



Startup Outlook Report 2024

Southeast Asia



Foreword



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2023 was indeed a challenging year for the technology and innovation ecosystem, with the equity fundraising environment marked by caution and resilience. Given the continued interest rate environment, global economic uncertainty and geopolitical tensions, the shift in investor appetite and decline in equity investments were largely expected, especially given the record-breaking fundraising levels in 2021 and 2022.

As some of these headwinds continue to persist in 2024, this report provides insight into the sentiment prevailing in the technology ecosystem through the eyes of founders. The survey is administered to founders & senior leaders and covers a broad cross-section of companies from early-stage, growth stage and late stage. It covers wide ranging topics around funding environment, exits, focus areas, challenges and other aspects that are on the mind of founders. The survey was conducted with over 100 VC/ PE backed startup leaders during 2H2023 and 1Q2024.

We hope that this report will serve as a valuable resource for startup founders, investors and industry stakeholders, and provide a sentiment-driven perspective on the current state of innovative Southeast-Asian companies.



InnoVen Capital Group is Asia's leading venture debt platform, and a joint venture between **Seviora Holdings** (a US\$50 billion independent asset management Group, wholly owned by **Temasek Holdings**) and **United Overseas Bank Group**.

Established in 2015, the Group now has a Pan-Asian presence with operations across India, China, and Southeast Asia, where we actively provide debt capital to high-growth, venture-backed companies, and support talented founders in growing their businesses.

Logistics



Digital Media



Edtech



Healthtech



Mobility



Agritech



Fintech



Travel & Hospitality



eCommerce



Others



Enterprise



Select portfolio companies



2024 Startup Outlook Report

Fundraising

Founders struggled to meet fundraising goals in 2023

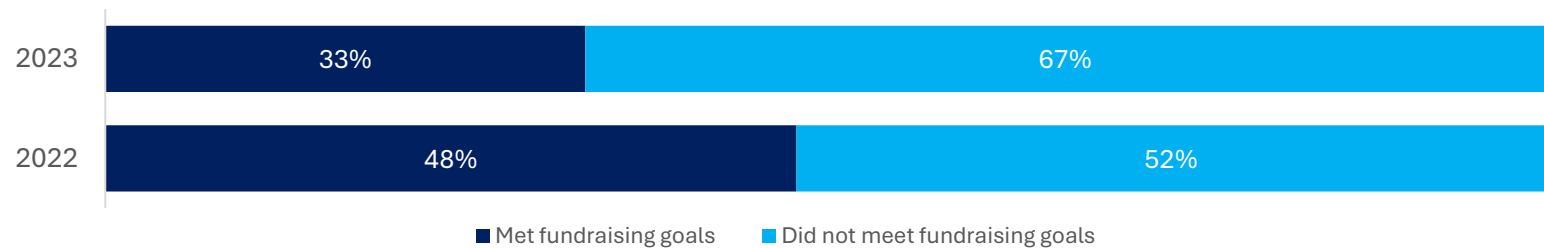
In 2023, a higher proportion of startups encountered challenges than in 2022, with a significant increase in the number facing difficulties securing funds, failing to meet funding goals, and experiencing prolonged funding timelines.

How would you rate the overall funding experience for your startup in 2022/2023?



More than half of the founders surveyed believed that their companies fell short of their fundraising targets for the year. Additionally, the percentage of respondents who considered their fundraising efforts successful decreased in 2023.

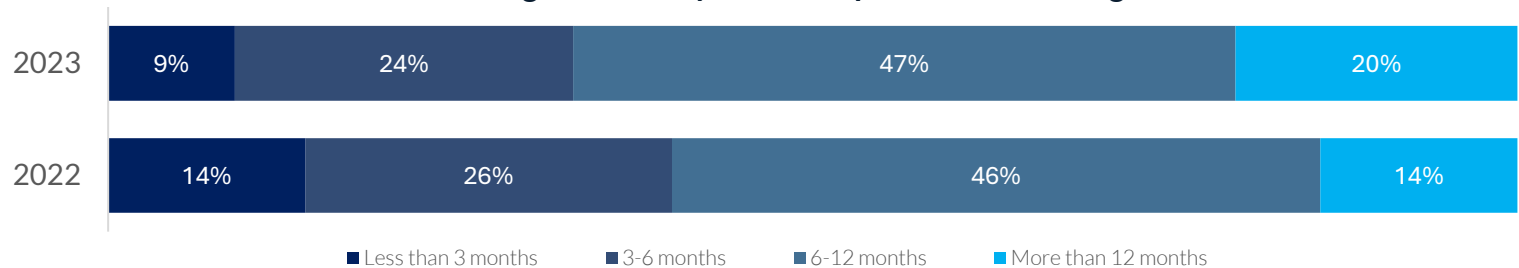
Compared to your fundraising goals, how would you rate the amount of funding raised?



In 2023, **96%** of surveyed founders responded that fundraising took longer than expected to close and **67%** experienced fundraising periods that were longer than 6 months.

Among those surveyed, startups in the **FinTech** and **Consumer** sectors experienced more success in fundraising in 2023, while those in the **HealthTech** and **e-commerce** sectors encountered more difficulties.

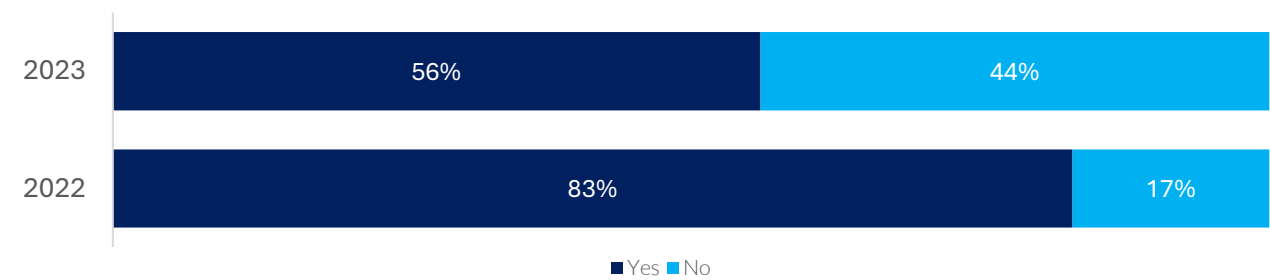
How long did it take your startup to secure funding?



Internal rounds were more common in 2023

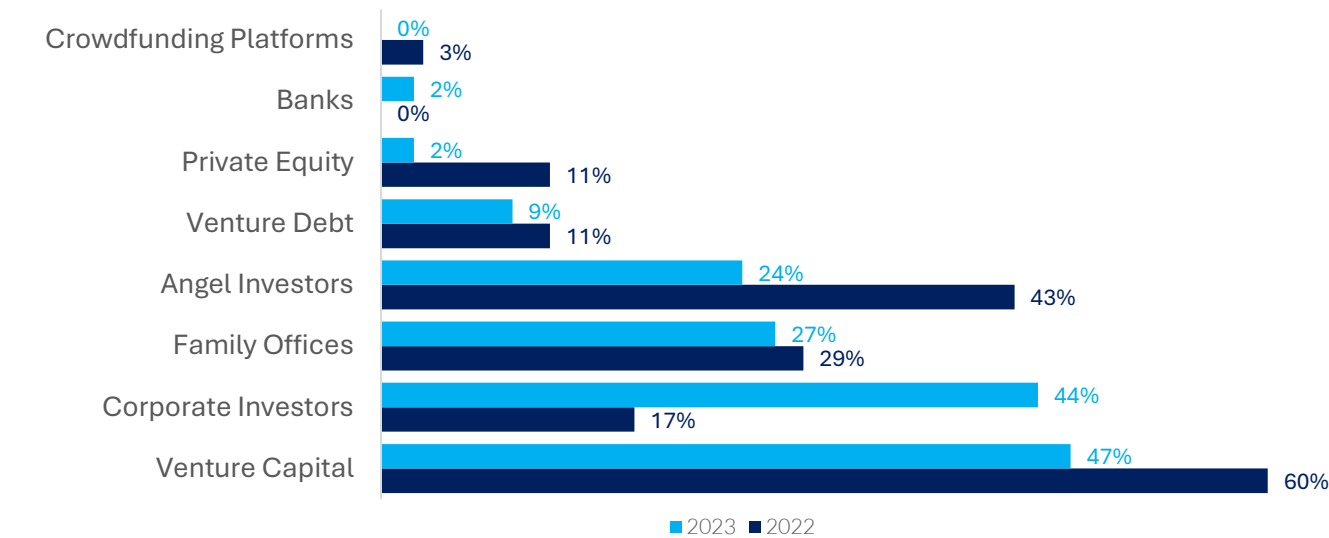
Venture capital remained the primary source of funding. Corporate investors and family offices were observed to have invested in earlier rounds.

Did you attract new investors in 2022/2023?



56% of startups who secured funds in 2023 raised money from new investors. This figure is a decline from the 83% observed in 2022.

What type of investors have you successfully raised funds from in 2022/2023?



