

PHILIPPINE VENTURE CAPITAL REPORT

20 22



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ABOUT FOXMONT CAPITAL PARTNERS

Foxmont Capital Partners is a Philippine-focused venture capital fund that invests in early-stage, tech-driven, and scalable startups in rapidly digitizing areas, such as e-commerce, fintech, and health tech, among others. We drive value for our founders and investors by leveraging our deep operational knowledge and network building meaningful relationships across our stakeholders.

Our proven formula allows us to catalyze disruptive yet sustainable growth for startups that are nurtured in the Philippines and are equipped for the world. This makes us the most attractive independent venture capital firm for investors who would want to capture exponential returns in the Philippine startup ecosystem.



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Boston Consulting Group (BCG) is a global management consulting firm that partners with leaders in business and society in order to tackle their most important challenges and to capture their greatest opportunities. BCG was the pioneer in business strategy when it was founded in 1963. Today, we work closely with clients to embrace a transformational approach aimed at benefiting all stakeholders—empowering organizations to grow, build sustainable competitive advantage, and drive positive societal impact.

Our diverse, global teams bring deep industry and functional expertise along with a range of perspectives that question the status quo and spark change. BCG delivers solutions through leading-edge management consulting, technology and design, and corporate and digital ventures. We work in a uniquely collaborative model across the firm and throughout all levels of the client organization, fueled by the goal of helping our clients thrive and enabling them to have a remarkable impact in society.

Reference

The Philippine Venture Capital Report is a three-year report covering the startup activity in the country. Foxmont Capital Partners used a combination of online resources, in-house analysis, and credible information made publicly-available by databases, such as Crunchbase, Preqin, and Pitchbook. Furthermore, data was cross-checked and verified against research publications, news articles, venture capital fund websites, and startup company websites. Insights from key players in the ecosystem, high-performing startups, and local and regional funds are highlighted to provide expert opinion on the startup and venture capital industry in the Philippines.

Startup Companies

We define a startup company as an innovation-driven company, usually involved in technology in its early stages of business. Startups are characterized by high growth potential, social impact and/or delivering new solutions to consumer problems. This report covers startup companies domiciled in the Philippines or with significant operations in the Philippines.

Investors

We define investors as any individual or institution that provides financing to startup companies in exchange for an economic interest in the business.

Deals

We define deals as venture capital transactions where startup companies raise capital from external sources, which include financing received from venture capital funds, angel investors, angel groups, accelerators, incubators, corporate venture firms, corporate startup investors, joint ventures, private equity funds, mergers and acquisitions, grants, and crowdfunding.

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And to the team, Rafael Albolote, Ymanjago Buenaventura, Aerin Lao, Santino Ongsiako, Tamilyn Te, and Zion Wuxinyi for your continued efforts in ensuring that this report presents a clear and comprehensive view of the Philippine Startup Ecosystem.

The 2022 Philippine Venture Capital Report was created as an avenue to foster the ethos of collaboration between key players in the Philippine startup landscape. The success of the Philippine Startup Ecosystem is a result of the joint efforts of all ecosystem players. We at Foxmont Capital Partners are eager to witness the ecosystem's continuous development and are passionate to continue supporting Filipino-founded and Philippine-focused startups.

Dear Colleagues,

Our second report comes at the precipice of the Philippine digital evolution. The world has endured two straight years of the COVID-19 pandemic, and the Philippines specifically has dealt with rolling lockdowns in an attempt to curb the spread of the virus.

While the nation spent days, weeks, and even months indoors – we all began to access digital services en masse. This, combined with a rapid emergence of founders willing to tackle Philippines, has led to 2021 being a banner year for startup investments into the country.

As our doors and borders open up in 2022, we step into a new startup landscape. One where there is a robust domestic investor base, with Foxmont, Gentree, Kickstart and JGDEV playing an active role. Where there are strong angels in MAIN, Buko Ventures, and the 335 Fund.

Regional investors are also beginning to take note, with Quest Ventures, Vulpes Ventures, Insignia Ventures, Altara Ventures, and many more taking their first foray into the Philippines.

Finally, large multinational investors have taken their first step into the Philippine digital ecosystem, including General Atlantic, KKR, and Tiger Global.

Startup investments now represent 12% of the total FDI into the Philippines. This is a 3000% growth from 2019 in proportion to foreign direct investments.

Yet, there is still so much more to do. As of today, the Philippines has the fastest growing e-commerce industry in the world. Combined with the fact that we are the youngest population in Southeast Asia (23.8 years old), spending more time on average online per day (10 hours), with one of the fastest growing middle classes in the region – the possibilities for growth are endless.

Within these pages, we present our latest statistics on the Philippines. We also undertake a deep dive with founders who explain the opportunity they see here. Finally, we ask other funds to share their insights on the Philippine opportunity.

The time is now, and we invite you all to participate in the Philippine digital evolution.

Thank you,



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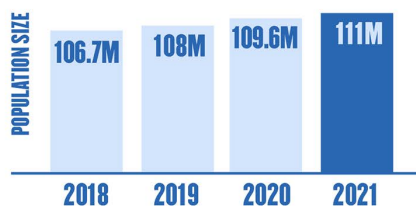
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Venture Insights

UNDERSTANDING THE PHILIPPINE LANDSCAPE

PHILIPPINE POPULATION SIZE (IN MILLIONS)

As of 2021, the Philippine population size reached 111 million

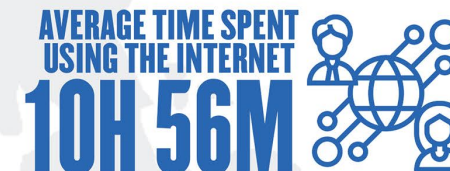
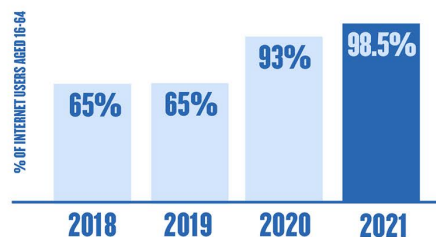


MEDIAN AGE PER COUNTRY



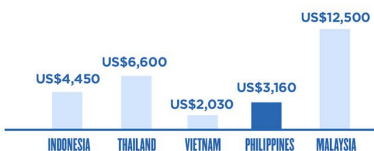
Youngest median age in the region, younger than the global average

SMARTPHONE DEVICE OWNERS



Exceeding the global average daily internet usage of 7H each day.

GDP PER CAPITA 2021



Philippine GDP per capita is projected to hit US\$3,160 in 2021

67%↑

INTERNET PENETRATION

Internet users in the Philippines increased by 4.2 million (+6.1%) between 2020 and 2021.

AVERAGE TIME SPENT ON SOCIAL MEDIA
4H 15M



Exceeding the global average daily time spent on social media by 2H 45M

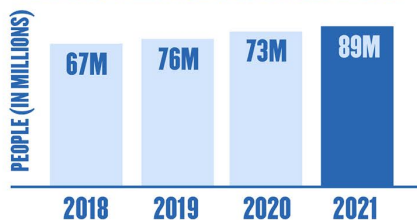
2.42 BILLION TOTAL NUMBER OF MOBILE APPS DOWNLOADED THROUGHOUT 2020



Total consumer spend on mobile apps: \$340.0 M

89M SOCIAL MEDIA USERS IN 2021

Increased by 16 million (+22%) between 2020 and 2021



MOBILE CONNECTIONS

152.4 M



138.2% of the total population
152.4 million mobile connections

NUMBER OF PEOPLE PURCHASING CONSUMER GOODS VIA THE INTERNET

38.88M



Total value of consumer goods ecommerce market: \$ 3.55 B

NUMBER OF PEOPLE USING ONLINE SERVICES TO ORDER TAKE-AWAY FOOD DELIVERY

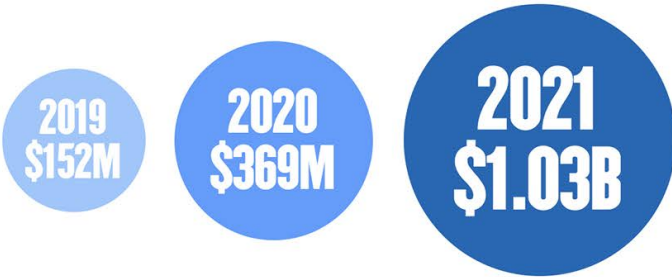
8.83M



Total value of the online food delivery market: \$ 247.2 M

FUNDS RAISED BY PHILIPPINE STARTUPS EXCEEDS \$1 BILLION IN 2021

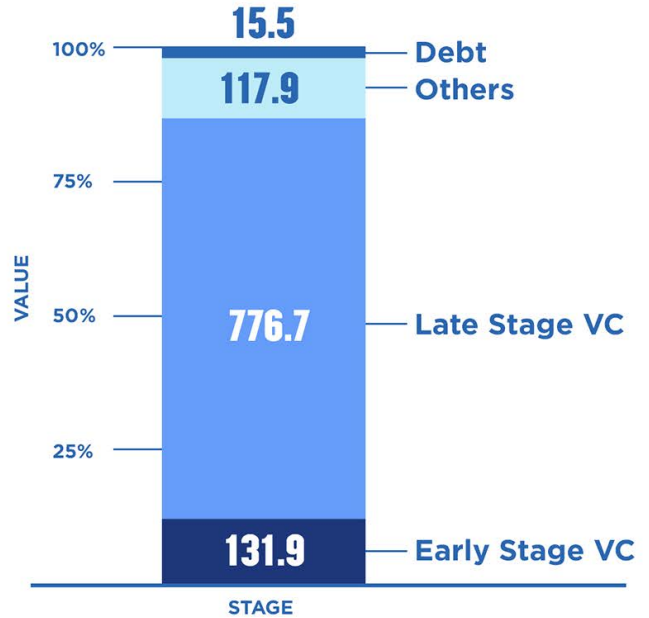
Funds Raised by Philippine Startups totaled \$1.03 billion in 2021



From 2019 to 2021, the Philippine startup ecosystem has grown in both deal value and volume. The ecosystem started 2021 strong, with total capital raised by Philippine startups amounting to an estimated \$437.50 million for the first half of the year, This is a relatively significant amount compared to the full years of 2019 and 2020, which amounted to an estimated \$152 million and \$369 million, respectively.

Deal Value by Growth Stage, 2021

*Amount in Millions US\$



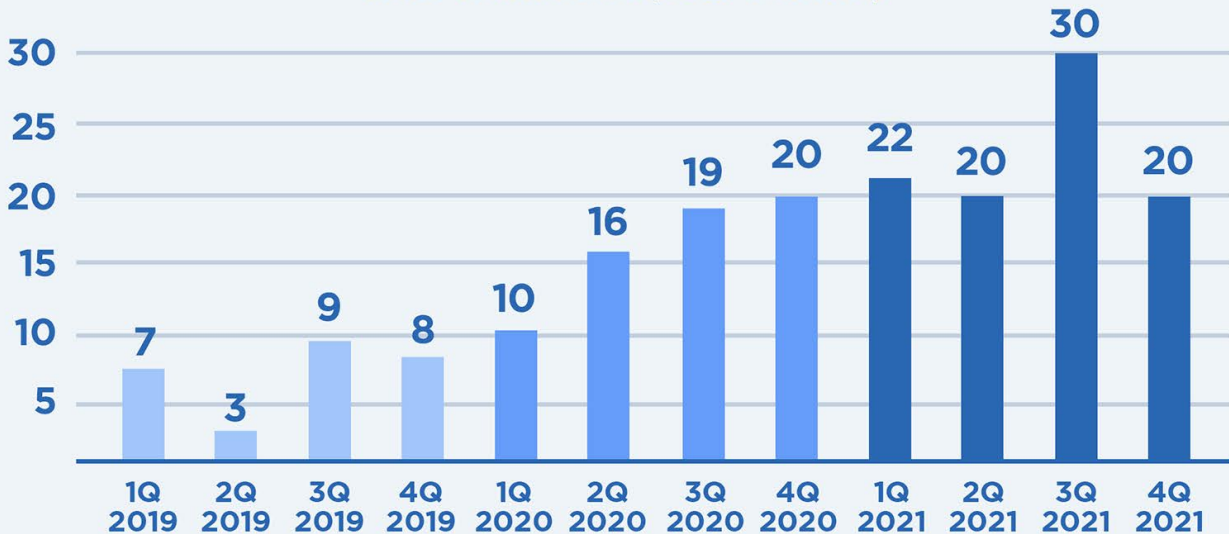
Source: Pitchbook, Preqin, Foxmont analysis

92 DEALS IN 2021

2021 has been a watershed year for the Philippine startup ecosystem, with total deals hitting a record of 92 and numerous startups breaking into Series A, B, and C.

Quarter-on-Quarter deal volume has exhibited a steady increase since 2019

2019-2021: QOQ (Deal Volume)

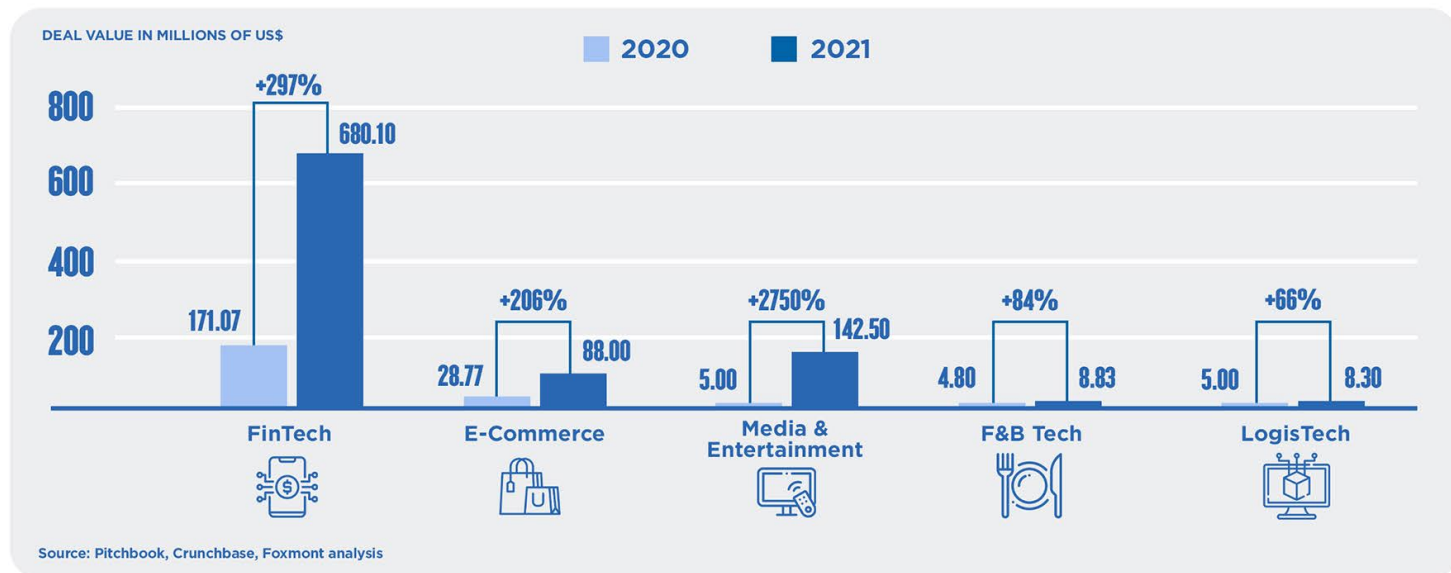


While Late Stage VC takes the lead in deal value, the Philippine startup ecosystem remains to be in its nascent stage, with Early Stage VC leading deal volume with 67% of total deals in 2021.

In terms of volume, 2019 to 2021 saw 184 deals, with the majority of deal activity occurring in 2021 at 92 deals, indicating a 41.5% increase from 2020. Over the past 3 years, deal activity has been steadily increasing and averaging 15.33 deals per quarter.

FINTECH AND MEDIA & ENTERTAINMENT SECTORS EXHIBITED THE LARGEST FUNDING GROWTH IN 2021

Top 5 most funded sectors with Fintech dominating the startup landscape in the Philippines in terms of deal value



Fintech continues to take the lead in deal value for the second consecutive year

With the private equity rounds of Voyager Innovations and Mynt’s later stage venture capital funding round, **fintech startups continue to drive the majority of the deal activity in the country. In fact, Mynt emerges as the country’s first double unicorn with their latest \$300m raise.** From 2020 to 2021, fintech represented 77% and 65.77% of deal value and volume, respectively. While the dominance of fintech persists, other sectors such as e-commerce and media & entertainment have also remained active and amassed substantial growth, indicating that companies in these sectors are gaining traction and attracting the attention of investors both locally and regionally.

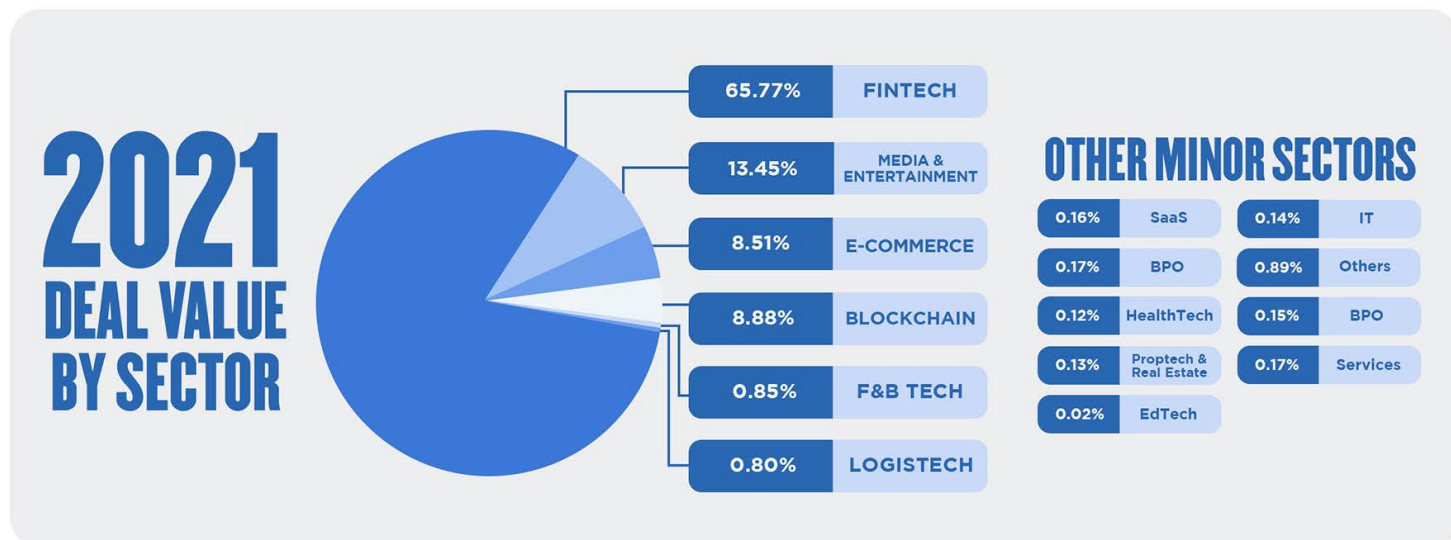
Deal activity in the Media & Entertainment sector has exhibited remarkable growth with total deal value amounting to \$142.50 million.

