

AC Ventures LP Industry Research

Insights and Opportunities in Indonesia's Financial Technology Market

June 2020

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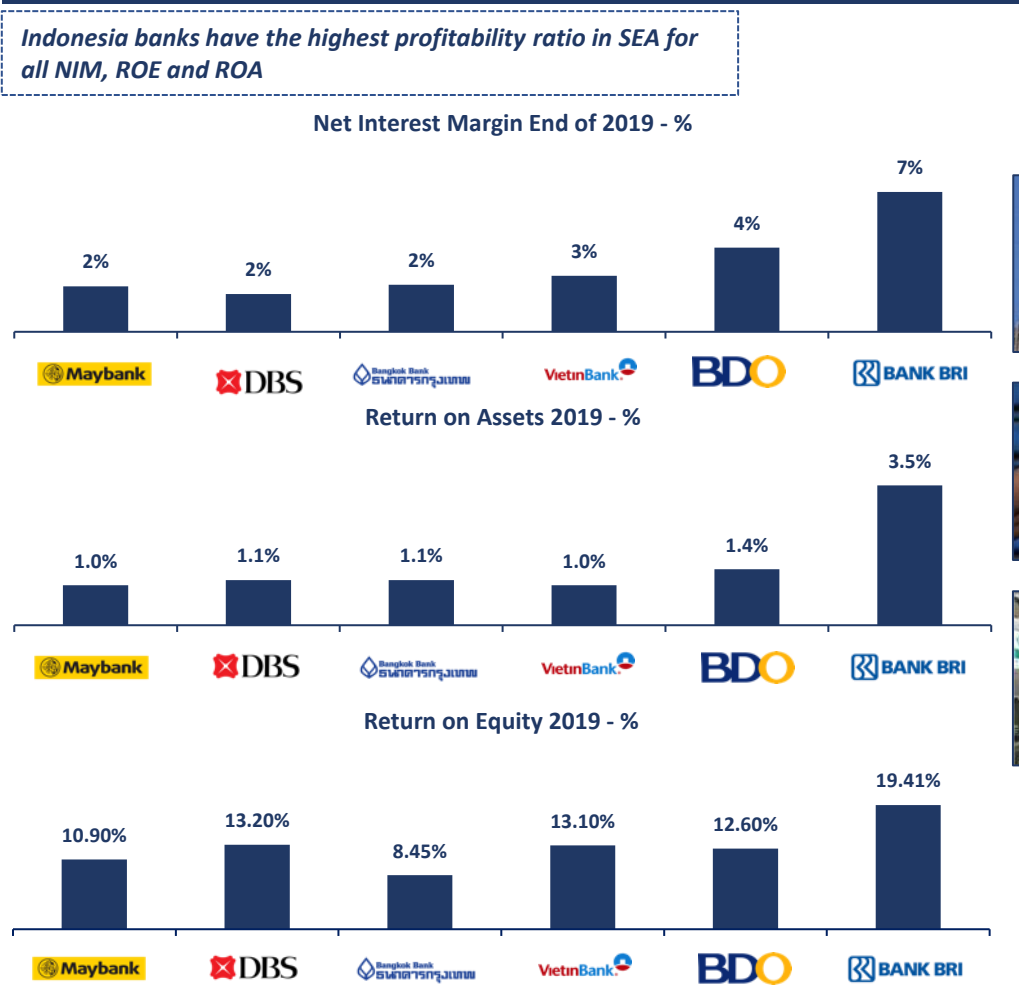
Indonesia's Financial Market is ripe for disruption with huge traditional incumbents earning above industry margins

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

Rank	Companies	Market Cap (USD Bn)*	% of Total
1	BCA	56.5	11.5%
2	BANK BRI	38.9	7.9%
3	TELKOMSEL	26.9	5.5%
4	mandiri	24.9	5.1%
5	Unilever	21.7	4.4%
6	ASTRA international	18.4	3.7%
7	PT HM Sampoerna Tbk.	17.2	3.5%
8	Chandra Asri	11.2	3.5%
9	BNI	9.5	1.9%
10	Indofood	9.5	1.9%
Total Indonesia		490.3	

*USD to IDR : 14,000

SEA Bank Profitability Ratio



Commercial Banks Infrastructures

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



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



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

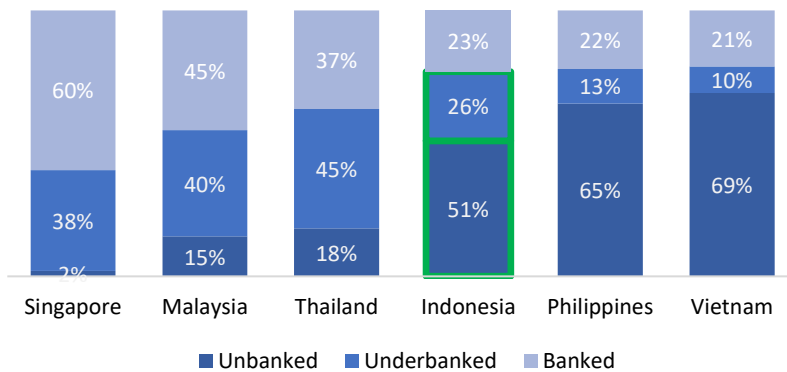


- 107K ATM machines
- 1.1M EDC machines

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

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

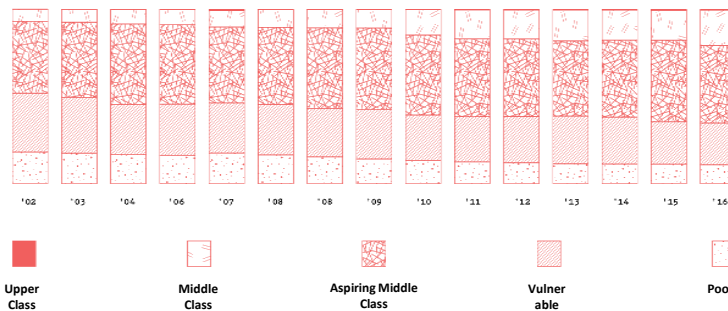
Banking Penetration on SEA Adult Population 2018



