

12th Credit Suisse ASEAN Conference

Indonesia Unicorns and Nexticorns - IPO Potential

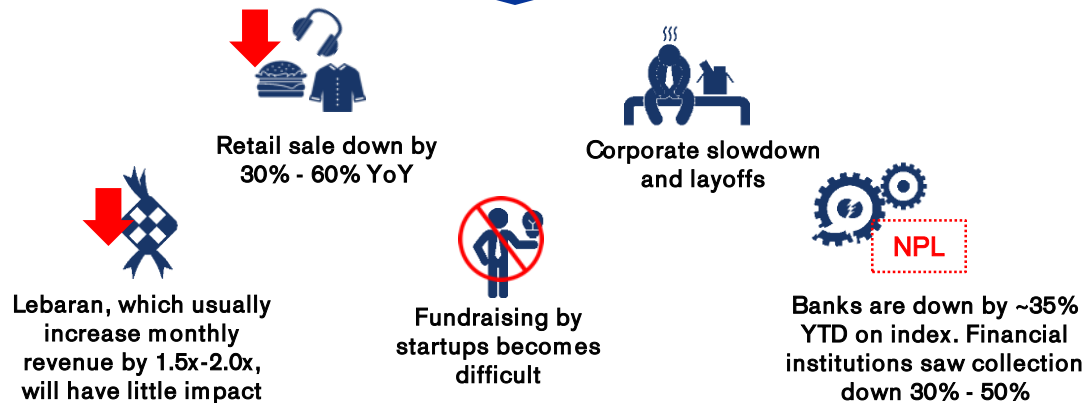
January 5, 2021

The recent spread of COVID-19 has enacted a response from government which impacts public health, industry and economy

Indonesia's government has already implemented several health response measures, creating flow-on impact to business



Impact to business



In addition to policy, Indonesia's government has also allocated IDR 150TN for economic recovery

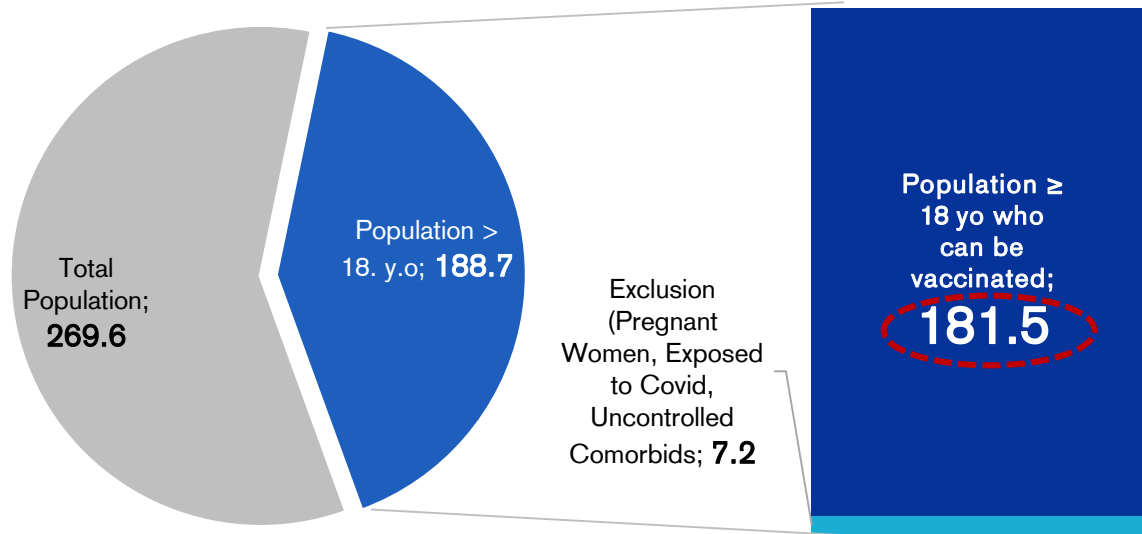
- IDR 70 T in the form of tax incentives and loans to SMEs
- IDR 75 T to cover increases in health expenditures
- IDR 150 T for national economic recovery**
- IDR 110 T towards strengthening the social safety net
- IDR 450 T**

Funding for **national economy recovery** accounts for the **largest allocation** (37%) of Indonesia government stimulus package demonstrating the government's strong support to businesses impacted by COVID-19.

Although this specific budget allocation is still in discussion, it is expected to include **credit restructuring and loan guarantees**, as well as financing for small and medium enterprises and corporates.

The government has also secured COVID-19 vaccine from several producers which are estimated to cover until 1Q22...

Population ≥ 18 years who can be vaccinated
In million of people



426.8M* of vaccine dosage are required to achieve herd immunity

*assuming 60% efficacy rate with wastage rate of 15%

The number of vaccine doses secured by the government are estimated to cover up until Q1 2022. Contingencies prepared by the government include option agreement and increasing Bio Farma's capacity to ensure the flexibility of supply of GAVI / COVAX.

Brand	Number of Dosage In million		ETA in Indonesia
	Binding / Firm Order	Option / Potential	
Sinovac	3		Dec 2020
	122.5		Dec'20-Jan'22
		100	Sep'21-Mar'22
Novavax	50	80	2Q21-2Q22
COVAX/ GAVI	54	54	2Q21-2Q22
AstraZeneca	50 <i>(finalizing agreement, volume confirmed)</i>	50	2Q21-2Q22
Pfizer	50 <i>(finalizing agreement, volume confirmed)</i>	50	2Q21-2Q22
Subtotal	329.5	334	
Total	663.5		
Dosage needed	426.8		

Source: Bartsch SM, O'Shea KJ, Ferguson MC, et al. Vaccine efficacy needed for a COVID-19 coronavirus vaccine to prevent or stop an epidemic as the sole intervention.

... and has prepared short-term anticipative steps in managing influx of COVID-19 cases following increased mobility due to holiday season

1 ➤ Collaborate with local governments / health offices to increase the capacity of treatment rooms in the near future, by 30 – 40% of the existing capacity

2 ➤ Optimization of hospital beds of regional public hospitals (RSUD) and private hospital

3 ➤ Add more COVID-19 beds in non-RSUD hospitals

4 ➤ Add new referred hospitals

5 ➤ Add more health workers, approx. 7.9K+ from 141 health facilities, with the most being 4.9K+ nurses, 820+ GPs, and other health workers

6 ➤ Add 740 new beds for ICU and isolation rooms in the Ministry of Health's vertical hospital

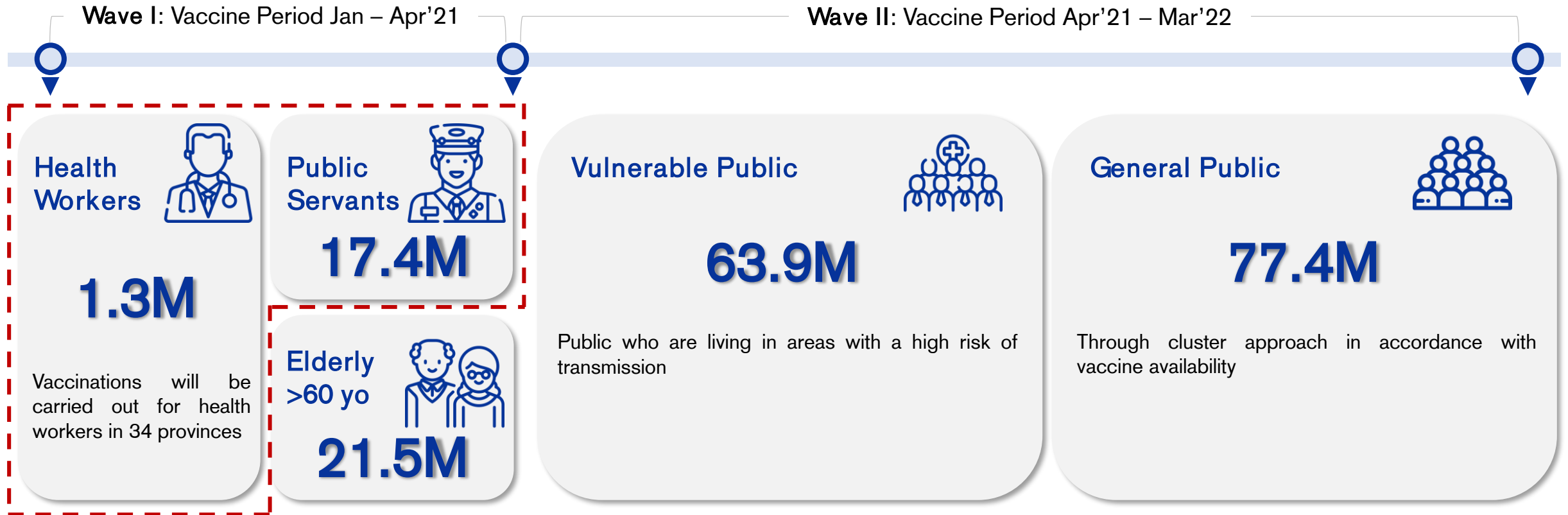
7 ➤ Reorganize the COVID-19 health service referral system

8 ➤ Strengthening the implementation of the COVID-19 management protocol at health facilities

9 ➤ Other scenarios: 1) turning public care rooms into COVID-19 treatment rooms; 2) set up an emergency tent at the hospital to treat COVID-19 patients;

➤ 3) establish field hospital / emergency COVID-19 hospital in local area

COVID-19 vaccine in Indonesia will comprise of two waves, out of which health workers and public servants will be prioritized



Notes:

1. Early-stage vaccination will be carried out for health workers and continued for people aged 18-59 years.
2. For those aged 60 years and above, they will be vaccinated after obtaining vaccine safety information for their age group (e.g., stated EUA/ stage 3 clinical trial data)
3. Vaccination can also be done against controlled comorbid (criteria waiting for ITAGI / expert recommendations)

Despite this, Indonesia is witnessing **burgeoning industry opportunities** amidst COVID-19 in which **tech solutions** can thrive

Distance Learning & Conferencing

70% **revenue** ↑   $\int f(x) dx$

As businesses and schools are forced to implement WFH and SFH policy, there is a significant increase in the use of video conferencing and distance learning.



Food & Parcel Delivery

60% **demand** ↑ 

Demand for food and parcel delivery has increased to serve at-home needs. Restaurants are even using delivery options outside of GoJek & Grab.



Transfers & Bill Payment

Transactions ↑  **Customers** ↑  **Bill Pay** ↑ 

The increase in eCommerce has translated into a boom in digital payments. Bill payment alone has increased by at least 30%.



Gaming & Streaming

↑  

Gaming and streaming are on the rise given increased time spent at home, however it is too early to know if viewers are willing to pay for content.



Grocery eCommerce

↑ 

Online purchase of fresh produce and groceries has increased as home cooking and meal preparation increases.



At-Home Fitness

↑  

Given increased time at home, people are seeking alternate ways to exercise and keep fit, particularly using streaming technology.



Telemedicine

↑  

Healthcare platforms are seeing a surge in new users, in the form of both increased telemedicine calls and in increased medicine delivery orders.



Insurance

 ↑ 

Opportunity to sell health insurance to assist with COVID-19 health coverage, as well as bundling insurance in other transactions.



Investment

↑  

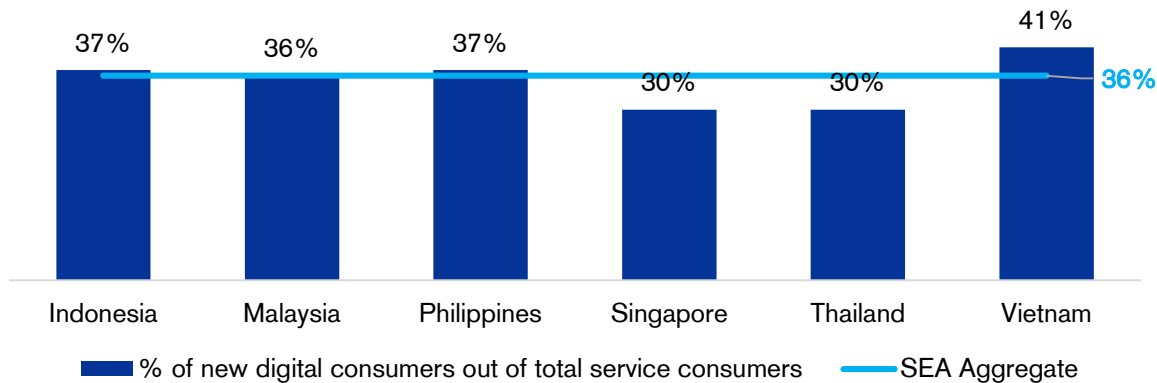
Significant increase in new users as people have more time at home to explore new ways to make money, while market volatility urges people to “do something”.



