engine. GTM stands for Go-to-Market. TKDN stands for Tingkat Komponen Dalam Negeri.
Source: Crunchbase, literature search.

Sector deep dive: Agri-tech

Funding overview

Annual VC investments in Indonesia
(2023 YTD, agri-tech by segments, $M)



	Precision farming	Agri-financing	Agri-inputs	Agri-commerce	Aquaculture
Growth (H1 22–H1 23)	N/A	N/A	N/A	0.3x	1.2x
2023 YTD deal volume	0	0	2	4	2
2023 YTD top deal	N/A	N/A	N/A	EdenFarm ($14M)	eFishery ($200M)

Key drivers

Structural pain points that are addressable by technology
A highly fragmented grower landscape (smallholders make up ~70% of agricultural production), coupled with the lack of access to quality inputs/financing and a layered distribution system, present an opportunity for agri-tech players to help modernize farming capabilities and improve farmer outcomes/efficiency.

Government policies
Government actions to consolidate agricultural data into a centralized repository can support farmer productivity and supply chain integration, thereby creating opportunities for agri-tech players.

Future outlook

Rising adoption of agri-tech (especially among smallholder farmers)
As Indonesia's agricultural sector modernizes and agricultural e-commerce becomes more prevalent alongside the rising access to farmer financing and stable offtake provision, adoption flywheel will help spur advancements across the agri-tech ecosystem.

Greater focus on B2B business models (better economics)
In the near to mid term, focus on unit economics will likely drive agri-tech companies towards B2B customers, given challenges faced in scaling the B2C and D2C channel profitably in recent years.

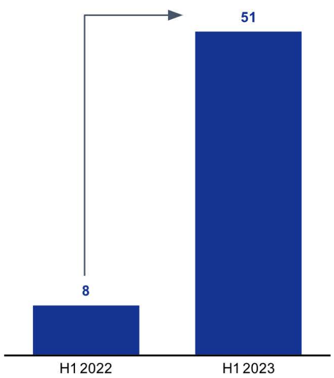
Notes: VC stands for venture capital, YTD stands for year to date. N/A stands for not applicable. B2B stands for business-to-business. D2C stands for direct-to-consumer.
Source: Crunchbase, literature search.

Sectoral Deep Dive

Sector deep dive: Health-tech

Funding overview

VC investments in Indonesia
(Health-tech, $M)



Sectoral trends

Segment split
(2023 YTD, health-tech, $M)

ZiCare **$2M**

- Health-tech startup aimed at offering medical records digitization for hospitals

halodoc **$100M**

- Telemedicine provider offering digital medical consultations with licensed doctors as well as medical laboratory services
- Network of ~1K partner pharmacies for drug dispensing via Apotik Antar