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

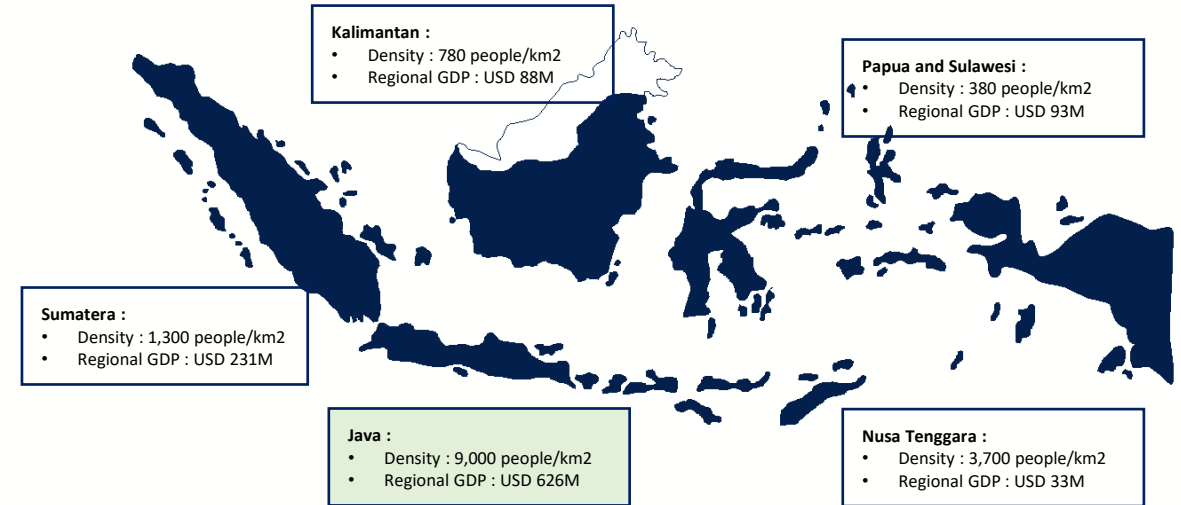
However, Indonesia's improving socio economic condition may boost demand for financial service in near future

Indonesia Population by Socio Economic



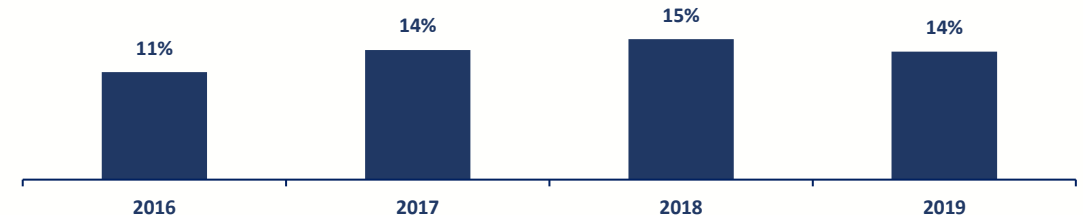
- **Middle class constitutes 20% (52M)** of Indonesia population, being defined as people with monthly consumption USD 80 – USD 410 (1.2M - 6.0M IDR)
- **Middle class accounts for almost 50% of national household consumptions**