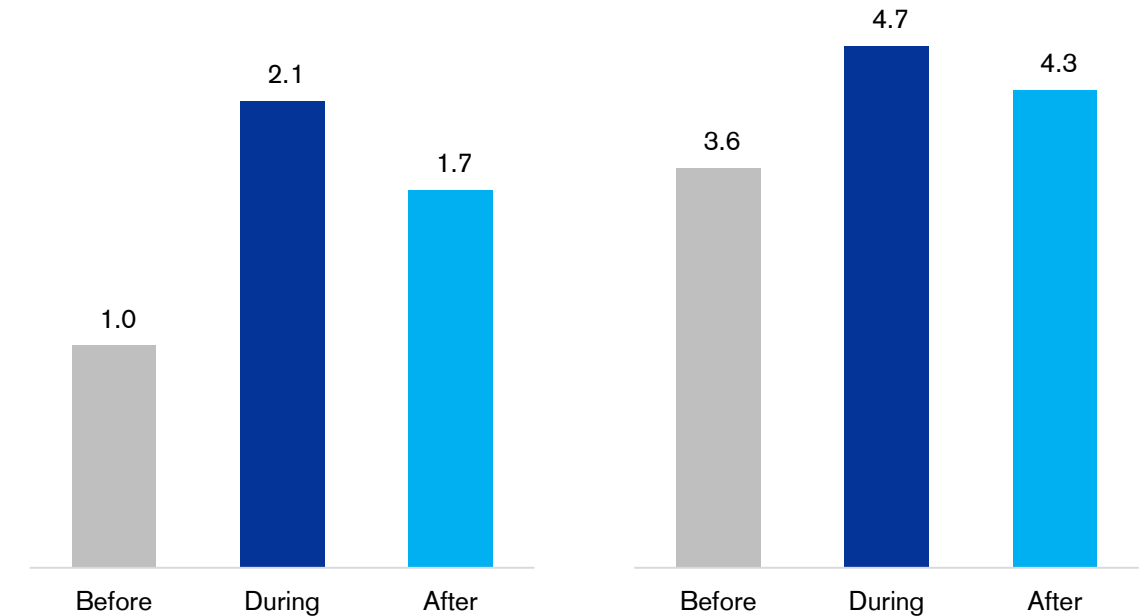
COVID-19 has also led to an insurgent of new online users, accelerating digital consumptions as users start to embracing digital services

On average, over 30% of all digital service consumers are new to the service following lockdowns as a result of COVID-19

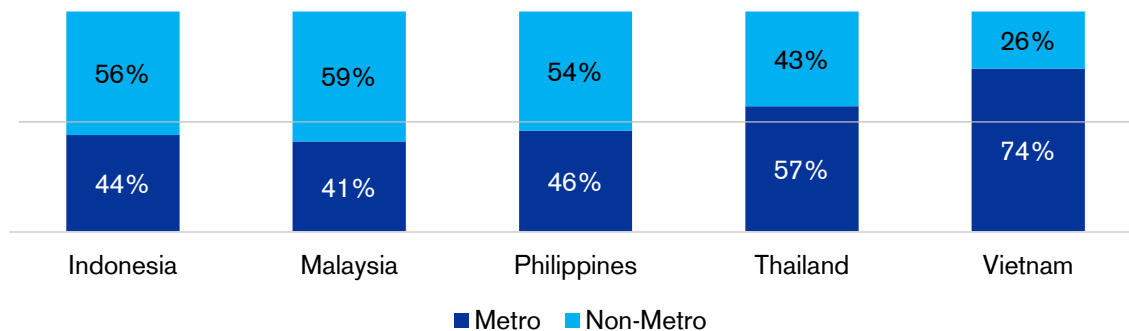
digital acceleration during this period could be sticky, as users continue to use the service post-lockdown



Usage of eCommerce in Indonesia



Out of which majority came from non-metro areas, especially in Indonesia, Malaysia, and the Philippines



The increase in the use of eCommerce and the average hours spent online per day stayed after COVID-19 lockdown, showcasing lasting adoption and new behaviour of online users

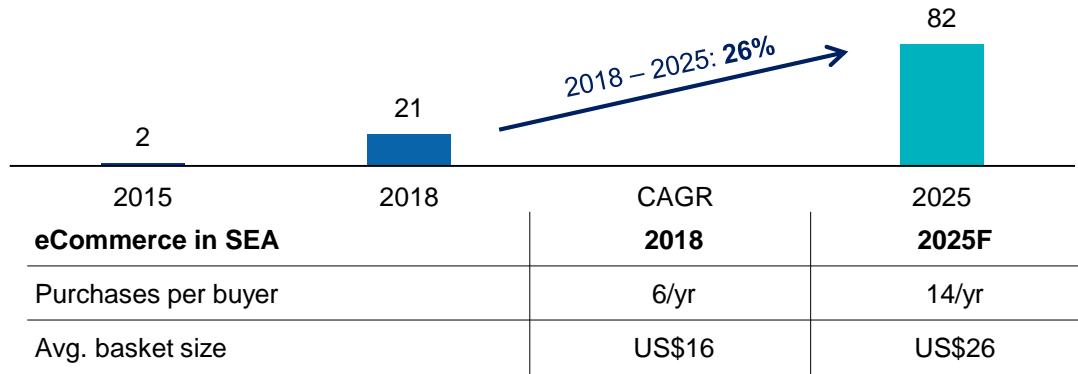
Source: e-Conomy SEA, 5th edition by by Google, Temasek, Bain

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Indonesia's internet economy will continue to be driven by 4 key mega trends that will upend traditional industries

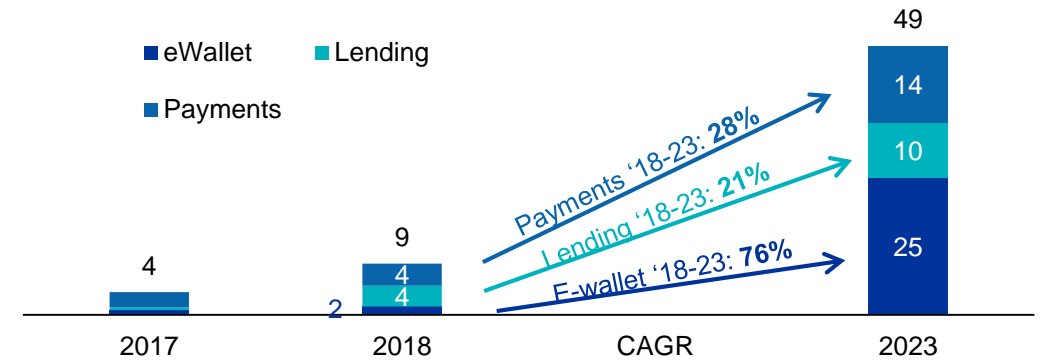
More people are buying online

eCommerce Economy in Indonesia (GMV, US\$B)



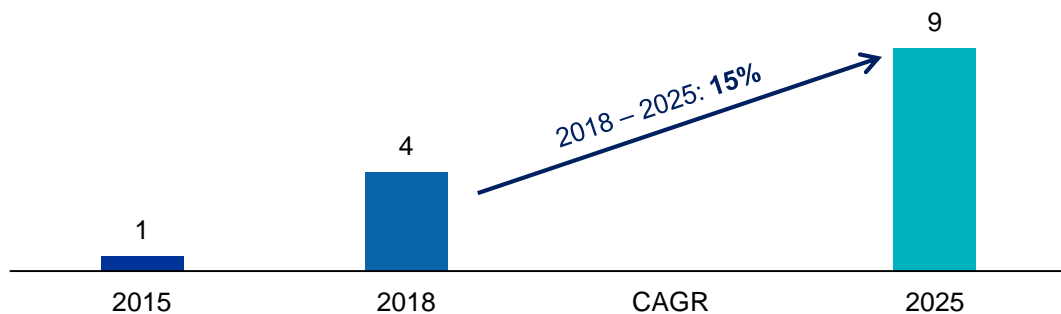
More people are banking online

Fintech Economy in Indonesia (GTV, US\$B)



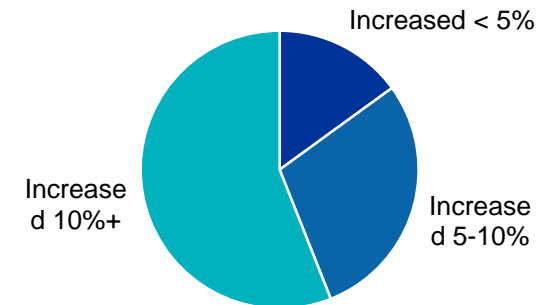
More people are consuming content online

Media Economy in Indonesia (GMV, US\$B)



SMEs Embracing Technology

Case study: SME transaction volume increase after partnering with Go-Jek



- 82% of SMEs experienced an increase in transaction volume
- 85% of those experienced more than a 5% increase in transaction volume
- 43% SMEs experienced an increased in revenue classification

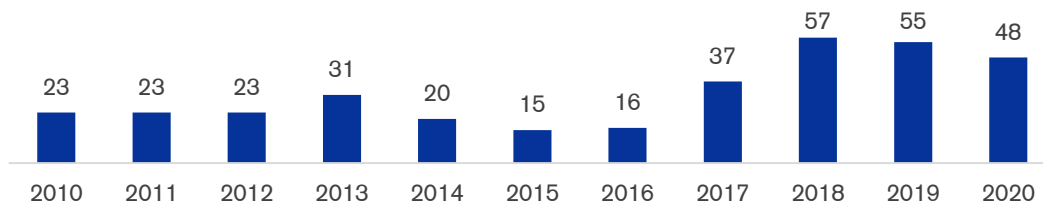
Nevertheless, the opportunity for Indonesian technology companies to tap into public markets is now

Indonesia was the third best performer with US\$1.1 billion worth of funds raised from a total of 55 IPOs in 2019, the highest number of completed IPO deals in the region. In Indonesia, growth has been supported by continuous support from private consumption, pickup in investment, solid growth on the working-age population, and improving labor markets

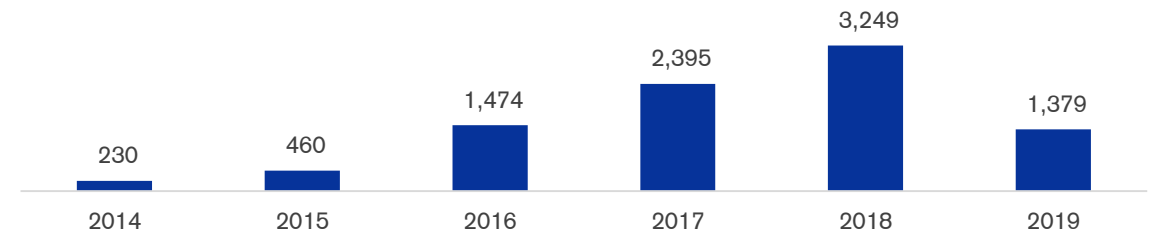
Number of IPOs in Southeast Asia (2016-2019)

	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam	Total
2016	16	12	4	16	27	38	113
2017	37	13	4	20	46	58	178
2018	57	23	1	15	23	33	152
2019	55	30	4	11	34	27	161