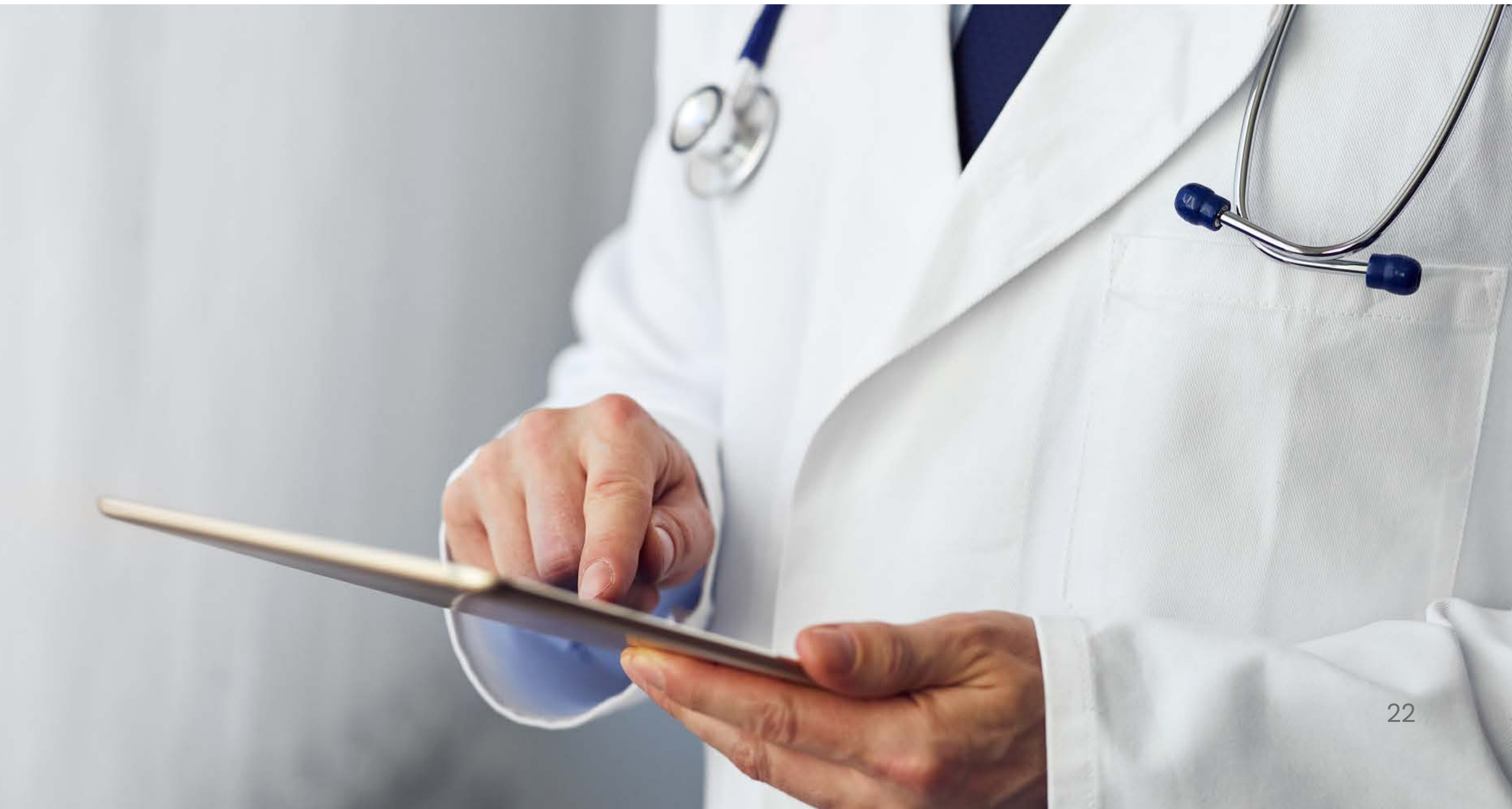
Key drivers

Gap in healthcare coverage
Indonesia faces an acute gap in bed supply (0.6 beds per thousand vs. SEA average of 2.2) and low doctor and specialist density. Domestic demand for healthcare services is forecasted to increase as the middle class population grows to account for ~90% of the population by 2030.

Supportive regulatory framework
Omnibus bill that commenced in 2023 will encourage private sector participation and foreign participation to improve healthcare access The bill will streamline coordination of benefits between BPJS and the private sector, as well as allow foreign doctors to practice locally.

Digitization of healthcare
Health-tech players also play a key role in alleviating the shortage of healthcare infrastructure. This can take the form of digital health services (e.g., telemedicine) or provider enablement/digitization (e.g., digital pharmacy, out-of-hospital testing services).

Notes: VC stands for venture capital, YTD stands for year to date. SEA stands for Southeast Asia. BPJS stands for Badan Penyelenggara Jaminan Sosial.
Source: Crunchbase, literature search.



5 Investor base and fund-raising

The investor landscape in Indonesia is highly fragmented and sees participation from multiple investor profiles, including global VCs, global crossover growth investors, sovereign wealth funds, corporate VCs, SEA-centric VCs, and Indonesia-centric VCs.

There is an established cohort of VCs with Indonesia as their main mandate that have a young but credible track record (defined as at least 25 deals participation since 2018), especially in early-stage deals. Over the years, deal share of these Indonesia-centric VCs has grown rapidly from around 3% of deal value share in 2018 to around 14% of deal value share in 2022. In addition, there is growing traction in fund-raising by these Indonesia-centric VCs, with larger amounts raised in successive fund vintages.

The majority of deals invested by these prominent Indonesia-centric VCs have been on earlier stages (seed and Series A), with ticket sizes typically below $50 million. Taken altogether, this would suggest a healthy pipeline of companies for mid- and late stage rounds in the next three to five years, as companies backed by these Indonesia-centric VC investors seek follow-on funding.

“

In contrast to many other countries, Indonesia boasts substantial domestic investment in tech startups, with large local conglomerates pouring hundreds of millions of dollars into the tech sector by anchoring many large local VCs. In other countries, only smaller funds are typically raised locally, and larger, later-stage funds are sourced globally. Unlike in other countries, Indonesia sees significant investments from domestic sources in its tech startups.

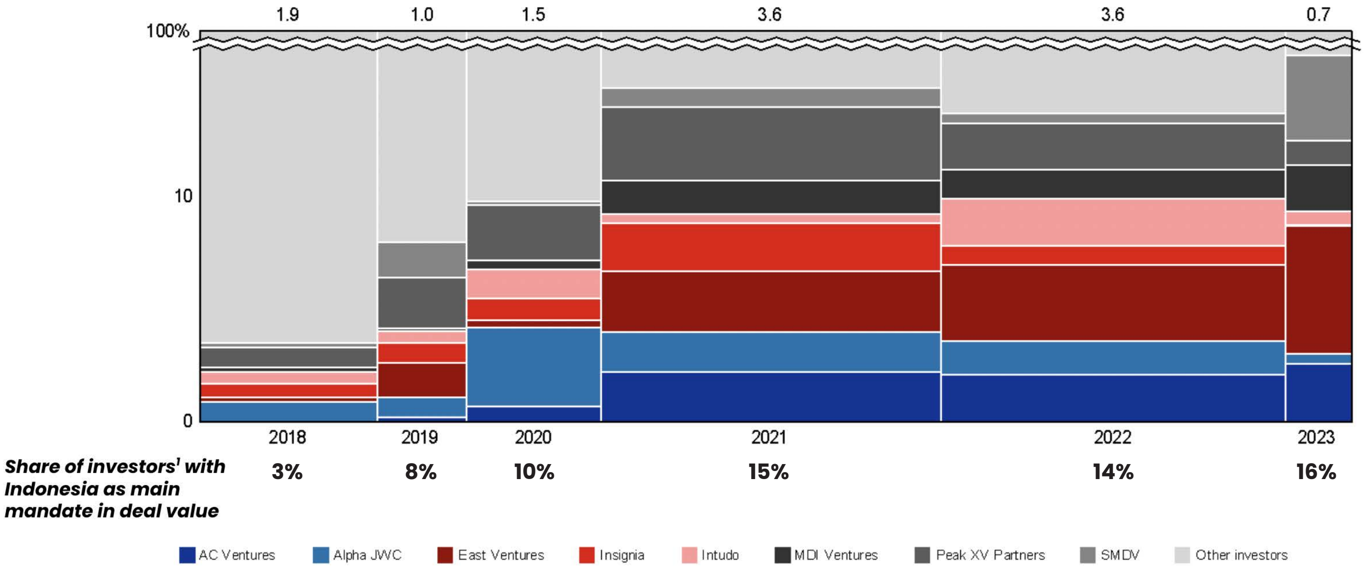
”