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

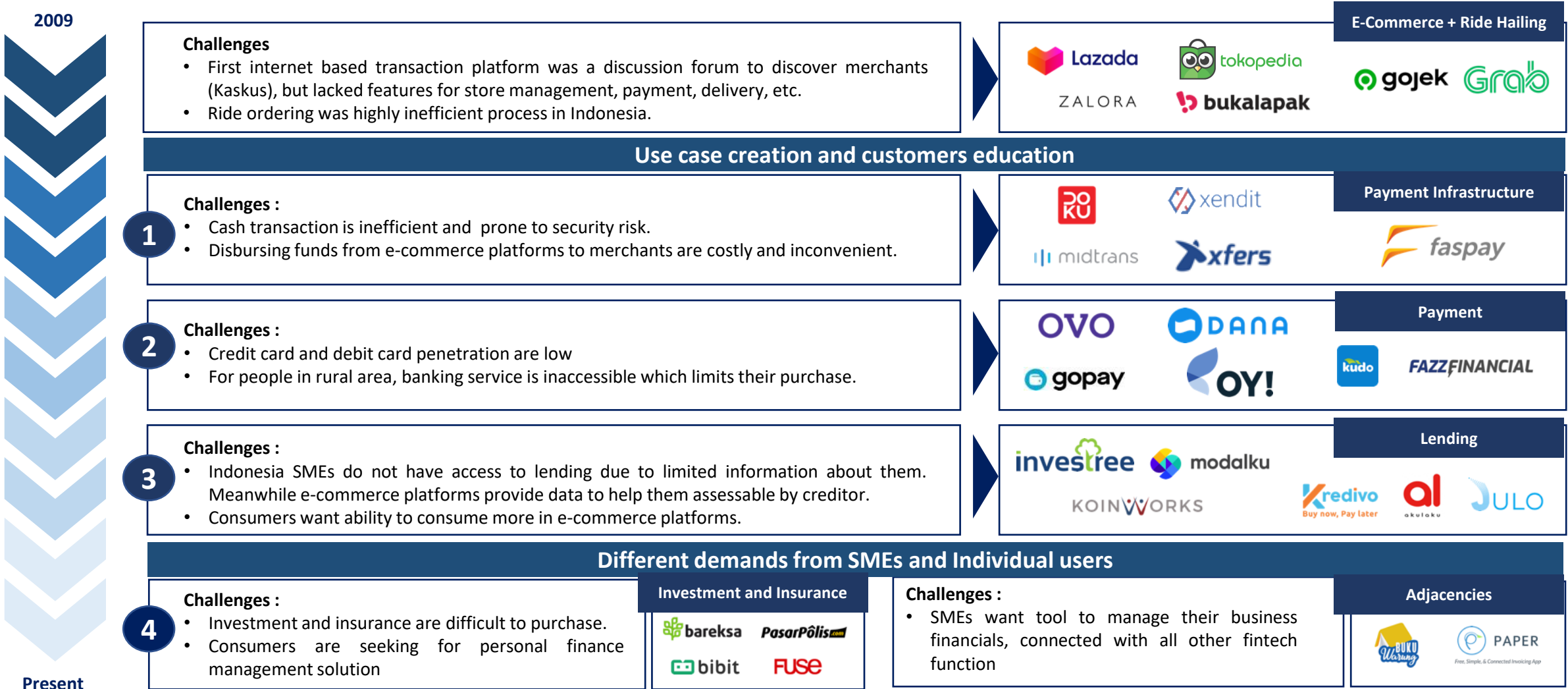


And banks are already highly profitable by serving their current customers base, providing opportunities for fintech to serve the unserviceable

Net Profit % Operating Revenue Commercial Banks - %



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



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

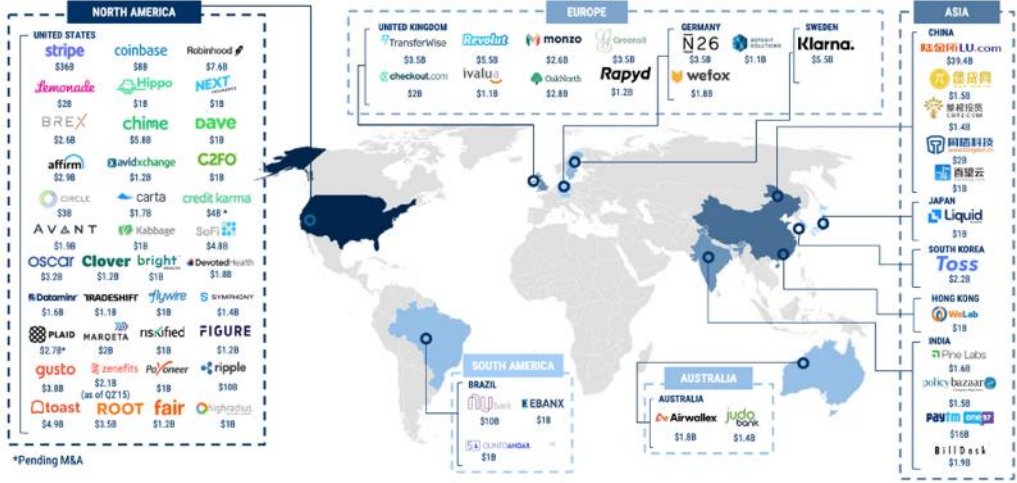
Largest Financial Services Companies on Each Period

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



Fintech Unicorns Around the World Q1 2020

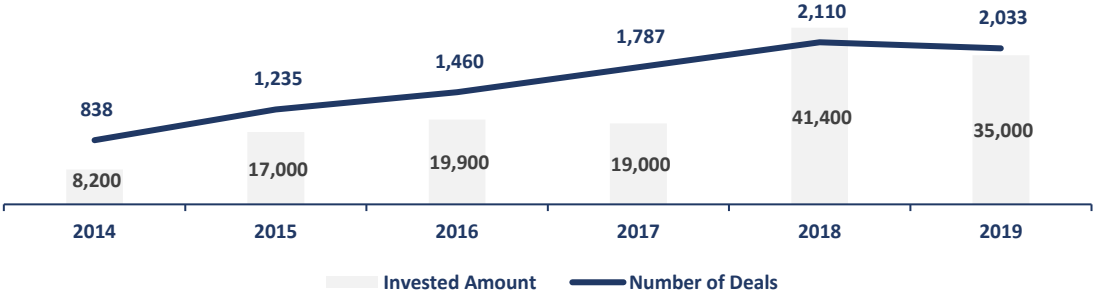
...and we are expecting more fintech players to emerge as champions from the pool of over 263 fintech unicorns globally



Fintech Deal Counts and Values Global and SEA

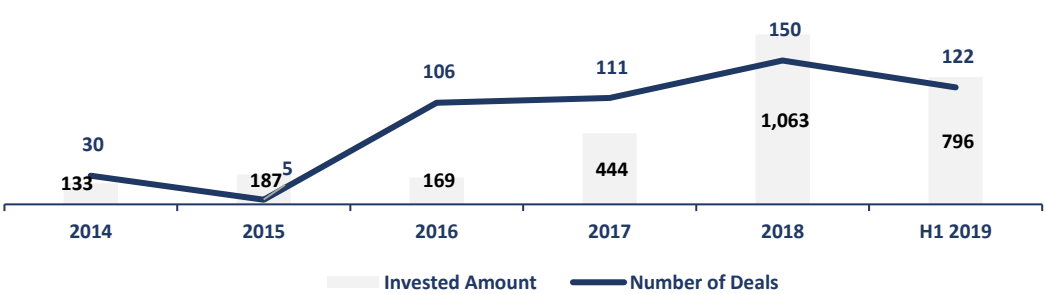
Investors are on the race to fund the next champions...