This was largely driven by Kumu who completed their Series B and C rounds in 2021. Similarly, Yield Guild Games was able to complete a token sale and a venture funding round led by a16z, bringing in approximately \$17 million for the company.

E-Commerce follows with 8.51% of deal value and 20% of deal volume

2 out of 3 Series B deals that occurred in 2021 were done with e-commerce startups, namely GrowSari and Great Deals E-commerce.

The startup space is seeing increased activity in emerging sectors such as Media & Entertainment, Blockchain, and Property Technology











2022 IS ALREADY OFF TO A STRONG START WITH LOCAL STARTUPS RAISING CAPITAL FROM INTERNATIONAL AND REGIONAL INVESTORS

Funds raised by Philippine startups reaches \$310 million in the first two months of 2022, outpacing the same period in the last two years, a clear sign of the continuous growth of the Philippine startup ecosystem

PHILIPPINE DEAL ACTIVITY

January to February 2022

	SERIES B	US\$ 11M RAISE LED BY BURDA PRINCIPAL INVESTMENTS
	SERIES A	US\$ 10M SERIES A RAISE LED BY A16Z
	SERIES C	US\$ 45M RAISE LED BY KKR
	SERIES B	US\$ 15M RAISE FROM CREO CAPITAL AND EAST VENTURES
	SEED ROUND	US\$ 4.3M RAISE CO-LED BY PATAMAR CAPITAL & CRESTONE
	SERIES B	US\$ 131M RAISE FROM MIZUHO BANK AND PROSUS VENTURES
	SERIES B	US\$ 50M SERIES B RAISE LED BY TIGER GLOBAL
	SERIES B	US\$ 31M SERIES B RAISE

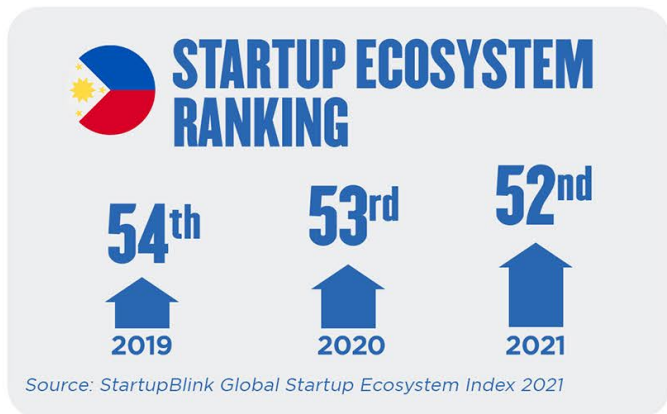
The Philippines continues to attract global interest with monumental deals led by globally renowned investment firms such as Andreessen Horowitz, KKR, Mizuho Bank, and Tiger Global.

Additionally, Philippine startup ecosystem begins to show signs of maturity with majority of deals, more specifically 6 out of 8 deals in 2022 thus far being Series B and Series C deals.

PHILIPPINES AS AN INCREASINGLY ACTIVE DESTINATION FOR STARTUPS

The Philippines has been on a consistent rise since 2019, advancing each year in the Global Country Rankings.

Manila advanced +1 rank from 2020, ranking 87th out of 1000 cities in the Global City Rankings



Manila Manila remains to be the most active startup ecosystem in the country

With advancements in both the Global City and Country rankings, the country's capital now ranks among the **top 20 startup ecosystems in the Asia Pacific region.**

NATIONAL RANKING	CITY	GLOBAL CITY RANKING
1 st	MANILA	87
2 nd	CEBU	268
3 rd	CAGAYAN DE ORO	493
4 th	DAVAO	786
5 th	BAGUIO	944

KUALA LUMPUR, MALAYSIA 18th 

CHENGDU, CHINA 19th 

MANILA, PHILIPPINES 20th 

As of 2021, the Philippines now has a total of five cities in the Global City Rankings, with the addition of Davao City and Baguio City. Most notably, Cagayan de Oro City jumped 87 spots to 493 in the city rankings.

The Philippines' five-month long lockdown and countless variations of community quarantines have prompted consumers to **go digital - shifting from long-held analog practices.** The rapid digitization is evident in the strength of the fintech, ecommerce, and healthtech subsectors amidst the pandemic.

Due to limited physical access to banks and health risks in conducting in-person transactions, the Central Bank of the Philippines has supported the use of mobile wallets, with BSP Governor Benjamin Diokno citing the digitization of financial transactions as the foundation of the "New Economy." **Instapay transactions increased by 47%, while PesoNet transactions saw a 37% increase by the end of 2021,** as a result of the surge in electronic fund transfers. Furthermore, eight million electronic accounts were created in 2020 with mobile wallets such as GCash and PayMaya. By December 2021, **GCash has over 51 million registered users.** Their mobile wallets are continuing to aggressively expand their user base, allowing digital consumers the convenience of online shopping, money transfers, and bills payments.

Prior to the pandemic, the Philippines has seen favorable growth in ecommerce, with Generation Z serving as the main drivers of demand for online food delivery and digital streaming services. However, the popularity of mobile wallets and increased online transactions have further pulled forward ecommerce adoption. From 2020 to 2021, **ecommerce adoption rose from 76% to 80%.**

Finally, health technology adoption in the Philippines was pulled forward with a growing consciousness for health and well-being. In a survey conducted by Prudential, **79% of Filipino respondents report having used digital health platforms** and personal health technology gadgets.

The rising internet penetration, growing cashless ecosystem, and increasing demand for e-commerce are signs that the digital consumer will not revert to old habits once the pandemic is over. Filipinos have realized the benefits and convenience of going digital.

Source: StartupBlink Global Startup Ecosystem Index 2021



Contributor's Insights

Over the last two years, Filipino consumer habits have changed at an unprecedented pace. While some trends were already well underway, the COVID-19 crisis has been both a catalyst and an accelerator for shaping new behaviors. Riding on these changes have allowed adaptive companies to thrive and innovative new players to emerge and disrupt. Even with the worst of the pandemic hopefully behind us, many of these behavioral changes are expected to continue and drive the reshaping of many industries.

HERE ARE FIVE TRENDS THAT WE FORESEE WILL CONTINUE TO RESHAPE THE SUPPLY LANDSCAPE IN 2022.



DO MORE FROM HOME

82% of Filipinos have adopted new digital habits at home in the last 2 years

Having to spend more time at home for many months during the pandemic, Filipinos have embraced new habits. Besides working from home, many started to Entertain, transact, learn, exercise, and engage remotely with families, friends, and religious communities. When needed, many consumers equipped themselves gradually to engage their experience in doing these new activities from home.

Bucking the trend: Food delivery, work from home apps, social media

To watch: Live streaming, Cloud Kitchens, EduTech



NURTURE COMMUNITIES AND NATIONAL BONDS

53% Feel that community is more supportive and closer than before

Family and community bonds have been materially strengthened in the last two years as Filipinos went through health and financial challenges triggered by COVID-19. Trust in national institutions that helped battle the crisis have increased - 30% across Southeast Asia. In the Philippines, local institutions particularly benefited from this trend. Interestingly, Filipinos also increased their trust in locally anchored brands who demonstrating strong, tangible commitments.

Bucking the trend: McDonalds, Jollibee, Nestle, Del Monte, Grab, etc.

To watch: Peer-to-peer lending platforms



TAKE BETTER CARE OF HEALTH AND WELLNESS

32% growth outperformance for "Health Food" vs. other health categories

Health and Wellness has been a rising priority across the region for years already, and COVID has consolidated this trend. In the Philippines, this mostly materialized through higher focus to healthier nutrition, with a 58% growth in the adoption of nutritional supplements - the highest rate in the region. Health related activities, on the other hand, have not grown meaningfully to date but the increased adoption of health apps still signals higher awareness and potentially more growth to come.

Bucking the trend: Healthy food chains (e.g.: Healthy Options), Digital healthcare platforms

To watch: eGrocers, Many new players in digital health



"DIGITAL EVERYONE"

40M+ Filipinos transacting online - over twice as much as three years ago

Just two years ago, young, urban, higher-class Filipinos were driving the growth of eCommerce and digital services adoption in the Philippines. Since then, we have witnessed accelerated growth across consumer segments and age groups, with significant growth coming from second tier cities and sub-urban areas. Consumers are also doing *more* online: more types of services, more transactions, and more engagement.

Bucking the trend: eCommerce, eWallets, eCommerce leaders, food deliveries, car hailers, last miles companies

To watch: Conversational eCommerce, Vertical eCommerce plays, pure online brands



EMBRACE E-FINANCE AT SCALE

4X eWallet adoption within two years

Leading eWallets have enjoyed exponential growth by allowing well-needed, frictionless peer-to-peer transfers at critical times. COVID-19 also stimulated the adoption of contactless payment, in turn driving large acceptance across all categories of merchants. As consumers became more familiar with e-money and as digital leaders gathered more transaction data, the market is becoming ripe for massive adoption of other digital financial services, such as lending, insurance, wealth, etc.

Bucking the trend: eWallets

To watch: Digital lenders, Digital Banks, Crypto exchange platforms, Investment platforms, Web3.0

FINTECH REMAINS ONE OF THE MOST ACTIVE AND FUNDED SECTORS IN THE PHILIPPINE STARTUP ECOSYSTEM

51M

G-Cash Users as of December 2021
approximately 70% of Filipino adult population

\$680.10M

Funds Raised 2020-2021

Digital Payments emerged as the largest segment in 2021 and is projected to reach \$19.77 billion in total transaction volume by 2022. The current fintech sector defined by:

\$11B CURRENT PHILIPPINE FINTECH MARKET SIZE

15% MANILA'S STARTUPS ARE IN FINTECH

While fintech remains to be the most funded sector—fetching an estimated \$641.6 million in funding across 46 transactions over 2019 to 1H2021—it is important to note that funding was highly concentrated on only a handful of late-stage deals. These deals include Voyager Innovations securing \$167 million from follow-on investors Kohlberg Kravis Roberts (KKR), Tencent Holdings, and PLDT, as well as Mynt securing \$175 million Bow Wave Capital and other undisclosed investors. Furthermore, Voyager Innovations and Mynt are controlled by the two largest competing telecoms in the country, Smart Communications and Globe Telecom.

The COVID-19 pandemic has highlighted the utility and importance of digital financial services. The pandemic has resulted to over 4 million basic deposit accounts being opened on digital platforms, a sharp fall in cheque and ATM transactions, and a 74% increase in digital transactions. Moreover, there is an increased usage of GCash, a mobile wallet application operated by Globe. The said application saw its users increase from 20 million in 2019 to 51 million as of December 2021, a large jump relative to the country's population size, with 23 million daily logins and 15 million daily transactions.

PHILIPPINE FINTECH INDUSTRY CONTINUES TO EXHIBIT RAPID GROWTH AND DEVELOPMENT IN THE FOLLOWING SEGMENTS:



With a young tech savvy population along with an increased need for convenient banking solutions, and regulatory support, **the Philippines is well-positioned for digital banking and payment adoption.**



DIGITAL BANKING AS AN OPPORTUNITY TO REDUCE UNBANKED LEVELS AND DRIVE FINANCIAL INCLUSIVITY

71% OF FILIPINOS DO NOT HAVE BANK ACCOUNTS

98% OF FILIPINOS DO NOT HAVE CREDIT CARDS

AMIDST THE COVID-19 PANDEMIC, NATIONAL LOCKDOWNS ACCELERATED DIGITAL BANKING ADOPTION

+4M

Filipino bank accounts opened digitally

+74%

Increase in digital transactions

The Bangko Sentral ng Pilipinas (BSP) has also been supportive of the sector. In late 2020, the BSP released the Digital Payments Transformation Roadmap outlining the central bank's strategies to support innovation in digital financial services and a digital banking framework, which recognizes digital banks as a new and distinct bank category. As of December 2021, Unionbank, Tonik, UNObank, OFBank, Maya Bank and GOTyme received digital banking licenses.

E-COMMERCE SECTOR CONTINUES TO EXHIBIT EXPONENTIAL GROWTH IN TRANSACTION VOLUME AND ADOPTION

\$24.2B

Contribution to GDP DTI Expectation for 2022

\$88.00M

Funds Raised 2020-2021



+77% ONLINE SHOPPING GROWTH FROM 2020 TO 2021
90% FILIPINO INTERNET USERS HAVE SEARCHED FOR GOODS ONLINE
67.5% FILIPINO INTERNET USERS HAVE PURCHASED GOODS ONLINE

Total GMV has grown from \$3 billion in 2019 to \$5 billion in 2020 and a remarkable \$12 billion in 2021. The Department of Trade and Industry expects the e-commerce sector to contribute \$17 Billion to the domestic economy in 2021 and \$24 Billion the succeeding year. Furthermore, the e-commerce market is forecasted to grow at a CAGR of 31% annually during the period of 2021 to 2025, with expectations of sales turnover topping \$25 Billion by 2025.

More than 73 million Filipinos are registered internet users, spending an average of 9 hours and 45 minutes online daily. Despite being heavily connected to the internet, the Philippines was lagging behind its regional peers in e-commerce adoption prior to the pandemic, with statistics showing that only 2% of Filipinos have purchased goods or services online during this period. According to Zalora Philippines this has changed as 9 out of 10 Filipino internet users have searched for goods and services to be purchased online during lockdown. Moving forward, 48% of Filipinos plan to do more online shopping after the pandemic, according to a survey by Global Web.

THE PHILIPPINES RANKED AS THE FASTEST GROWING E-COMMERCE MARKET GLOBALLY IN 2022

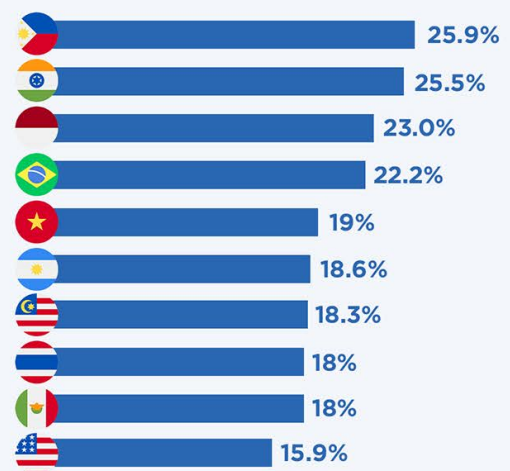
E-COMMERCE GROSS MERCHANDISE VALUE



2021 is expected to reach US\$ 17 billion in e-commerce GMV versus 2020's US\$ 4 billion, exhibiting a **325% growth in its contribution to the domestic economy**

Source: 2021 e-Conomy SEA Report

TOP 10 COUNTRIES, RANKED BY RETAIL E-COMMERCE SALES GROWTH, 2022



Source: eMarketer, January 2022

Driving the industry's growth are the growing mobile and internet users, adoption of digital payments, and increased government support, with e-commerce platforms taking an increasingly mobile-first approach for consumer experience. This can be seen from the 90% of Filipinos who would opt for mobile payments, should they become more widely available. For example, Shopee has determined that 95% of the orders on their platform are made from mobile devices.

FOOD & BEVERAGE TECH RAPIDLY ACCELERATED BY PROLONGED STAY-AT-HOME CONSUMPTION

\$251B
Online Food Delivery Sales 2020

\$8.8M
Funds Raised 2020-2021



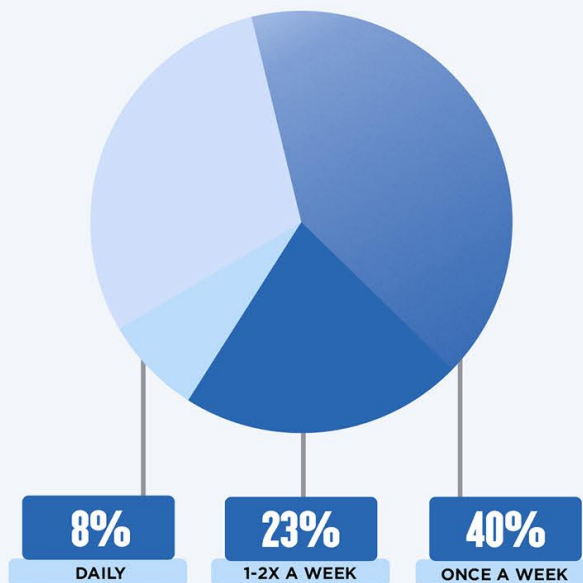
8.83M NUMBER OF PEOPLE USING ONLINE SERVICES TO ORDER TAKE-AWAY FOOD DELIVERY

\$247.2M TOTAL VALUE OF THE ONLINE FOOD DELIVERY MARKET

Given its integral role in Filipino culture, food and beverage is the largest expenditure of the economy, representing 43% of total expenditure in the Philippines. Total online food delivery revenue grew by 48% in 2020 to \$247 billion, with more than 40% of customers ordering online once a week, 23% one to two times a week, and 8% daily. Longer stay-at-home time has boosted the creation and use of online food delivery services, paving the way for food & beverage technology businesses to thrive. The emergence of cloud kitchen startups, the expansion of superapps into the space, and the increased online presence of brick-and-mortar food brands are among the many developments of this young sector.

Majority of the foodservice consumer expenditure is concentrated in the National Capital Region (NCR), followed by Calabarzon and Central Luzon. However, the percentage of F&B expenditure to total expenditure has already reached more than 50% in Western Visayas and Bicol. Rising disposable incomes in the country will allow more rural areas to catch up to the consumption levels of urban cities. Currently, 64% of disposable income on the Philippines is from urban areas. Pre-pandemic, disposable income in the country has seen a significant growth from 2015 to 2019, reaching a high of P14.3 million. Overall, the Philippines provides an environment that will foster the growth of cloud kitchens.

INCREASED FREQUENCY OF FILIPINOS UTILIZING ONLINE FOOD DELIVERY SERVICES AND THE EMERGENCE OF CLOUD KITCHENS



The Philippine cloud kitchen and F&B technology ecosystem is still in its infancy stage, yet local startups like Kraver's Canteen, CloudEats, and MadEats have already received millions of pesos in investments. The industry has also attracted notable investors, such as Foxmont Capital Partners, Justin Mateen, Lance Gokongwei, KMC Founders Fund, and JC Capital. Even the Philippines' largest fast food chain, Jollibee, has invested \$138 million towards the cloud kitchen industry in the Philippines.