Donald Wihardja

CEO,
MDI Ventures

Investors with Indonesia as main mandate have increased their share of deal flow over the years

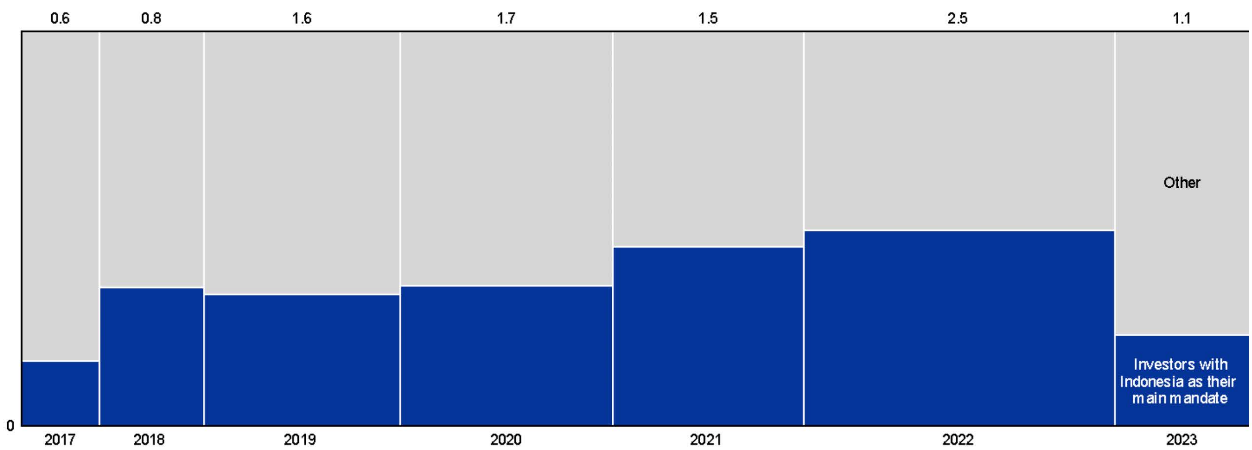
Annual VC investments in Indonesia
($B, split by fund managers)



(1) Defined based on last 6 years deal activity (at least 25 deals participation since 2018; deals with known value); excludes accelerators; in multi-investor deals, deal value per investor is assumed to be equally split.
Note: VC stands for Venture Capital.
Source: AVCJ, literature search.

Increasingly more funding has been raised by VC investors that participate in Indonesia over the years

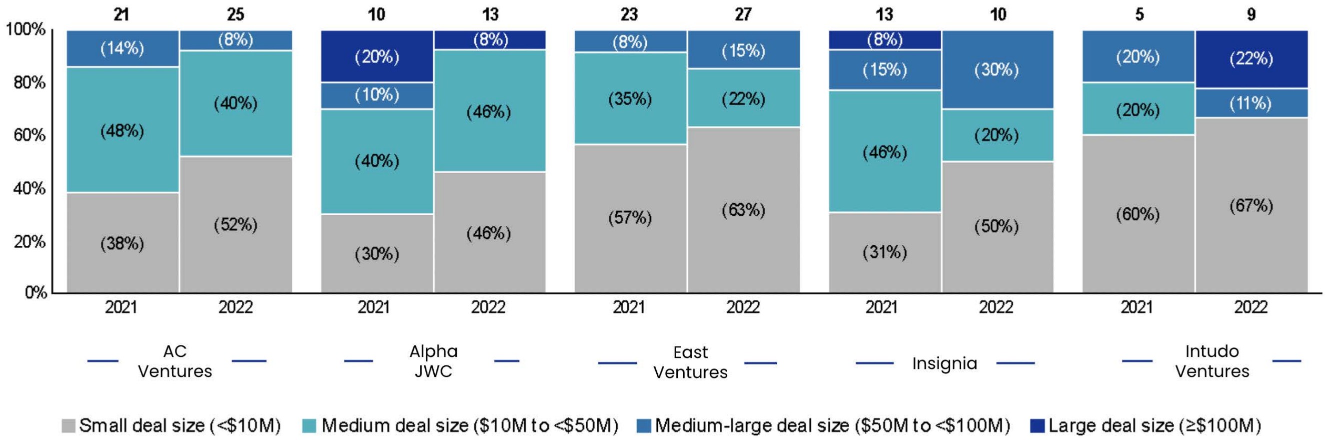
Indonesia focused or allocated funds raised by VC
($B, split by fund managers)