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



SEA is likely to next see a champion in fintech

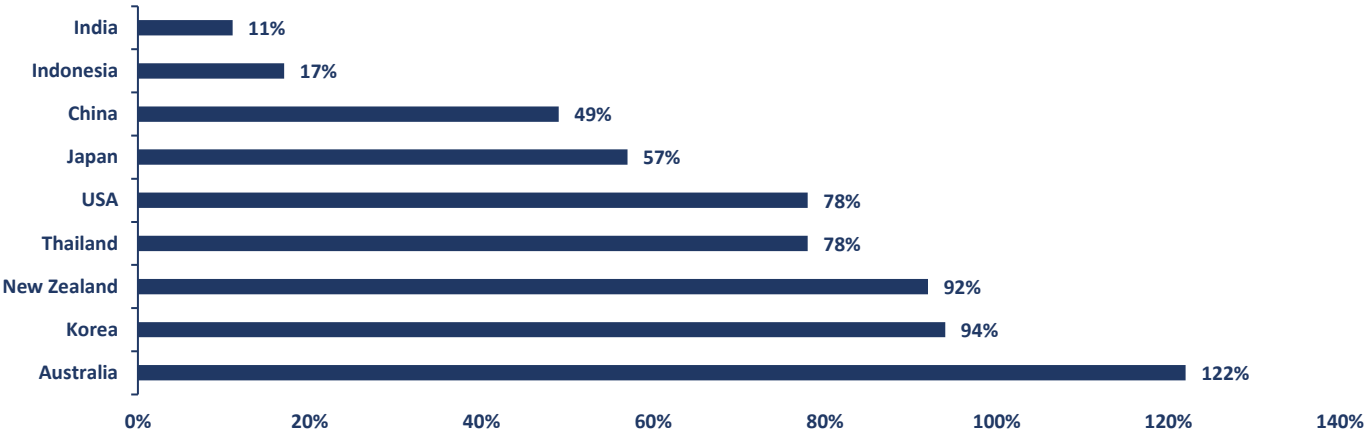
SEA Invested Amount in Fintech – USD M and Fintech Number of Deals - #



Advancing credit and financial inclusion will be one of the critical growth drivers for Indonesia's future, now is the time to invest

One of key elements to boost economic growth effectively is the utilisation of credit to increase spending and accelerate production capability, **but Indonesia credit usage is still at minimum..**

Household Debt per GDP by Country - 2017



“

Without access to formal financial services, the unserved and the underserved segments of society will be excluded from growth and its benefits...

... the effects of leveraging digital technology to bank the unbanked could boost GDP by 2% to 3% in markets like Indonesia”.

Asian Development Bank
(Accelerating Financial Inclusion In South-East Asia With Digital Finance, 2017)

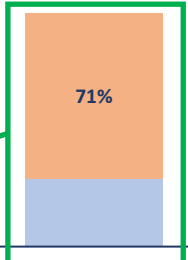
188M Working Class*

1.1% High Capital Expenditure

38.7% Middle Capital Expenditure

60.2% Low Capital Expenditure

Access to Credit Among Low-Middle Individuals



No Access to Credit
Have Access to Credit

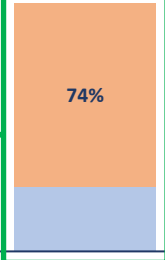
63M Businesses

0.1% Corporate and Commercial

1.2% Small Medium Enterprises (SME)

98.7% Micro Enterprises

Access to Credit Among MSMEs

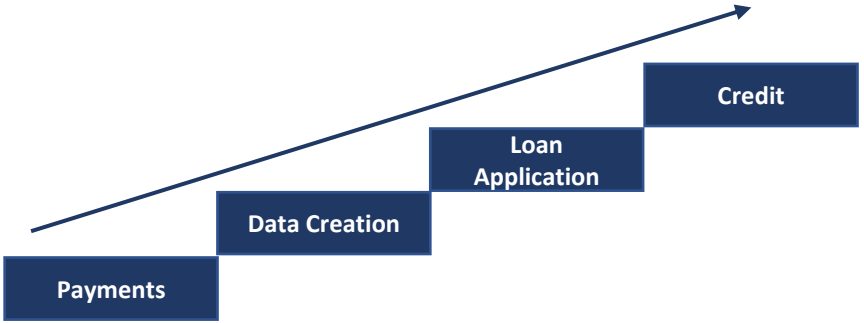


No Access to Credit
Have Access to Credit

*Age 15 - 64

Source: PwC

How fintech can open access to credit



Fintech Landscape - Infrastructure

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

1

Challenges :

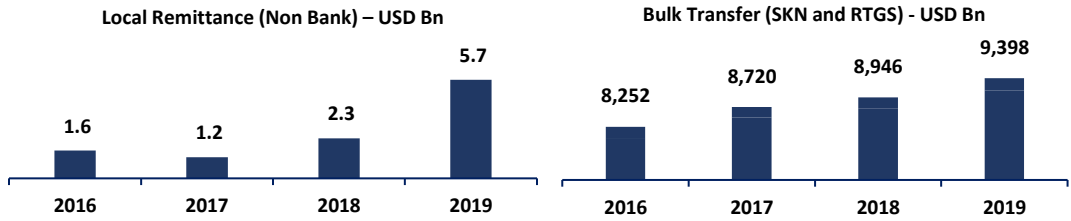
- Cash transaction is inefficient and prone to security risk.
- Disbursing funds from e-commerce platforms to merchants are costly and inconvenient.