HEALTHTECH PRESENTS AN OPPORTUNITY IN A YOUNG YET RAPIDLY-DEVELOPING TELEMEDICINE SPACE

\$330M

Projected Annual Revenue for the PH Telemedicine Market¹

167%

Online Consultation YoY Revenue Growth from 2019-2020

10M

Filipinos utilized telemedicine services in 2021¹

62%

Doctors Currently Using At Least 1 Telemedicine App

The pandemic has highlighted the pressing need to address the challenges of the Philippine healthcare system, which include insufficient infrastructure, a shortage of healthcare professionals, and access to quality healthcare. According to a study published by Ken Research, the healthtech market presented a CAGR of 24.3% from 2017 to 2020, and is expected to grow at a CAGR of 29.2% during the forecast period of 2021 to 2025. Historical growth is primarily driven by the Healthcare IT, E-pharmacy, and Telemedicine sub-verticals.

Philippine health tech industry is defined by continuous growth in the following sub-sectors:

TELEMEDICINE

SYNCHRONOUS TELECONSULTATIONS

E-PRESCRIPTIONS

ASYNCHRONOUS TELECONSULTATIONS

HEALTHCARE IT

EMR/EHR

E-CLAIMS

COMPUTER MANAGEMENT SYSTEMS

HEALTHCARE MANAGEMENT SYSTEMS

E-PHARMACY

OTC DRUGS & MEDICAL SUPPLIES

PRESCRIPTION-BASED DRUGS

Telemedicine has emerged as the fastest growing subvertical in the healthtech market, with a 167% year-on-year revenue growth in online consultation from 2019 to 2020, and an approximate 10 Million Filipinos utilizing telehealth services. A survey by Zuellig Pharma has also shown that 62% of doctors are currently using at least one telemedicine app. Furthermore, it was found that greater patient satisfaction and cost-savings translated to the increased adoption of telemedicine, with benefits exceeding costs by 3.5x.

The health tech industry continues to receive strong regulatory support. The sector has been accelerated by the following: (1) the FDA's release of e-prescription guidelines in March 2020; (2) collaborations between the Department of Health and LGUs across the National Capital Region to deploy the country's first end-to-end telemedicine project in August 2020; and (3) a framework for telemedicine services released in April 2021.

¹ Analyst Estimates

References: Philippine Statistics Authority, Zuellig Pharma, JNS Cost-Benefit Analysis of Telemedicine, World Health Organization, Ken Research

EXCLUSIVE INDUSTRY INSIGHTS:

The Philippine technological landscape is ripe for disruption and innovation. Read more about the areas of opportunity that Mosaic Solutions, etaily, Alternative Housing Group, and Denarii are exploring.

DIGITAL TRANSFORMATION IN F&B IS DRIVING GROWTH IN THE RESTAURANT MANAGEMENT SOFTWARE INDUSTRY.

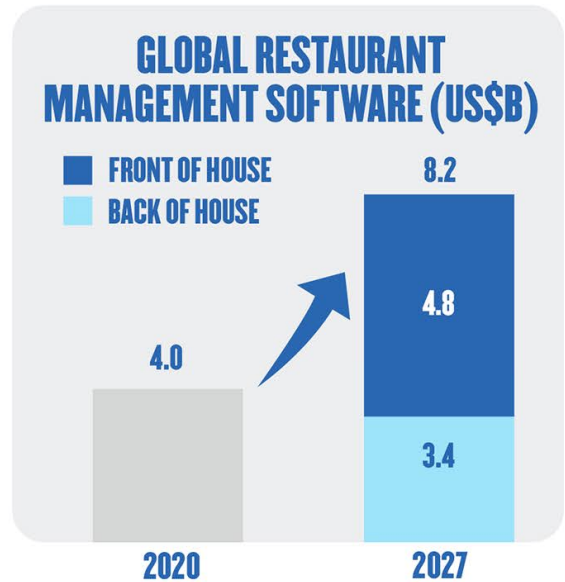


Spurred by the COVID-19 pandemic, the F&B industry is taking big leaps forward in “going digital.” Digital transformation in F&B means receiving accurate, actionable, and timely insights from integrated tech solutions. Point of Sale (POS), menu management, purchasing, and other processes & systems interconnect and “talk” in a digitally transformed F&B environment.

63%

Organizations say they have increased their software budget since the pandemic started in 2020

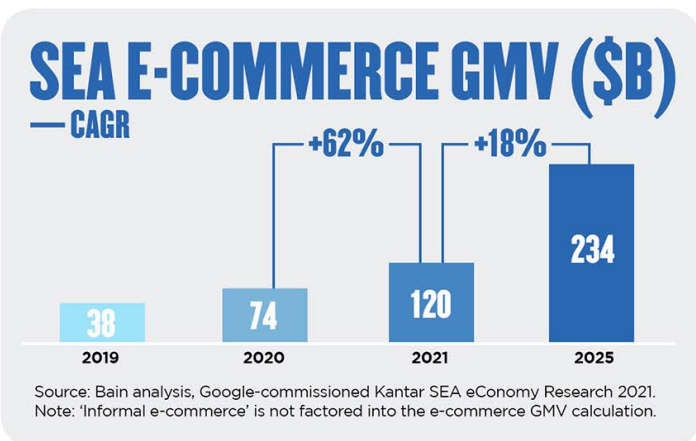
In line with this, driven by more than the pandemic, the global restaurant software sector is projected to show double digit CAGR between 2020-2027 at 13%. (See figure for reference)



Source: KPMG, Mosaic Solutions insights

etaily

2021, A YEAR OF TRANSFORMATIONAL GROWTH FOR PHILIPPINE E-COMMERCE



Source: Bain analysis, Google-commissioned Kantar SEA eConomy Research 2021. Note: 'Informal e-commerce' is not factored into the e-commerce GMV calculation.

“Digitization of Retail is no longer a nice-to-have, but rather an absolute must. Many retailers, vendors, and SMEs are struggling in navigating through the increasingly competitive e-Commerce market. They are lacking in infrastructure, resources, and experience in building, managing, and complementing online and offline channels.”

Alexander Friedhoff
CEO & Co-Founder of Etaily

In a recent poll of retail business leaders across SEA conducted by EY, majority of retailers (59%) are looking at digitizing their business over the next 12 months. This is corroborated by the high CAGR projection of 18% from 2021 to 2025.

At the same time, retail is facing significant challenges as decreasing mobility in retail remains negative in the post-COVID world.

MOBILITY TRENDS IN THE PHILIPPINES

RETAIL & RECREATION

-5% VS BASELINE

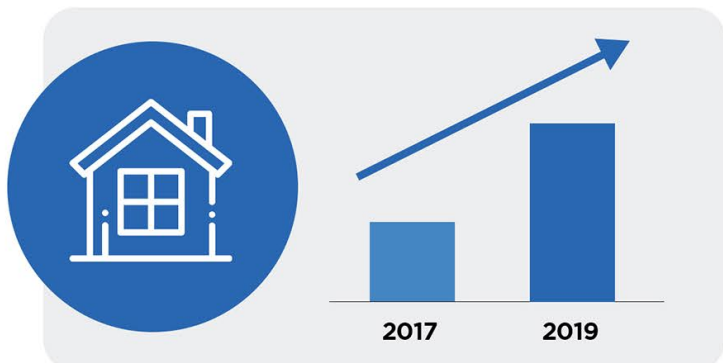
-5% mobility trends for places like restaurants, cafes, shopping centers, theme parks, museums, libraries, and movie theaters.

Note: The data shows how visits to places, such as grocery stores and parks, are changing in each geographic region

Source: Google-Mobility Report 2022



PROPERTY TECHNOLOGY, DISRUPTING INEFFICIENCIES AND DRIVING INNOVATION IN THE TRADITIONAL REAL-ESTATE SECTOR



Recent research has revealed that funding for property technology startups in Southeast Asia is the second highest across the Asia Pacific region in 2019, totalling US\$72.9 million.

This is attributed to favorable demographics in SEA, which includes a young, increasing tech savvy population, an expanding real estate footprint, and rapid urbanization that drive demand for real estate solutions.



At ahg lab, we look forward to solving the issues within the real estate industry, in turn providing relief to property owners and their tenants.

US\$ 1.5B IN PROPTech VENTURES CAN BE CREATED FOR THE PHILIPPINE MARKET

With this, it is expected that investments in proptech will not only continue in SEA but also play an influential role in the management of real estate and how services are carried out.

DIGITAL PAYMENTS IN THE MIDDLE EAST, A LEADING DESTINATION FOR OVERSEAS FILIPINO WORKERS



Digital payments are one of the areas most ripe for innovation. It's perhaps one of the most important for the Middle East in particular, given that the vast majority of inter-company commerce in the region is still conducted manually. The process of sending money across the border is disorganized and fraught with inaccuracies and fraud because there are different systems being used and none of them integrates with the other.

ACCORDING TO A RECENT STUDY BY MCKINSEY AND COMPANY, THE TOTAL GLOBAL CROSS-BORDER PAYMENT

\$156T

2022 MARKET VALUE

5%

COMPOUND ANNUAL GROWTH RATE

Banks traditionally have been owners of cross-border payments, but due to the pain points/inefficiencies in legacy systems, there is a global opportunity to disrupt this legacy financial industry. New entrants to the market focus on low-value transactions in the C2C, B2C, and B2B segments, which are currently underserved by banks and traditional payment providers.

In the Middle East, the region lacks a strong player in cross-border providers that services migrant workers to Asia and businesses. London-based players are focused in the EU to SEA corridor. In the Philippines, Denarii has built an outward facing strategy, using existing traffic to subsidize development of extensive last-mile network rails, such that the Super API can service all incoming corridors.

DEVELOPMENTS



SINIGANG VALLEY: THE LAND OF OPPORTUNITY

Currently in the works is “Sinigang Valley” – a name coined by Remy Dorado (President and Co-founder of Kumu) for the Philippines’ own version of the global tech and innovation hub, Silicon Valley. Amidst the hustle and bustle of Metro Manila, an initiative driven by the startup community is coming together in Poblacion, Makati. The goal is simple: nurture entrepreneurs and allow the startup culture in the country to thrive. With this, the development of housing, offices, restaurants, bars, cafes, galleries and art spaces are being realized to allow various stakeholders of the startup community to connect and interact in an innovative environment. Like-minded entrepreneurs are encouraged to be a part of leading the change towards developing an ecosystem where ideas are turned into successful ventures.

Visit www.sinigangvalley.com for more information.



PLAYERS GRANTED DIGITAL BANKING LICENSES BY BSP

Realizing the ever-increasing role digital banking plays in providing access to financial services to Filipinos, the BSP issued a regulatory framework in December 2020 to promote market efficiency, innovation, and financial inclusivity. Classified differently from universal, commercial, thrift, cooperative, rural, and Islamic banks, a digital bank offers services through a digital platform with no physical branches. That being said, digital banking players are subject to the same requirements applicable to other types of banks with additional regulations to mitigate the increased exposure to cybersecurity and money-laundering risks. As of November 2021, six entities have been granted a digital banking license, namely: Overseas Filipino Bank, UNOBANK, Tonik Digital Bank Inc., UnionDigital, Maya Bank, and GOtyme. Granting these players licenses are steps towards BSP’s goals of bringing 70% of Filipino adults into the financial system and having 50% of payments transacted online by 2023.



RELAXED PSE RULES ALLOW FOR EASIER STARTUP LISTING

The Philippine Stock Exchange has added a sponsor model to its listing rules that entice startups who have excellent profitability and scalability to list on the SME board. Startups need to have an EBITDA of at least P15 million for 3 fiscal years immediately preceding the application, cumulative operating revenues of at least P150 million for 3 fiscal years, stockholders’ equity of at least P25 million, and an operating history of at least 2 years in order to qualify. If the startup meets the criteria, the PSE-accredited sponsor then endorses the listing application to the PSE. These relaxed rules can prove beneficial to SMEs as stock market funding is now more accessible to startups amidst the pandemic.



5 PINOY STARTUPS MAKE IT INTO Y COMBINATOR IN 2021



Known to be the launchpad of startups such as Airbnb, Dropbox, Stripe, and Twitch, among others, Y Combinator has invested in 5 Filipino startups in 2021. Now part of an exclusive list of startups, NextPay, Avion School, Dashlabs.ai, MadEats and Hive Health were backed and selected by Y Combinator in 2021. NextPay is a digital banking suite that allows MSMEs to access digital invoicing, cash management, and batch payments. Edtech platform Avion School trains Filipinos to become global software engineers and employs a “pay only if you’re hired” business model. Meanwhile, Dashlabs.ai accelerates access to quality healthcare by providing end-to-end DIY lab software for small and medium-sized diagnostic labs. In Y Combinator’s most recent S21 batch, MadEats became the first cloud kitchen startup to secure funding, joined by Hive Health a fintech platform which provides all-in-one health plans that meet the needs of SMEs.



OPEN FINANCE FRAMEWORK FROM BSP

The Bangko Sentral ng Pilipinas (BSP), the country’s central bank, has launched a policy framework for open finance, allowing customers to share their financial data with third-party providers operating in a variety of financial products. The new policy will also support initiatives such as financial inclusivity, digital transformation in the banking sector, and a higher quality of financial services and products. With respect to financial inclusion, open finance can improve access to credit, tools for MSMEs, and improved documentation for Filipinos. The BSP is taking a collaborative approach to regulating Fintech companies by utilizing a regulatory sandbox in developing open finance guidelines. The sandbox will allow the BSP to understand emerging business models and adequately assess and mitigate possible risks.



PHILIPPINES RANKS NO.1 IN NFT OWNERSHIP OUT OF 20 COUNTRIES

According to a survey conducted by Finder, the Philippines has the highest NFT ownership rate at 32%, surpassing the global average of 11.6%. The familiarity that Filipinos have with NFTs can largely be attributed to blockchain-based game Axie Infinity – a play-to-earn game that allows players to challenge one another in exchange for NFTs. Although the technology is relatively new, the percentage of Filipinos knowing about the NFTs and its concept amounted to 51.3%. This statistic is higher than more developed countries such as Japan (10%), Germany (17.4%), and the United Kingdom (21.2%).

THE PHILIPPINE STARTUP ECOSYSTEM: THROUGH THE LENS OF FOXMONT CAPITAL PARTNERS



Tracking the development of Indonesia's startup ecosystem from 2010 to 2021, we find that the Philippines is currently undergoing the same changes albeit at an accelerated pace due to the pandemic.

The emergence of unicorns and "sooncorns" in Indonesia coincided with the establishment of independent, country-focused VCs that conducted on-the-ground due diligence to source the best deals in the country. **We believe this is what paved the way for much larger, regional VCs to enter Indonesia and strengthened investor confidence in the country.** Within a few years, alongside the rise of unicorns, Indonesia was placed on the global startup roadmap and paved the way for regional investors to shift their focus towards Indonesia

On the other hand, the growth story of the Philippine ecosystem began with Foxmont's investment in Kumu a year after it was founded. This culminated in General Atlantic's first growth investment in the country in October, 2021.

We find that the Philippines has the favorable demographic and economic indicators that point to a healthy domestic environment that can foster the emergence of startups supported by a country-focused VC. We believe that this strong foundation coupled with pandemic tailwinds will lead to much faster growth in the ecosystem within a few years' time, allowing the Philippine digital economy to catch up with its regional peers.

THE PHILIPPINES ARRIVING ON THE GLOBAL VC ROADMAP

A NOD TO INDONESIA'S SUCCESS

The Philippines and Indonesia are both global leaders in internet social media usage, and are both highly important within the Southeast-Asian startup ecosystem. However, there are some differences between them: the Philippines has a younger median age, and they have higher social media penetration, mobile penetration, and English proficiency. On the other hand, in terms of digital transformation both countries are relatively equal.



INDONESIA 2021



PHILIPPINES 2021

45th	GLOBAL STARTUP RANKING	52nd
7	UNICORNS	1
17,508	ARCHIPELAGO (ISLANDS)	7,640
276M	POPULATION	111M
29.9	MEDIAN AGE	25.8
61.8%	SOCIAL MEDIA USERS (% OF POPULATION)	80.7%
126%	MOBILE CONNECTIONS (% OF POPULATION)	138%
8.86 HRS	DAILY TIME SPENT ON INTERNET	10.93 HRS
3.23 HRS	DAILY TIME SPENT ON SOCIAL MEDIA	4.25 HRS
453	ENGLISH PROFICIENCY INDEX	562

Despite these parallels, Indonesia is a land of unicorns with 7 to its name: Go-Jek, Tokopedia, Traveloka, Bukalapak, OVO, J&T Express, and Ajaib. Drawing inspiration from Indonesia's success, what then is the missing piece to finally uncovering the Philippines' first grass roots unicorn?

The answer lies in access to early-stage venture capital. The Venture Capital industry in Indonesia has been growing since the early 2010s with the emergence of country-focused funds such as East Ventures, Kejora, and Alpha JWC, among others. Aggressive early investments into startups—such as East Ventures, who have been said to have seeded 70% of Indonesian startups who have raised a Series A—has allowed startups to grow locally and take advantage of Indonesia's size and market potential. These country-focused funds have paved the way for global giants like Alibaba and SoftBank to become regular investors in Indonesia.