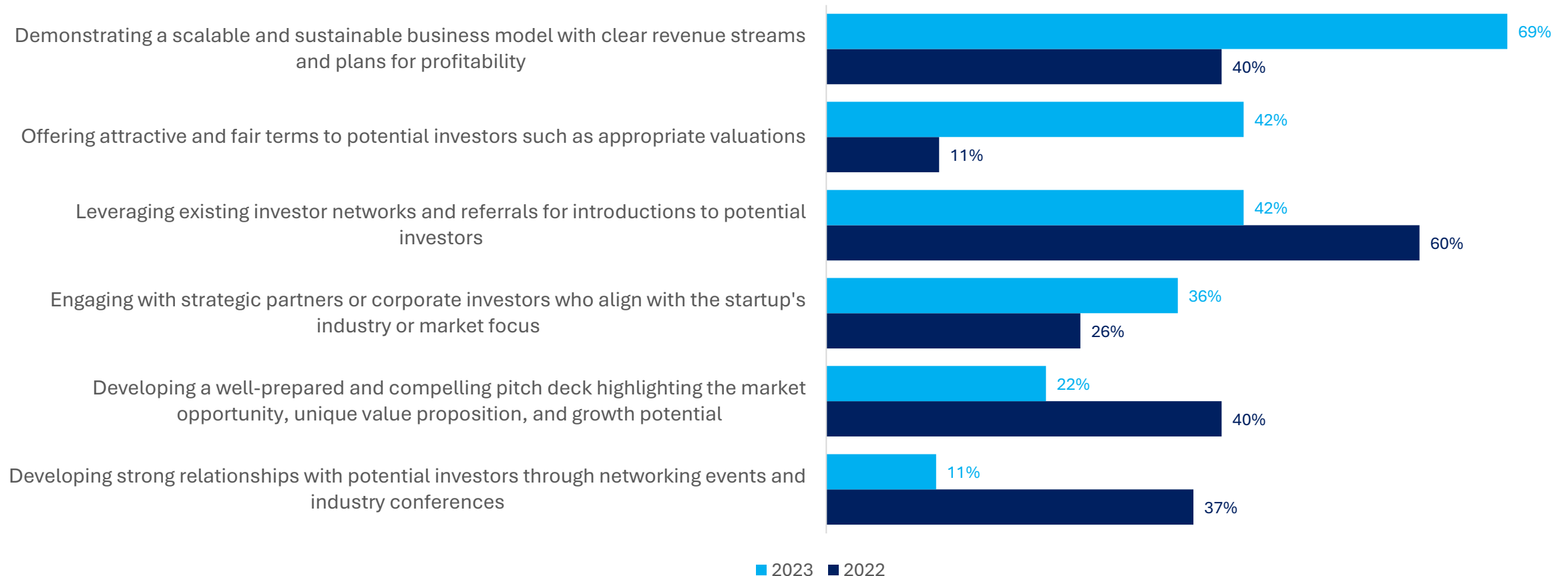
In 2023, **venture capital** continued to dominate as the primary funding source. Moreover, there was a significant uptick in fundraising from **corporate investors**, with 44% of startups securing their backing, up from 17% in 2022. Notably, while 2022 saw corporate investments mostly in Series A and later stages, 2023 witnessed startups at the Seed and Pre-A stages also securing funding from corporate investors.

Startups that successfully raised funds from **family offices** in 2023 were predominantly at the Seed and Series A stages. This marks a shift from 2022, where 30% of those funded by family offices were at the Series B stage.

Approximately 9% of startups surveyed successfully raised **venture debt** in 2023.

Founders prioritised profitability and showed flexibility on company valuations

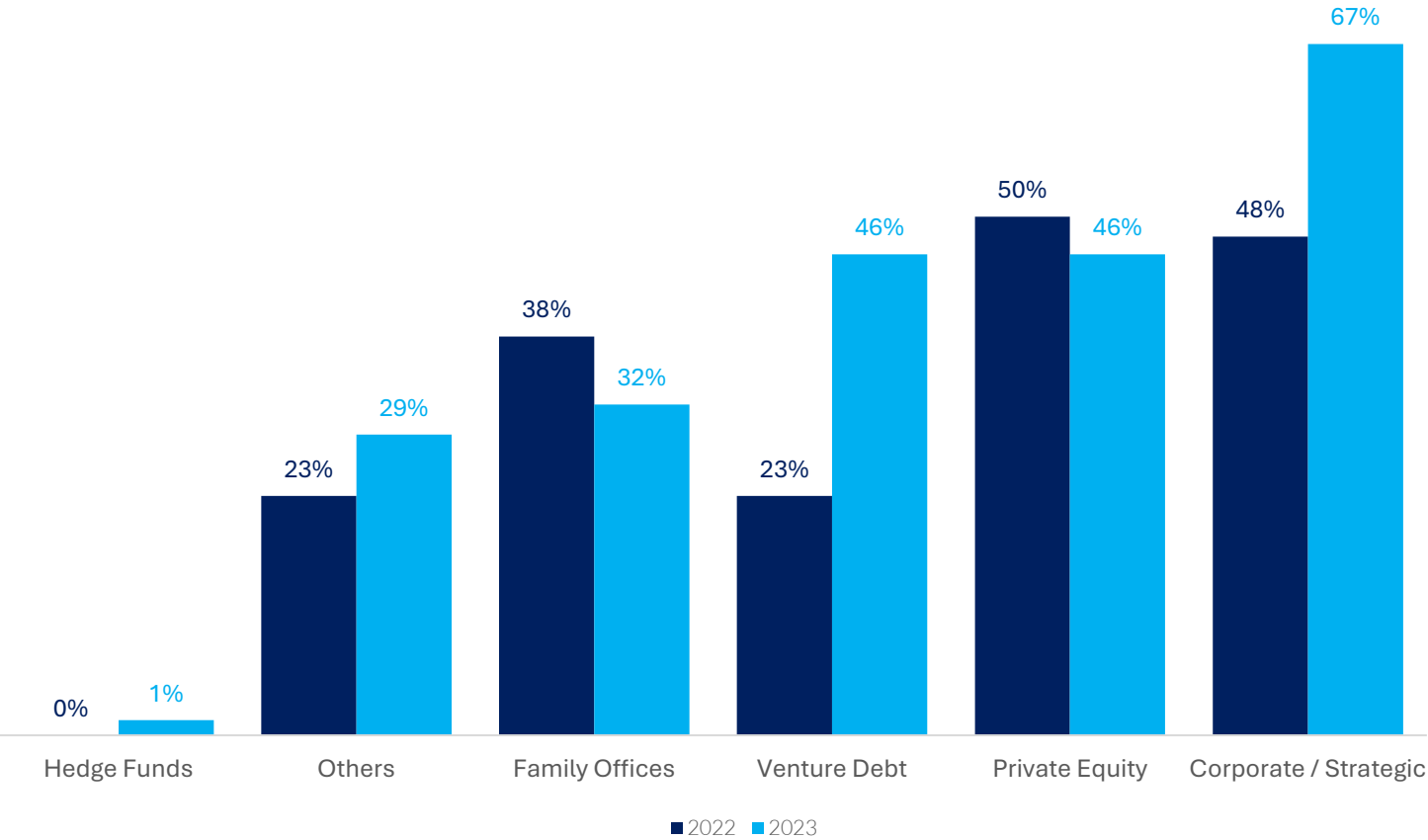
What strategies or tactics did you find most effective in successfully raising funds in 2022/2023?



Demand for Venture Debt doubled

There has been a notable increase in the demand for venture debt among founders. Additionally, founders increasingly acknowledge the value of strategic partnerships beyond just financial backing.

What are the types of investors that you prefer for the next round of financing?



In 2023, there was a significant increase in the demand for **venture debt** among founders, with 46% considering this option compared to 23% in 2022.

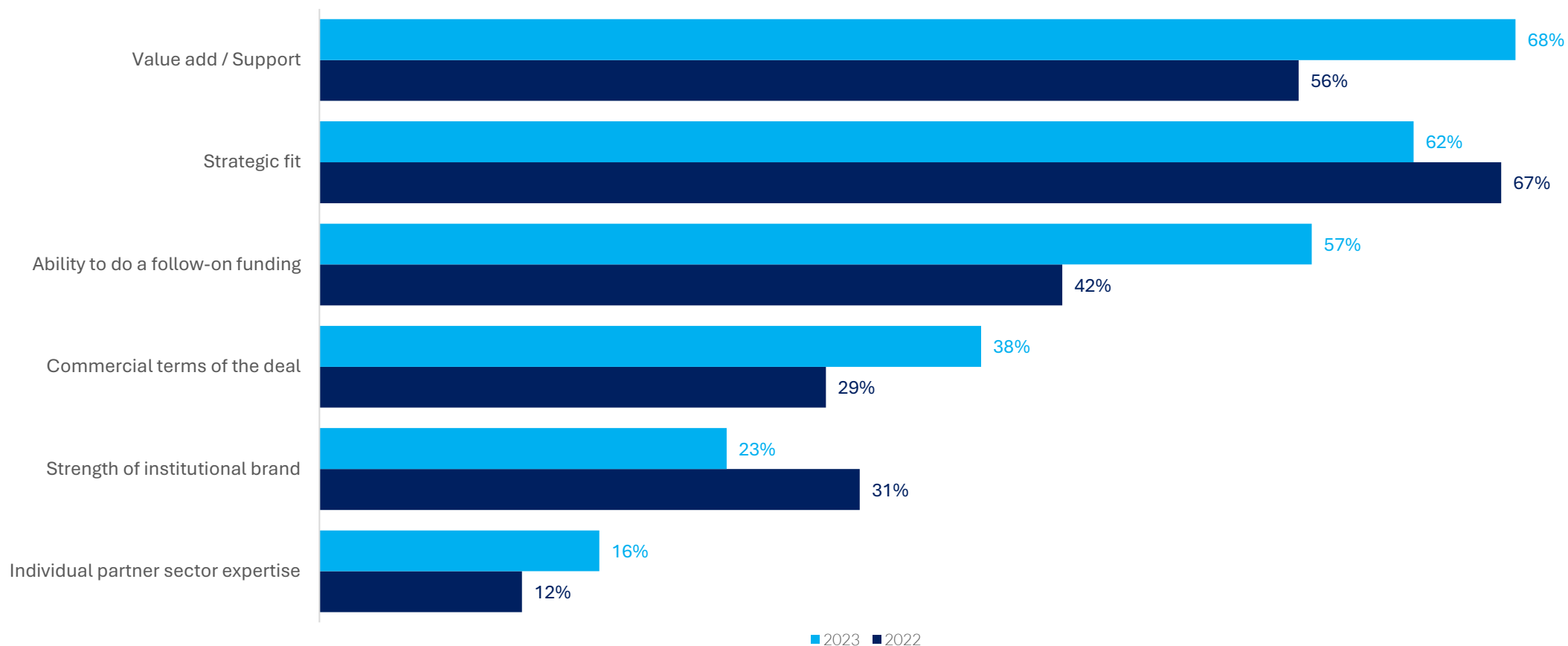
This suggests that amidst the funding winter, there continues to be mismatches in expectation of valuation and growth between founders and investors, and that has led more founders to consider and explore alternative sources of financing that have lower costs of capital.