Pain Points

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

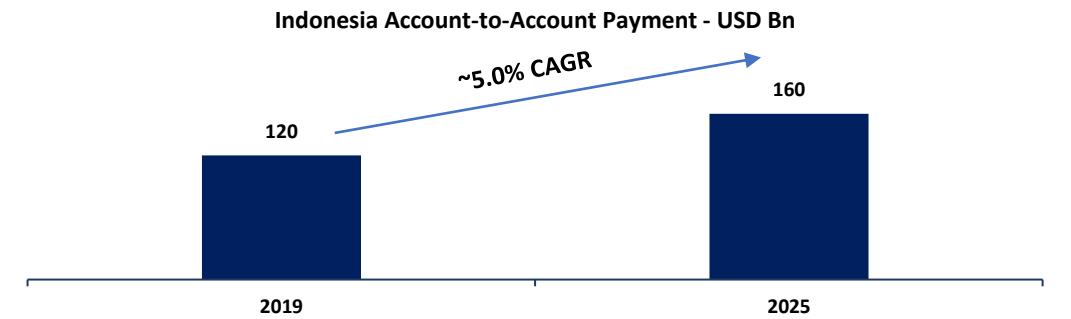
Money In	Method	Integration	Customer Supports	Customization
	Direct Connection to Bank	Integration and commercial negotiation done individually to each bank	Slow integration and no active customer support	Not flexible for customizations
	Digital Player	Just need to integrate to Digital Players.	Fast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

Opportunities -Money Out



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

Opportunities - Money In



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

Our investment in Xendit has grown exponentially to solve this issue through a layer of API connections across all banks



Indonesia player



Profile

Founded : 2015
Total funding : US\$67M
Last valuation : US\$367M
Investors :



Products

Payment service

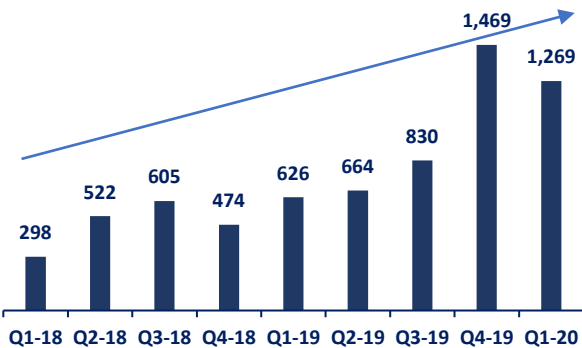


Disbursement service

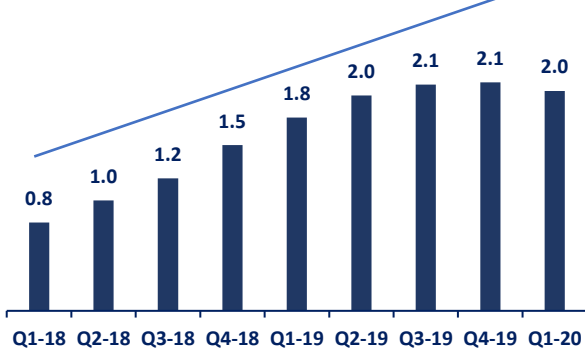


Performance

Total Payment Value (USD M)



Revenue (USD M)



Where they are heading

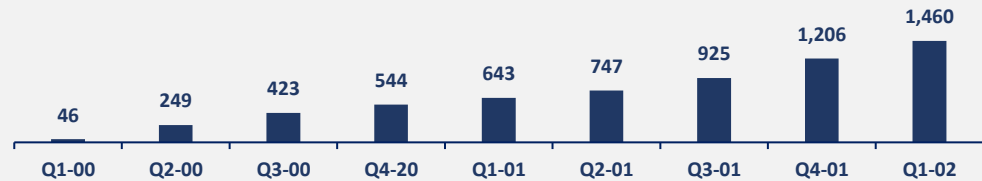


Founded : 1998
Total disclosed funding : IPO
Last valuation : USD 193Bn (19 June 2020)
Investors (Pre-IPO):



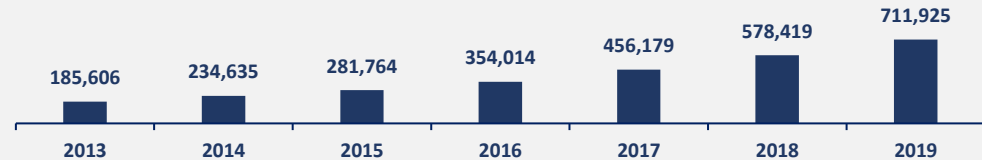
Pre-IPO

Total Payment Value (USD M)



2019

Total Payment Volume (US\$M)



Fintech Landscape - Payment

Digital payments is forecast to be almost USD 100BN by 2025 and has grown 3X since 2018 addressing lack of card penetration

2

Challenges :

- Credit card and debit card penetration are low.
- For people in rural area, banking service is inaccessible which limits purchasing potential.

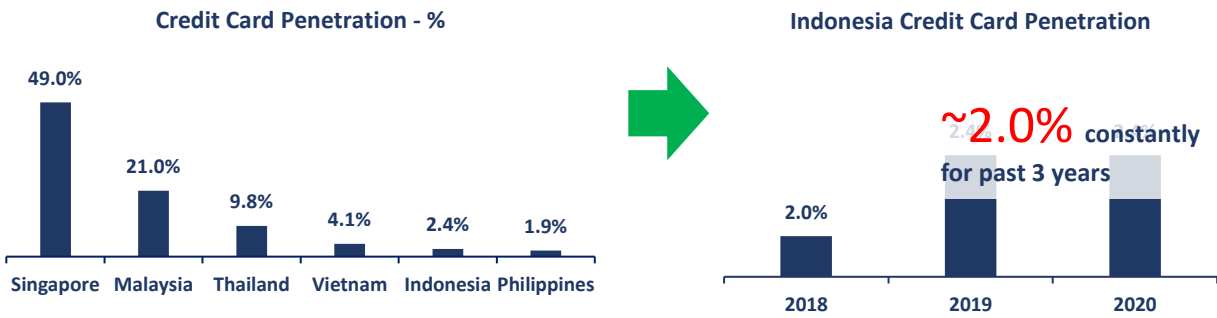
Opportunities

Monthly Digital Payment Volume (#M)