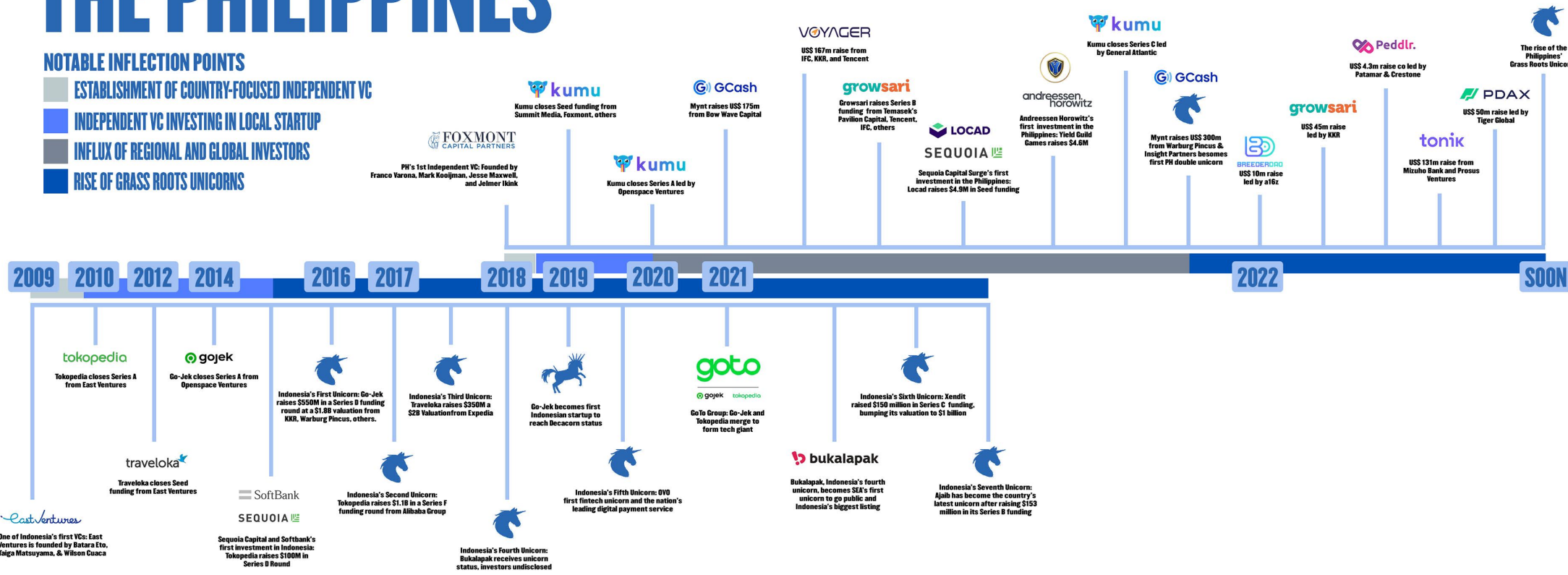
Similarly, the Philippine startup ecosystem has transformed into more fertile land due to a thriving digital economy, a new generation of local talent, and **the emergence of country-focused venture capital**. Within a few years time, this strong foundation will lead to rapid growth, allowing the Philippine digital economy to thrive alongside their regional peers.

A TASTE OF DEJA VU: INDONESIA AND THE PHILIPPINES

NOTABLE INFLECTION POINTS

- ESTABLISHMENT OF COUNTRY-FOCUSED INDEPENDENT VC
- INDEPENDENT VC INVESTING IN LOCAL STARTUP
- INFLUX OF REGIONAL AND GLOBAL INVESTORS
- RISE OF GRASS ROOTS UNICORNS

THE PHILIPPINES NOW



INDONESIA IN THE EARLY 2010s

THE PHILIPPINES' DIGITAL EVOLUTION HAS JUST BEGUN

Now, with access to independent early-stage venture capital, it is only a matter of time before the winners of the PH startup scene emerge. A young, growing, tech-savvy population, the return of entrepreneurial talent, and the rapid growth of foreign VC inflows presents a PH startup ecosystem full of blue ocean opportunities and excellent exit opportunities.

THE FOXMONTE TEAM

Foxmont Capital Partners is a Philippine-focused venture capital fund that invests in early-stage, tech-driven, and scalable startups. Hear from the team behind the Philippines' first independent venture capital firm.

DIGITALIZATION & BUSINESS TRANSFORMATION, ACCELERATED BY COVID-19

Kenneth's Background

Kenneth has over 25 years of experience in Private Equity and Investment Banking. Prior to joining Foxmont, Kenneth served as a Managing Director and Partner of Baring Private Equity Asia, one of the largest private alternative investment firms in Asia, with a total committed capital of over USD 20 billion. Previously, he has also worked with ADB, The Carlyle Group (Japan), and Goldman Sachs (Asia). He holds an MBA from Harvard Business School and an A.B. degree in Economics with an emphasis in Asian Studies from Columbia University.

Can you tell us about your investment philosophy?

Working in the Asia region for over 20 years with later-stage private equity firms such as Baring Private Equity Asia and The Carlyle Group (Japan) has really influenced my investment philosophy over time. I tend to focus on the following when evaluating an investment or buyout:

- (i) A strong management team with a proven track record is critical. However, they also need to be open to receiving feedback and new ideas from investors. It is better to validate this pre-investment rather than finding out after the investment that management is not particularly receptive to the investor's input or flexible to operate their business differently post-investment;
- (ii) The valuation at which you invest in a company is an equally important determinant in how your investment delivers returns. A great company purchased at a very high valuation could deliver a mediocre return at best upon exit.
- (iii) I also look for companies that have established entry barriers in their respective market which needs to be validated through a rigorous due diligence process.
- (iv) Lastly, emphasis must be placed on understanding how a company will benefit from the macro growth trends in its segment or rapid changes in their markets that allow the company to accelerate its future growth



How do you believe investors are able to add value to their portfolio?

In my experience, adding value to portfolio companies and to their management teams is how investors can truly differentiate themselves in a competitive market. The actual ability to add value to portfolio companies starts with complete transparency and regular cadence of face-to-face meetings with various management team members and not just the CEO. With control buyouts, an investor will have a majority of the Board of Directors, so this makes it much easier to do this compared with typical VC deals. However, even without a Board seat, the investor should try to take part in the formation of revised business/strategic plans, providing inputs on budgets, having open dialog with management regarding problem areas, supporting the recruiting of key supplemental management, and challenging the CEO to stretch his/her thinking around the critical issues they face. One particular area that I've placed significant emphasis on with many of my past portfolio companies is in the area of further Asia expansion. In many cases, management has identified new geographies which could be a natural extension of their business to add new revenue streams. However, usually they are too focused on their core markets/customers and would either be too stretched or do not have the right people internally to evaluate and eventually enter a new market. I've helped the management team by leveraging off of my own and firm relationships/resources on the ground in other Asian markets which have accelerated these expansion efforts.



What regional trends in the current technology landscape are you most excited about?

The digitalization trends across numerous sectors globally and regionally has radically transformed businesses and these trends have only accelerated in recent years particularly due to the impact of Covid-19. Within Asia, I think there is an opportunity for smaller growth companies in particular to devote more focus on digging deeper into how digitalization is impacting their own business models and how to devote more resources and talent in this area. I have seen the tremendous value in re-thinking strategically how data analytics can transform businesses. This may result in a complete overhaul in how a company acquires new customers and revenue streams. It could also be used to more efficiently run the business and reduce wasted expenses internally, or it could be in the form of using the data the company has already captured but placing more emphasis and resources to analyze big data in more depth. Additionally, in many cases the data itself actually becomes much more valuable once analyzed, re-packaged in a more useful output format for users, and can eventually be monetized. From an investment perspective, digitalization is tied to value creation and will result in increasing the underlying value of a portfolio company throughout the holding period and through to an exit. I had the experience of helping an overseas brand business with a significant retail footprint across the globe. As a Board member, I worked closely with the CEO and management team to transform the company into a digital first, e-commerce business through a digital transformation process.



Kenneth Albolote
Venture Partner

“Emphasis must be placed on understanding how a company will benefit from the macro growth trends in its segment or rapid changes in their markets that allow the company to accelerate its future growth.”

VENTURE CAPITAL AS A CATALYST FOR STARTUP ACCELERATION

Anthony's Background

Anthony is a Senior Partner and Managing Director of Boston Consulting Group with over 20 years of consulting experience across Europe and Asia. He founded and leads the Philippines branch of BCG. He previously led the Telco-Media-Tech practice of the firm for South-East Asia, and continues to focus extensively on fintech, digital acceleration, business scaling and corporate ventures built in the Philippines and beyond.

Can you tell us about your investment philosophy?

There are three things that I take into account when I perceive an investment opportunity. First, I like to consider the overall market. I'm currently focusing on the fast-growth market - specifically the Philippines. The Philippine startup ecosystem has developed tremendously over the past few years and was only accelerated by the pandemic. Secondly, as for sectors I like to consider anything technology-enabled and highly scalable. Although I do have a special preference for e-commerce related businesses, either on the consumer or enabler side. Third, and most importantly, I invest in people. My belief in the founders' resilience and ability to sustain the challenging effort that is building a venture is something that I look at very closely. At the end of the day, that can really make or break my decision.



What are key characteristics you look for in startup founders?

First, I prefer if there is a team, maybe two to three people because I believe that in the various phases and numerous challenges they will undoubtedly encounter, *it is important that these founders have access to support and can consistently lean on each other*. Secondly, I like to see people who have spent quite some time on their ideas, potentially having bootstrapped for a while so they have skin in the game. As opposed to someone who is just coming in with an idea and a few slides. I also take a look at the experience, but for me it is really more about the *commitment, energy, and vision* rather than the years of experience.



What are some key observations you have made on the local ecosystem over the past year?

What we see is that more and more people are gaining the confidence to take the plunge and set up a business. Many of these founders have been learning from their experience within the startup and venture capital ecosystem either abroad or in early ventures within the Philippines. We see the beginning of a virtuous cycle wherein new startup founders are generated by existing ventures elsewhere. Another important observation is that there is far better access to capital for startups from independent VC firms like Foxmont and others. That is a proven catalyst and accelerator for these people to have the chance to launch their ideas to first base and even second base before they tap into international markets.



How do you believe entrepreneurship should develop in order to capture underserved markets in the Philippines?

We definitely need more founders who are willing to invest their time and energy to tackle the numerous pain points that Filipinos deal with on a daily basis. *We need people who are truly anchored in the Philippines and are able to understand the specificities of the consumers, consequently forming a holistic understanding of the country's pain points*. An ideal team would then be a team that combines someone who is deeply embedded into the topic they are aiming to address, someone who has the right technological understanding, and possibly someone who is knowledgeable of similar business models in other geographies.



Anthony Oundjian
Advisor Partner

“We see the beginning of a virtuous cycle wherein new startup founders are generated by existing ventures elsewhere.”

Foxmont Portfolio Management Team

STARTUP LANDSCAPE

BUILDING THE FOUNDATION

FOR PHILIPPINE DIGITALIZATION

What emerging trends have you observed in the past year and what does this mean for the local startup ecosystem?

The past year, we have observed that many of the startups now model their businesses and solutions to serve the pain points and needs of Philippine MSMEs. This wave of business-centric startups has the potential to even the playing field not just for up and coming businesses, but also the already existing traditional businesses like sari-sari stores.



Another trend we are seeing is the strong interest of the Filipino diaspora in participating in the local startup scene. With great companies such as Kumu and Growsari and developments like Sinigang Valley making the news worldwide, *many Filipinos are now considering career opportunities in this space*. They see the potential of the Philippine ecosystem to replicate the success of the already mature ecosystems in the countries they reside in. We are expecting a surge of global Filipino talent to come back home and help further stimulate the local ecosystem's growth and development.

Finally, the most exciting trend we have observed recently is *the rise of startup founders outside of Metro Manila*. In past years, the Philippine startup ecosystem has always been concentrated in Manila. Now, we are finally seeing strong and capable founders from places all over the country, such as the Visayas region. The Philippine startup landscape has never been just about Manila. It is time we put the spotlight on the founders from the outskirts of the country who are creating solutions for these severely underserved markets.

Being aware of these trends and keeping an eye out for these market indicators is crucial for successfully continuing the innovation and technological development of the Philippines.

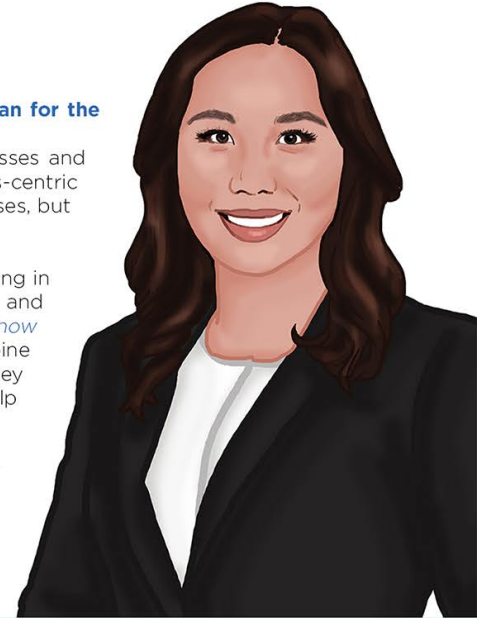
What are key attributes startups need to ensure continuous growth and development?

Continuous growth and development are critical for any company, but especially for early-stage startups, as their later stage products and customers can be very different from their initial launch form. We believe that two key attributes that contribute to a successful evolution of the company are a constant focus on and understanding of the customer, and having a continuous, rapid process for product development.



Each go hand in hand and need each other for growth. For customer focus, this includes constantly understanding your customer's demographics, behavior, needs and reviews of your products. For product development, this is the ability to navigate rapidly and successfully through the stages of ideation and concepts, product development, and product-market fit. This includes continuous market testing/validation and data driven decision making. Having a great understanding of your target market without top product development could lead to poor monetization of your base, and having the best product development without knowing your customer could lead to one-off successes, rather than consistent growth.

Even when an early-stage startup finds initial success with a product, it is only the beginning of new challenges. If it's a one-product startup, the product must scale and iterate repeatedly on its own. If it's a company that needs multiple products, the company must start the cycle over with additional products.



Catrina Magsadia
Analyst



Francisco Sibal
Director

“The startups that we are seeing are the first movers in the pandemic-era, playing a significant role in shaping the path for the rest of the Philippines’ digitalization.”

Foxmont Investments Team

STARTUP FOUNDERS INTRODUCING DIGITAL SOLUTIONS AND LEADING THE PIVOT

What are key characteristics you look for in a startup?

Investing at the seed stage is risky business as there's not too much information that we can work with, but we do look for a few key features that are important to us. Firstly, as we are a founder-focused VC, we prefer to invest in founders with a strong track record prior to founding a startup. Usually, these founders have worked in major multinational and consulting companies, or have worked in one of the larger startups in the market such as Grab and Lazada (Rocket Internet). Secondly, we also look for startups that have a business model that has seen some success in comparable markets in the region such as India and Indonesia. This way, it is more likely to have a clear path to monetization.



What are some key observations you have made on the local ecosystem over the past year?

2021 has been a watershed moment for the startup ecosystem in the Philippines as multiple startups have broken into the Series A, B, and even C rounds of funding. However this coincides with the explosion of new deals at the seed stage, which will determine future trends in the ecosystem. Many of the seed stage deals that we are seeing are in the fintech and healthtech industry - whose traditional counterparts have been hit badly by the pandemic. As a result of structural shifts in the economy, many startup founders are trying to lead the pivot and introduce digital solutions to inefficiencies that have always been present and have lacked the impetus to change, until now. We are also seeing many startups being founded that aren't necessarily fintech, ecommerce, or healthtech, but target specific groups in Philippine society. For example, there has been a concerted effort over the past few years to help digitize sari-sari stores and MSMEs in general, but we are only beginning to see some tangible results now with the emergence of startups such as GrowSari, SariSuki, and Prosperna. There are also startups that have leveraged the large OFW network abroad to test their ideas. Kumu was started as a way for Filipinos to connect to their loved ones abroad, but has now taken hold on the broader Filipino population. Since OFWs have lived abroad in places where digital solutions have existed for a while, it's easy for them to adopt newer platforms and encourage their relatives at home to use them.



Aerin Lao
Analyst




Jacob Cue
Analyst



Jaime Gonzalez
Director

“As a result of structural shifts in the economy, many startup founders are trying to lead the pivot and introduce digital solutions to inefficiencies that have lacked the impetus to change, until now.”



WOMEN IN TECH

Hearing from the women who have shaped the local startup ecosystem and stood at the forefront of the Philippine digital evolution

WOMEN DRIVE ECOMMERCE VOLUME. MOTHERS DRIVE THE VALUE.

Bela's Background

Bela Gupta D'Souza is the Founder and CEO of edamama. She is a passionate entrepreneur and startup advisor with a track record of driving exponential growth in the Southeast Asian startup ecosystem. Previously, she served as the Founder and CEO of AdSpark, Co-Founder and COO of Groupon Thailand, and Managing Partner of Decapolis Partners. She also holds an MBA from Stanford University.



About Edamama

Launched in 2020, edamama aspires to be a leading parenting commerce platform and consumer brand, leveraging community-driven strategies to help mothers simplify decision-making and find everyday joy in parenting.



What is the most interesting market opportunity that exists today and how much potential does it have for growth?

We believe more verticalized digital offerings for consumers are long overdue in the region. While online marketplaces have consolidated supply and demand at scale, *the future of e-commerce lies in delivering personalized shopping experiences through curated and discovery-led shopping. Successful iterations of this lie in the growth of Direct to Consumer brands, launch of subscription-like services, and high touch customer care experiences leveraging data and analytics.*



What emerging trends have you observed in the past year and what does this mean for your company?

While we were already on our way, the pandemic has ushered in the golden era for the Philippine internet economy. Logistics capabilities have significantly improved last-mile and we're seeing the rise of asset-light approaches in ghost kitchens and dark stores, as well as product portfolio investments geared toward digital capabilities in AI and blockchain. *The combined magic of a booming population coming online, growing appetite of local and regional investors and strengthening of the local startup ecosystem reveal an exciting outlook for the Philippine e-commerce industry in the years ahead.*



What are the spaces in your sector that have yet to be captured?

Underpinning the growth of our sector in the months ahead is *the rise of social commerce experiences* for and by customers that optimize acquisition costs while increasing engagement and lifetime value. We see reseller/affiliate models, live streaming and conversational commerce as key trends in ecommerce that remain largely untapped in the Philippines with plenty of growth potential.



What does the Philippines need to boost growth in your sector?

With the unprecedented wave of tech adoption for businesses across all industries, we are up against unprecedented wage inflation and this has made access to a wider pool of tech talent difficult for early stage startups not just in the Philippines, but globally. What is really encouraging is to see the caliber and potential of young developers not just from urban areas but across the country contributing to the development of the Philippine startup ecosystem.



Bela Gupta

“The future of e-commerce lies in delivering personalized shopping experiences through curated and discovery-led shopping.”



The Philippines is ranked as the fastest growing eCommerce market globally



PROPERTY TECHNOLOGY, DRIVING REAL ESTATE ACCESSIBILITY AND INCLUSIVITY

Revianne's Background

Revianne Sesante is the Co-Founder and Chief Development Officer of ahg lab (formerly Alternative Housing Group). She previously co-founded Beds and Rooms Philippines and served as the Marketing Head for MyTown Philippines. Alongside her demonstrated expertise in both real estate and marketing, Revianne also has a bachelor's degree in computer science.



About ahg lab

Launched in 2020, ahg lab is a property technology company creating concrete solutions within the real estate ecosystem in the Philippines. It has developed asset-light accommodation brands, specialized real estate marketplaces and platforms for renting, buying, and managing property, as well as new applications on much-needed solutions for the real estate market.



What is the story behind the founding of your company?