Additionally, founders are seeking **strategic investors** for their next round of financing, with 67% expressing interest compared to 48% in the previous year.

Greater emphasis on Investor Support and Strategic Fit

When choosing a lead investor, founders continue to prioritise investor support and partnerships. Beyond financial backing, this signals an emphasis on the investor's ability to provide value, strategic alignment, and the potential for follow-on funding.

What do you think is the most important factor in choosing a lead investor?





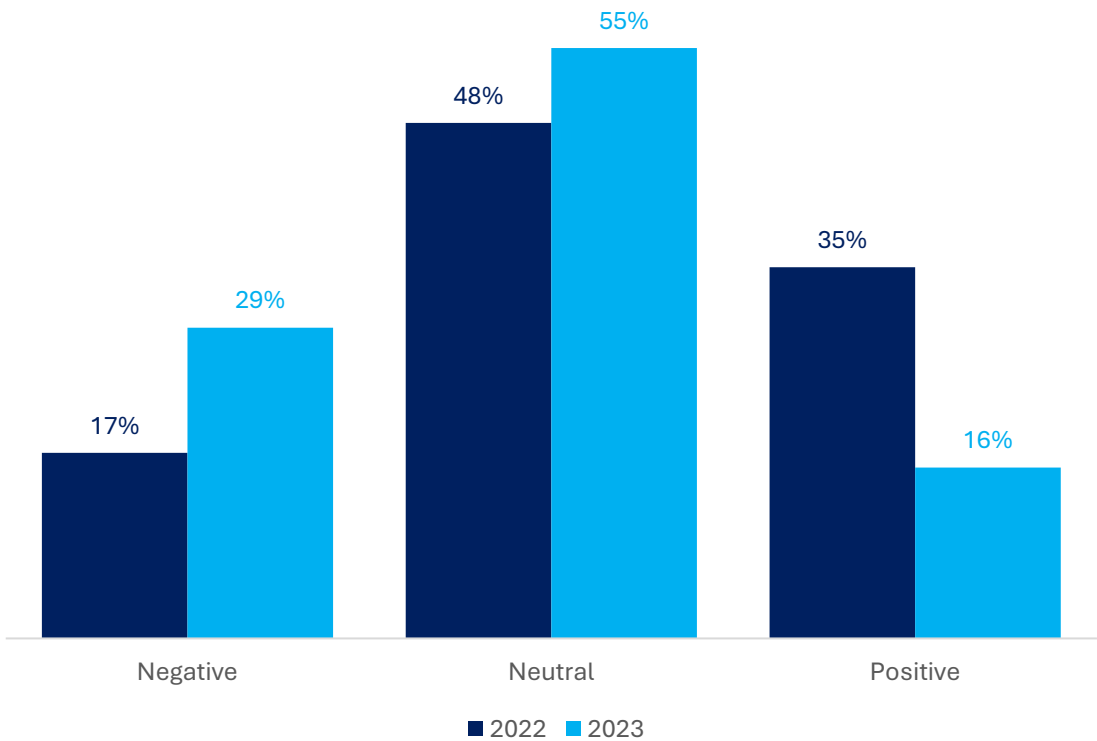
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Economic Impact and Outlook

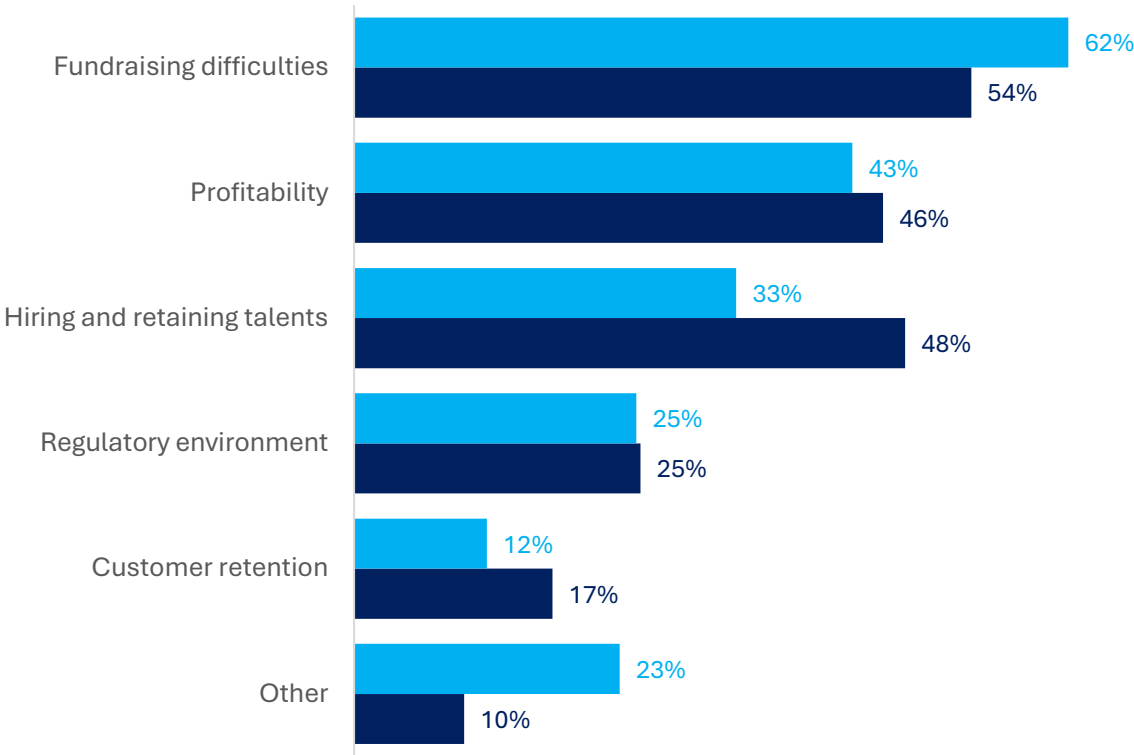
More startups are affected by economic conditions

In 2023, a higher proportion of founders find themselves adversely affected by prevailing economic conditions compared to the previous year. Despite this, majority of founders had a neutral outlook towards the impact.

How would you describe the overall impact of the current economic conditions on your startup's business?