Promotional Spend

Pain Points

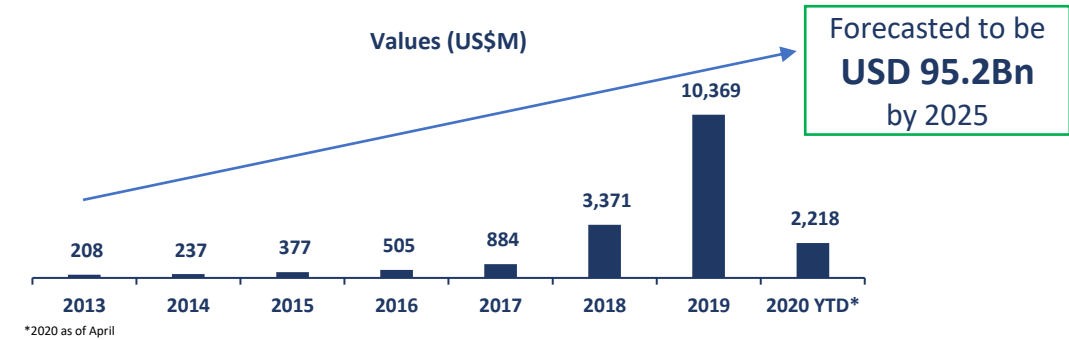
Indonesia's credit card penetration on adult population (15+ years old) is among the lowest in SEA and not increasing since 2018.



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



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



2019 digital payment GTV was only equivalent to 5.9% of total retail spending, far behind China's 59% in 2018. Indonesia's digital payment is still at early stage and will continue to grow to USD 95.2Bn in 2025.

Innovative solutions like Fazz use app-enabled agents outside tier 1 cities to bring payment solutions to the unbanked population



Indonesia player

FAZZFINANCIAL

Profile

Founded : 2017
Total funding : US\$108M
Last valuation : US\$257M
Investors :

AC VENTURES



Combinator



TIGERGLOBAL

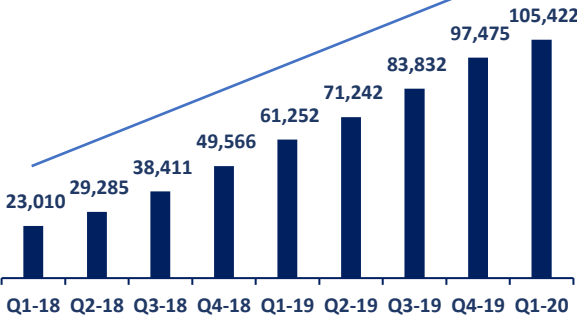
Products

Payment Agent App

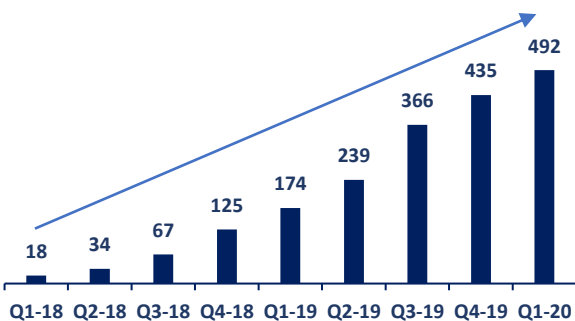


Performance

Monthly Active Agents*



Gross Transaction Value (USD M)



Where they are heading

paytm

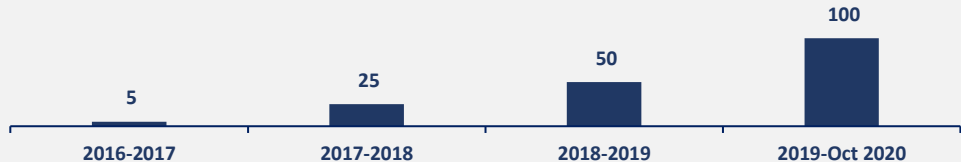
Founded : 2010
Total disclosed funding : USD 3.5Bn
Last valuation : USD 16Bn
Investors :

T.RowePrice

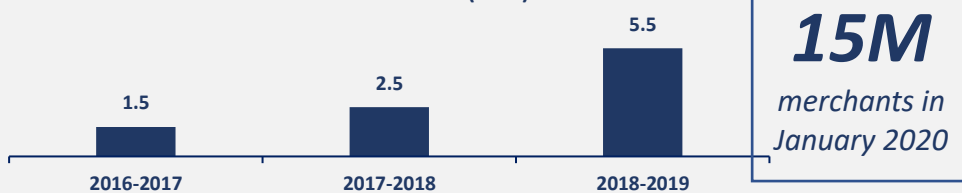


BERKSHIRE HATHAWAY INC.