(1) Fund managers that raised <$100M in the last 7 years clubbed into "Other" for visualization purposes (2) Defined based on last 6 years deal activity (at least 25 deals participation since 2018; deals with known value); India-SEA and other cross-coverage funds (e.g., Peak XV, Lightspeed) have been excluded–these investors have raised ~$9 billion in the last 7 years.
Note: VC stands for venture capital. SEA stands for Southeast Asia. Analysis does not include investors that do not engage in external fund-raising efforts, or India-SEA/cross-coverage funds
Source: AVCJ, Preqin, Crunchbase, Lit. search

Investors who have made >25 deals in Indonesia since 2018 have largely focused on early-stage deals

VC deals[1] by select investors[2] in 2021–22
(split by deal size)



(1) Only includes deals with known values; (2) Only includes VCs who have more than 25 known deals participation since 2018.
Note: VC stands for venture capital.
Source: AVCJ, Lit. search.

6 Perspectives on exits landscape

Exits in Indonesia have traditionally been lumpy, and they have typically been done via trade sale to strategic buyers. IPOs have seen a greater share in 2021 to 2022 due to listings of select scale consumer tech companies (i.e., Bukalapak, GoTo, and Blibli) on IDX.

In the future, pressures on market capitalization of publicly listed companies that participate in SEA and Indonesia tech ecosystem (e.g., SEA group, GoTo, Grab, Bukalapak) will likely dampen further mega-IPOs of Indonesian tech companies.

In addition, the funding environment post 2022 has gotten tougher, as evidenced by worsening conversion rate of follow-on funding. This implies that start-ups today will need to be more capital-efficient and have a track record on profitability and operations to meet more stringent investor requirements.

"

The maturity of local capital markets plays a significant role in determining whether they can support a successful venture exit, through either public or private markets. In a region like Southeast Asia, we are beginning to see larger tech startups developing their capabilities in executing M&As, with companies such as GoTo, Grab, and Traveloka undertaking acquisitions and honing their skills to support inorganic growth. The viability of M&As as an exit route in the region, and particularly in Indonesia, still needs to be validated, but this is to be expected given how nascent the venture ecosystem still is, only a decade in. In fact, I hope to see the maturation of a spectrum of exit pathways as time goes by.

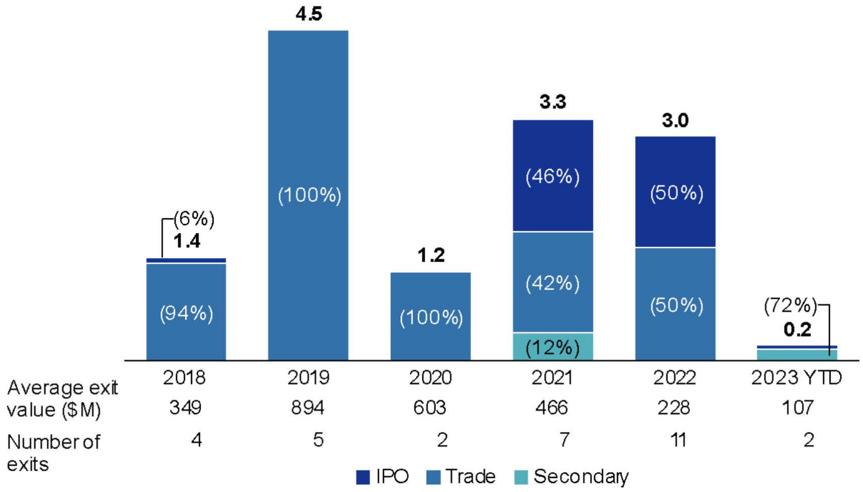
"

Susli Lie

Partner,
Monk's Hill Ventures

Exits are lumpy and are mostly via trade sale; IPO channel gaining relevance in recent years

Value of PE/VC exits[1] in Indonesia
(in $B, split by mode of exit)



Exit via IPO

IPO gained prominence over 2021–2022, and with 5 IPO VC exit as of 2023 YTD, it now holds material share.

Trade and secondary sale

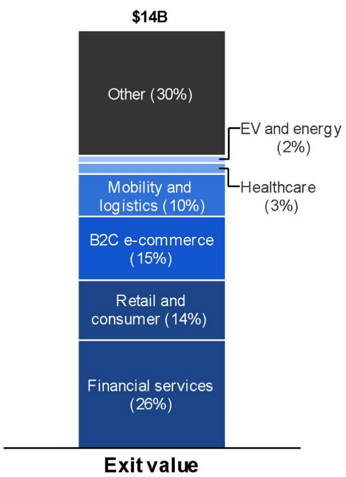
Secondary and trade exit value compressed, with average exit deal size declining from ~$900M (2019) to ~$200M (2022).

Overall exit environment is still lumpy and inconsistent, given the nascent PE and VC scene in Indonesia.