Number of IPOs per year
Indonesia, 2010 – 2020



Value of private equity (PE) and venture capital (VC) deals in year
In US\$, Indonesia, 2014 – 2020



Assuming large tech companies go public today, they will be part of the LQ45:



~\$10B

Potential Rank: 10



~\$7.5B

Potential Rank: 15



~\$2.7B

Potential Rank: 20













~\$2.5B

Potential Rank: 25


Sources: Deloitte, Crunchbase, Statista

Indonesia's stock exchange composition of the top 10 public companies has not change much for the past decade

10 Companies with Highest Market Cap in Indonesia (2010)

Rank	Companies	Market Cap (IDR T)	% of Total
1	 ASTRA international	227	7.8%
2	 TELKOMSEL	182	6.2%
3	 BCA	164	5.5%
4	 mandiri	145	4.9%
5	 Unilever	137	4.7%
6	 BANK BRI	129	4.4%
7	 pgn energy for life	101	3.5%
8	 GUDANG GARAM PT. GUDANG GARAM Tbk.	92	3.2%
9	 adaro	71	2.4%
10	 UNITED TRACTORS	68	2.3%
Total Indonesia¹		2,931	

10 Companies with Highest Market Cap in Indonesia (2020)

Rank	Companies	Market Cap (IDR T)	% of Total
1	 BCA	710	11.8%
2	 BANK BRI	400	6.7%
3	 Unilever	305	5.2%
4	 TELKOMSEL	272	4.6%
5	 mandiri	260	4.4%
6	 ASTRA international	199	3.4%
7	 PT HM SAMPOERNA Tbk.	177	3.0%
8	 Chandra Asri	137	2.3%
9	 Indofood LAMBANG MAKANAN BERMUTU	113	1.9%
10	 CHAROEN POKPHAND INDONESIA	100	1.7%
Total Indonesia²		5,975	











Note: ¹as of October 15, 2010; ²as of October 16, 2020

Sources: Bloomberg, Indonesia Investment








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Whereas in the US, tech companies have brought evolution to the stock market, having contributed a significant increase in market cap over the last 10 years

10 Companies with Highest Market Cap in Indonesia (2010)

	Companies	Market Cap (IDR T)	% of Total
1	 ExxonMobil	369	2.1%
2	 PetroChina	303	1.8%
3	 Apple	296	1.7%
4	 bhpbilliton	244	1.4%
5	 Microsoft	239	1.4%
6	 BR PETROBRAS	229	1.3%
7	 Shell	209	1.2%
8	 Walmart	197	1.1%
9	 GE	194	1.1%
10	 Johnson & Johnson	170	1.0%
Total US¹		17,288	

10 Companies with Highest Market Cap in Indonesia (2020)

	Companies	Market Cap (IDR T)	% of Total
1	 Apple	2,064	5.6%
2	 amazon	1,672	4.5%
3	 Microsoft	1,662	4.5%
4	 Alphabet	1,059	2.9%
5	 facebook	760	2.1%
6	 BERKSHIRE HATHAWAY INC.	505	1.4%
7	 tsmc	457	1.2%
8	 VISA	424	1.2%
9	 TESLA	418	1.1%
10	 Walmart	409	1.1%
Total US²		36,880	

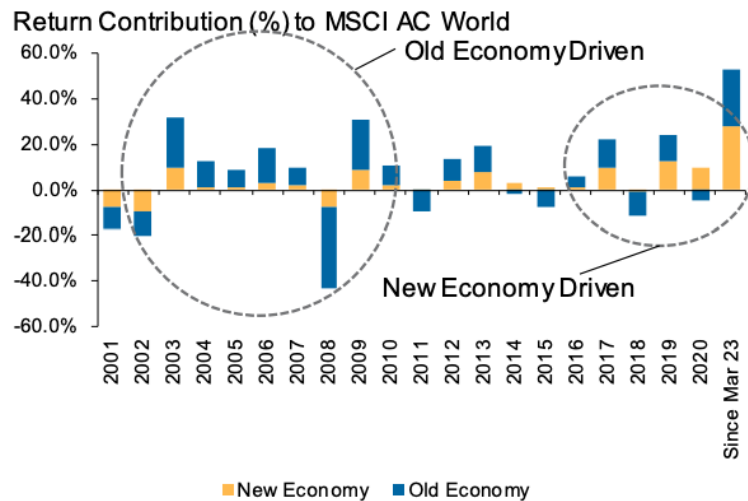
Note: ¹as of December 2010; ²as of October 15, 2020
Sources: TradingView, Sibilis Research, dogsofthedow

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Since 2010, the New Economy has consistently overperformed the Old Economy, driven by both top-and-bottom line growth

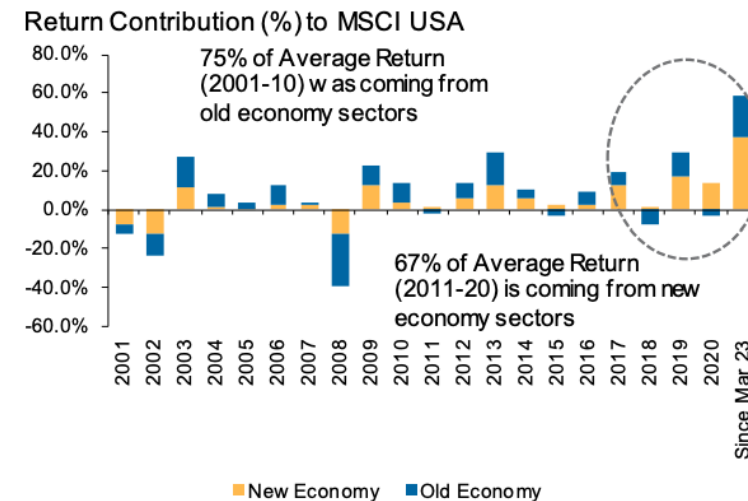
New economy sectors deliver consistently higher growth and ROE 75% of MSCI AC World returns were driven by the new economy

Fig 1 Index price return contribution to MSCI AC World



Source: FactSet, MSCI, Macquarie Research, September 2020. Pricing data as of 28 August 2020.

Fig 2 Index price return contribution to MSCI USA



Source: FactSet, MSCI, Macquarie Research, September 2020. Pricing data as of 28 August 2020.

Key Points

01

New economy sectors have been **gaining significant share** in terms of both revenues and profits

02

New economy globally accounted for ~23% of profits and ~19% of revenue in 2011; but by 2019, they **claimed ~31% of net income and ~25% of revenue**

03

- new economy sectors exhibit **better asset efficiency**
- new economy sectors are exhibiting **much stronger pricing power**
- new economy ROEs **rely far less on leveraging**

More technology companies listed in the stock exchange will result in a **win-win ecosystem**

as more tech companies go public, we can achieve:

①

Increased quality participants in stock exchange which leads to increase market cap

②

Increased visibility and exit mechanism for private investors

③

Increased social mission behind investing I.e. financial inclusion, education, healthcare, etc.

④

Increased access for institution and retail investors to quality tech companies

⑤

Increased foreign investment interest into various sectors

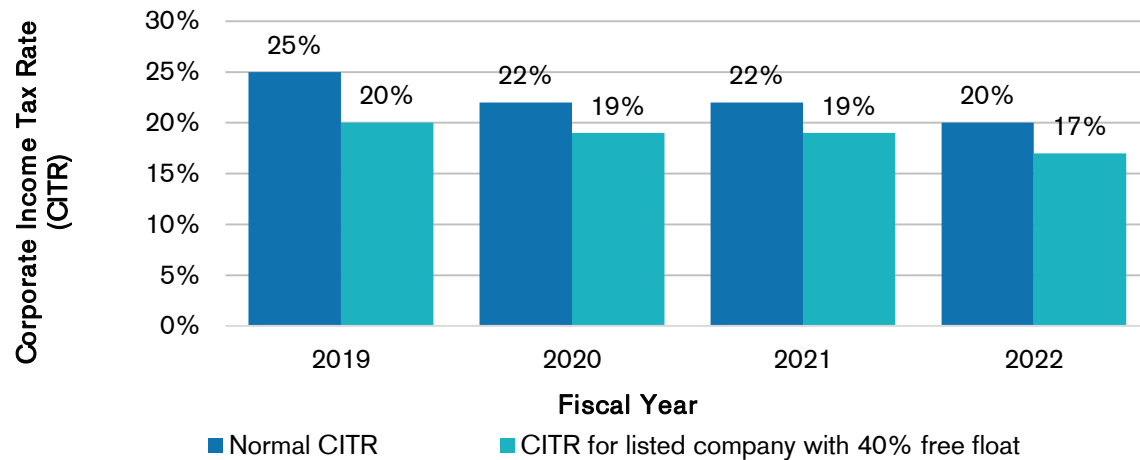
Furthermore, going public will bring the following benefits to companies



By being listed on IDX, entities will receive tax benefits on both company and individual level

TAX BENEFIT FOR THE COMPANY

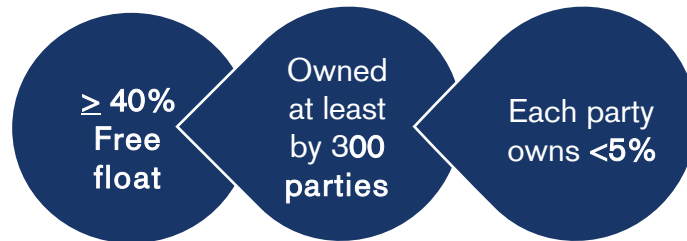
LOWER CORPORATE INCOME TAX



REQUIREMENT



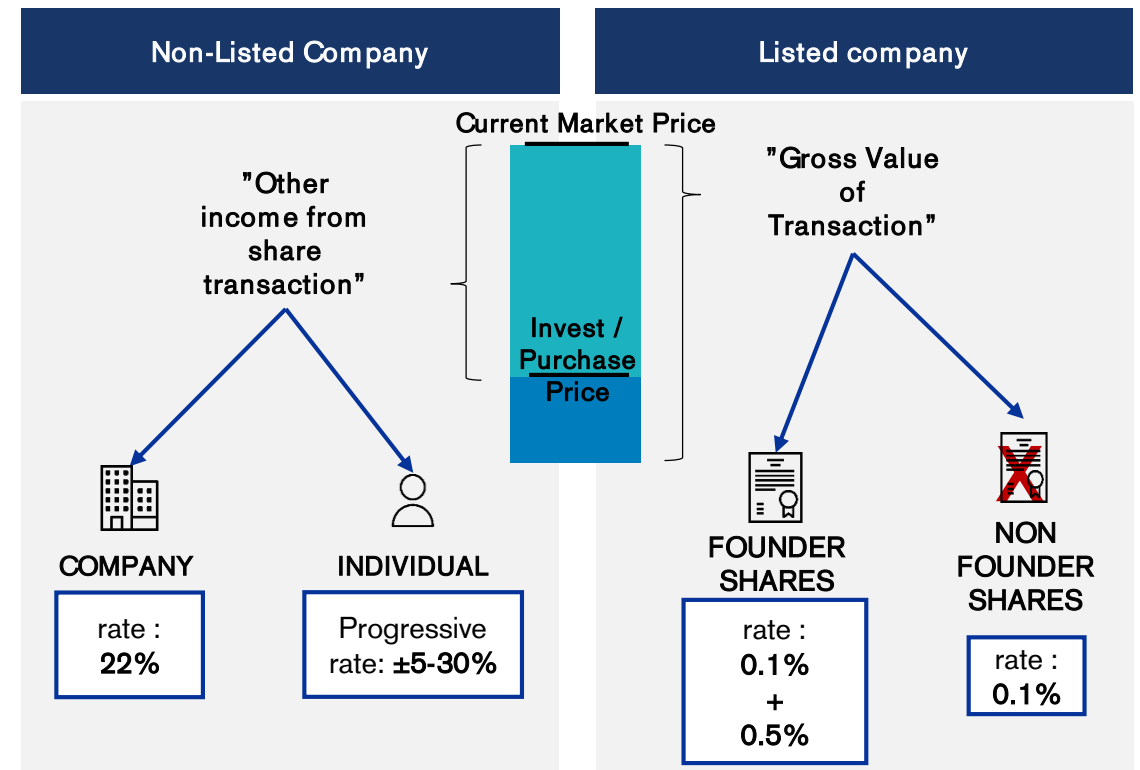
At least over 183 calendar days, a company must have:



TAX BENEFIT FOR THE FOUNDERS

FINAL TAX FOR SHARE TRANSACTIONS

Sale / purchase of listed company share through Indonesia Stock Exchange offers a lower tax rate



Regulation references: UU RI no.2 Tahun 2020 tentang penetapan Perpu 1 Tahun 2020; Peraturan Pemerintah Republik Indonesia Nomor 56 Tahun 2015; UU RI No. 36 Tahun 2008 tentang Pajak Penghasilan; KMK.282/KMK.04/1997, PP No. 41 Tahun 1994 jo. PP No. 14 Tahun 1997

Companies' benefit of the tax incentives could be used to cover their costs and dividends as illustrated below



PT BANK RAKYAT INDONESIA
(PERSERO) TBK.