Gross Transaction Value (USD Bn)**



Transaction Volume (# Bn)



15M

merchants in January 2020

Oy! Creates a simple unified consumer experience to easily transfer funds to people across banks



Indonesia player



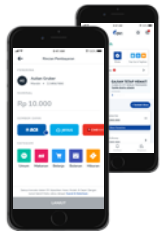
Profile

Founded : 2018
Total funding : US\$4.0M
Last valuation : US\$257M
Investors :

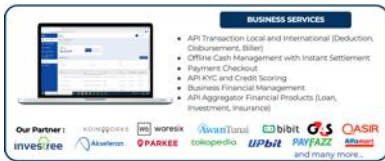


Products

Mobile App

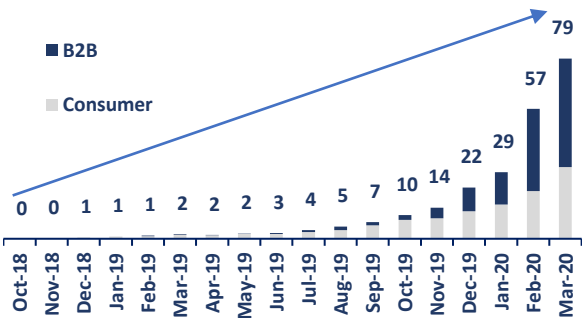


B2B Services

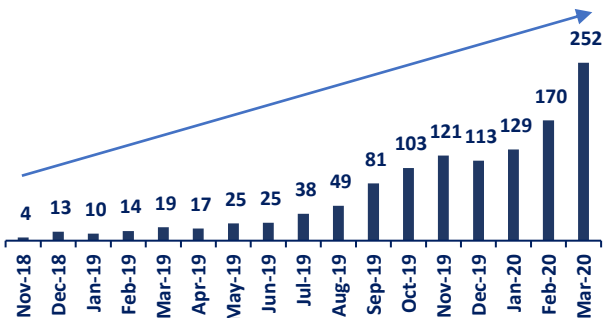


Performance

GMV - USD M



Transaction Frequency - #K



Where they are heading



Founded : 2013
Total disclosed funding : USD 262M
Last valuation : USD 2.2Bn
Investors :

Ribbit Capital

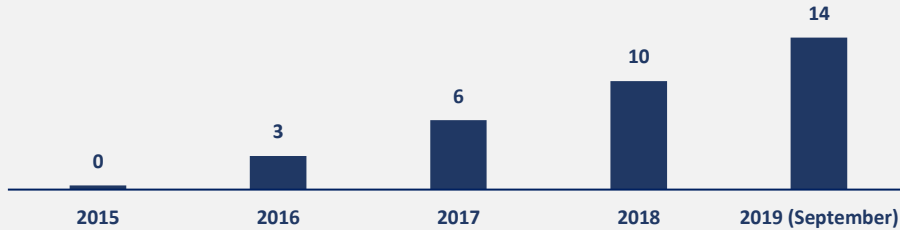
SEQUOIA

KPCB

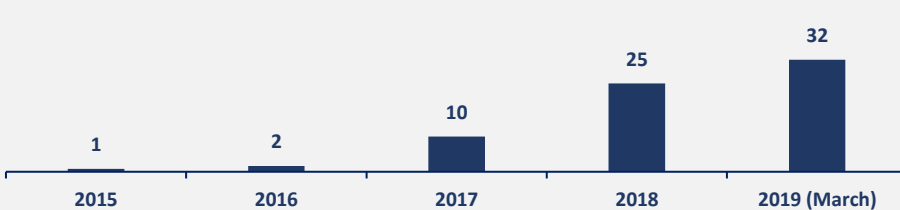
KLEINER PERKINS CAUFIELD BYERS



Registered Users - #M



Transaction Volume - USD Bn



Fintech Landscape - Lending

Access to credit is one of the most critical gaps to Indonesia's growth and Fintech loan book size is forecast to grow 30X from 2020

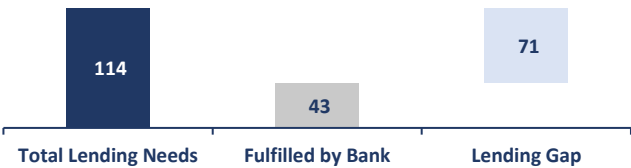
3

Challenges :

- Indonesia SMEs do not have access to lending due to limited information about them
- Meanwhile, e-commerce platforms provide data to make them assessable by creditor.
- Consumers want ability to purchase more in e-commerce platforms.

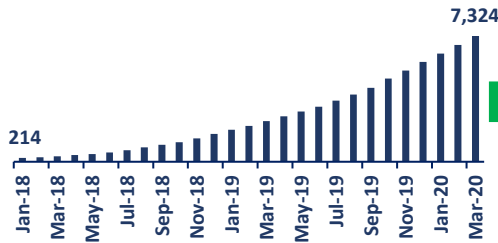
Pain Points

Indonesia MSMEs Lending Gap – USD Bn*

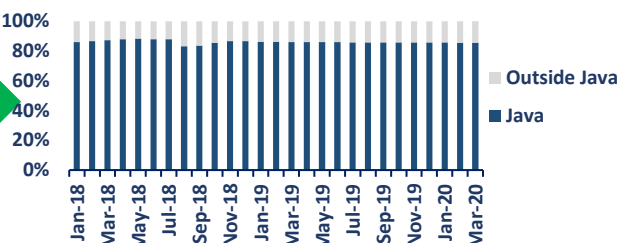


*USD to IDR : 14,000

Cumulative Disbursement – USD M

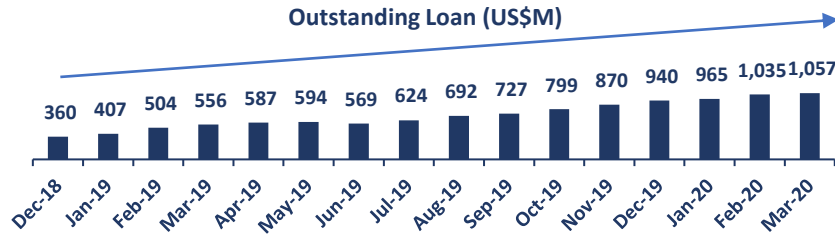


Disbursement Geographical Share - %



Fintech lending companies are far from shrinking the USD 71.0Bn MSMEs lending gap where 2019 disbursement was only USD 4.2Bn (note this is combined consumer and MSMEs loan). Reflecting on KoinWorks, majority of loans are invoice financing which is suitable for borrowers in tier 2 and tier 3 cities. To underwrite installment loans, KoinWorks needs financial statement which MSMEs often do not have.