(1) Exits with undisclosed deal amounts have not been included.
Notes: Analysis only includes Indonesia-based issuer or target. PE stands for private equity. VC stands for venture capital. YTD stands for year to date. IPO stands for initial public offering.
Source: AVCJ, Preqin.

Exits of tech investments have largely been via strategic trade sale, but IPO has increased in recent years

Proceeds raised at exit[1]
($B, 2018 onward)



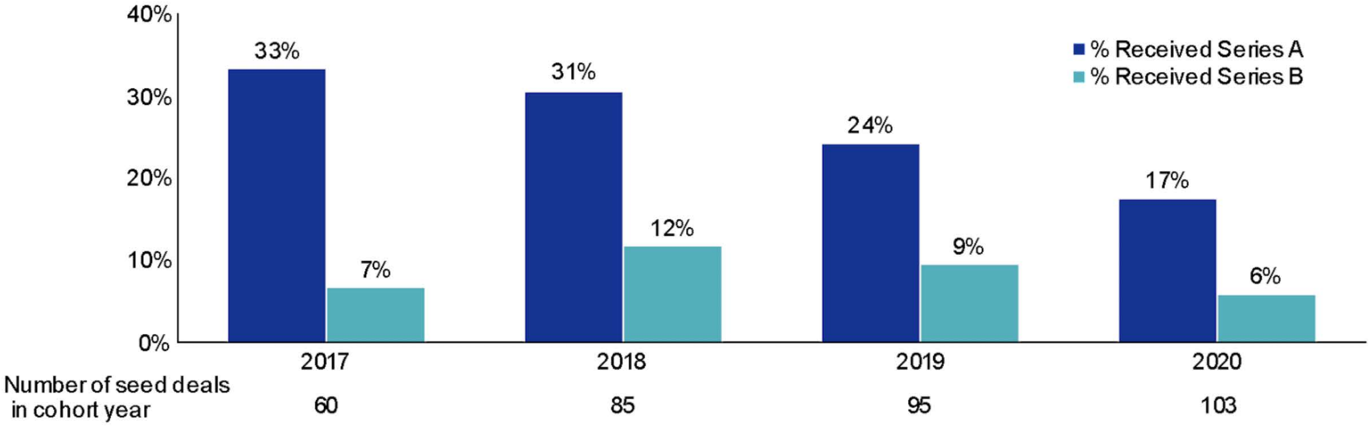
Select exits in recent years

Asset	Key exit investor[2]	Buyers	Sectors	Exit value[3] ($M)
Bukalapak	500 Global, Batavia Incubator, Mirae Asset	Public (IPO)	B2C e-commerce	~1,500
Blibli	GDP Venture	Public (IPO)	B2C e-commerce	~500
GoTo	ADIA, BlackRock, KKR, Sequoia (Peak XV), SoftBank	Public (IPO)	Mobility and logistics	~1,000
Moka Teknologi	AC Ventures, East Ventures, SoftBank, Sequoia (Peak XV)	GoJek	SaaS	~130
Kudo	East Ventures, GREE Ventures, 500 Global	Grab	Financial services	~100
VKTR Teknologi	Bakrie & Brothers, Bakrie Metal Industries, Quantum Ventures	Public (IPO)	Mobility and logistics	~60
Kartuku	Endeavor Indonesia	GoPay	Financial services	Undisclosed
Midtrans	Beenos Partners			
Mapan	Patamar Capital, Golden Gate, BRI Ventures			

(1) Exits with undisclosed deal amounts have not been included; (2) Non-exhaustive;
(3) For IPO exits, based on funds raised at IPO.
Note: IPO stands for initial public offering.
Source: AVCJ, Lit. search.

Emerging signs of a tougher funding environment post 2020–2022 are indicated by worsening conversion rate

Percentage of deals that garnered follow-on funding
Cohort year defined as year that start-up received first round of pre–Series A funding



As funding environment becomes tougher, start-ups will need to be more capital-efficient and show a track record on profitability and operations

Note: Each stage of funding only counted once per company, even if start-up has had multiple rounds of a single funding stage. Series B tends to happen 3–4 years after seed; Excluded 2021 cohorts onwards from analysis
Source: Crunchbase, literature search.

"

In Indonesia's venture capital scene, M&A activities are projected to surge due to the inherent fragmentation of various industry sectors within Indonesia. Traditional business entities are likely to leverage M&A as a strategy to digitalize and innovate without the necessity of investing massively in technology development. Meanwhile, despite prevailing skepticism among retail investors, IPOs retain their viability and allure. For a tech IPO to resonate with investors and achieve success, it is imperative for companies to demonstrate substantial revenue potential coupled with sustainable, healthy margins. IPOs in Indonesia remain promising, as it continues to be an influential force in the ASEAN landscape. As the market continues to mature and attract a diverse spectrum of both institutional and retail investors, the prospect of IPOs solidifies, emphasizing its significant potential as an exit strategy for startups.

"

Gabriella Thohir

Venture Partner,
Skystar Capital

7 Key shifts in the start-up ecosystem over 2023

The past year has been a year of readjustments, with several apparent shifts in the start-up ecosystem.

There is a pivot among investors from focusing on aggressive growth to emphasizing sustainable unit economics. As investors grow more cautious, there is an increased focus on quality metrics over mere top-line metrics and a clear trajectory toward profitability. This has led investors to execute more rigorous due diligence on their portfolios and to adopt a more conservative approach in valuing start-ups.