Year	Tax Savings (IDRB) *)
2019	2,147.4
2018	2,280.2
2017	2,245.8
2016	2,041.4

The estimated cost of BRISat is IDR2.5T (2016)



81% of BRISat cost can be covered by 2016 tax savings



PT KALBE FARMA TBK.

Year	Tax Savings (IDRB) *)
2019	34.6
2018	31.1
2017	37.6
2016	35.4



Kalbe Farma distributed cash dividend:

- IDR18.7B (2018); and
- IDR16.5B (2017)

Kalbe Farma may use the tax benefits from 2018 & 2017 to payout the dividend

91% of those expenses can be funded internally from the 2019 tax benefit

Kalbe Farma Subsidiaries build buildings & infrastructure of IDR38.12B (2019)



*) Based on respective company's financial report

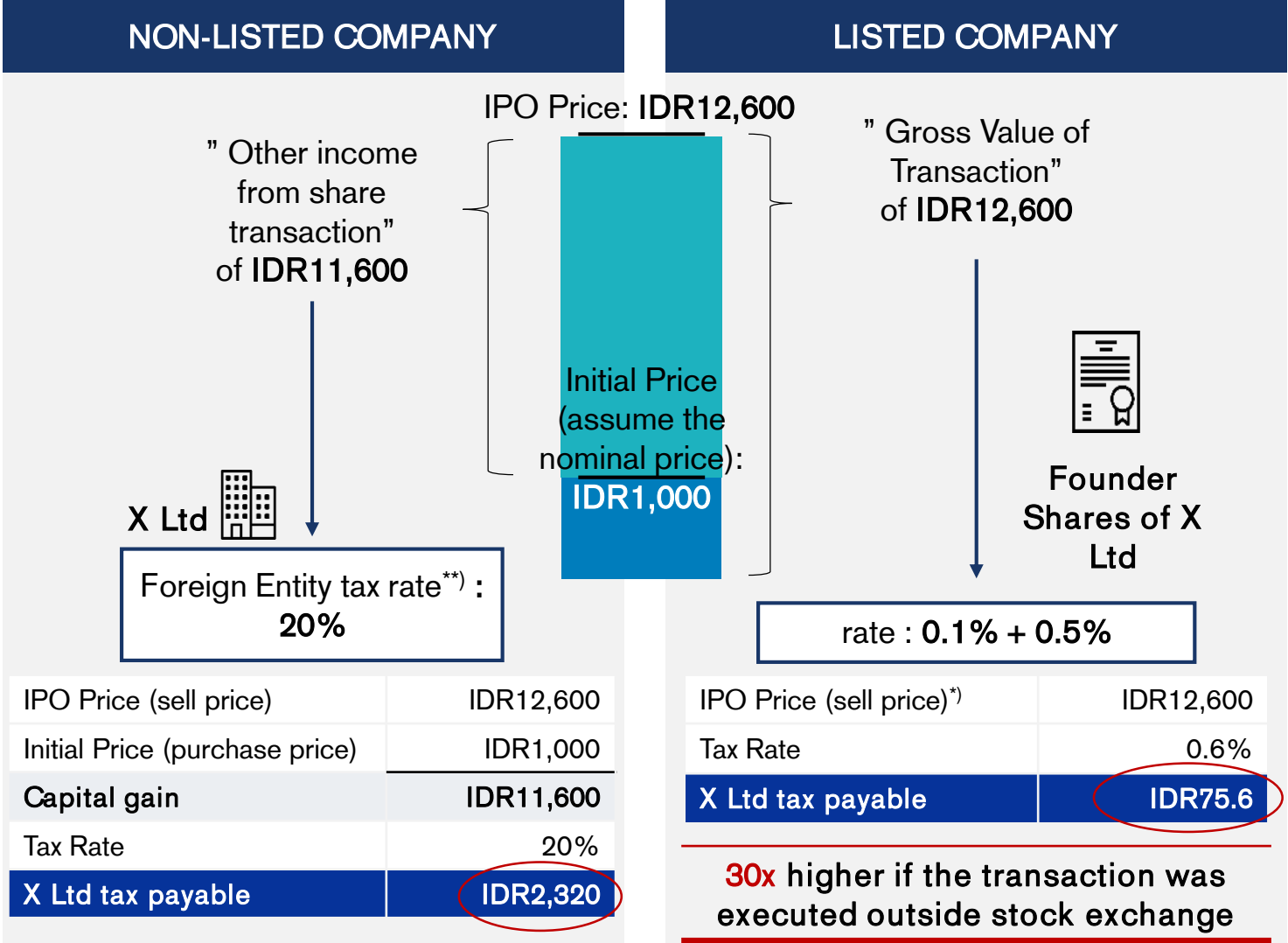
Meanwhile, founders will also benefit from the tax incentives as their company go public



PT HM SAMPOERNA Tbk.
Listed in 1990

In terms of HMSP founder's divestment (sell) of their share in stock exchange after being listed, the tax payable for the founder is only IDR75.6 (per share). The tax payable is significantly less in comparison to the tax payable if founder divestment was executed outside of stock exchange or when HMSP is still a private company at IDR2,320 (per share) -> 30x higher

**) Assuming that there is no applicable tax treaty capital gain tax rate:
Individual: 5% to 30%
corporate: 22%



*)Divestment by X Ltd take place after HMSP listed

By being a publicly listed company, companies will gain access to unlimited funding resources



Appendix

Insights in Indonesia's Core Technology Market

Indonesia's financial market is highly profitable as traditional incumbents are earning above industry margins

10 Companies with Highest Market Cap in Indonesia (January 2020)

SEA Bank Profitability Ratio

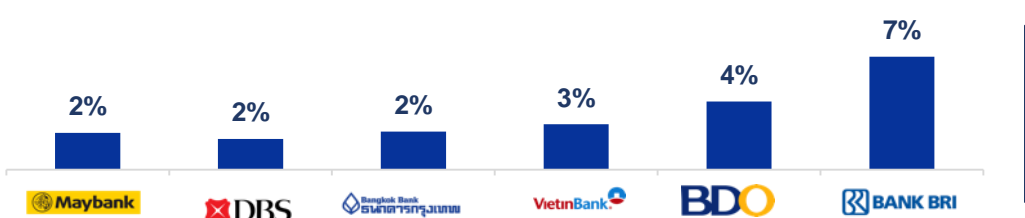
Commercial Banks Infrastructures

Indonesia banks have the highest profitability ratio in SEA for all NIM, ROE and ROA

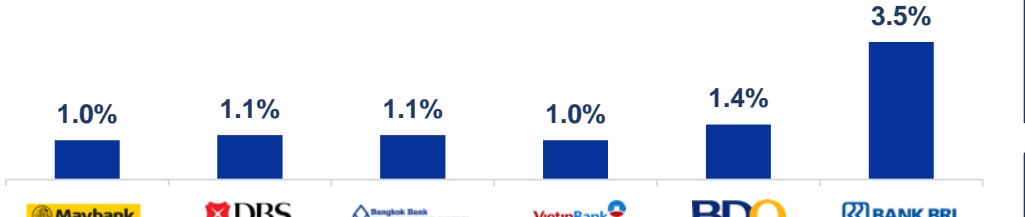
Indonesia banks investing heavily in physical presence with over 30K branches and 107K ATM machines across the countries

Rank	Companies	Market Cap (US\$B)	% of total
1	BCA	56.5	11.5%
2	BANK BRI	38.9	7.9%
3	TELKOMSEL	26.9	5.5%
4	mandiri	24.9	5.1%
5	Unilever	21.7	4.4%
6	ASTRA international	18.4	3.7%
7	PT IIM SAMPOERNA Tbk	17.2	3.5%
8	Chandra Asri	11.2	3.5%
9	BNI	9.5	1.9%
10	Indofood	9.5	1.9%

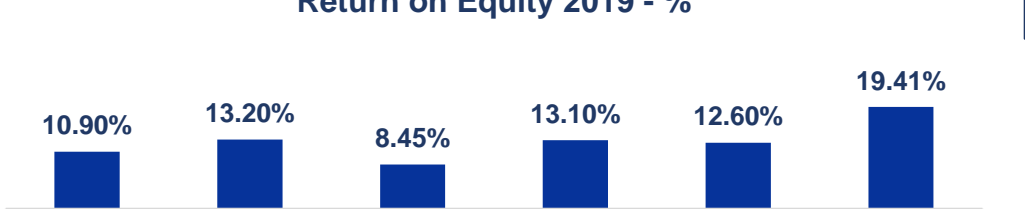
Net Interest Margin End of 2019 - %



Return on Assets 2019 - %



Return on Equity 2019 - %



- 110 Commercial Banks
- 6 SOE Banks, 104 Private
- 31,037 Offices



- 18M Credit Card
- 9.0M ATM Card
- 175M Debit & ATM Card

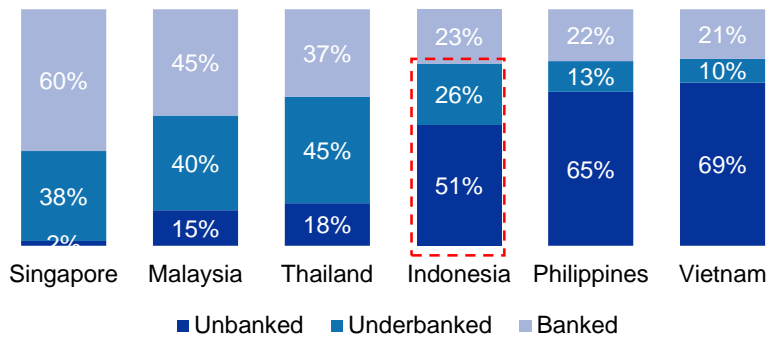


- 107K ATM machines
- 1.1M EDC machines

Yet 75% of the population is underbanked or unbanked, out of reach and not attractive to traditional banking players

>75% of adult population are either unbanked or underbanked among the lowest in SEA due to limited bank infrastructure to serve people in less developed area.