Experience was the key that brought me to where I am today. Through working as the head of marketing for MyTown, I was given the opportunity to immerse myself in the rental industry. We have seen massive shifts in how we do things digitally. However, efforts to innovate and digitize the rental industry and make it more accessible had been lacking. As we launched platforms to provide quality homes and rental spaces to every Filipino, we also met fellow innovators who founded startups that share the same goals. We believed that collaboration and creating one company was the next big step to further our visions. We then formed Alternative Housing Group, now ahg lab, to continuously revolutionize real estate and property technology in the Philippines.



What is the most interesting market opportunity that exists today and how much potential does it have for growth?

There are many misconceptions when it comes to real estate, including how inaccessible and expensive it is for most of the Filipino population. However, this should not be the case, as it is indeed possible to find comfortable living spaces that fit each individual's unique needs. It may not be easy to find the perfect place, as there are a lot of things to consider. This is what makes technology so powerful — it enables us to communicate and examine multiple options anywhere and anytime. Using digital tools to help connect people is the first step to bridge the gap and make opportunities available for everyone.



What emerging trends have you observed in the past year and what does this mean for your company?

The COVID-19 pandemic has compelled a lot of people to abruptly shift from traditional to digital approaches. Because of stringent safety protocols, mobility was limited, and thus businesses have had to develop strategies to stay afloat and remain competitive despite the extremely volatile environment. With these strategies, real estate stakeholders have been collectively striving to make a mark in the digital space. For us at ahg lab, this trend of digital transformation means finding ways to improve our product and bringing it to more people. This is why we have been working primarily on product development and marketing strategies. Our goal is that as soon as the pandemic is over, our company name will be known as a brand that people trust—a brand that connects people and helps them find quality and affordable spaces to call their home.



What are the spaces in your sector that have yet to be captured?

The pandemic has boosted the digitalization of the real estate sector, with telework becoming the new trend. This holds great promise for expansion of properties that cater to the working population in the provinces. While our technology currently receives considerable traction in the metro, bringing this to other parts of the country is the next big step.



Revianne Sesante

“Technology adoption is the first step to bridge the gap and make opportunities available for everyone.”



The fundraising volume of companies in the property technology sector has totaled more than US\$18 billion worldwide as of August 2021. PropTech is one of the fastest-growing industries globally, paving the way for digital transformation in the traditional real estate market.

Source: Tech Collective

INVESTING IN VENTURES THAT WILL SURVIVE POST-PANDEMIC

Natasha's Background

Natasha Bautista is currently the Head of Growth & Programs of 917Ventures. She previously co-founded and headed the operations of QBO Innovation Hub. She was also part of the founding team of Grab in the Philippines and was the Head of GrabCar Philippines.

917VENTURES

About 917Ventures

917Ventures is a corporate venture builder that ideates, launches, accelerates, and scales new businesses using the growth levers and network advantage of operating within their firm and Globe. The firm ensures that the innovations they focus on will synergize well with not just their existing Portfolio Companies, composed of GCash, AdSpark, KonsultaMD, HealthNow, RUSH, PureGo, Inquiro, m360, and KodeGo, but also the Business Units of Globe and Ayala.

What are three key observations you have made on the local ecosystem over the past year and how has COVID-19 affected the startup ecosystem?

"Essential" has been such a buzzword in the past year and I would say that this word captures what the population has shifted focus on. Food, health, education, communication, payments – these are all essential needs of consumers. Although some startups have unfortunately shut down during the pandemic, startups that have been thriving are in these "essential" industries I mentioned – as seen in the growth of the likes of GrabFood, Zoom, and our very own KonsultaMD and GCash.

Another observation is that, beyond these essentials, consumers have also prioritized lifestyle & entertainment. This is evident in the growth of companies like Tiktok and Netflix, and even local startups like Kumu and REBEL. I guess we could say that entertainment is also "essential" for our mental and emotional health.

Lastly, let's not forget that beyond the needs of consumers, businesses also have to survive. A key observation, and this is quite obvious, is the need to accelerate the digital footprint of brands, and that's why we're seeing innovations in digital advertising solutions, customer engagement, and loyalty and rewards programs.

How do you believe entrepreneurship should develop to capture underserved markets in the Philippines?

We are now connected, informed, aware, and "woke" more than ever, and everyone seems to be under a magnifying glass. So much so that "cancel culture" is real, that we even see irresponsible businesses become victims of this. The world is changing and I believe that entrepreneurship should also shift focus from selling to problem-solving, from gaining profits to creating impact. Capitalism and altruism can co-exist and we can see this most especially during the past year in the pandemic. Responsible business, social impact, and impact entrepreneurship are here to stay.

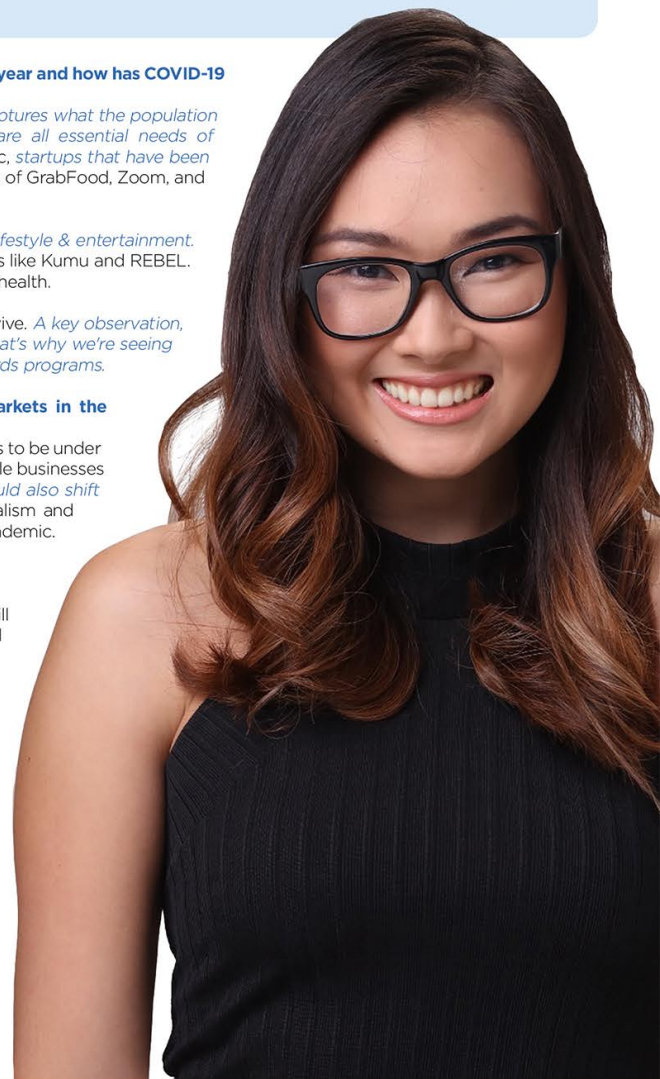
What are the next big trends for the Philippine Venture landscape?

The Philippines has hundreds of startups and I would say that the startup industry is still quite fragmented. I do feel that we would see a mushrooming of very similar startups and ventures first (which I believe is starting to happen) before it converges – and I don't just mean startups and corporates working together, but also joint ventures, mergers, and acquisitions across industries.

Speaking for 917Ventures, I would say that we are excited about two specific industries in which we're already playing – FinTech and HealthTech. GCash is starting to become much more than just a payments app especially with the introduction of GLife, GInvest, GInsure, GSave, and GCredit. We also have KonsultaMD and HealthNow – both of which are showing tremendous growth in the past year.

Beyond FinTech and HealthTech, the lifestyle & entertainment industry seems particularly interesting. This could be caused by the popularity of user-generated content, community platforms like Kumu and Tiktok, and the surge of influencers and micro-influencers, so it's exciting to see new startups and ventures coming into play.

Lastly, as MSMEs account for 99.5% of the total number of business establishments in the country according to DTI, we would naturally see new innovations that would provide solutions surrounding these enterprises, which could vary from SaaS, logistics, payments, etc.



Natasha Bautista

"The world is changing and I believe that entrepreneurship should also shift focus from selling to problem-solving, from gaining profits to creating impact."



DID YOU KNOW

As of December 2021, GCash is the No. 1 Finance App in the Philippines and the only double unicorn, valued at over **\$2 billion**



Source: GCash

REAL CREATORS. REAL AUDIENCES. REAL INTERACTIVITY.

Crystal's Background

Crystal Widjaja is currently the Chief Product Officer of Kumu. Previously, she held roles at Gojek as the VP of Business Intelligence, Fraud & Risk, SVP of Growth, and Chief of Staff to the co-CEOs. Crystal is also angel investing through the Sequoia Scout fund where she works with startups across South East Asia and the Bay Area on growth strategy, experimentation implementation, and analytics best practices.



About Kumu

Kumu is a Pinoy live-streaming app that hones authentic connections built by authentic communities. It is a platform that prioritizes creating a safe atmosphere that embraces all types of individuals, topics, and talents. Kumu's mission is to prioritize the voices of over 100 million Filipinos around the world. Users can get paid by becoming a livestreamer, win prizes by playing live game shows, make money by participating in various promotion runs on Kumu, or just enjoy and hang out with the Kumunity.



What is the most interesting market opportunity that exists today and how much potential does it have for growth?

I think what's going to happen next is a social network experience where you get to pick how you want to engage with your friends and how you create and curate these smaller shared spaces with people you choose to connect with on a deeper level. We really want to start engaging with each other and talking about real issues. We want real creators, real audiences, real interactivity. I don't think we are very close to that yet, but in the next decade, maybe we'll see virtual realities that you can hop in and out of, with shared currencies between them, or even a shared login so that you don't have to recreate the kind of metaverse experience on every single new platform. *I think we're going to see an interesting way at how offline and online realities will merge, where it becomes less socially unacceptable to spend more of your life online.*



What emerging trends have you observed in the past year and what does this mean for your company?

There's obviously the NFT trend. I think decentralized apps are amazing. I think code-based applications are extremely powerful. For Kumu, I think we have to keep an eye on where crypto is going and what the youngest generation thinks of as valid. I think a lot of people in the US don't see virtual currency and virtual tipping in the same light as in Southeast Asia. *We want to encourage more of this communal idea of what it means to sponsor, and support your communities, and the vehicles in which you do that whether that is through a virtual gift or some other type of sponsorship that hopefully is more production-ready than NFTs.*



How has Covid-19 impacted customer behavior and what has remained consistent throughout the pandemic?

I think we don't think enough about how a lot of businesses have been pulled forward in Covid. In a situation that is permeated so permanently, I think we have a very clear idea by now on who was your pre-Covid audience, who is the pulled forward marginal audience, and then who is that unintended audience that is only using you because they have to because of Covid, and they are going to disappear, no matter what. *And I think businesses need to be very clear about identifying these use cases and considering after Covid, who am I going to keep on my platform? Who am I still going to serve? We can use this time to really experiment and learn and figure out what would cause them to stay on our platform.*



What are your views on how a post-Covid environment will impact your sector?

Covid has done a miraculous job of legitimising the online experience. This legitimization is obviously going to help Kumu become one of the options for users who realize that they want better ways to engage with their friends, beyond just text or phone calls or having to write on each other's Facebook walls. There's so many more ways to support a friend to keep those friendships and to organize meaningful group experiences in a place like Kumu versus any other alternative.



Crystal Widjaja

"I think we're going to see an interesting way at how offline and online realities will merge, where it becomes less socially unacceptable to spend more of your life online."



**DID
YOU
KNOW**

Ever since its launch in 2018, Kumu has accumulated more than **14 million** registered users and counting from **55 different countries.**



SUPPORTING FILIPINO STARTUPS CHANGING THE WORLD

Kat's Background

Katrina Rausa Chan ("Kat Chan") concurrently serves as the Executive Director of QBO Innovation Hub and IdeaSpace, a leading corporate accelerator and early stage fund. She is the recipient of several accolades, including the United Nations Asia Pacific Women Empowerment Principles' regional award for Youth Leadership, for her work on the Startup Pinay program; and the first Mansmith Innovation Awards, Enterprise Innovator for Business Model Innovation.



About QBO

QBO Innovation Hub is a public-private initiative which Kat launched in 2016 to develop the Philippines' startup ecosystem. QBO's vision is to support Filipino Startups Changing the World. Their work spans a broad range of activities and services to build a more robust startup ecosystem in the Philippines, and investments through their Opportunity Fund are a key component of the support they provide. A stage and sector-agnostic investor, QBO has supported over 500 startups through the past few years with over 130 startups having graduated from their flagship Incubation and Acceleration programs.



What are three key observations you have made on the local ecosystem over the past year?

The Philippine startup ecosystem has truly reached an inflection point and there's no turning back. *There's been a huge uptick in new, more diverse founders, funding rounds especially in earlier stages, and general awareness and adoption of local tech.* Furthermore, we've seen an increase in the number of smart and savvy founders who understand the various steps along the 'develop, launch and scale' startup journey. We're also seeing an increase in the number of active investors at the relatively early stage, and the emergence of more active angels. Lastly, there is an increase in acceptance of startups as a career option, either as a Founder or early hire.



How do you believe entrepreneurship should develop to capture underserved markets in the Philippine

The most obvious thing to me, albeit perhaps the hardest to solve, is to improve the diversity of founders. *It will take more effort to support founders with non-traditional backgrounds to have that foundation execute and attract funding at comparable levels, but I do think this is key.* I'd say it's also important to intentionally design for underserved markets and lean into the cultural quirks, relationships, and to behaviors.

Overall, I think entrepreneurship needs to develop in two ways. *The first is that it needs to be truly customer-focused and problem-focused. The second is to understand the size of the market and come up with a business model and price point that will enable the startup to be financially sustainable.*



What are the next big trends for the Philippine Venture landscape?

I expect to see higher deal volumes, and at a faster velocity, especially at the earlier stages. Some of the markets in Southeast Asia are becoming more saturated, and signals for exits and increased media coverage are attracting a broader group of investors. To coincide with this, we have recently seen an increase in the use of SAFEs to enable faster and easier investments in early-stage startups which forms part of a larger trend towards more standardization among transaction terms and types. Finally, I think government involvement will play a more significant role in the development of the local startup ecosystem compared with previous years. I believe many of the plans intended in the 2018 Startup Development plan and the Innovative Startup Act (RA 11337) passed in 2019, will come to fruition this year and will only expand in future.



Where do you see the future of technology developing in the Philippines?

I think there's a lot of untapped potential among regional technology business incubators, which serve as platforms for talent and ecosystem development outside NCR, and can be the base for innovation in biosciences and agri-food, among others. Founder-led or startup-led communities like Sinigang Valley can become a hub of entrepreneurial talent in Metro Manila and build entrepreneurial density as well. Furthermore, I see larger corporations engaging more extensively, especially once they see the potential for collaborating with startups to achieve competitive advantage. Finally, we need a larger and more diverse talent pool across many disciplines to propel growth. In my opinion, the big challenge of the next few years will be whether or not we succeed at attracting, retaining, and fostering top talent!



Katrina Chan

“We’re not afraid to be the first institutional investor and will often consider a startup even before other traditional investors are willing to come in.”



In 2019, the TBI (technology business incubators) 4.0 program has been supported by the DOST-PCIEERD and led by QBO Innovation Hub. The program aims to guide Philippine startups to success. Since its founding, the program has recorded **\$10.66 million in private investments.**

AN INVESTOR'S PERSPECTIVE

Hearing from individuals who have recognized and invested in the potential of the Philippine startup ecosystem

EMERGENCE OF RESILIENT FOUNDERS AMIDST THE PANDEMIC

Mark's Background

Mark is the Vice-President of Investments and team lead for the newly launched Gentree Fund. He previously spearheaded the Singapore office launch for Go-Ventures and was with Gojek's Corporate Development Team, where he was part of the team that led the acquisition of Coins.ph in the Philippines. He also supported growth equity transactions into family-run businesses at TAEI Partners: a SEA growth equity fund with a focus on the Philippines, Vietnam and Indonesia markets.



About Gentree

Gentree Fund is a newly launched private investment vehicle by the family behind the SM Group, a leading retail, banking, and property development group in the Philippines. Gentree represents the third generation members of the Sy family and their commitment towards supporting the Philippines's growing digital ecosystem. Gentree provides companies across early and growth stages with the unique opportunity to connect with the Sy family principals who share deep consumer knowledge and operational experience across retail, financial services, groceries, property development, and logistics, amongst other sectors. Since Gentree's launch in July of 2020, the fund has invested in eight start-ups, of which six operate in the Philippines.



How has the past year affected your near-term and long-term investing strategies?

While venture interest in South East Asia as a region has significantly picked up in recent years, it has historically flowed towards Indonesia and more recently Vietnam. COVID has been the impetus towards increased digitalization of services and digital access. In turn, this digitalization has driven a growth in investor interest in wider South East Asia, now seen as a consumer market that can be accessed with a lower acquisition cost. Consequently, *investor interest in the Philippines as a market has picked up with sectors such as Fintech and the Creator Economy receiving distinct investor attention.*



What is a key observation you have made on the local ecosystem over the past year?

COVID's acceleration of digital trends and the emergence of remote working has enabled a new cohort of resilient founders to emerge over the crisis. We are encouraged by the increase in first-time founders willing to take the plunge to launch business ideas tackling the problems they encounter. Gentree is excited to partner with these founders as they embark on their journeys. *A particularly interesting trend as the start-up ecosystem matures is the emergence of new founders who have gained experiences and best practices from previous roles at fast-growing regional start-ups like Grab, Zalora, Xendit, and successful local Filipino start-ups.*



How do you believe entrepreneurship should develop in order to capture underserved markets in the Philippines?

Successful entrepreneurship comes hand in hand with a favourable regulatory climate and a supportive start-up ecosystem that enables founders to connect and create a circular economy of mutual support. We are excited for grassroots initiatives like Sinigang Valley and the launch of the Insurtech regulatory sandbox by the Department of Finance last year.



What are the next big trends for the Philippine Venture landscape?

Having spent time at Gojek back in 2018, I had the opportunity to observe the then well-oiled Indonesian ecosystem which saw platforms like Gojek, Tokopedia, and Traveloka amongst others create the first layer of technology infrastructure, train a ready tech talent pool, and lead the way on consumer education to digitalize. In the same way, *the Philippines is poised to see the emergence of their first generation of start-up founders who will scale their products and platforms into large national and regional organizations.* The network effects and infrastructure these founders are creating will supercharge the growth of the talent pool in the Philippines and will benefit the wider ecosystem.

Mark Sng

“We are encouraged by the increase in first-time founders willing to take the plunge to launch business ideas tackling the problems they encounter.”



DID YOU KNOW

Venture Capital investment in Southeast Asia grew by 5.2x between 2015 to 2020. In the first half of 2021 alone, venture capital investment in the region totaled \$10 billion, exceeding the full-year amount raised in 2020.