> Other than a more prudent valuation, another shift in the startup investment ecosystem is that investors are putting more emphasis on portfolio management and value creation. Investment strategies are evolving to offer more than just capital by providing startups with strategic guidance and essential business introductions to foster their growth and development.

Gabriella Thohir

Venture Partner,
Skystar Capital

Venture debt has also gained prominence as the demand for non-dilutive financing is becoming more preferred among start-ups. Furthermore, there is an accumulated reserve of undeployed capital, or “dry powder,” from funds raised in 2021 to 2022 as deployment in the first half of 2023 has been subdued.

Another notable trend has been the establishment of climate funds by VC firms, enhancing ESG investing. This reflects a broader shift towards ESG investing and an intensified scrutiny on ESG metrics, especially governance, in light of the recent governance issues among SEA start-ups.

On the regulatory front, the government has bolstered personal data protection laws, introducing stringent privacy rules. These enhanced regulations could impact various sectors, including fintech and e-commerce, by adding complexities to their data collection and processing procedures. In September 2023, a new regulation was issued, barring social media platforms from operating as e-commerce platforms, potentially affecting D2C brand start-ups utilizing social commerce for sales.

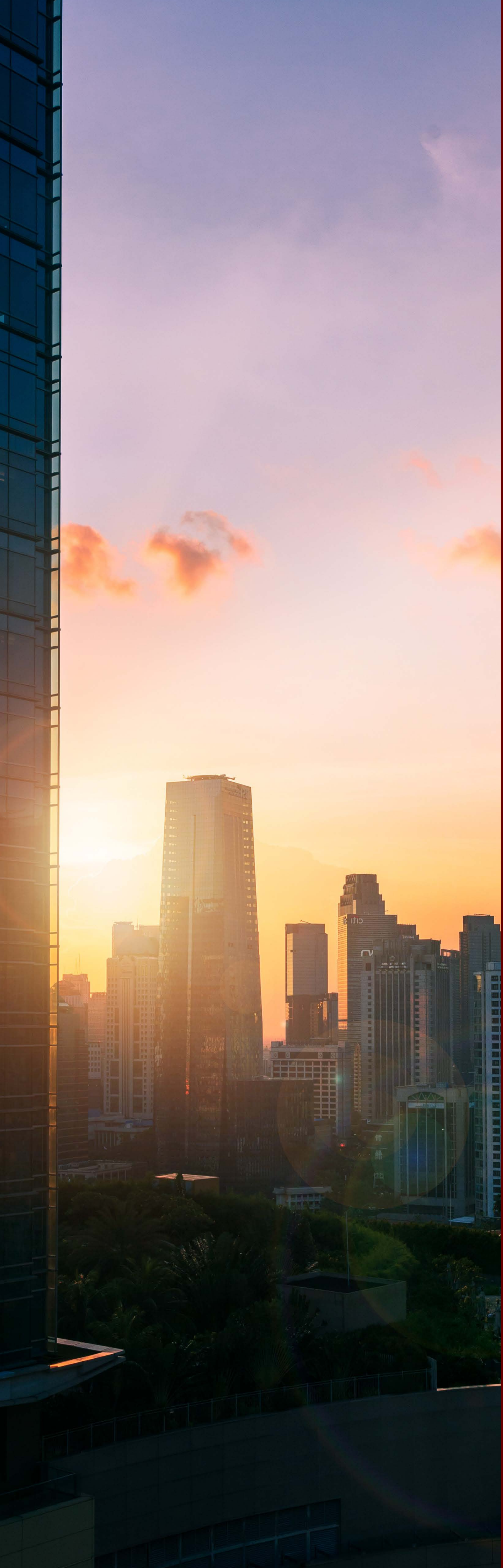
Nonetheless, structural macro enablers continue to bolster the start-up ecosystem. Recent initiatives such as the launch of the Indonesia Carbon Exchange (IDXCarbon), ongoing support from IDX and the Financial Services Authority to expedite start-ups' IPOs, and IDX’s decision to recognize dual-class shares and create a New Economy Board, are noteworthy. IDX’s exploration into dual listing possibilities for Indonesian companies and the government's continuous efforts to enhance digital infrastructure also continue to propel the ecosystem forward.

Start-ups, on the other hand, have encountered challenges such as layoffs to conserve capital, down rounds, corporate governance issues, and deferred IPOs. Despite these challenges, there are bright spots that highlight the maturation of Indonesia’s start-up ecosystem. These include the IPOs of tech companies like GoTo and Blibli, the emergence of new unicorns like DANA and eFishery, and the rise of second generation founders—individuals who previously worked at tech start-ups and bring with them tested entrepreneurial skills and perspectives.