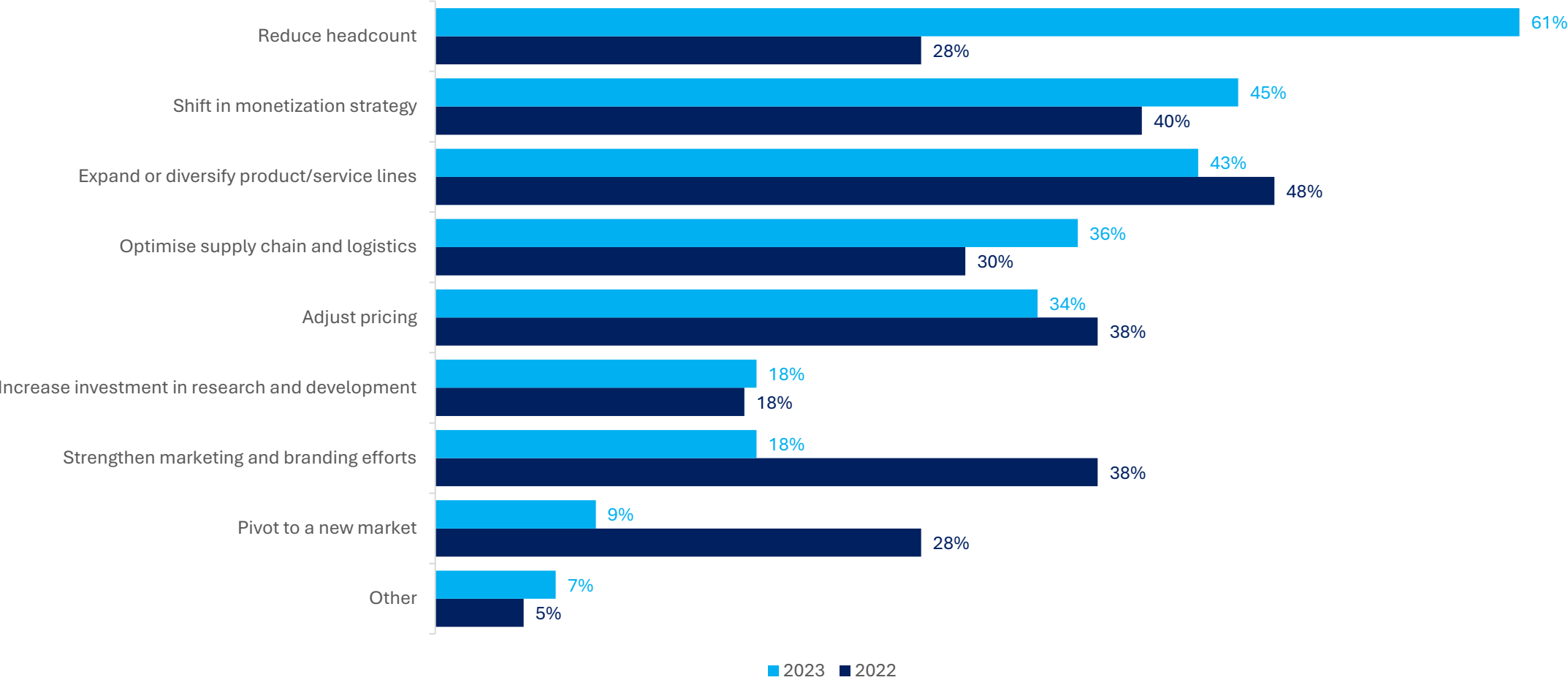
What has been the 2 biggest challenges your startup faced in 2022/2023?



Retrenchment as primary adjustment method in 2023

In response to economic conditions, majority of startups surveyed adjusted their business models in 2023, with layoffs being the primary adjustment method, while fewer prioritised marketing and branding efforts.

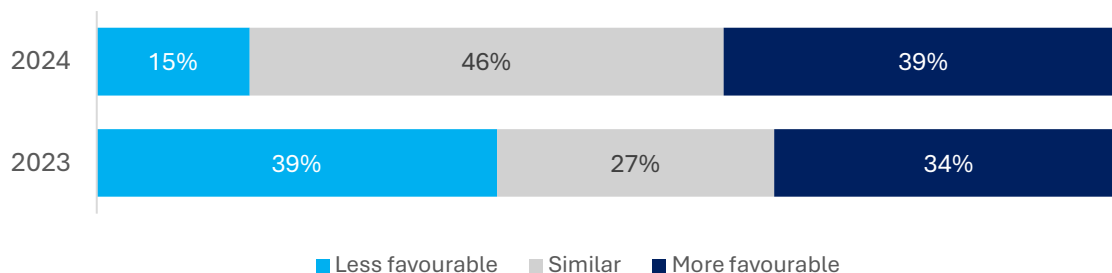
If you have adjusted your business model in response to the macro-economic conditions in the past year, which of the following adjustments did you employ?



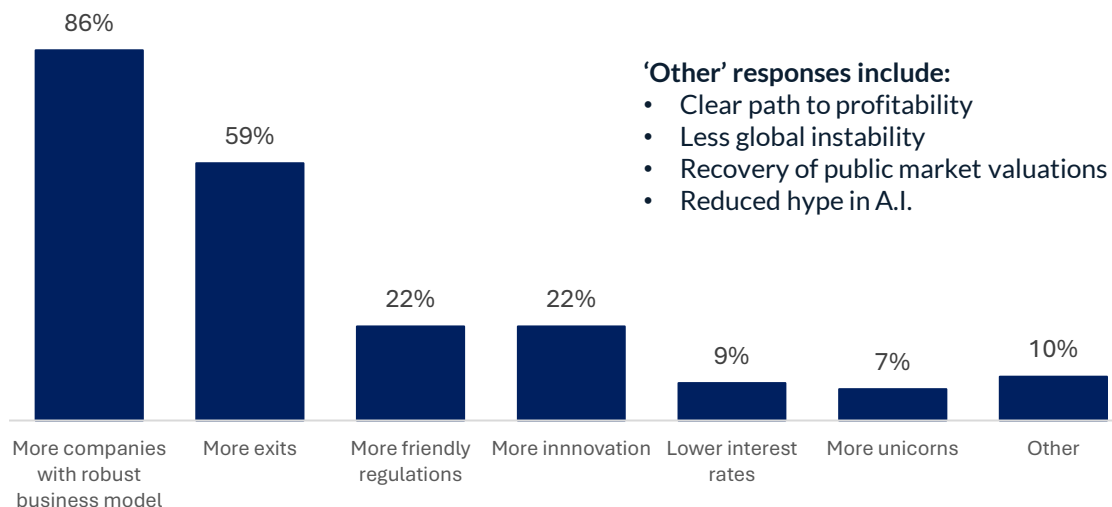
Growing optimism in funding environment for the year

Founders are feeling optimistic about the funding environment in 2024, with many anticipating up-rounds on current valuations

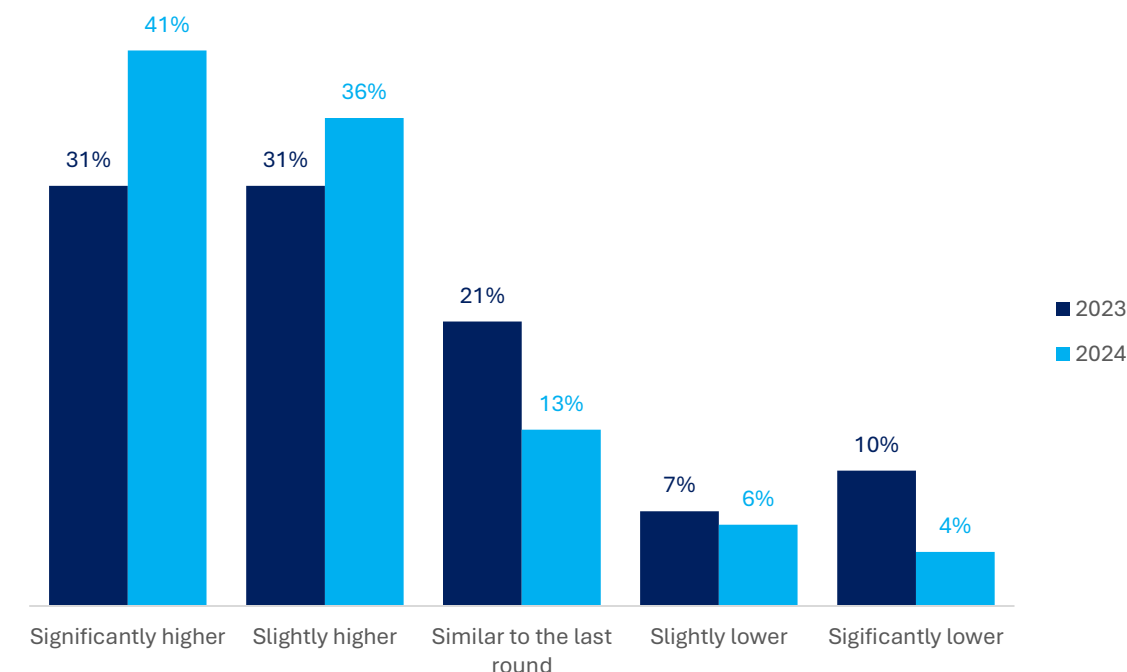
Do you think that the funding environment will be more favourable compared to the previous year?



What will drive a more positive investor sentiment in 2024?



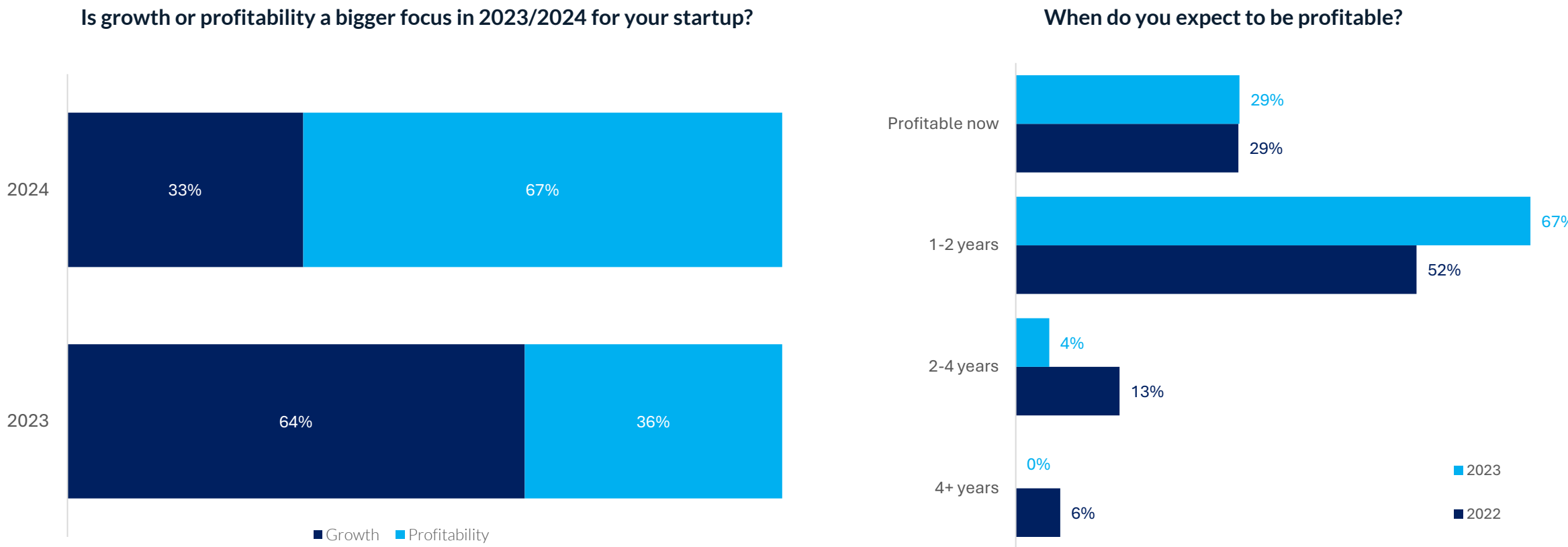
What is your realistic valuation expectation for your next round of funding relative to the last round?