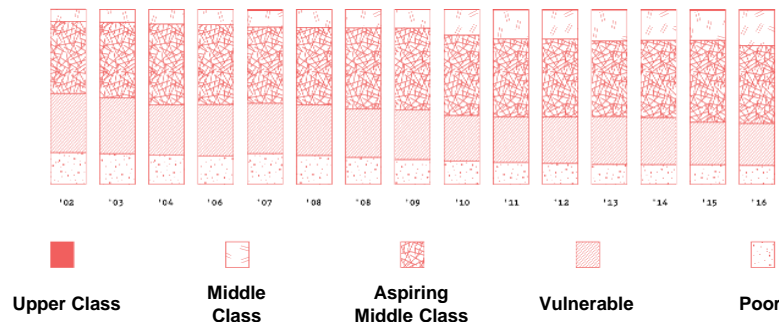
Banking Penetration on SEA Adult Population, 2018



- **Banked:** Well-served in financial services needs. Have access to credit cards, insured or have investment products
- **Underbanked:** Not well-served in financial services or have unmet needs
- **Unbanked:** No access to basic financial services (a bank account)

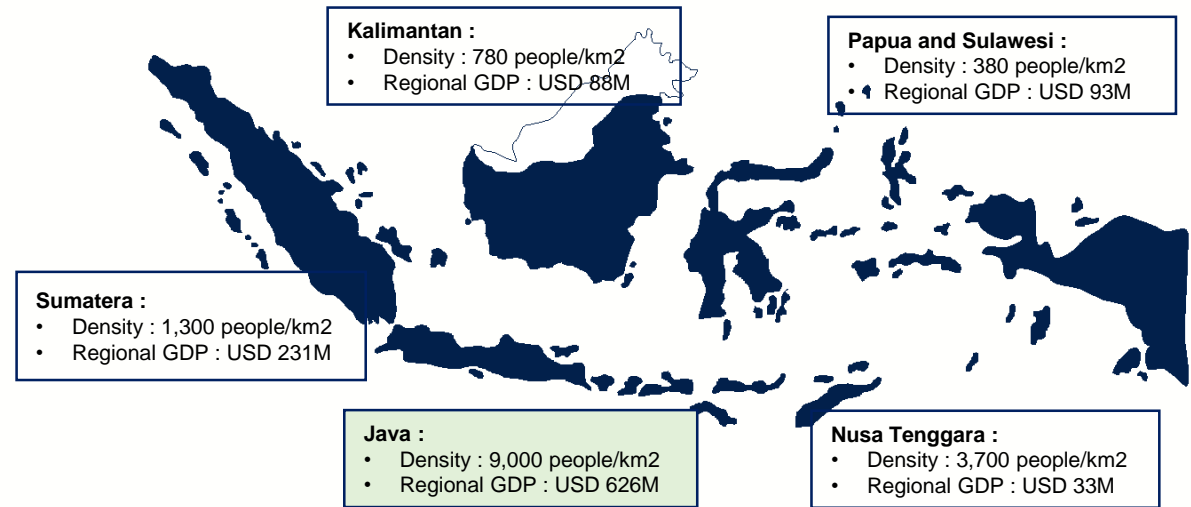
However, Indonesia's improving socio economic condition may boost demand for financial service in near future

Indonesia Population by Socio Economic



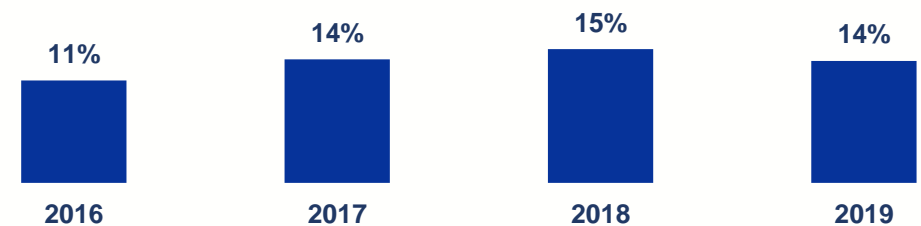
- **Middle class** constitutes **20% (52M)** of Indonesia population, being defined as people with monthly consumption USD 80 – USD 410 (1.2M - 6.0M IDR)
- **Middle class** accounts for almost **50%** of national household consumptions

Indonesia is sparsely populated and has lower income outside Java, disincentivizing banks to open branch.



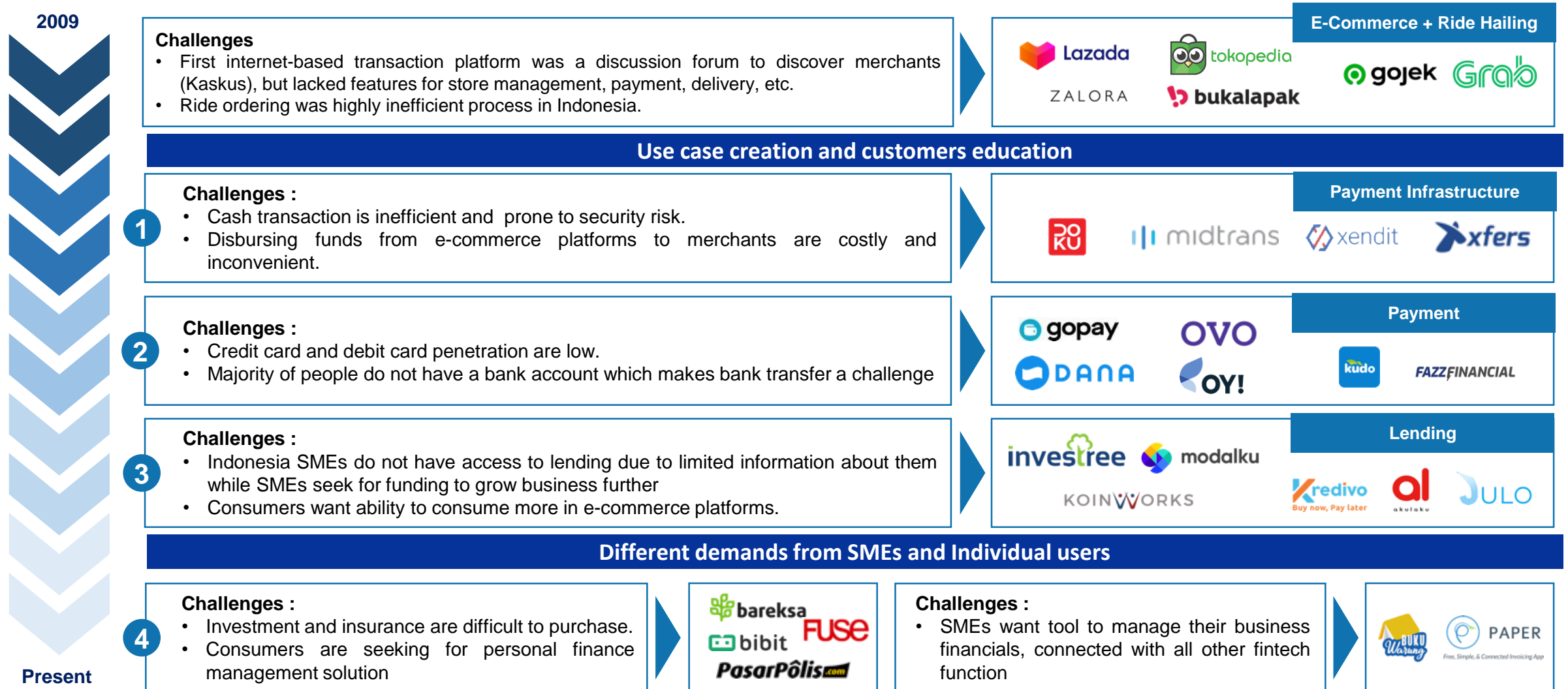
And banks are already highly profitable by serving their current customers base, providing opportunities for fintech to serve the unserviceable

Net Profit % Operating Revenue Commercial Banks - %



Source: Bain, Goldman Sachs, Worldbank, Badan Pusat Statistik, OJK

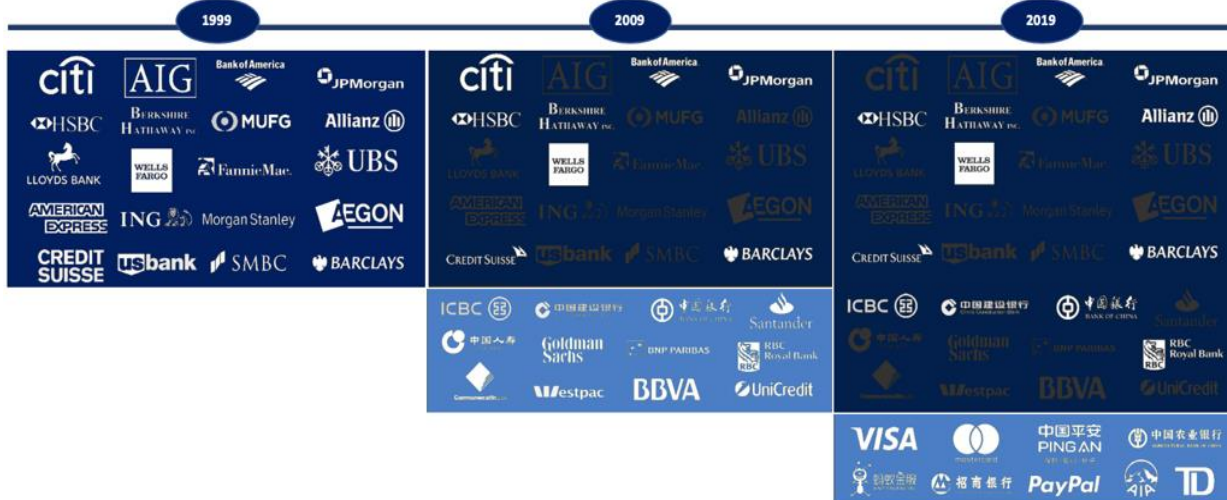
The rapid rise of eCommerce brought out critical issues in the financial infrastructure and fintech has quickly risen to provide solutions



Financial services companies have long dominated public markets and in the past 10 years listed fintech businesses have emerged

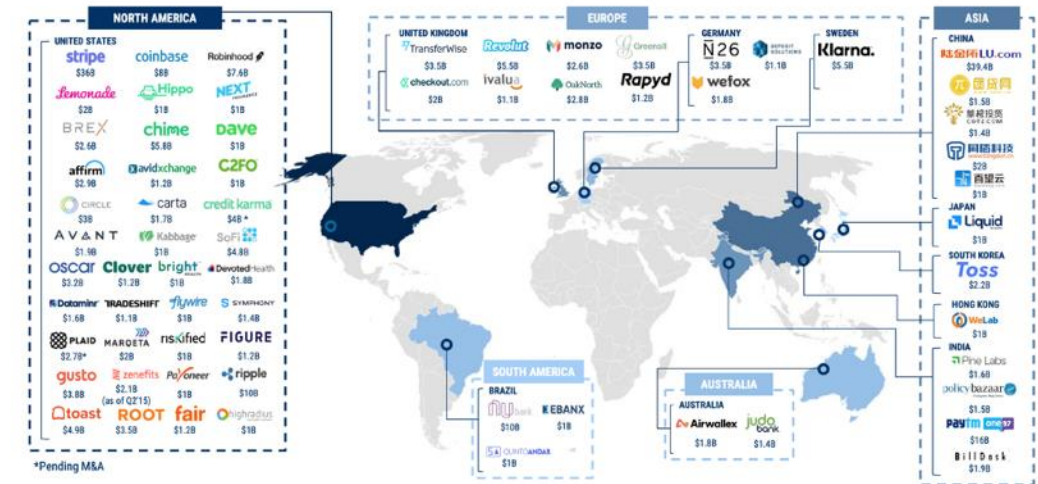
Largest Financial Services Companies on Each Period

Only 8 of United States largest financial institutions in 1999 remain on the top in 2019, while fintech players began claiming to champions title..



Fintech Unicorns Around the World Q1 2020

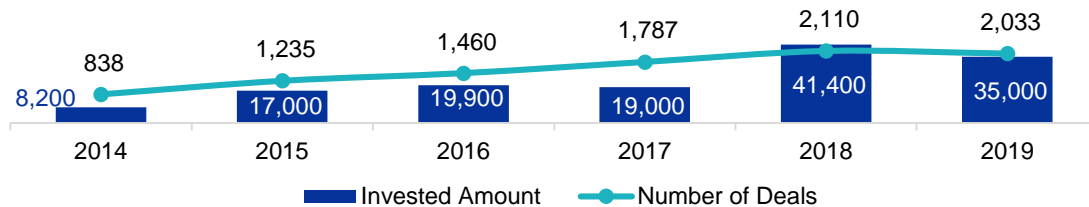
...and we are expecting more fintech players to emerge as champions from the pool of over 263 fintech unicorns globally



Fintech Deal Counts and Values Global and SEA

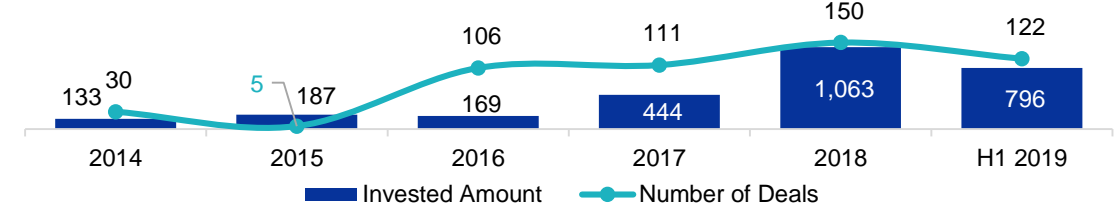
Investors are on the race to fund the next champions...