8 2023+ look ahead

Moving forward, a more resilient ecosystem will likely emerge as stakeholders remain cautiously optimistic. Here are several key trends that will likely gain traction:

- Early-stage deals will likely stay prominent, especially in emerging sectors such as EV and energy (including the broader ESG), healthcare, food, and agriculture. Meanwhile, fintech, commerce, and MSMEs (micro, small, and medium enterprises) enablement are set to remain attractive investment areas.
- Late-stage start-ups will lean towards prioritizing profitability and conserving cash to ensure a longer runway. This shift is influenced by investor demands for a clear path to profitability and for sustainable unit economics.
- The favorable exit landscape is exemplified by the recent IPOs of Bukalapak and Blibli. Their potential for breakeven and positive cash flow will elevate investor confidence and enhance listing opportunities both locally and globally. Further bolstering this confidence are the current efforts by the government, through IDX, to enable younger companies to go public. Additionally, investors are closely watching the ongoing discussions between IDX and foreign exchanges, aimed at enabling dual listings for Indonesian firms.
- The consolidation of digital infrastructure, through platforms like QRIS, Satu Sehat, and the electronic national ID card, will pave the way for tech companies to further disrupt the national economy using digital tools. The digital economy is projected to hit $360 billion by 2030.
- The recent launch of the Indonesia carbon exchange (IDXCarbon) signals Indonesia's commitment to net-zero goals, while at the same time signaling its regulatory infrastructure preparedness, which investors will continue to closely watch.
- In the long run, global investors are expected to maintain a positive outlook on Indonesia, as underlying fundamentals continue to provide new economic opportunities.



"

The current climate for investing in early stage companies in Indonesia is one of the most compelling times that we have seen in the past ten years. Moving forward, we expect more M&A activities, with larger start-ups acquiring smaller teams in the ecosystem. This will enable an additional channel for exits and help fuel the investment and liquidity cycle for investors down the road.

Additionally, the listing of major tech companies in Indonesia marks an important milestone in the past decade. VC-backed, digitally-enabled companies have managed to achieve multi-billion dollar market capitalizations, listing and raising public equity capital even during the toughest market cycles.

When you are investing in Indonesia, you are investing for the coming decades, where Indonesia will see an increase in GDP per capita, and continued growth of young and working population. In the coming years, the size of Indonesia's digital economy could reach up to $360 billion, and many sectors of the economy will continue to be attractive for digital disruptions.

"

Adrian Li

Founder and Managing Partner,
AC Ventures

Glossary

Definition of Indonesia VC used in the report

VC/Growth fund classification

1. **Geography**

   Headquartered in Indonesia

   OR

   Have major operations in Indonesia

2. **Deal Size**

   Deal value from pre-seed to Series E

Investment deal stages used in the report

Classification based on deal size

1	**Small ticket size** Deal value less than **$10M**
2	**Medium ticket size** Deal value between **$10M** and **$50M**
3	**Medium-large ticket size** Deal value between **$50M** and **$100M**
4	**Large ticket size/megadeals** Deal value higher than **$100M**

Classification based on deal series

Pre-seed and seed	Initial financing for a new enterprise that is in the earliest stages of development.
Series A and B	Early-stage round of financing by a venture capital firm in a company.
Series C and above	Includes late-stage financing by a venture capital firm into a company from Series C to E+.

Glossary

Select terms used in the report

INDUSTRY CLASSIFICATION	**Consumer tech**	B2C or consumer internet products and services, including B2C e-commerce, edtech, online food delivery, gaming, healthtech, agritech, and other similar segments
	Agritech	Tech innovations in agriculture, horticulture, and aquaculture aimed at improving yield, efficiency, and profitability
	Fintech	Financial services companies leveraging technology, including payment providers, lending solution providers, neobanks, and other similar players
	SaaS	B2B software delivered on cloud-as-a-service, including horizontal business software, vertical business software, and horizontal infra software
	Web3/Crypto	Decentralization of internet, including cryptocurrency platforms, DeFi (decentralized finance platforms), NFT app providers, and other blockchain app providers
	Logistics	Logistics and end-to-end supply chain solution providers (warehousing, inventory, management, etc) for B2B, B2C, cross-border, and 3PL (third-party logistics)
	EV (Electric Vehicle)	Includes auto OEM (original equipment manufacturer), Maas (mobility-as-a-service), BaaS (battery-as-a-service), charging infra provider and other similar players
OTHER TERMS	**Venture debt**	Type of debt financing for early-stage companies; complementary to equity financing for raising capital
	D2C (direct to consumer)	Selling products directly to customers, bypassing any third-party retailers, wholesalers, or other intermediaries
	Dry powder	Amount of committed but unallocated capital with VC and PE firms for deployment when attractive investment opportunity arises, or to ease financial distress
	IDX (Indonesia Stock exchange)	Trading platform for securities such as stocks and bonds in Indonesia, operating under the supervision of OJK (Financial Services Authority)

Glossary

List of select funds raised 2022-2023

Non-exhaustive

VC name	Fund name	Fund stage (date announced)	Funds raised
Peak XV Partners (formerly Sequoia SEA)	Sequoia SEA Fund I	Final close (Jan 2022)	$850M
Mandiri Capital Indonesia	Indonesia Impact Fund	Final close (Mar 2022)	$25M
Wavemaker Partners	Fund IV	First close (Mar 2022)	$136M
East Ventures	"Latest fund"	Final close (May 2022)	$550M
Insignia Ventures	Fund III	Final close (Aug 2022)	$516M
AC Ventures	Fund V	First close (Sep 2022)	~$170M
BRI Ventures	Sembrani Nusantara Fund	Final close (Nov 2022)	$25M
Forge Ventures	Fund I	Final close (Dec 2022)	$24M
Northstar Group	Northstar Ventures I	First close (Jan 2023)	$90M
Merah Putih Fund	Merah Putih Fund	First close (Feb 2023)	$300M
Saison Capital	Token Fund	(Apr 2023)	$150M
East Ventures	Growth Plus Fund	Final close (May 2023)	$250M
Argor (formerly Go Ventures)	Fund II	Final close (Jun 2023)	$240M
Vertex Ventures	Vertex Master Fund III	First close (Jul 2023)	$900M
BRI Ventures	Sembrani Kiqani Fund	Final close (Aug 2023)	$30M