More founders are anticipating higher valuations for their next funding rounds in 2024, with 41% (vs 31% in 2023) expecting significant increases compared to their previous rounds. This suggests a hopeful outlook for the recovery of valuation metrics in the startup ecosystem.

Profitability over growth

For 2024, even more Founders have shifted from growth-driven strategies to prioritising profitability, in line with investors' recommendations to do so. A significant majority are now aiming to achieve profitability within a span of one to two years.





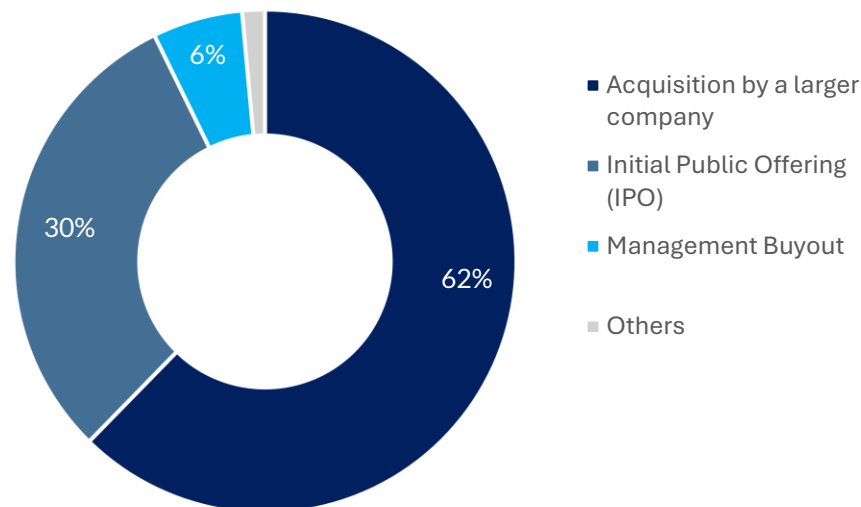
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Exit Strategy

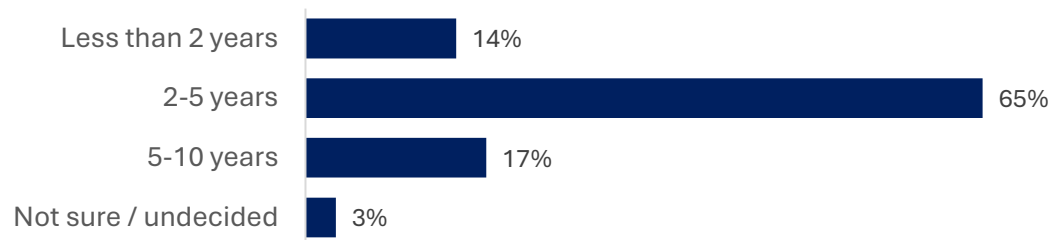
Trends in exit strategies and IPOs

In Southeast Asia, majority of the surveyed Founders prefer acquisition by larger firms as their primary exit strategy, with an exit timeline of 2-5 years. Founders aspiring for IPOs prioritise listings on global exchanges over local or regional ones.

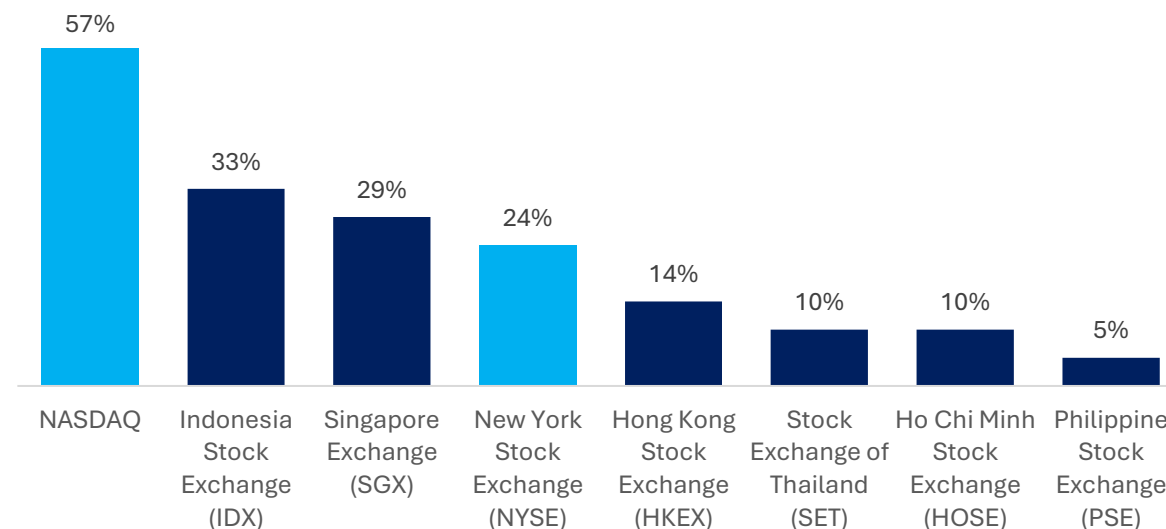
What is the most likely mode of exit for your company?



Within what timeframe do you anticipate a potential exit for your startup?



If you were to pursue an initial public offering (IPO), which exchange(s) would you prefer to list your company on?



In SEA, most startups favor acquisition by larger companies as the preferred exit strategy, followed by an IPO, and have an exit timeline of 2-5 years. Moreover, among startups with IPO aspirations, the majority aim for listings on prominent global exchanges such as NASDAQ rather than local or regional exchanges.

This preference indicates that the public markets in SEA may currently lack the vibrancy or attractiveness sought by startups, prompting them to explore alternative exit avenues such as acquisitions or exploring public markets outside of SEA.



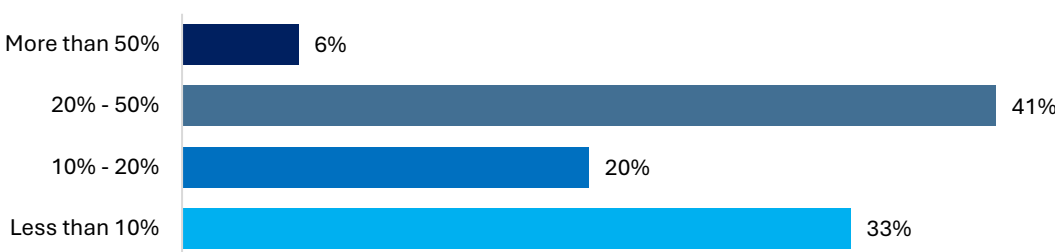
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Women in VC

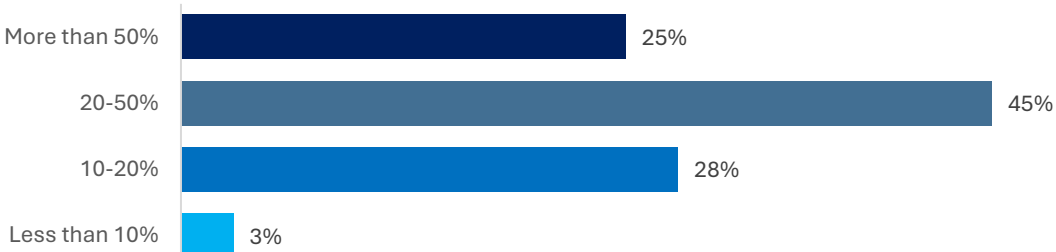
Gender diversity remains a challenge in SEA startups

In the SEA startup landscape, only 6% of surveyed startups are predominantly led by women, while only 25% have more than half of the employees who are women.