Global Invested Amount in Fintech – USD M and Fintech Number of Deals - #



and SEA is likely to be the next to see a champion in fintech

SEA Invested Amount in Fintech – USD M and Fintech Number of Deals - #



Indonesia moves TNs of US\$ across banks annually yet the process is inefficient, costly and hard to reconcile

1

Challenges :

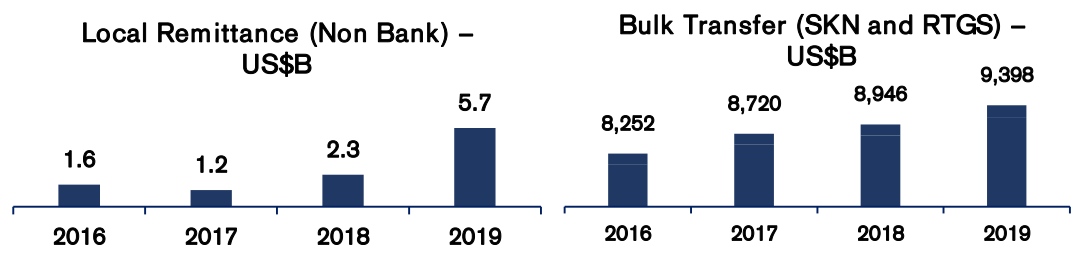
- Cash transaction is inefficient and prone to security risk.
- Disbursing funds from e-commerce platforms to merchants are costly and inconvenient.

Pain Points

Money Out	Method	Time	Requirement	Price per Transaction
	Real Time Gross Settlement (RTGS)	4 hours and cut off every 3pm. Working days only	Minimum IDR100 M	IDR25K – IDR50K
	National Clearing (SKN)	2 – 3 days. Working days only.	No Minimum per Transaction	IDR5.0K – IDR15.0K
	Real Time Online (RTOL)	Instant	Maximum IDR 25 M – IDR 50 M per day	IDR 6.5K – IDR 7.5K
	Digital Player	Instant	Minimum 10K per transaction	IDR2.5K – IDR4.0K

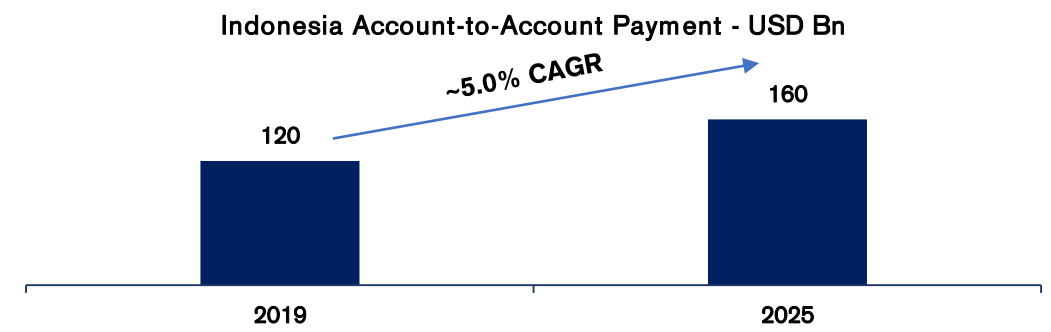
Money In	Method	Integration	Customer Supports	Customization
	Direct Connection to Bank	Integration and commercial negotiation done individually to each bank	Slow integration and no active customer support	Not customizable
Digital Player	Just need to integrate to Digital Players.	Fast integration and active customer support	Can be customized to fit customer needs	

Opportunities - Money Out



Indonesia traditional system (although some are facilitated by digital) transacted over USD 9.0 trillion annually. Yet merchants and individual users are seeking for better and cheaper alternatives.

Opportunities - Money In



On payment, C2B digital payment in SEA will surpass USD 1.0T in 2025 and account-to-account transfer method will be USD 400Bn in 2025. At ~40% of digital payment market, Indonesia sees USD 160Bn potential account-to-account payment in 2025.

Source : Xendit, Bank Indonesia, Bain
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Digital payments is forecast to be almost US\$100B by 2025 and has grown 3X since 2018 addressing lack of card penetration

1

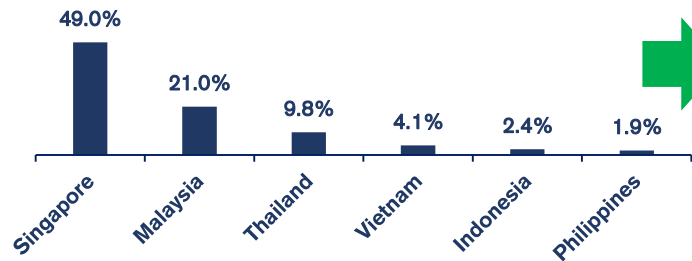
Challenges :

- Credit card and debit card penetration are low.
- Majority of people do not have a bank account which makes bank transfer a challenge.

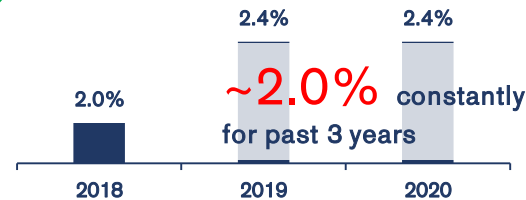
Pain Points

Indonesia's credit card penetration on adult population (15+ years old) is among the lowest in SEA and not increasing since 2018.

Credit Card Penetration - %



Indonesia Credit Card Penetration



Debit card and Bank Account penetration are also low, creating transaction barrier especially for people in rural area.



26% debit card penetration (2017)



49% Bank Account Penetration (2018)

Opportunities

E-Money Monthly Digital Payment Volume - #M

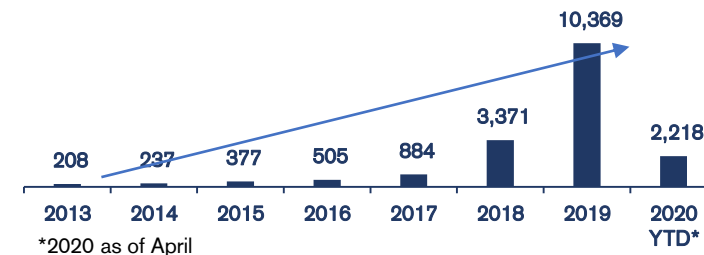


Promotional Spend



In 2019 monthly digital payment volume grew ~2.0x from 2018, indicating an increase in repeat usage from market. Digital payment GTV went up ~3.0x Y-o-Y in 2018 and 2019. Promotional spend and e-commerce plus ride hailing transaction are key drivers for the growth, which are prevalent in big cities like Jakarta.

E-Money Gross Transaction Values (US\$M)



GTV Opportunities Forecasted to be USD 95.2 Bn (e-wallet) plus US\$160 Bn (account-to-account) by 2025

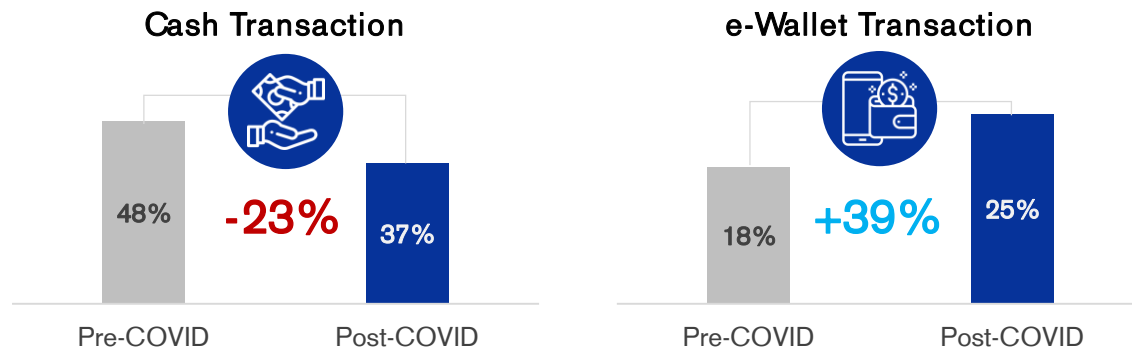
However, 2019 digital payment GTV was only equivalent to 5.9% of total retail spending, far behind China's 59% in 2018. Indonesia's digital payment is still at early stage and will continue to grow to USD 95.2Bn in 2025 driven massive promotional spend, rising smartphone penetration, growing internet economy and offline use cases.

Source: Bank Indonesia, Goldman Sachs, We Are Social, Bain, Bank Indonesia

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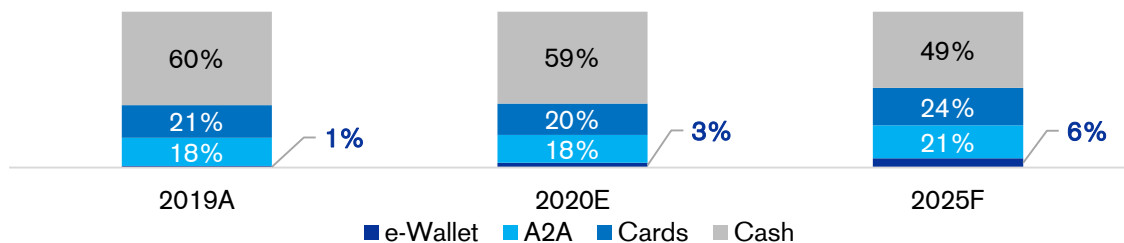
Subsequently accelerating the use case of fintech as users' habits changed and their trust on online transactions increased

Cash transactions declined by 23% from pre- to post-COVID while frequency of e-Wallet transactions rose by almost 40% within the same period, indicating consumers shift in payment method

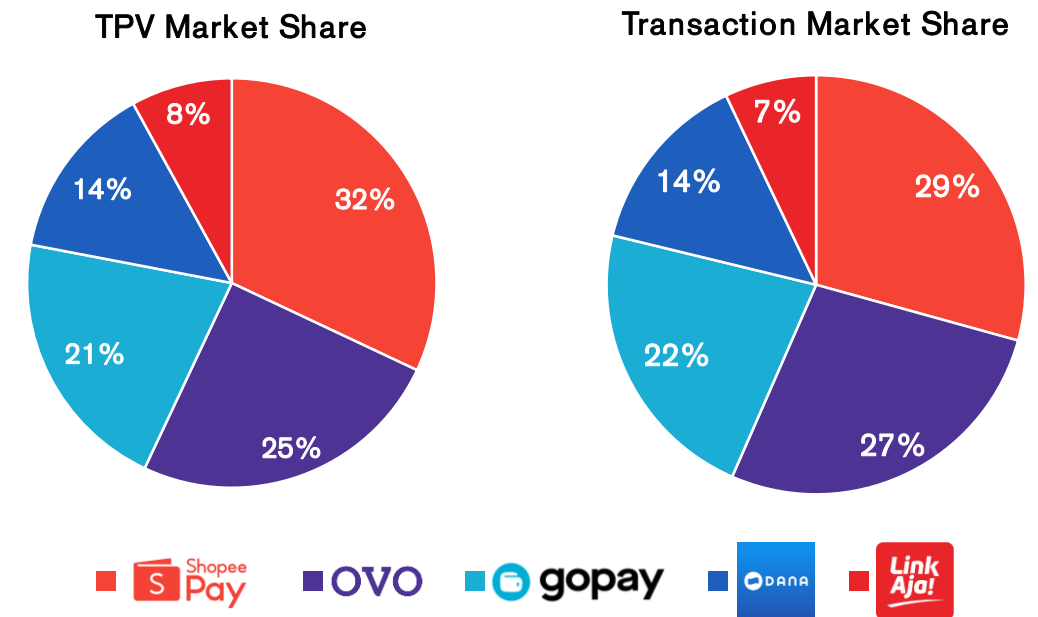


The change in users' behavior is in line as more merchants gone digital and accept digital payments following the large-scale social restriction earlier this year