Source: Tech in Asia.
Note: The cut-off date of the data is August 31, 2023. Select funds include VC firms that have invested in Indonesia's early and growth stage startups in 2022-2023.

AC Ventures (ACV) is a top Southeast Asian venture capital firm that invests in early-stage startups focused on Indonesia and ASEAN, with over US$500 million in assets under management.

The firm's mission is to empower entrepreneurs with more than just capital by combining operational experience, industry knowledge, deep local networks, and resources. ACV's team has invested in over 120 tech companies in the region since 2012. With a team of more than 35 professionals led by Adrian Li, Michael Soerijadji, Helen Wong, and Pandu Sjahrir, it has offices in Jakarta and Singapore.

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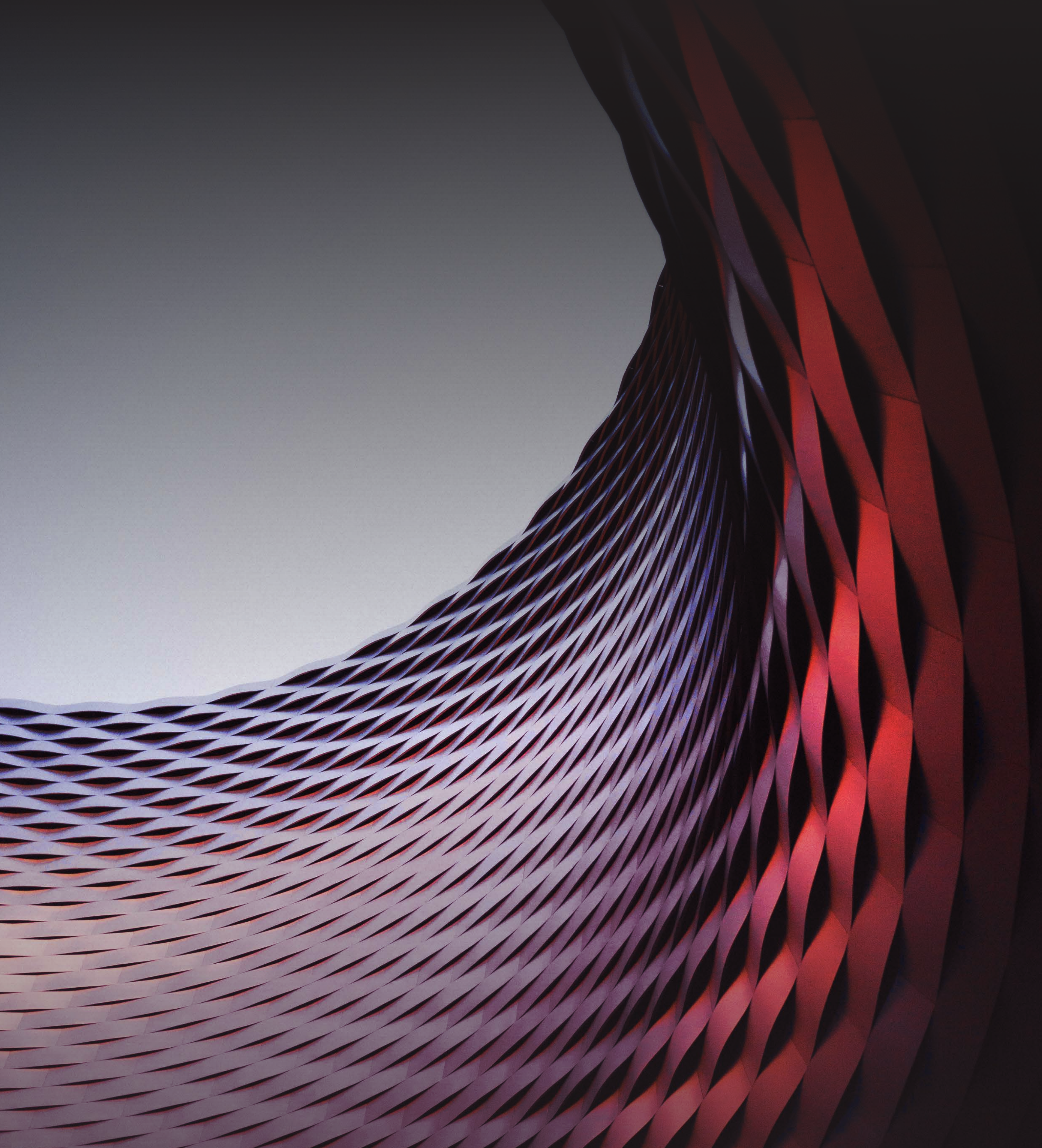

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