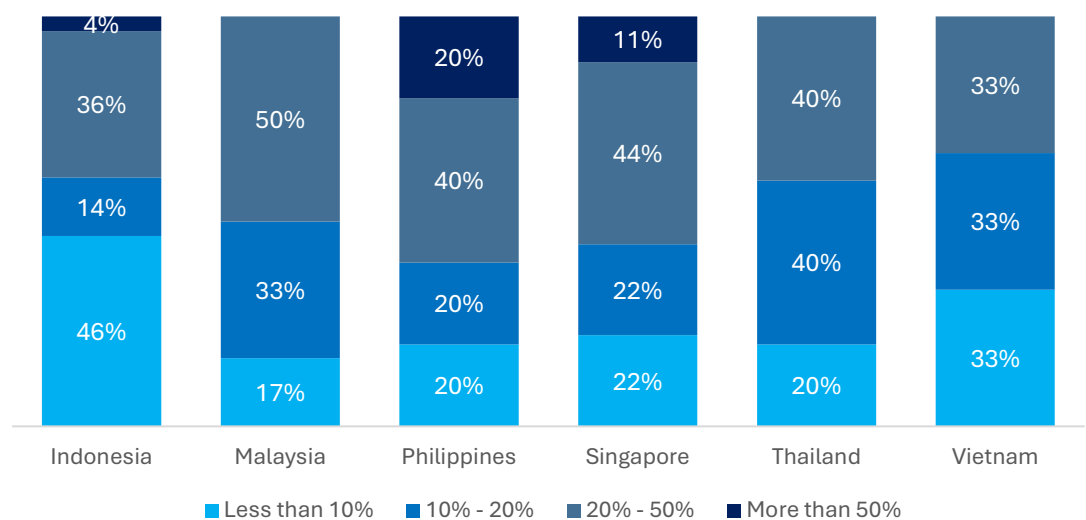
What % of your top leadership are women?



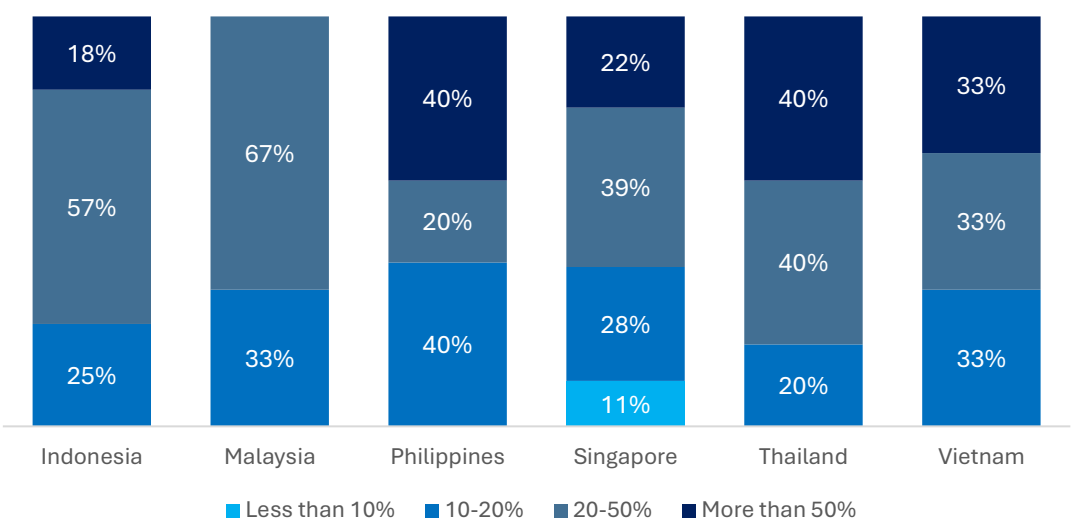
What % of your employees are women?



Breakdown by country



Breakdown by country

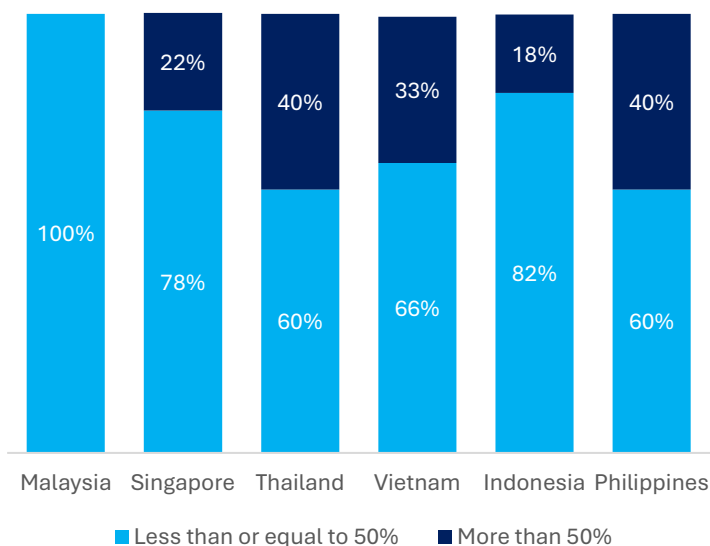


Policies championing gender inclusivity

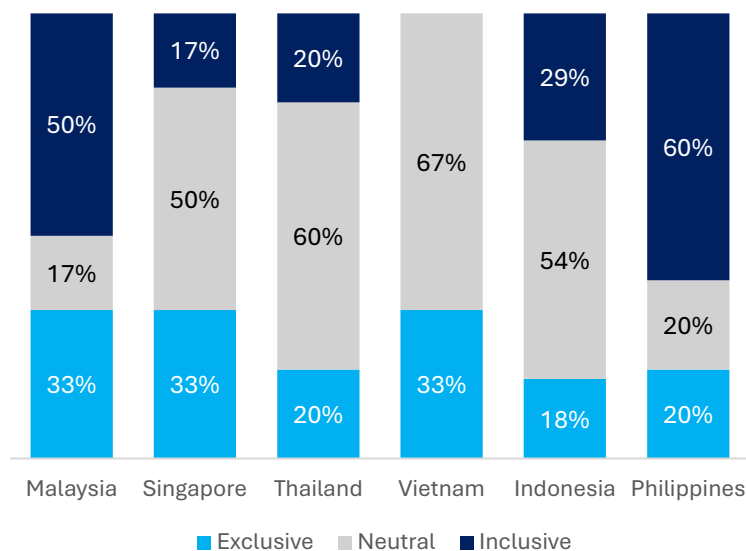
Among the surveyed startups that currently see lower gender diversity, there are efforts being made to foster a gender-inclusive environment through the implementation of policies.

What % of your employees are women?*

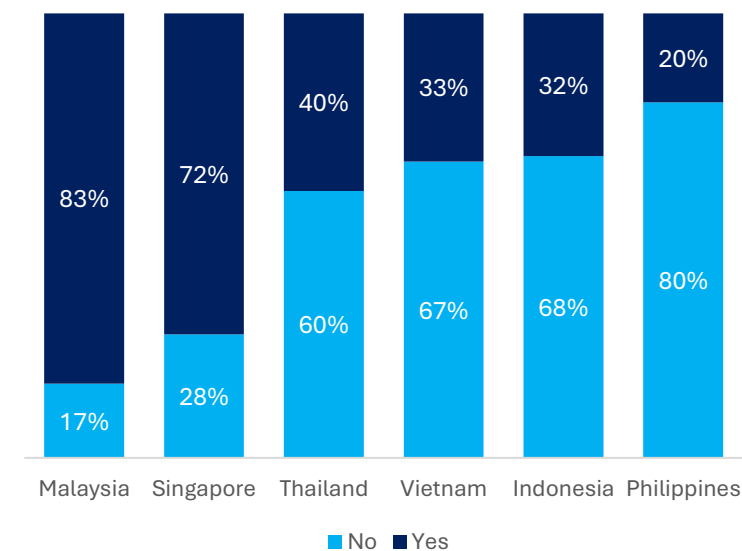
*Please note that the results presented here are only representative of the surveyed startups.



How do you perceive the representation of women in the startup ecosystem in Southeast Asia?



Does your startup have specific policies or initiatives to foster an inclusive and diverse work environment, regardless of gender?



- In countries with lower gender diversity such as Malaysia and Singapore, they have the highest proportion of surveyed startups that have implemented gender-inclusive policies, with 85% for Malaysia and 72% for Singapore.
- Conversely, in the Philippines, despite boasting one of the highest proportions of predominantly female employees (40%) and the highest percentage of women-led VCs among surveyed startups, as well as the highest percentage of startups perceiving women's representation as inclusive (60%), only 20% of surveyed startups have implemented gender-inclusive policies.
- In Vietnam, despite 33% of surveyed startups implementing gender-inclusive policies and having over half of their employees being women, none perceive women's representation as inclusive.
- Nonetheless, we note that these efforts made to foster a gender-inclusive environment through the implementation of gender-inclusive policies may not fully translate into perceived inclusivity or improved representation of women within the startup ecosystem.