Source: Forbes

MAKING WINNERS IN SUSTAINABLE INVESTMENTS

Kat's Background

Katrina Razon is the CEO and Founder of KSR Ventures. An environmental activist herself, Katrina is an active investor who has a preference for sustainable companies that solve economic, social and/or environmental problems in inspiring ways. She is also involved in the entertainment industry, serving as Creative Director at CC: Concepts and a Director/Producer at Wonderfruit, Thailand's premium sustainable lifestyle festival.



About KSR Ventures

Founded in 2016, KSR Ventures is a sector agnostic VC that has made notable investments in the Philippines and abroad ranging from education to entertainment, and medical devices, among others. The firm's investment philosophy is built on the Triple Bottom Line framework that evaluates social, environmental and economic impact.



What are the next big trends for the Philippine Venture landscape?

The online gaming space, online businesses, and streaming direct to consumer brands have a huge opportunity for growth. Basically any company that has adopted e-commerce is thriving at the moment, and are seeing adoption rates that have been unprecedented in previous years. I really believe that this is the moment for tech to really take off for the country.



What spaces are you most optimistic about as an investor?

I do believe that a lot of the areas that have promising innovations are things that are fighting for climate solutions. *Agricultural technology is tackling an issue that we're going to be facing decades from now - developing sustainable food supply, and water supply in terms of battling out shortages.* There's a lot of innovation in climate solutions that I'm seeing promising outsized returns for. And, of course, payments solutions and FinTech in the Philippines, especially because it's been such a bureaucratic country for so long that it's now time for entrepreneurs to work on financial inclusion of the masa.



Where do you see the future of technology in the Philippines?

I believe that truly innovative tech is going to transform the lives of Filipinos. *The way I view the tech sector is in terms of job creation, in terms of giving opportunity to Filipinos who are educated in the country but can't leave.* And that's what's amazing about what the pandemic has shown is that you can hire talent, without having to be in the physical space. It's all about the talent and fostering that talent and matchmaking those talents with the founders, operators, and experienced investors.



What are three key observations you have made on the local ecosystem over the past year?

The rise of direct to consumer is a very notable approach. Conversion onto e-commerce brands that are suddenly now booming with sales, as well. And the third observation I would see is that everyone's just trying to survive right now and everyone is just revisiting their strategies and creating what their moat, their market, and execution are. It's really seeing these entrepreneurs, taking a big, deep, reflective stance with everything going around in the world, especially since the country's gone through so much hardship with intense lockdowns and economic instability.



Katrina Razon

“A lot of the areas that have promising innovations are things that are fighting for climate solutions.”



The Philippine startup ecosystem is now composed of roughly 1,000 startups, 120 co-working spaces, 40 venture capitalists, 35 incubators and accelerators, and hundreds of angel investors.

TAKING PART IN THE PH ECOSYSTEM'S FOUNDATIONAL GROWTH

George's Background

George Padin is currently the Managing Partner at Buko Ventures. He is also the Executive Chairman at Abstract Digital, a globally awarded tech agency, and is country head of Spenmo, a Y-Combinator backed Singapore based startup. George has been building software and MVPs for heavily-backed startups in Southeast Asia for over 8 years.



BUKO VENTURES

About Buko Ventures

Buko Ventures is a Philippines-focused angel investment fund founded in 2021 by a team of experienced local tech founders and e-commerce executives. Buko invests P250-500K in pre-revenue and pre-launch ventures that have a very compelling potential. Having a strong belief in the massive potential for technology and entrepreneurship in the Philippines, Buko aims to find and support talented founders that have limited access to financial resources to start new ventures.

Can you tell us about your investment philosophy?

We, at Buko Ventures, are made up of operators who decided that it's the right time to invest in the earliest-stage startups in the Philippines, where it's the riskiest. Our backgrounds consist of Lazada Philippines executives, growth hackers, and a builder of MVP's for heavily backed startups in SEA region. With our collective background we know how to get these startups to the seed round - we help them build an MVP then connect them to our network. The investment philosophy behind this is very straightforward and simple: *we want to be part of the foundational growth of the tech startup ecosystem of the Philippines.* When we invest in these pre-seed startups, we just flood them with insights that are actually very relevant in our different sectors. When we launched Buko Ventures, it was really a test of the market, and so far, we have funded twelve startups across different industries. Already, teams we've supported have joined top Southeast Asia accelerators like Iterative and Accelerating Asia and have closed multi-million dollar funding rounds from top VCs and angels in the US and across Asia.

What are some key observations you have made on the local ecosystem over the past year?

I think a lot of mature founders are coming into our market already. Southeast Asia as a whole is just becoming a more interesting market. In the last year, there's been a lot of mature founders leading different startups - you see it with PayMongo, you see it with Kumu and many other Philippine headquartered startups. In Buko's view, the next two to three years are going to be very different for the Philippine startup ecosystem, we are very bullish. *I think we're going to catch up with a lot of our Southeast Asian peers in terms of the startup ecosystem,* and while we're still going to be far from Indonesia, we're going to start to slowly catch up. We see a massive upside for the Philippines, take Indonesia for *We're betting on this iron triangle of payments, logistics, and ecommerce combined.* This triangle, when greatly improved and matures will open a floodgate of opportunities. You're going to empower a lot of micro sellers and businesses to go digital if you have payments figured out online, if you have logistics figured out online, and if you have ecommerce figured out online.

How do you believe entrepreneurship should develop in order to capture underserved markets in the Philippines?

We need more Filipino founders making it regionally and giving legitimate advice. There are also a lot of investors already in Indonesia and other markets, but *in the Philippines, accessible capital is lacking compared to other markets.* We also see a trend where more investors are looking to openly allocate funds here. The pandemic has also turned all VCs into "remote investors" who don't see any border and allocate funds wherever there's opportunity, so that means very good opportunity for Philippine startups getting funding by regional VCs.

What are the next big trends for the Philippine Venture landscape?

We're betting on this iron triangle of payments, logistics, and ecommerce combined. This triangle, when greatly improved and matures will open a floodgate of opportunities. You're going to empower a lot of micro sellers and businesses to go digital if you have payments figured out online, if you have logistics figured out online, and if you have ecommerce figured out online.



George Padin

"We're betting on this triangle of payments, logistics, and ecommerce combined."

DID YOU KNOW

On average, early stage startups (Pre-Seed to Series B) have grown increasingly active in both deal value and count. From 2020 to 2021, funds raised by early stage startups increased by 309%.



A woman with long dark hair, wearing a dark top with a polka-dot collar, is sitting on a light-colored sofa. She is looking towards the camera. In the background, there is a white wall covered with numerous sticky notes. The scene is brightly lit, suggesting an office or meeting environment.

VENTURE INSIGHTS:

Venture Capital firms prominent in the Philippines are doubling down on its tech ecosystem. Learn more about their unique outlook on the Philippine digital economy

5 LEARNINGS FROM A FRONT ROW VIEW OF THE PHILIPPINES' DIGITAL BANKING FUTURE IN THE MAKING

By Yinglan Tan and Paulo Joquiño, Insignia Ventures Partners



INSIGNIA
VENTURES
PARTNERS

2021 has been a landmark year for Southeast Asia's fintechs across the board, and digital banking has been no exception. As a venture capital firm focused on Southeast Asia, it has been exciting to see these narratives develop in the region's fintech landscape as they race to meet the demand for payments and financial services that has come with a growing digital population. **Among the most significant stories in our fintech portfolio in 2021 has been the region's first fully digital bank Tonik's rapid growth from launch in March to securing more than US\$100 million in consumer deposits in only eight months and launching its first loan product.** We've had the privilege of partnering with **Tonik** early through their first round of funding, doubling down in succeeding rounds including their latest US\$131M Series B), and working closely with CEO Greg Krasnov and his team from day one...

1



The youth is the hope of the (fintech) future: Even before the pandemic-induced digital adoption boost, serial fintech founder and banking veteran Greg saw the opportunity in delivering the digital banking proposition to a population largely dominated by millennials and Gen-Z more inclined to make the switch to digital with their finances. The digital adoption potential of the Philippines contrasts heavily with the low banking penetration — around two-thirds of the population is unbanked. The writing on the wall is clear; the Philippines is a market ripe for digital banking disruption. Moving forward, a young user base can unlock long-term opportunities to develop digital solutions to meet their financial needs as they mature and go through life. In a country where gaps in financial inclusion are largely generational, targeting this generational shift in digital adoption has long-term impact in the way Filipinos handle their finance.

Keep your friends close, and regulators closer: While **Tonik** found a market ripe for digital banking, massive market potential is not the only ingredient for a fintech's success, especially in a market where the fully digital banking proposition has not yet been implemented. Greg and his leadership team built a strong relationship with the Bangko Sentral ng Pilipinas, enabling them to work in a "regulatory sandbox" through a rural banking license and then secure the digital banking license when it came out. In Southeast Asia and even Japan, we've seen how local fintechs have leveraged past experience and networks of management to be able to adapt to the regulators' approach and secure licenses as moats against the market entry of larger regional or even global players. As Southeast Asia markets begin to embrace next-generation and decentralized finance, it will continue to be critical for fintechs to build that trust with local regulators.



2

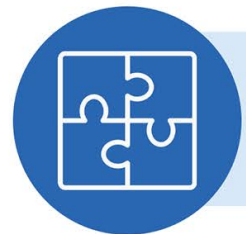
3



Old dogs can't learn new tricks, but they can make new tricks work in old markets:

This confluence of massive market potential and forward-looking regulation would not be worth much without the experience cognizant and capable of tapping into these opportunities. Greg himself is not your stereotypical poster child startup founder. He came from traditional banking, having grown and sold a consumer bank in Ukraine then built several fintechs in Southeast Asia. The talent he then brought onto his management team also have similar backgrounds of coming from traditional incumbents in the Philippines but with tech exposure as well. For a tech startup making headway in a market still dominated by decades-old behaviors and players, forward-looking and seasoned industry veterans can prove to be critical in navigating the nuances of localized disruption.

What Nubank and Tonik have in common: On our podcast conversation with him mid-2020, Greg cites the examples of Brazil's Nubank, which recently went public in December 2021 in one of the largest IPOs of the year, to explain **Tonik's** approach to an emerging market like the Philippines. Although at different points in their growth trajectory, what **Nubank** and **Tonik** have in common is that their digital banking proposition revolves around consumer loans. This stands in contrast to the current account proposition which has been predominant among neobanks in Europe. For emerging markets like the Philippines where accessing equitable loans are a significant pain point, there is massive middle-class consumer demand coupled with increasing GDP/capita. This creates both the supply (savings) and demand (loans) side of the banking proposition. **Tonik's** success with accumulating the supply side of the consumer loan proposition means that it is now about meeting the existing demand for consumer loans with their digital user experience and developing appealing offerings.



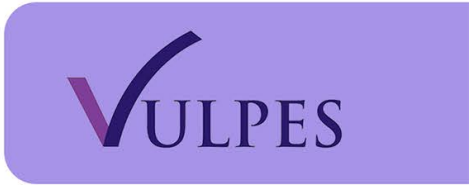
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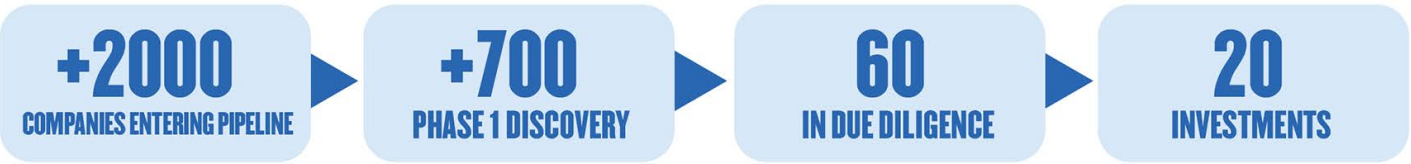


The Philippines' digital banking future goes beyond banking: A good beginning is half the journey, the adage goes. **Tonik** has certainly had a good beginning, but there are a lot more needs to be met and opportunities to be tapped into beyond securing consumer deposits and driving adoption of fully digital savings accounts. All this will be happening in the backdrop of Philippines' rapidly developing fintech landscape: increasing crypto adoption beyond investing and trading, greater open finance adoption among banks and non-fintech platforms driven by API platforms, and SME digital banking platforms making headway as SMEs begin to recognize the value of digitalization. Having invested in **Tonik** early on and gotten front row seats to its tremendous growth and potential, we continue to be excited as regional investors for the Philippines' digital banking potential, even beyond the way we see digital banking today. Solving the banking stack is just the first step for fintechs; the impact of next-generation fintechs in Southeast Asia will extend far beyond banking, and we look forward to continue investing in the best companies among them in the Philippines and the region.

VULPES VENTURES ARE AN UNINHIBITED VENTURE FUND FOCUSED ON SOUTHEAST ASIA, AUSTRALIA, NEW ZEALAND



Vulpes is very bullish on the Philippines as the next big market to attract venture capital in Southeast Asia. While much of the attention goes to Indonesia and Vietnam, Philippines has been somewhat overlooked and there are ambitious founders creating exciting companies. With 110 million people and the average age of 26 years, this is a population that will continue to adopt digital solutions which will be fuelled by venture capital investment. The language barrier is also non-existent between Philippines and Singapore which helps venture capital investors quickly build chemistry with Founders. We expect 2023 to be a breakout year for the Philippines start-up ecosystem and are encouraged by the seed and pre-seed companies we are tracking.



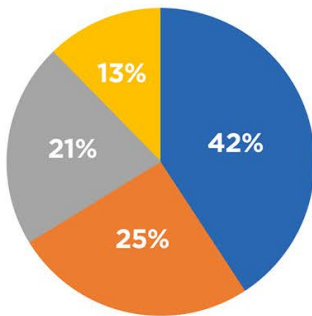
PHILIPPINES PIPELINE AND DEAL FLOW

IN CONVERSATION WITH KIMBERLY YAO, FOUNDER AND CEO OF CLOUDEATS



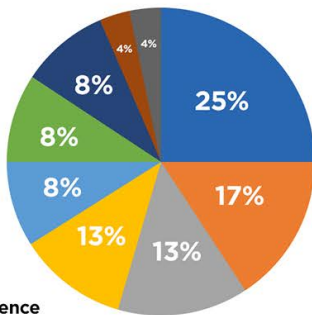
STAGE

- Seed
- Pre A
- Series A
- Series B



SECTOR

- FinTech
- Logistics
- E-commerce
- Consumer
- HealthTech
- Media
- F&B Tech
- EdTech
- Business Intelligence



How did you come up with the idea to start Cloudeats?

During my time working in the restaurant industry, I realized the lifeline or 'shelf life' of a restaurant was extremely short. We would spend a lot of time and capital launching a concept and in 2 years, we would have to shut it down, change it up or relaunch it again. This happened countless times over the course of a decade for me. On top of that, F&B is notorious for being a "passion project industry" because margins were low single digits no matter what you do. So financially, it was very challenging to be in food service. When I launched Boozy.ph, the liquor delivery company, it was very clear to me that technology was the main thing that could scale and evolve a traditional business, and so our entire vision when we started Cloudeats was really on how to digitize a very traditional industry.

Congratulations on launching Cloudeats in Vietnam earlier this year. How has the process of expanding overseas been during a challenging period?

I knew that if we could scale the business here in the Philippines, why not replicate our data-driven, localized and multi-brand model in another similar market. Vietnam and Thailand are very similar to the Philippines in terms of population, structure, ways of doing business and so we wanted to take advantage of that. There is no cloud kitchen player in SEA that has achieved multi-market scale independently. At Cloudeats, we want to be the first cloud kitchen player to establish a presence and directly manage the business on the ground in multiple markets.

What advice would you give to other Philippines teams looking to expand internationally?

Find the best possible local team, enter with both feet and hit the ground running. Having a great team on the ground is a necessity, especially when you're launching remotely. At the same time, momentum is really important for a startup and we wanted to follow through on the momentum that we have built from the closing of the Series A round and channel that into our Vietnam expansion.

What do you think are the biggest challenges faced by PH founders? Access to capital has always been a challenge as the Philippine startup ecosystem was really non-existent a few years ago. In the last 2-3 years, things have heated up significantly and investors are starting to realize that the Philippines with its strong and unique demographics is a hot bed for technology and innovation. Aside from access to capital, one of the biggest challenges is lack of talent. Our greatest export is our people and that's really a gift and a curse. The quality of talent available in-country is significantly diminished. It has become better over the last few years but still not at par for technology-related roles as compared to our peers in the region like Singapore and Indonesia. My hope is that with the rising startup ecosystem, we get to keep and develop our local talent.

THE B2B TECH OPPORTUNITY: A CONTRARIAN VIEW

By Wavemaker Partners



Emerging markets like the Philippines aren't typically seen as ideal places to launch B2B (business-to-business) startups. This is reinforced by the fact that Southeast Asia's unicorns like **Sea Ltd**, **Grab**, **GoTo** (Gojek and Tokopedia), and **Bukalapak** are all B2C (business-to-consumer) companies.

But over the past decade, we've stuck our necks out by backing regional B2B startups. We've made more than 170 investments since 2012, and more than 140 of them have been in B2B. We've raised **four of Southeast Asia's largest early-stage funds** focused on B2B and now have over US\$300 million in assets under management.

The results have been encouraging with four out of the **top 10 M&A exits in Southeast Asia** being Wavemaker portfolio companies and several more scaling nicely, like **GudangAda** and **eFishery** in Indonesia and **Silent Eight** in Singapore. **In 2021, we won the Singapore Venture Capital & Private Equity Association "VC Exit of the Year" with Tradegecko (acquired by Intuit) and "VC Deal of the Year" with Growsari, a startup focused on the Philippines.**

So what do we see in the Philippines? We see companies flying in the face of obvious thinking. Here are three misconceptions about Philippine B2B that we want to clear up:



1. Companies in the Philippines are reluctant to pay for software, thinking it's too expensive.

It makes sense. Labor is cheap. Piracy is rampant. But here's what we've seen: when you solve a real problem that companies grapple with, they are willing to pay for a solution. Yes, labor is cheap. But what if you have unique software that increases productivity so much that it becomes cheaper than labor? This is where our hyper-automation software startup **Aiah** has discovered an opportunity. They've found that repetitive tasks like responding to customer queries and invoice processing, which are usually done manually, are also susceptible to errors. Aiah's output is six to 10 times more than comparable labor. The results are so stark that Aiah has been able to secure annual contracts worth US\$300,000 within six weeks from Philippine companies. The company is starting to attract customers outside the country.