Digital payments is expected to retain a strong foothold
GTV, US\$B



Five players of e-wallet players stand out today in Indonesia, namely Ovo, GoPay, Dana, Linkaja, and ShopeePay- with the latter emerged as the leader post-COVID
















Most of the e-wallet players have their own ecosystem which helped them to continue expanding their services and create additional customer and seller stickiness within its ecosystem

Source: e-Conomy SEA, 5th edition by by Google, Temasek, Bain; Tech in Asia

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The eCommerce landscape in Indonesia largely follows the successful players overseas that have had proven business models to scale

Sector	 B2B/ C2C Marketplaces	 B2B eCommerce	 Classifieds	 D2C platforms	 Social Commerce	 New Retail (O2O)	RENT THE RUNWAY Rental
Model & Focus	<ul style="list-style-type: none"> B2C, C2C Horizontal, focus on product discovery and wide range of SKUs 	<ul style="list-style-type: none"> B2B focus on MSME supply chain 	<ul style="list-style-type: none"> B2C, B2B, C2C Facilitation of two parties, no ownership over transaction 	<ul style="list-style-type: none"> B2C Focus on high brand recognition, content and community 	<ul style="list-style-type: none"> B2C via agent or group-buy Focus on expanding reach and reducing logistics costs 	<ul style="list-style-type: none"> B2C Offline presence enabled via tech 	<ul style="list-style-type: none"> B2C, C2C Focus on access to products and affordability
Key Categories	<Agnostic> Consumer electronics, Apparel, Digital goods, FMCG, and more	<High Frequency> FMCG, Fresh Produce, essential items	<Pre-Loved> Branded fashion, cars, real-estate	<Brand focus> Fashion, Beauty & Skincare, Personal Care	<Agnostic> Fashion, Personal Care, FMCG, Fresh Produce	<Offline presence> F&B	<Short-term, one-time use> Fashion, Accessories
Monetization	<ul style="list-style-type: none"> GMV take rate Advertising & merchant services Delivery, Insurance 	<ul style="list-style-type: none"> GMV take rate 	<ul style="list-style-type: none"> Advertising Revenue 	<ul style="list-style-type: none"> Gross margins from owning product 	<ul style="list-style-type: none"> GMV take rate Advertising Premium Listing 	<ul style="list-style-type: none"> Gross margins Advertising Revenue 	<ul style="list-style-type: none"> Rental fee Premium Listing
Discovery/ Purchase Intent	<ul style="list-style-type: none"> Discovery-centric Access to products Discounts & price comparison 	<ul style="list-style-type: none"> Price-centric Better terms of payment, less minimum order values 	<ul style="list-style-type: none"> Discovery centric Access to products and price comparison 	<ul style="list-style-type: none"> Brand centric, with focus on quality Being a part of a community 	<ul style="list-style-type: none"> Access-centric. Tapping into social networks to bridge trust gap and expand reach into Tier 2-3 cities 	<ul style="list-style-type: none"> Convenience-centric Brand recognition is essential, but tech helps push further sales through loyalty programs 	<ul style="list-style-type: none"> Price-centric, focus on affordability, convenience and sustainability
Defensibility	<ul style="list-style-type: none"> Low defensibility - fiercely competitive and saturated, with heavy focus on subsidies and discounts 	<ul style="list-style-type: none"> Defensibilities depend on relationships with principals/distributors 	<ul style="list-style-type: none"> Poor defensibility due to social media and existing marketplaces Limited monetization options 	<ul style="list-style-type: none"> High defensibility through brand, but purchasing power is still relatively low in Indonesia 	<ul style="list-style-type: none"> Nascent phase, defensibility not clear as platforms are testing and pivoting 	<ul style="list-style-type: none"> Medium defensibility due to brand recognition 	<ul style="list-style-type: none"> Low defensibility as attraction to platform is based on price
Companies							

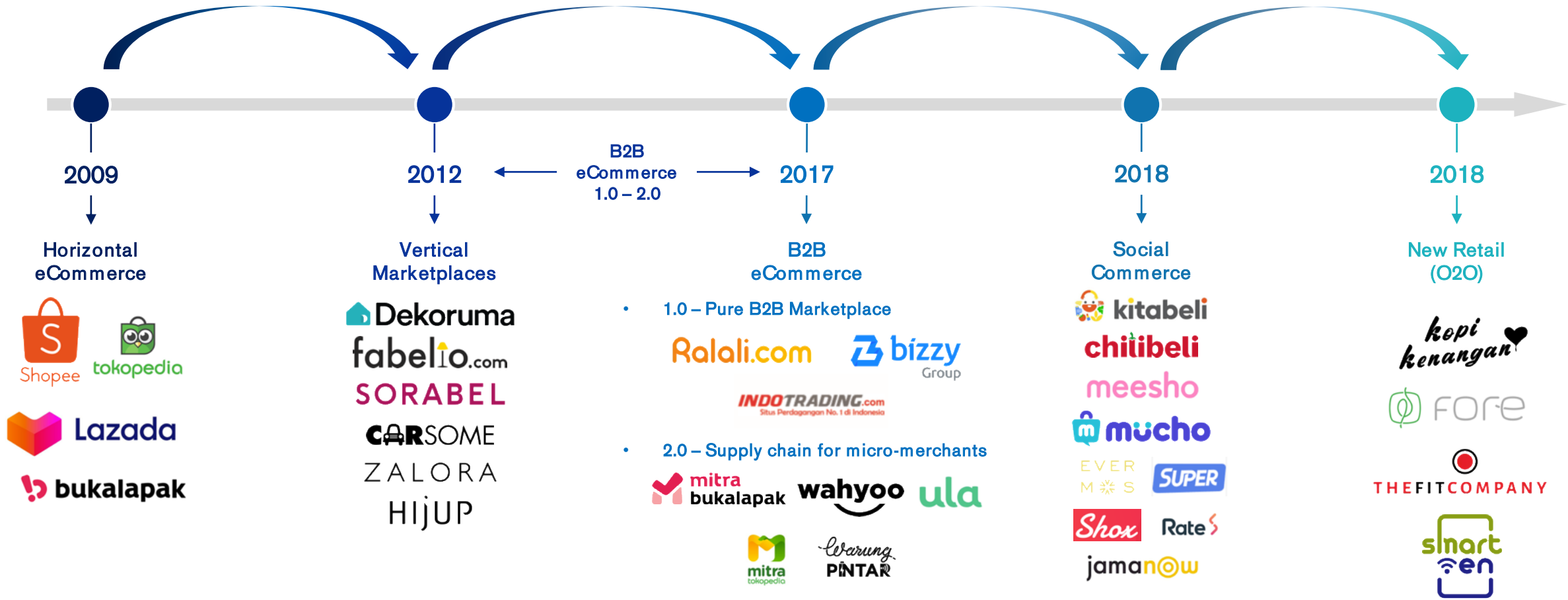
Indonesia's eCommerce ecosystem has evolved, starting with horizontal eCommerce which laid the foundation for opportunities in other verticals

The success of horizontal eCommerce paved a path for vertical marketplaces and platforms.





With the growth of eCommerce and SME's representing 98% of the total number of businesses in Indonesia, B2B marketplaces were well positioned to digitize merchants

Indonesia's eCommerce space has yet to reach its peak, with Social Commerce aiming to tackle challenges such as logistics to reach rural cities and bridging consumer trust gap.

Only 6% of total retail transactions take place online, presenting opportunities in connecting offline retail to digital facilities such as on-demand bookings, payments, and delivery.



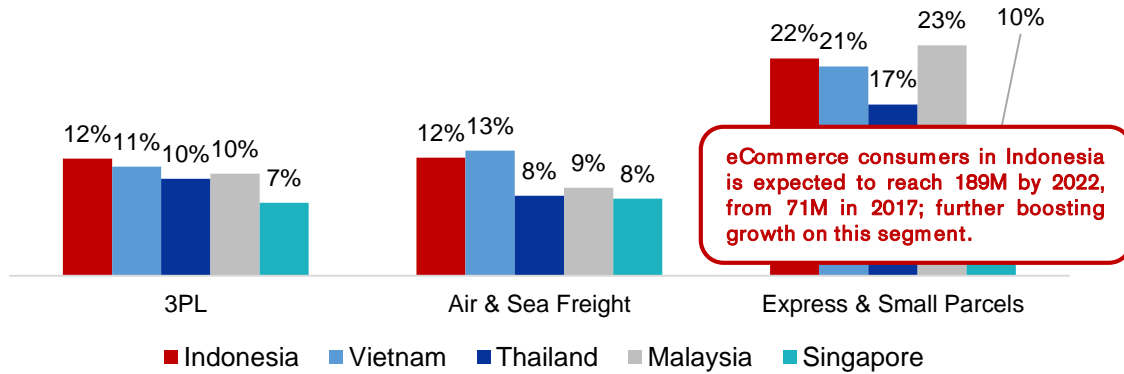
eCommerce landscape in Indonesia is dominated by well capitalized players that are positioned to further penetrate the market

Company				
Founded, HQ	2009, Indonesia	2017, Singapore	2010, Indonesia	2012, Singapore
Country Coverage	Indonesia	Indonesia	Indonesia	Indonesia, Singapore, Malaysia, Vietnam, Philippines, Thailand
Verticals	Horizontal Marketplace, Online Travel Agent, Logistics Advertising, LiveStreaming, FinTech Investments, Digital Goods, Government Services, Groceries	Horizontal Marketplace, Payments, Online Travel Agent, Online Advertising, Gaming, Livestreaming, FinTech Lending, Digital Goods, Groceries	Horizontal Marketplace, Payments, Online Travel Agent, Online Advertising, Livestreaming, FinTech Investments, Digital Goods, Groceries	Horizontal Marketplace, Online Advertising, Livestreaming, Logistics, Digital Goods
Category focus	Consumer electronics, Fashion & Apparel, Health & Beauty, Home & Kitchen, Digital Goods, FMCG, Groceries	Consumer electronics, Fashion & Apparel, Health & Beauty, Home & Kitchen, Digital Goods, FMCG, Groceries	Consumer electronics, Fashion & Apparel, Health & Beauty, Home & Kitchen, Digital Goods, FMCG, Groceries	Consumer electronics, Fashion & Apparel, Health & Beauty, Home & Kitchen, Digital Goods, FMCG, Groceries
Cross-border?	No facilitation from Tokopedia	Yes – enables customers from SEA to purchase directly from Chinese merchants	Yes - “BukaGlobal” enables customers from SG, MY, Brunei, HK and TW to make purchases from Indo merchants.	Yes – with Alibaba’s infrastructure and merchants from all over the world, Lazada’s diverse cross-border catalogue services SEA.
Logistics and fulfillment	Invested in AnterAja, Haister and Sicepat to help decrease Shipping costs, similar to Alibaba and Cainao Logistics	Own logistics arm through Shopee Logistics Services for cross-border, and working with 3PLs locally	Works with local 3PLs and Janio for end to end cross-border logistics	First and last mile delivery through Lazada Express, supported by local and international 3PLs. Lazada global shipping is tailored for cross-border sellers.
Marketplace take-rates	<ul style="list-style-type: none"> • C2C – 0-5% • B2C – 5-15% 	<ul style="list-style-type: none"> • C2C – 0-1% • B2C – 1-5% 	N/A	<ul style="list-style-type: none"> • C2C – 0% • B2C – 0.5-12%
Payment options	<ul style="list-style-type: none"> • Internet banking, cash payment, credit/debit card, digital wallet, installments • Strategic partnership with OVO 	<ul style="list-style-type: none"> • internet banking, cash payment, credit/debit card, digital wallet (ShopeePay), installments • ShopeePay also available for offline tx 	<ul style="list-style-type: none"> • internet banking, cash payment, credit/debit card, digital wallet (Dana), installments 	internet banking, cash payment, credit/debit card, digital wallet (Dana), installments (Kredivo)
Traction	<ul style="list-style-type: none"> • 90M MAU • GMV: 2018 US\$5.1B, 2019E US\$15.6B 	<ul style="list-style-type: none"> • 2019 GMV – US\$17.6B 	<ul style="list-style-type: none"> • 2019 Annualized GMV – US\$5B 	<ul style="list-style-type: none"> • 2018 Annual GMV – US\$13B
Funding	<ul style="list-style-type: none"> • Total fundraising amount – US\$2.9B • Latest round – Series H, US\$500M @ US\$8.5B pre-money valuation 	<ul style="list-style-type: none"> • Sub-organization of Sea Group 	<ul style="list-style-type: none"> • Significant backing by Emtek Group 	<ul style="list-style-type: none"> • Latest round – Series G/Secondary – US\$1B @ US\$2.2B pre-money valuation
Acquisitions/ Investments	<ul style="list-style-type: none"> • OVO, Sicepat Express, AnterAja, SayurBox, Laku6, PasarPolis 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • Prelo 	<ul style="list-style-type: none"> • RedMart