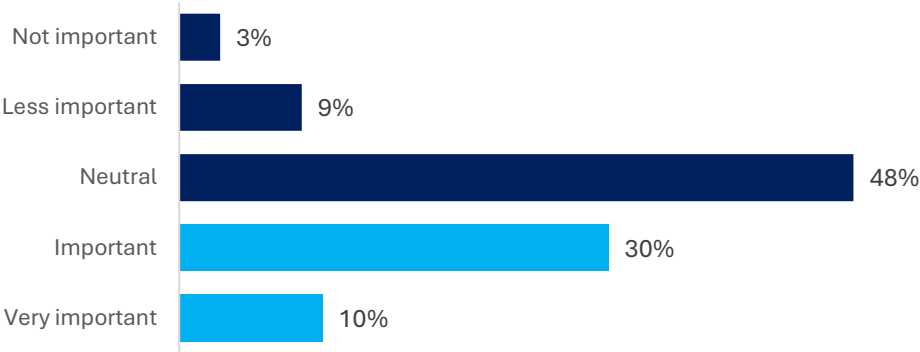
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ESG

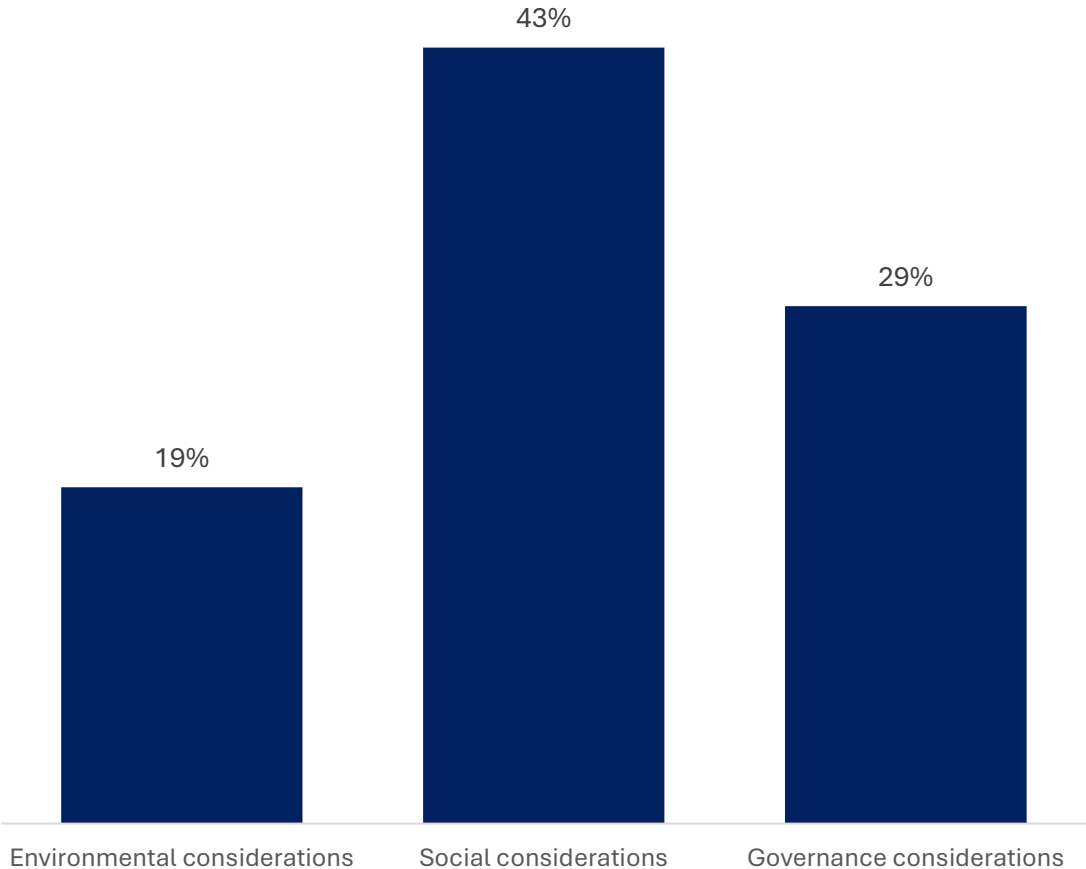
Integration of ESG considerations

40% of startups acknowledged the importance of incorporating ESG into overall mission and strategy. However, only 10% have fully integrated ESG considerations.

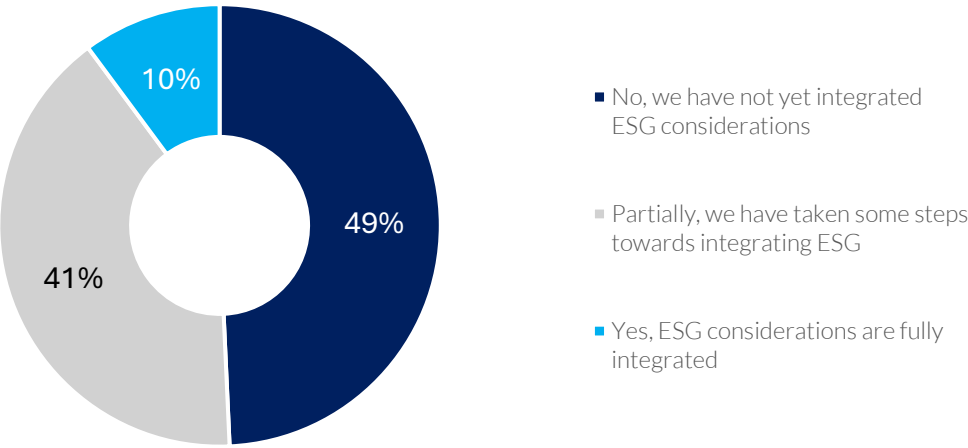
How important is ESG to your startup’s overall mission and strategy?



How do you currently integrate ESG practices into your startup?



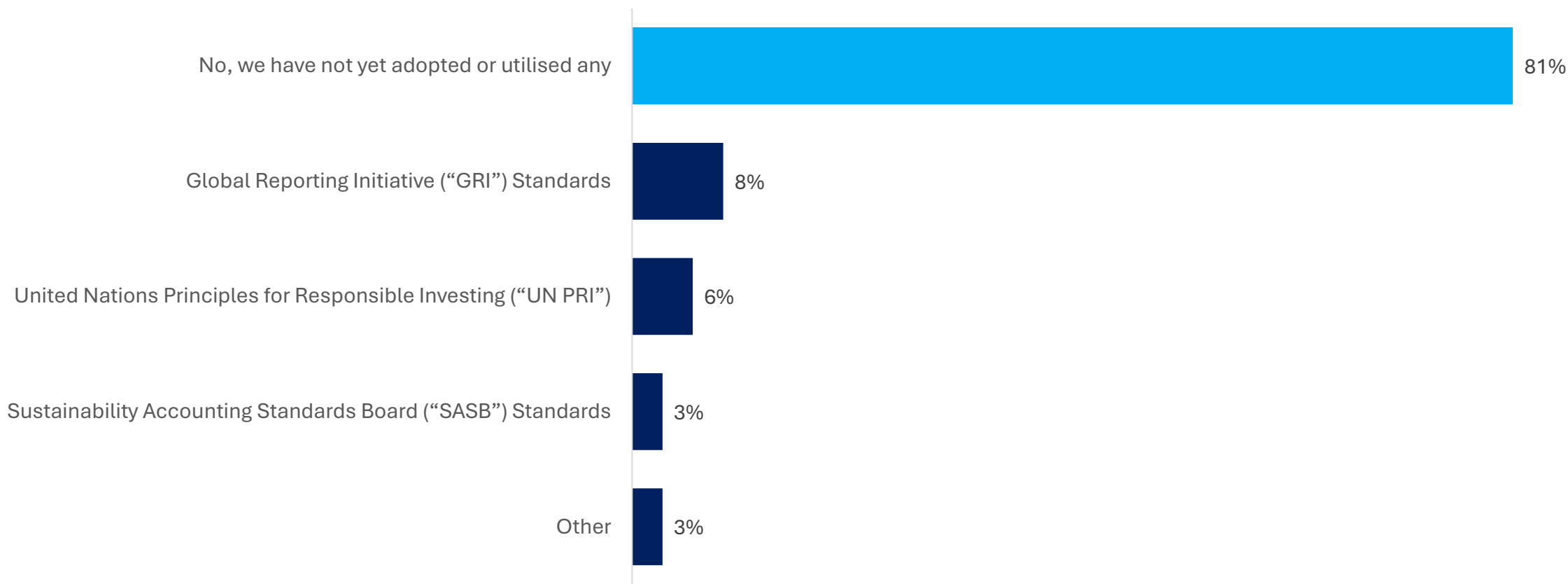
Has your startup integrated ESG considerations into its business operations and decision-making process?



Limited adherence to international ESG standards

Among the startups surveyed that have fully or partially integrated ESG, 81% of them do not adhere to any international ESG standards or frameworks.