2. International software products already exist. Why would you need a Philippine version?

Again, this makes sense. Think about Microsoft and Google, or SAP and Oracle. But they don't cover everything. There are instances where a truly localized solution is needed. One of the best examples lies in the issue of payroll and timekeeping. Most employees in the Philippines are paid by the hours they work. With dozens of pay permutations and 21 different government reports filed across four government agencies, HR staff are left to resolve these manually or rely on inefficient paper-based processes. These intricacies cannot be solved by foreign companies. Our portfolio company **Sprout** has been able to find their way by understanding these localized nuances and creating a solution that addresses all the issues. Customers vote with their wallets. Sprout now generates over US\$6 million in annualized revenues from Philippine-based customers, is growing nicely, and is actually profitable.



3. It's virtually impossible to come up with a Philippine original. It's better to just localize a proven, global model.

You can argue that it's hard to find anything original from the Philippines, so why do we believe we can do it in tech? We've seen that you can come up with a unique model by understanding the market's very distinct needs. Sari-sari stores (mom-and-pop shops) are a key part of Filipino life, with around 1 million stores catering to more than 80% of the Philippine population and generating US\$20 billion in sales per year. As important as this segment is, it is extremely underserved. An archipelago, the Philippines has always been a logistical nightmare—delivering goods to stores with measly volumes is often not worth the trip for FMCG manufacturers. This leaves most store owners with no direct access to suppliers, operational education, nor bargaining power. Growsari has been able to solve these pain points by empowering sari-sari stores through its platform. The company offers the stores access to the same goods as large grocery stores and delivers the items for free. In addition, it extends credit to stores that have demonstrated consistent ordering and timely payments, and provides them additional income streams through ancillary services like telco loading, bills payment, and e-commerce drop-off points. Because of these, **Growsari** has grown significantly, exceeding US\$200 million in gross merchandise value per year. They attained this without any global success model to copy—just an authentic desire to create a positive impact on sari-sari store owners.



These are all valuable companies found in places where people don't care to look. **Our outlook for the Philippine market is bright because we know that there are many problems yet to be solved.** These problems can only be solved by founders who see something different, offer a unique insight, and solve it in a meaningful way. With a population of more than 100 million people, there are enough problems, enough talent, and enough capital to make the Philippine B2B market worth investing in.

CHASING THE LAST MILE



We believe the Philippines is entering a golden age for tech startups and SMEs. Despite the negative news we often read about, it is our country's inefficiencies that allow for young innovative startups to prosper. According to the most recent e-Economy SEA 2021 Report, the Philippines led Southeast Asia with a GMV growth of 93% during the pandemic, with an expected CAGR of 24% between 2021 and 2025. Additionally, PricewaterhouseCoopers projects the Philippines to become the 19th largest economy in terms of GDP (in PPP terms) by 2050, up 19 spots from 38th place in their last report in 2017. This is no surprise given our strong demographic profile and the independent capital that has flowed into the country over the previous five years.

Our conviction at DayOne is that technology is the only way to solve the most pressing issues seen in the largest addressable markets in the Philippines, and many of the opportunities these technologies present lie in the informal, "off-grid" economy. DayOne was founded to address the needs of the last mile with a long-term approach to investing. As much as we would prefer to participate in businesses that serve you and me, the reality is that the market is far away from the boardrooms of Makati.



According to the World Bank, Philippine GDP stood at US\$361.5 billion in 2020, which is almost one-fifth the size of Amazon (as of this writing, Amazon's market cap stands at US\$1.7 trillion). When most investors look at that number, their first reaction is that the market is small. I have to agree, which is why the focus should be on sectors that contribute significantly to GDP. **We focus on agriculture and last-mile services within the informal economy, as we believe these gaps present the best opportunities for growth.**

**LAST MILE
RETAIL NETWORK
HOLDS IN PH GDP** ~8-17%
(US\$30B TO US\$60B)

~10% **AGRICULTURE
HOLDS IN PH GDP**
(US\$36B)

Serving these sectors allows us to participate in a sizable market that's rapidly growing, while positively impacting the Filipino community. Whether these problems are addressed by foreign or local startups is not a concern for us; both foreign and local startups should collaborate to drive change in the country, and we are witnessing that with some of our partnerships.

We find that too many firms overuse the word "tech", using the label and misrepresenting their actual potential to impact change. Meanwhile, many young, traditional companies that don't bill themselves as tech companies are growing fast with attractive unit economics. In his latest memo, Howard Marks said *"the elements of technology will have a profound impact on which legacy businesses will survive, which moats will hold up, and which newcomers will supplant the incumbents."* We believe that eventually all traditional industries will become tech-enabled in one form or another. We are therefore drawn to businesses that utilize tech, not simply identify with it.

After spending some time in the provinces, we realized that most of the issues around agriculture are rooted in the growing stage. In other countries, technology has been deployed to address agricultural issues across financing and logistics, which we believe will develop further in the immediate future. Our view is that the Philippines will see significant GDP growth over the next five to ten years, and technology will be the catalyst for that growth. In the process, there will be clear winners and losers. And since the Philippines is coming from a lower base compared to our big brother Indonesia, the upside of being an entrepreneur or early-stage investor in the Philippines is evident.



While some see the US and the West at large as lands of opportunity, we believe the reverse to be true. **We see deep-rooted issues in the Philippines, and it is these inefficiencies that create more opportunities to drive impact, and as a result, bring greater rewards to those who take that risk, whether you are an entrepreneur or an investor.** As David MacLennan once said when asked why he spent so much time in emerging markets: "Our history is to go into places where other people won't. That's where opportunity is. Whether there's crisis, or threat, or things that are high risk, that means there's opportunity." We couldn't agree more, and we look forward to witnessing technological progress in the next decade and beyond.

OPEN FINANCE ENABLES EXPONENTIAL GROWTH



Aboitiz-backed UnionBank spun-out UBX in 2018 to drive financial inclusion and business growth for underserved and unbanked communities through offering Fintech capabilities and ecosystem investments. UBX is the Philippines' leading Open Finance platform, offering the most extensive range of embedded financial services and solutions with a fully-onboarded network of the biggest and most reputable financial institutions and service providers, lenders, and payment channels in the country.

THE LEADER IN OPEN FINANCE



In June 2021, Bangko Sentral ng Pilipinas (BSP) approved the new guidelines for the Open Finance Framework in the country. UBX, known to be an innovative and foresight-driven organization, has been complimenting the open finance framework ever since its incorporation in 2018.

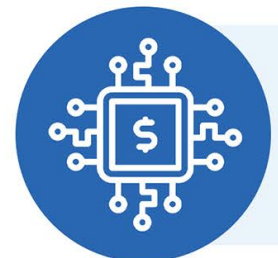
UBX allows smaller players to leapfrog across the scaling-gap to help place them to a technology level at par with the bigger players. UBX connects hundreds of smaller financial institutions to NRPS through our banking-as-a-service service i2i and we can leverage this established reach to include the long tail of the financial services ecosystem in open finance. We include everyone: smaller FIs, non-banks, other service providers and their customers in the innovation promised by open finance.

John Januszczak
President and CEO of UBX

UBX is currently heading the Special Committee on Open Finance and Financial Inclusion (SCOFFI), formed by the European Chamber of Commerce of the Philippines (ECCP), bringing together policymakers and industry players to help advance the central bank's financial inclusion push. Leveraging its proven banking and technology expertise, UBX's aggregation of, and interoperability between financial service providers behind its single Open Finance API allows developers, platforms, fintechs and businesses to innovate on UBX services.

THE TRUE EXPERT IN FINANCE AND TECHNOLOGY

UBX's service portfolio focuses on various in-demand solutions in banking, lending, payments, eCommerce, technology services, identity and score, savings and insurance and crypto technologies. UBX-built solutions are significantly growing year-on-year. UBX's digital lending platform (SeekCap) processed over USD 120 million worth of business loans with over 60,000 customers acquired. UBX's banking-as-a-service platform (i2i) had a 3,000% monthly volume increase for its portable Mobile ATM services in 2020. UBX's end-to-end payment gateway (BUx) processed over USD 30 million with over 2 million transactions in 2021. More services are set to launch in 2022 including Vinne, UBX's Blockchain-based money management platform.



UBX opened its Singapore Office in 2021 which houses our Corporate Venture Capital function along with Venture Building Capabilities for growth across geographies and verticals. Leveraging UBX's banking and technology expertise, the Corporate Venture Capital fund aims to foster mutual creation of value with start-ups in the Philippines, ASEAN, and across the globe at the Seed and Growth stages of a startup's life cycle. UBX's investments include Consensys, DragonPay, PDAX, Finscore and Shiptek.

For its impact on fintech and financial inclusion, UBX was recognized as the Fastest Growing Fintech Company in Southeast Asia for both 2020 and 2021 by the Global Banking and Finance Review.

TWO BANNER YEARS FOR PHILIPPINE FINTECHS, BUT THIS IS JUST THE BEGINNING

What's next for the ecosystem and how Philippine fintechs can help with the country's recovery

ACCION

VENTURE LAB

Accion Venture Lab is a leading early-stage impact investor in inclusive fintech startups. We believe that affordable, well-designed financial services enable economic growth and prosperity for underserved populations in the world. Accion Venture Lab invests globally in the most innovative models and technologies delivering quality financial services to underserved households and small businesses with the potential to scale. Backed by commercial and impact investors since the launch of its third-party fund in 2019, Accion Venture Lab has invested in more than 55 early-stage startups that operate in 35 countries worldwide. Accion Venture Lab is a part of Accion, a global nonprofit committed to creating a financially inclusive world, with a pioneering legacy in microfinance and fintech impact investing. Accion catalyzes financial service providers to deliver high-quality, affordable solutions at scale for the three billion people who are left out of - or poorly served by - the financial sector. For 60 years, Accion has helped tens of millions of people through our work with more than 170 partners in 55 countries. For further information, visit accion.org/venturelab.

FIRST FINTECH WAVE CREATING CONNECTIONS



MOBILE & SMARTPHONE PENETRATION



SOCIAL MEDIA & NETWORK USAGE



BIG DATA & RELATED ANALYTICS



CLOUD COMPUTING SERVICES

Enable new pathways to acquire and engage undeserved customers, with more data and a better understanding of customers, and at a lower cost than ever before

But still, the sector is nascent. More growth and innovation are to come through more funding rounds for current startups and the unveiling of the next generation of fintech business models. It is something that we have seen in our other markets - out of the core fintech services, a second wave comes in, taking advantage of the foundation and infrastructure that has been laid out. For the Philippines, we may see the second wave arrive sooner, given the ecosystem's rapid growth.

The last two years have been massive for the Philippine fintech ecosystem. We saw this not only from the capital that flowed in (over \$490M in VC funding from the start of 2020 to the first half of 2021) but also in the rise of new startups. This indicates that more Filipinos are taking the plunge to start their own companies. And while the industry is still led by Gcash and PayMaya, both of whom raised significant funding, other startups have come into the limelight as well, raising rounds from recognized local, regional, and global investors. We saw the rise of high-quality Philippine startups focused on digital banking, payments, buy now, pay later, earned-wage-advance, SME lending, small business digitization, and insurance.

SECOND FINTECH WAVE BUILDING STRONGER USE CASES



OPEN BANKING & DATA SHARING



EMBEDDED, CONTEXTUALIZED FINANCE



RECOGNIZED NEED FOR DIGITAL TOOLS



RE-BUNDLING OF FINANCIAL PRODUCTS

Redefining the building blocks of financial service to enable a broader range of providers and make more relevant products for the underserved

Those second-wave business models are brought about by developments that are occurring alongside the fintech evolution and today, these include the rise of tech-enabled supply chain platforms, the development of the gig and creator economy, and the move toward Web 3.0, decentralized finance, crypto & blockchain, NFTs, etc. Some of these key trends that we see and are actively exploring include:



EMBEDDED FINANCE

Integrating various financial services into non-financial businesses via new platforms or "as a service" enablers



FUTURE OF WORK

Supporting workers affected by the shifting nature of employment with a reliable safety net



WEB 3.0

Developing new financial products based on the new technologies



ADJACENT SECTORS

Understanding the intersection of fintech with other core sectors (climate, agriculture, education, health, logistics, housing, etc.)

Some of these are already in the Philippines, while others are still developing. Regardless, it is exciting to see the country's fintech evolution, and for it to happen in an accelerated time frame. The country is truly in a prime spot to take advantage of ideal conditions of increased acceptance and technological advancements.

Ultimately, this is important not only because of the growth in industry, but also because of the potential impact that these fintech startups can create. The pandemic has spurred digital financial services, but also has had a disproportionately negative effect on the lower-to-middle segment due to loss of income and livelihoods. At Accion Venture Lab, we believe that fintech startups are in a prime position to help by driving greater inclusion and providing much needed safety nets. Fintechs like our companies, Advance and First Circle, are able to support their clients with inclusive financial products and this is more relevant than ever due to the challenges that underserved individuals, families, and businesses are facing and will continue to face as the economy recovery progresses. Fintechs, both new and old must continue to utilize technology and innovation to reach those who are underbanked and underserved and provide financial services that aid in the recovery and build long term resilience of every Filipino family.

BUKO VENTURES IS AN EARLY-STAGE ANGEL FUND LED BY FOUNDERS AND TECH EXECUTIVES IN THE PHILIPPINES TO SUPPORT NEW EARLY-STAGE STARTUPS IN THE COUNTRY.



With the Philippines startup sector still in a nascent phase relative to Singapore and Indonesia, we've seen an important opportunity to support new founders with funding and guidance at the angel and pre-seed stage. Our investors come from the tech and investing community in the US and the Philippines and believe in our mission to support new founders building positively disruptive technology for the Philippines economy.

We started in early 2021 and have made 12 investments to date across a variety of industries. Already, teams we've supported have joined top Southeast Asia accelerators like Iterative and Accelerating Asia and have closed multi-million dollar funding rounds from top VCs and angels in the US and across Asia.

ACADARENA SPOTLIGHT



Buko Ventures was the first fund to back AcadArena in early 2021. They had built an impressive platform supporting and pioneering the school esports community in the Philippines and we could tell the founding team was extremely passionate and knowledgeable about the local experience for young gamers in the Philippines. We were able to provide early guidance to the young team as they adjusted their business model and adapted to the explosive growth of crypto gaming in the Philippines in 2021. The team has done phenomenally well so far and recently raised \$3.5m in a strong seed round with great support from top international crypto funds and angel investors. They have an exciting roadmap going forward bridging the gap between web2 and web3 gaming with a clear focus on school-aged gamers in the Philippines and then globally.



“The Buko guys were incredibly helpful to us when we were starting out. They went above and beyond when it came to helping us navigate the startup space as first time founders - you could even say they were part of our team as a whole. We wouldn't be where we are today without them”

- Justin, AcadArena

ACADARENA AXIE INFINITY STUDENT SCHOLARSHIP IS A FIRST OF ITS KIND FOR STUDENTS TO EARN MONEY ON THE SIDE THROUGH GAMES

40% TOTAL AXIE INFINITY PLAYERS ARE FROM THE PHILIPPINES

Top 6 Countries playing Axie Infinity:

- | | |
|---|---|
|  1. Philippines |  4. Indonesia |
|  2. Venezuela |  5. Thailand |
|  3. USA |  6. Malaysia |

Source: ActivePlayer.io - Game Statistics Authority

The average daily minimum wage in the Philippines is \$8.15. With most jobs requiring a minimum of eight hours of hard labour per day, that works out to around a little over a dollar per hour.

Axie Infinity, an online game powered by crypto, can reportedly make you \$50 per day for three hours of gameplay. That works out to around \$16 per hour.

Filipinos can potentially earn 1600% above the minimum wage with Axie Infinity.

BUKO VENTURES PORTFOLIO:



NURTURING THE NEXT GENERATION OF FILIPINO FOUNDERS



2021 marked an inflection point for the Philippine tech scene. From our first (double) unicorn in GCash to multiple companies raising unprecedented Series B and C rounds, the past year has emphatically put to rest any doubts about the scalability of homegrown ventures.

Yet even as deal activity reached a record high, exceeding US\$1 billion in 2021, the country is nowhere near its potential. **The Philippines comprises almost a fifth of Southeast Asia’s population, but accounted merely for 9% of total venture capital (VC) funding and 6% of total deals during the first half of last year.**¹ Furthermore, even as global capital pours in, with VC stalwarts such as a16z, Tiger Global, and Sequoia investing in local start-ups for the first time, the persistence of blockbuster funding rounds is certainly not guaranteed. There are two sides to every deal, and keen as they may be to deploy capital, investors could very well run out of ready ventures to back. To illustrate the pipeline gap: there were more Indonesian start-ups that closed deals last year (213)² than Philippine start-ups that even attempted to raise funds (124)³.

BRIDGING THE FUNDING AND PIPELINE GAPS

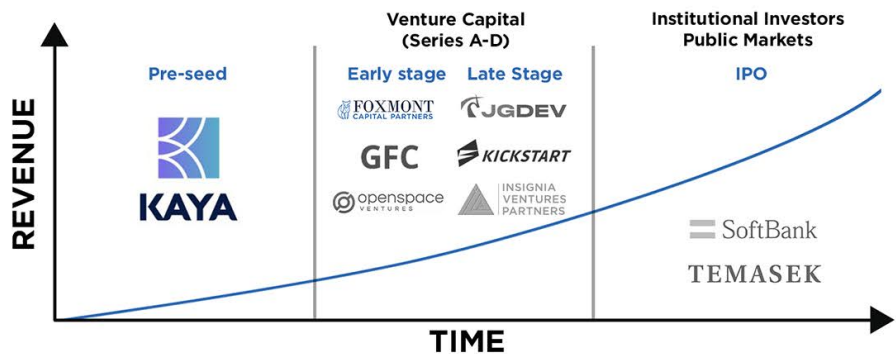
It is for these reasons Kaya Founders was formed. Kaya Founders is an early-stage investment firm on a mission to nurture the next generation of Filipino entrepreneurs, founded on the belief that the ecosystem’s sustained momentum hinges not only on greater capital inflow, but on deliberate effort to generate a steady pipeline of investable ventures and attract the talent that will build them.

Kaya partners with our founders from the earliest days, singularly committed to helping them build companies that can scale, endure, and address some of the most pressing problems of our times. Sometimes, teams already have a solid idea and roadmap, but simply need the backing of an early believer. In these cases, we come in as a pre-seed investor—often writing their very first cheque.

Other times, we partner even earlier, supporting promising individuals from Day 0 as an institutional co-founder. Here, we provide the initial funding, guidance, and technological support the founders need to refine their ideas and get them off the ground.