Indonesia's logistics market is expected to elevate further, owing to eCommerce growth, on the back of high internet penetration and growing middle class/private consumption

The growth of each logistics service in ASEAN has continued to achieve double digit growth with express and small parcels segment having the most rapid growth

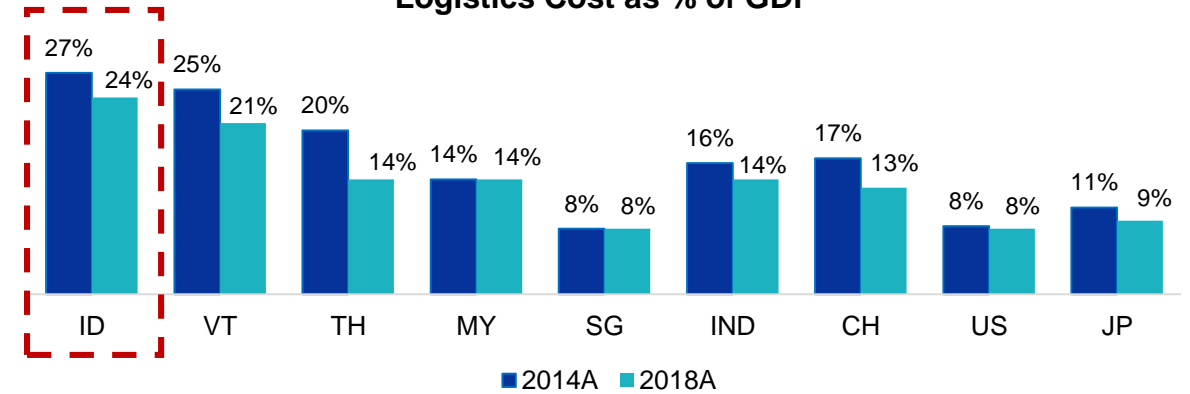
Logistic Services CAGR, 2013 - 2017



eCommerce consumers in Indonesia is expected to reach 189M by 2022, from 71M in 2017; further boosting growth on this segment.

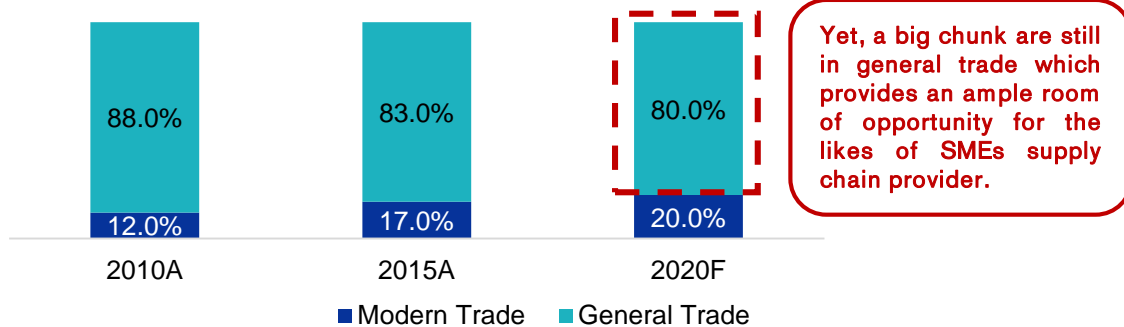
At 24% of GDP, Indonesia's logistics costs are one of the highest among the region but representing at least US\$ 250B in Total Addressable Market

Logistics Cost as % of GDP



Subsequently, rising middle class and disposable will lead to significant growth in modern trade in Indonesia, estimated to contribute at least 20% by 2020.

Modern Trade vs General Trade in Indonesia



Yet, a big chunk are still in general trade which provides an ample room of opportunity for the likes of SMEs supply chain provider.

Indonesian government's investment in infrastructure has also positively influence logistics market's growth in recent years...

The Government's plan to build or set up **24** new ports which are expected to increase cargo capacity from **8.8M** 20-footer equivalents unites (TEUs) in 2009 to **30M TEUs** by 2020.

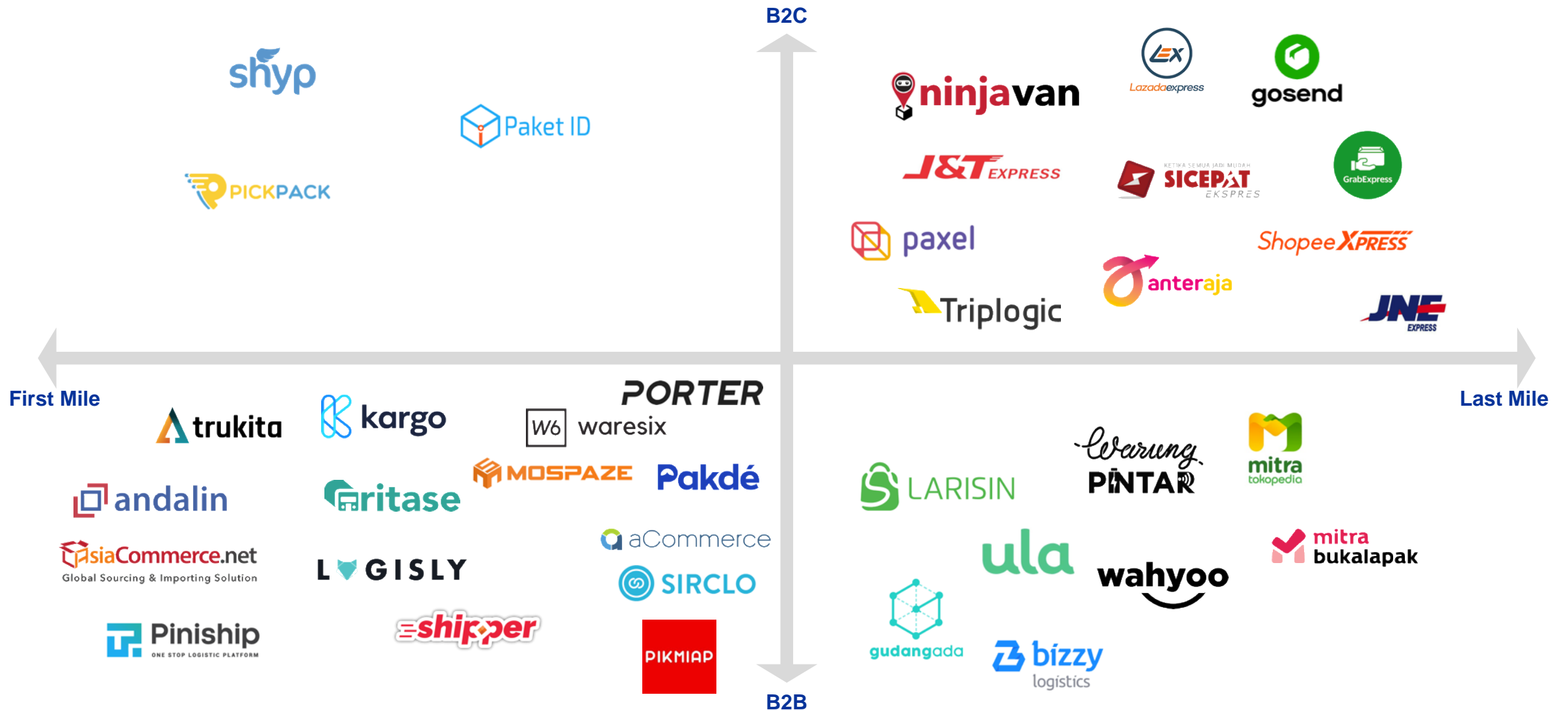
The Government allotted a budget of **IDR 447B** for the Maritime Highway Program in 2018; and was estimated to increase by **10%** in 2019.

The National Medium Term Development Plan (RPJMN) for the period of 2015 - 2019 includes **road of construction for 3,650km**, 15 new airports, 24 new seaports, and **3,258km long rail lines** out of which, 1,099km will be urban lines,







Improvement in infrastructure along with development in logistics sector may reduce the high logistics costs in Indonesia

Source: EIU, Indonesian logistics and forwarders association, CAPIQ, publicly sourced information

The continuously evolving eCommerce landscape and ecosystem have resulted in a surge of logistics/supply chain players to accommodate growth and demand



Subsequently generating new business models that challenge or act as an optimization to the existing incumbent logistics players

	Description	Customer Segment	Business Model	Companies
Freight Forwarding and Cross-border	<ul style="list-style-type: none"> • Non-vessel operating common carrier, organizes shipments from producer/supplier to market/final point of distribution 	<ul style="list-style-type: none"> • Enterprises • Individuals 	<ul style="list-style-type: none"> • Flat fee 	
Freight Transport, Trucking Marketplace, and Transportation Management Services (TMS)	<ul style="list-style-type: none"> • Connect shippers with transporters • Tracking system, using algorithm to optimize delivery routes 	<ul style="list-style-type: none"> • Enterprises 	<ul style="list-style-type: none"> • % of transaction (GLV, GTV) • Subscription • Auxiliary fees • Service fees, e.g., invoice financing 	
Cold Chain Logistics	<ul style="list-style-type: none"> • Temperature-controlled supply chain, i.e., low temp logistics and refrigerated warehousing 	<ul style="list-style-type: none"> • Food industries • Enterprises • Drugs and pharmaceuticals 	<ul style="list-style-type: none"> • Flat fee 	
Fulfillment, Warehousing, and Supply Chain	<ul style="list-style-type: none"> • Connect owners and businesses • Provide dashboard to manage warehouse • Cataloging, packing, and arrange delivery with courier on behalf of shipper 	<ul style="list-style-type: none"> • Enterprises • SMEs • E-commerce sellers 	<ul style="list-style-type: none"> • % of transaction • Subscription • Flat fee • % of delivery fee • Per bin, shelf, etc 	
3PL	<ul style="list-style-type: none"> • Connect owners and businesses • Provide dashboard to manage warehouse • Cataloging, packing, and arrange delivery with courier on behalf of shipper 	<ul style="list-style-type: none"> • Enterprises 	<ul style="list-style-type: none"> • Flat fee 	
Courier, Express, Parcels, and Last-Mile Delivery Services	<ul style="list-style-type: none"> • Courier delivers item to customers' door • Courier deliver items utilizing parcel lockers • Customers drop off/pick up from hubs/collection point/agent • Routed delivery, point-to-point 	<ul style="list-style-type: none"> • SMEs • E-commerce sellers • Individuals 	<ul style="list-style-type: none"> • % of transaction • Flat fee • One-time fee • Subscription <p>Typically heavily subsidized</p>	



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