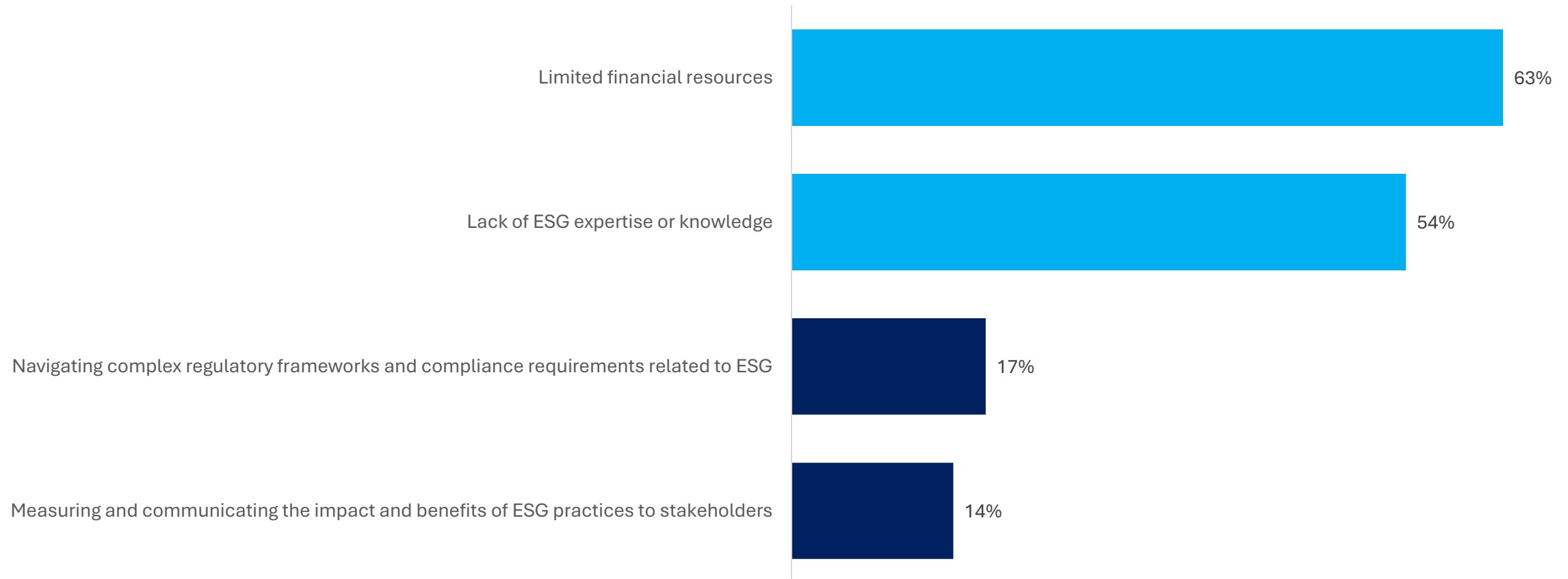
Does your startup adopt or utilise any international ESG standards or frameworks?



Challenges when implementing ESG practices

Limited financial resources and a lack of ESG knowledge and expertise are cited as the primary challenges faced by startups when implementing ESG practices.

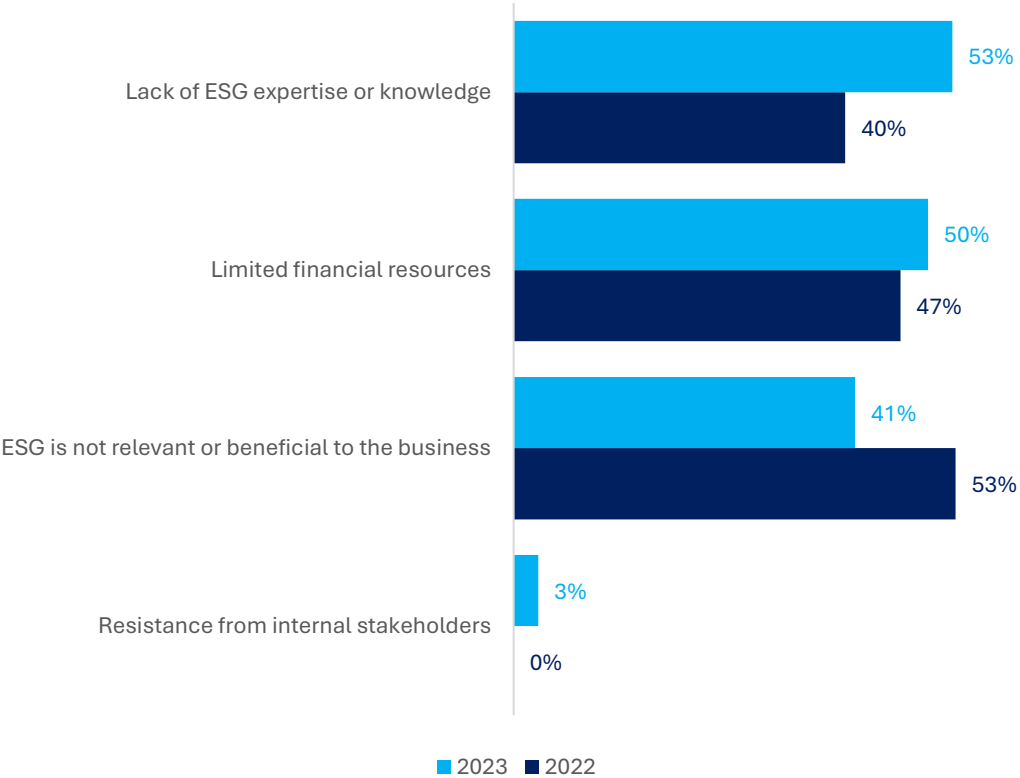
What are the main challenges you face in implementing ESG practices in your startup?



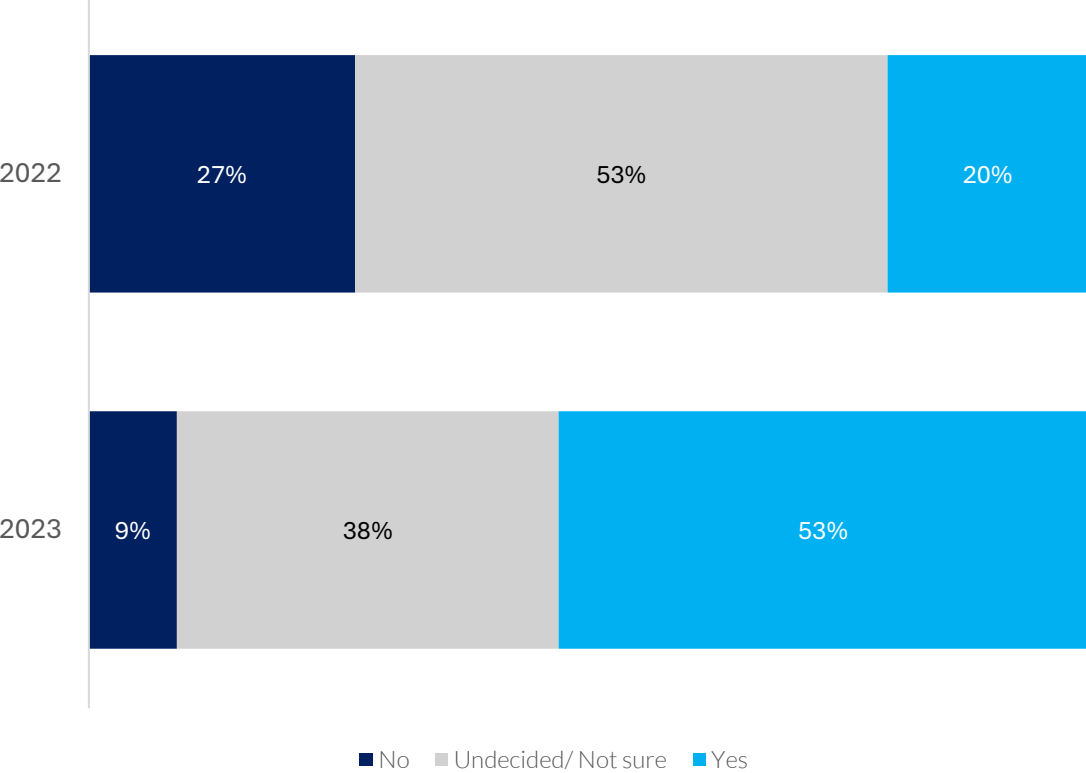
More startups plan to integrate ESG in the future

Despite resources and knowledge constraints hindering ESG implementation among startups, a greater proportion of respondents surveyed in 2023 expressed intentions to integrate ESG considerations in the future, surpassing those surveyed in 2022.

What are the main challenges for not implementing ESG practices in your startup?



Do you plan to integrate ESG considerations into your business in the future?



ESG Considerations

InnoVen Capital SEA advocates engagement with portfolio companies, as we believe our position as a venture debt provider allows us to encourage the transition of start-ups toward more sustainable ways of doing business.

Pre-Investment Due Diligence

During our pre-investment phase, we utilise a due diligence questionnaire to glean insights into each start-up's ESG maturity. While the results form part of our credit assessment, the process of going through the questionnaire helps to enhance the company's awareness of ESG-related topics and best practices. This process also acts as a catalyst for start-ups who lack the knowledge or struggle with numerous ESG frameworks and standards to kickstart their ESG journey. For companies which operate in sectors deemed to have higher exposure to ESG-related risk, we further highlight pertinent sector-specific ESG issues and prompt them to consider how they assess and manage these.

Post-Investment Monitoring

Post-investment, we engage with portfolio companies regularly to assess and monitor progress, focusing on steering them towards continuous improvement of sustainability practices.



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Sentiments

Sector Sentiments And Outlook

In 2023, founders considered Agritech the most overhyped sector, with Healthtech being the most underhyped. In 2024, Climatetech is expected to receive the most investor funding.

Sector that will attract the most investor funding in 2024

ClimateTech

Most overhyped sector in 2023

AgriTech

Most underhyped sector in 2023

HealthTech



METHODOLOGY

Between Q2 2023 and Q1 2024, Innoven Capital SEA conducted an extensive survey targeting founders and senior leaders across a diverse array of startups, spanning from early-stage ventures to well-established enterprises. This initiative explored various critical aspects, including the funding landscape, exit strategies, strategic priorities, prevalent challenges, and other considerations occupying founders' minds.

Focused primarily on key markets in Southeast Asia, namely Singapore, Malaysia, Indonesia, Vietnam, Thailand, and the Philippines, this report provides a detailed analysis of the region's entrepreneurial landscape. Contributions to the survey findings were made by over 100 leaders representing venture capital and private equity-backed startups, enabling Innoven Capital SEA to glean insights into the intricate dynamics shaping the startup ecosystem.

THANK YOU

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