Ultimately, we see our role in the ecosystem as three-fold. As investors, we are defining a new category of pre-seed, backing aspiring founders when they have little more than a vision and potential. By making the entrepreneurial journey less daunting and boosting the odds for success through the financial and operational support that Kaya offers, we hope to establish entrepreneurship as a viable career path for the most talented individuals driven to make an impact. Lastly, for downstream investors, we are an engine for deal flow, supplying them with companies ripe for investment.

KAYA’S POSITIONING



Since 2020, Kaya Founders has backed over 10 ventures, with more on the way. As our name suggests, our founders are the be-all-and-end-all of our entire operation, and we are proud to be working with entrepreneurs from diverse backgrounds. Their examples are testament to our core credo that entrepreneurship is everywhere and for anyone with the courage to start and the grit to persist.

FOUNDER CASE STUDIES



2nd Generation Tech Talent **Alexander Friedhoff**

- Company: Etaily (Pre-Series A)
- Hometown: Cologne, Germany - Returned to Manila after an internship stint with ZALORA Philippines and started Etaily based on his learnings building ZALORA’s omnichannel service
- Kaya helped Etaily secure its first clients, provided fundraising support, and contributed local connections and eCommerce expertise that proved instrumental to the 41x growth the company witnessed in its first year of operations



Corporate Executive **Nel Laygo**

- Company: Peddlr (Seed)
- Hometown: Catbalogan, Samar
- Extensive international experience in supply chain finance operations with major FMCG company; decided to make the switch from corporate to tech
- Kaya was one of Peddlr’s earliest backers during its pre-seed round, and continues to support Nel on various strategic areas



Sea Turtle **Tommy Campos**

- Company: Dart (Pre-seed)
- Hometown: San Francisco, USA
- Moved back to the Philippines after 7+ years working in Silicon Valley, and sought to apply his skills to start his own venture at home
- Kaya paired Tommy with his co-founder, supported with tech development, and facilitated key strategic connections essential for the venture’s initial launch

In today’s capital-rich environment, the defining challenge is no longer selling the Philippine market to investors. Rather, the next frontier for Philippine tech will be about convincing the country’s most exceptional individuals to hop on the founder journey and create the disruptive companies of tomorrow. Especially in the wake of Covid-19, there is an abundance of problems waiting to be solved.

¹ Philippine Startup Ecosystem Report 2021, Gobi Core Fund.

^{3a} “Indonesian VCs move into 2022 with optimism despite warnings of market froth”, Deal Street Asia.

² Southeast Asia Tech Investment - 2021 HI, Cento.

⁴ Philippine Startup Ecosystem Report 2021, Gobi Core Fund.

THE RISE OF FINTECH OPPORTUNITIES IN A DIGITALLY ADAPTABLE PHILIPPINE MARKET



Crisis and opportunity are often mentioned in the same breath. Although the COVID-19 pandemic has been turbulent for many businesses in Southeast Asia, there is no denying that it has also catalyzed growth and opportunity for sectors like FinTech which has seen a great deal of promising activity to the tune of \$2.6B in Q3 2021 alone.

With nearly two-thirds of the population in Southeast Asia estimated to be unbanked, the region scores high for digital accessibility and enthusiasm, creating a highly favorable environment for FinTech to make a positive impact - especially with COVID-19.

Particularly in the Philippines, our advantage of high Internet and smartphone penetration at over 70 percent each, as well as a supportive central bank (Bangko Sentral ng Pilipinas, or BSP) has helped catapult the adoption of FinTech solutions to address equitable access to financial services.

This environment is highly conducive for FinTech platforms to flourish and address the financial divide. With the right support and innovation, FinTech companies can unlock better access to digital payment solutions, democratized investments, digitized traditional financial services, and even new verticals such as e-commerce for all Filipinos, driving the Philippines' digital economy to greater heights.

CURRENT LANDSCAPE OF FINTECH IN THE PHILIPPINES



Due to our large Overseas Filipino Workers (OFW) population, which numbers in the millions, remittances have always been a driver of the need for innovative financial services. That impetus, along with the recent emergence of supportive governmental programs and regulations such as Startup Pilipinas and the Innovative Startup Act, has propelled the Philippines to newfound FinTech prominence.

Manila was named by Startup Genome as one of the world's friendliest cities for FinTech startups in 2019. This year, UOB reported that the total funding for FinTech firms in the Philippines for the first half of 2021 reached US\$342 million*, more than double year-on-year. FinTech startups currently comprise around 15 percent of Manila's startups, with over 200 operating across the country, and FinTech also makes up 8 percent of Kickstart's deal flow in the last 12 months as of September 2021.

The COVID-19 pandemic has also had a hand in accelerating this fledgling growth. Remittances, cashflow, income generation and even regular shopping activities took a hard blow during the pandemic due to travel lockdowns, job cuts, depressed spending and health safety concerns. The need for remote, contactless financial services spurred a sharp rise in the adoption of FinTech services, with ATM withdrawals and check payments declining sharply as digital payments soared.

*This figure is almost entirely derived from the funding rounds of GCash and Voyager Innovations, with NextPay in third place



OUR FINTECH INVESTMENTS

Financial equality and digitalization have long been core investment focuses of our funds at Kickstart, which is why we have supported FinTech companies from the beginning. In 2013, we made our first FinTech investment in **Lenddo**, which used non-traditional data such as social media and smartphone records for credit scoring, credit pricing and identity verification - especially relevant for users in underbanked countries such as the Philippines to get access to loans.

In 2016, we were an early investor in **Coins.ph**, an online payments startup that uses blockchain technology for users to send, receive and spend digital cash via mobile wallets at close to real-time speeds from just about any location. Our most recent investment has been in **NextPay** this year, a FinTech startup that helps over 16 million micro, small and medium enterprises (MSMEs) and sole proprietors in the Philippines gain easy access to banking services such as sending invoices, collecting payments, processing payrolls and paying bills.

This was followed up with a 2017 investment in Caxe Technologies (then known as C88), the parent company of CekAja in Indonesia and eCompareMo in the Philippines. Beginning as a simple lead generation service, Caxe has since partnered with major banks and insurance providers to offer personal loans, credit cards and insurance products directly to consumers, making it the Philippines' first and largest financial and insurance marketplace.

ENTERING THE NEXT STAGE OF FINTECH GROWTH



FinTech is showing great promise in the positive impact it can deliver for other sectors - **WealthTech** is a particularly interesting subset, especially given that Filipinos are the most stressed in the APAC region about their financial situations and 70 percent struggle with managing debt. Once users have access to digital financial services, many will then look to improve wealth management and income generation, which WealthTech can streamline and simplify with robo-advisors and digital brokerages. The GCash app, for instance, already has GInvest for GCash users to invest in various funds. With the addition of a digital brokerage, GCash users could enjoy direct access to the stock market and further diversify their investment opportunities.

FinTech firms that provide **MSME solutions and/or enablement**, such as NextPay, will also be highly relevant. With over 99 percent of business enterprises in the Philippines classified as MSMEs, MSME survival is critical to the national economy, which - as the pandemic has shown - requires them to embrace digitalization. There are numerous inroads yet to be made in this space, but this digital push can only be sustained over the long term with the right network and strategic assets - including enterprise organizations like the Ayala Enterprise Circle and traditional banks such as the Bank of the Philippine Islands. These are part of the Ayala Corporation, which anchors the Ayala Corporation Technology Innovation Venture (ACTIVE Fund), the Philippines' largest VC fund.

InsurTech is also a fast-growing space that is intrinsically tied to FinTech. FinTech's ability to secure and streamline transactions enables insurance premiums and claims to be made and paid online, which is especially timely given that insurance penetration in the Philippines is among the lowest in Asia - less than two percent of the population - yet insurance premiums rose 37 percent this year on the back of strong demand. One use case for InsurTech is that insurance providers can work with larger medical companies like AC Health to create more personalized, effective health insurance products that can be distributed digitally to a much wider market. This can lead to a more integrated healthcare ecosystem and drive better population health.



STEPPING INTO THE DIGITAL FINANCIAL FUTURE

There's little doubt that FinTech platforms will continue to innovate and offer more convenience for end users. We're excited about the next phase of FinTech in the Philippines, especially in the areas of WealthTech, InsurTech and SME solutions/enablement as we believe they have the most potential for growth. It's a privilege to have front-row seats to this much-needed disruption and be able to take an active hand in making financial inclusion a reality. FinTech certainly continues to be a space worth watching.

STARTUP FUNDING PROGRAMS BY THE PHILIPPINE GOVERNMENT



The Philippine government sees the country's startup ecosystem as one of the engines of recovery from the COVID-19 pandemic. The government has shown its commitment to helping the Philippine startup ecosystem through the various programs under the Innovative Startup Act. The launching of the Startup Venture Fund, Startup Grant Fund, along with other programs under the Innovative Startup Act, is a recognition of the Philippines' need to create and foster inclusive economic growth by providing incentives and removing the barriers faced by innovative Filipino entrepreneurs.

STARTUP VENTURE FUND - SVF



On 19 November 2021, DTI and National Development Company (NDC) launched the SVF. NDC has shown its commitment to helping Filipino innovators and entrepreneurs by allocating P250 million (\$5 million) for 2021 and another P250 million (\$5 million) for 2022 for the SVF.

The SVF, specifically aims to support and develop the Philippine startup ecosystem by investing in selected Philippine focused venture capital firms through a fund of funds model and by directly co-investing in Philippine based startups alongside accredited co-investment partners.

The co-investment model of SVF will focus on early to growth stage startups based in the Philippines to help them grow and expand not only locally but also regionally. In terms of sector, the SVF will invest in innovative or tech-focused startups and priority will be given to startups with high developmental impact in the Philippines.

STARTUP GRANT FUND - SGF

The Startup Grant Fund Program was established to overcome R&D roadblocks by means of prototype improvement, conduct of feasibility studies, development of product specifications, as well as validation of user requirements, to strengthen intellectual property (IP) by protecting and developing appropriate IP strategies.

The Department of Science and Technology (DOST), through the Philippine Council for Industry, Energy and Emerging Technology Research and Development (PCIEERD), officially launched the Startup Grant Fund Program at the 4th Technology Business Incubator Summit, one of the major events during the Philippine Startup Week 2020. The Department received 93 proposals for their first call-out for entries for their Startup Grant Fund Program launched in December 2020. Of the total, 25 startups receive a total of P84.9 million (\$1.69 million) in funding for research and development.

The Department of Information and Communications Technology (DICT) also expands opportunities to innovators in the country by providing P500,000 (\$10,000) worth of grants to five winners of the 2021 Philippine Startup Challenge (PSC). The Philippine Startup Challenge 2021 (PSC 2021) is a startup competition which aims to encourage and support Filipinos to create innovative and relevant ICT products and services that may potentially develop into viable business ventures as well as solve social problems. This initiative is geared towards promoting the spirit of entrepreneurship in ICT among Filipinos and to ensure the continuous creation of investible ideas and startup founders that will expand the Philippine Startup ecosystem. The competition will be open for submission of entries that cover software and internet-based innovations.

WOMEN HELPING WOMEN INNOVATING SOCIAL ENTERPRISE PROGRAM - WHWISE

Also, last June 2021, the DOST launched the WHWISE Program which aims to help women social entrepreneurs who want access to technology, early-stage funds, and customized gender-friendly services so they can scale and qualify for investment unlike other programs that are fit only for mature enterprises. For its first call, the WHWISE program received a total of 30 proposals from women-led social enterprises and startups, of which nine social enterprises were approved for a total of P30 million (\$600,000) funding.

OUTLOOK OF THE PHILIPPINE TECH ECOSYSTEM, FROM EXPERIENCED TECH FOUNDERS

335

335 Fund was established by experienced tech founders that aim to lead the Philippine and Southeast Asian startup scene and help founders get off the ground as quickly as possible. We invest in early-stage tech-driven companies that we believe will play a key role in accelerating the Southeast Asian internet space, as businesses continue to adopt digital technologies.



OUR PORTFOLIO AND THOUGHTS ON Y COMBINATOR

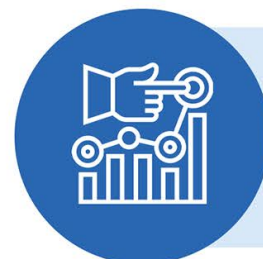
Since the fund's inception in April 2021, we've committed to support eight promising startups from various industries. We believe in these startups because of their capable team, effective products, capturable market and scalability. 335 Fund has also helped these startups launch their products, improve customer acquisition and prepare for the Y Combinator applications.

Y COMBINATOR (YC) IS ONE OF THE WORLD'S MOST PRESTIGIOUS AND SELECTIVE ACCELERATORS THAT HELPS ITS STARTUPS FUNDRAISE AND SCALE LIKE NO OTHER.

YC startup founders can expect mentorship from founders of successful unicorn companies and gain access to a network of world-class investors. As YC alumni ourselves, we've experienced the value it has brought us with PayMongo and we aspire to have more Southeast Asian startup.

THE PHILIPPINE VC INDUSTRY

It is no surprise that many investors are bullish on the Philippine economy. Filipinos are upskilling themselves and getting into tech at an unprecedented rate. This sets the foundation of where the country will be in the upcoming decades. However, VC funding in the Philippines is still harder to get versus other countries. With the amount of potential Filipino founders have, they are deserving of more opportunities for the best mentors and investors to take their startup to the next level.



WHAT MAKES A GOOD VC OR ANGEL INVESTOR?

From a YC founder's perspective, they would need to have connections, be updated with industry trends and as much as possible have prior startup experience to help them reach product-market fit. **Promising startups do not just want funding anymore.** They want partners that can connect them with the industry and share their expertise. For us, what sets investors apart is their experience that allows them to understand the startup's challenges, market, and potential solutions so they may help them in the best way possible.



COLLABORATION IN THE PH STARTUP ECOSYSTEM?

The Philippine startup scene would thrive with more open feedback and support. No new founder starts out building a product perfect and ready to go, so feedback allows startups to narrow down what they should focus on, make better mistakes, and ultimately get a viable product off the ground much quicker. On the other hand, support helps startups connect to the right people, provides them with deeper knowledge and insights, and motivates them to push through despite adversities. In the end, we all want to make a difference in people's lives through innovation and entrepreneurship. But, that would only be achievable if we genuinely show support and motivate each other in any way we can.

Filipino startups that have received funding from Y Combinator:



YC W13



YC S19



YC W21



YC W21



YC W21



YC S21



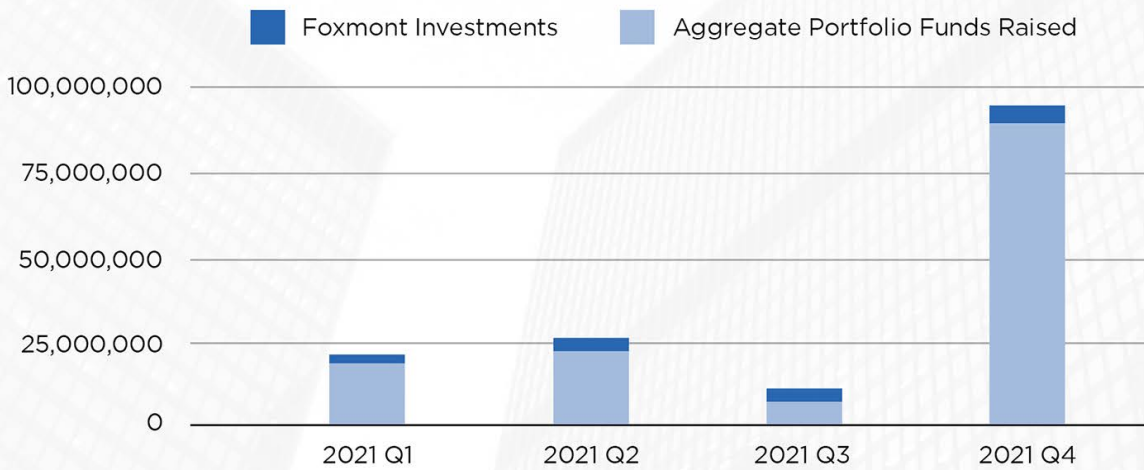
YC S21



Empowering Philippine-focused and Filipino-founded startups since 2018.

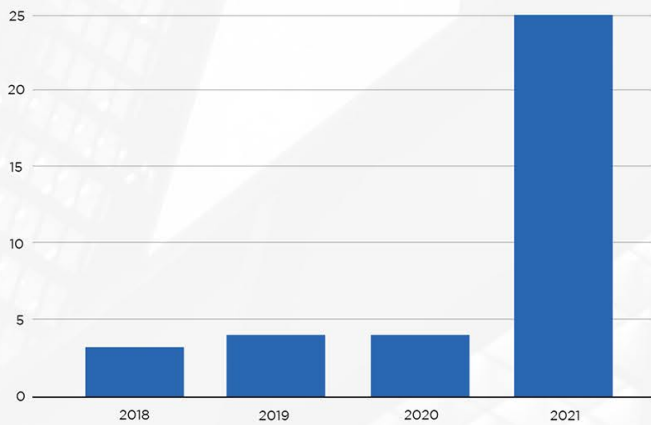
In the past 3 years, Foxmont’s portfolio has raised US\$ 160 million, representing 11% of total funds raised by Philippine startups

Foxmont Investments and Portfolio Aggregate Funds Raised

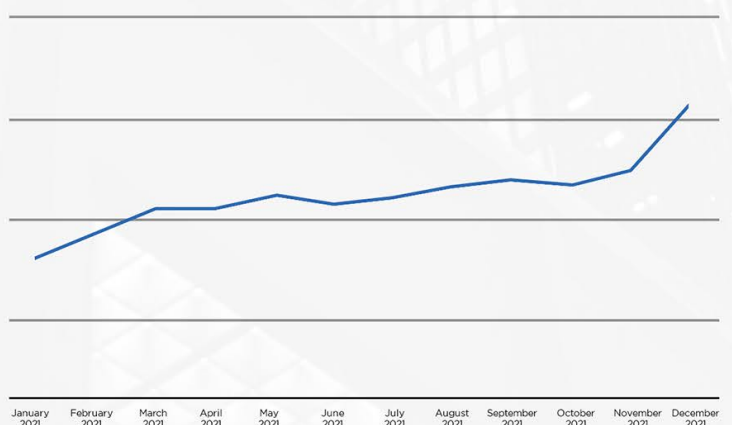


Foxmont investments contribute 5.14%, 6.16%, 18.91% and 2.49% of aggregate funds raised by the Foxmont portfolio in Q1, Q2, Q3, and Q4 of 2021, respectively

Number of Portfolio Companies



65% Portfolio Revenue Growth in 2021



Foxmont is amongst the most active early stage investors in the region with 21 new investments in 2021

2021 Portfolio Annual Recurring Revenue: US\$113M

Notable Co-Investors



Join us at the beginning of the Philippine Digital Evolution