Opportunities

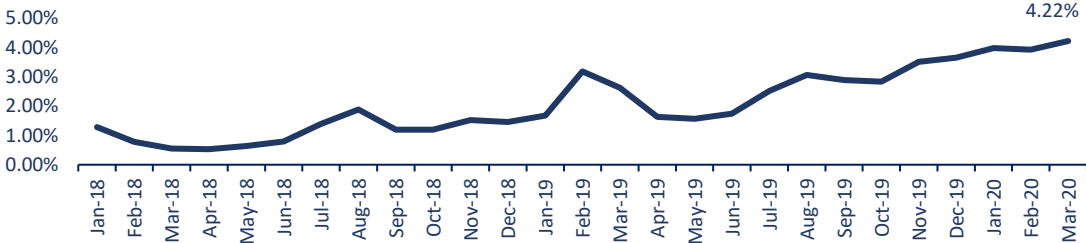


Forecasted to be
USD 27.5Bn
by 2025

Outstanding loan grew ~3.0x in 2019 and crossed USD 1.0Bn mark in Q1 2020. This is to further grow to USD 27.5Bn (~30x), driven by :

1. Fintech players to serve population which are historically unprofitable to serve
2. Fintech automating origination process by attaching itself to customers' digital journey
3. Availability of fundings from banks who are willing to partner with fintech players

NPL (90+ DPD) - %



Indonesia fintech lending companies have found formulas to underwrite Indonesia riskier segments. NPL in was at ~3.0% in Q3 – Q4 2019 only slightly higher than NPL of top 4 listed banks (NPL 2.0% - 2.5%). In 2020, COVID-19 has caused NPL to go up to 4.2%, only slightly widening the difference with banks NPL of 2.77% (March 202).

Consumer productive lending players can help improve people’s lives and provide productive credit to micro entrepreneurs

ACACVENTURES

Indonesia player

JULO

Profile

Founded : 2016

Total funding : US\$20M

Last valuation : US\$66M

Investors :

SKYSTARCAPITAL

QUONA CAPITAL

SARATOGA

ACACVENTURES

East Ventures

GOBI PARTNERS

Products

Loan Types

Mobile Application

Pinjaman Uang: JULO Mini

Pinjaman Uang: JULO Cici

Performance

Loan Disbursed (USD M)

Outstanding Loan (USD M)

1171317

11225719

Q1-18Q2-18Q3-18Q4-18Q1-19Q2-19Q3-19Q4-19

Q1-18Q2-18Q3-18Q4-18Q1-19Q2-19Q3-19Q4-19Q1-20

Source: TechCrunch, Crunchbase, IBISIntelligence, Zest Money, Internal knowledge

Where they are heading

zest

EMI FOR EVERYONE

Founded : 2016

Total disclosed funding : USD63M

Last valuation : ~200M

Investors :

QUONA CAPITAL

Goldman Sachs

Ribbit Capital

Xiaomi

Last 12-Months Disbursement – USD M

Annualized Disbursement – USD M

26.098.0220.6

69.0209.4471.0

Jul-18Dec-18Dec-19*

Jul-18Dec-18Dec-19*

Merchants

6.0M customers in 2020

8003,000

Apr-19Dec-19

*estimated based on reported 125% growth in financing in 2019

63M MSMEs power half of Indonesia's GDP yet vast majority have no access to credit for working capital, invoice factoring or growth capital



Indonesia player

KOINWORKS

Profile

Founded : 2016
Total funding : US\$27
Last valuation : US\$260M
Investors :

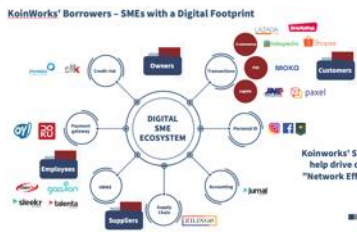


Products

Mobile Application

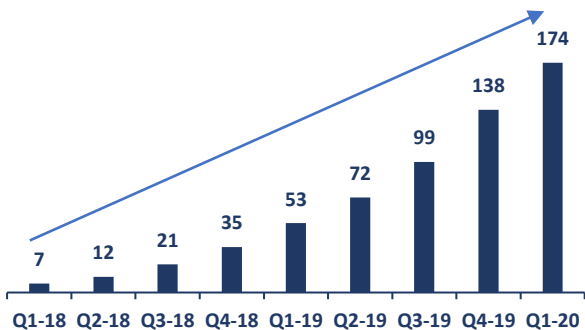


Ecosystem

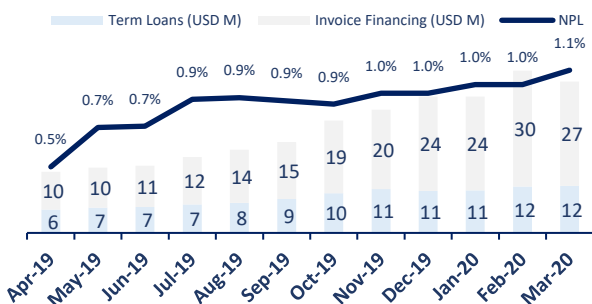


Performance

Cumulative Disbursement – USD M



Loan Outstanding and NPL



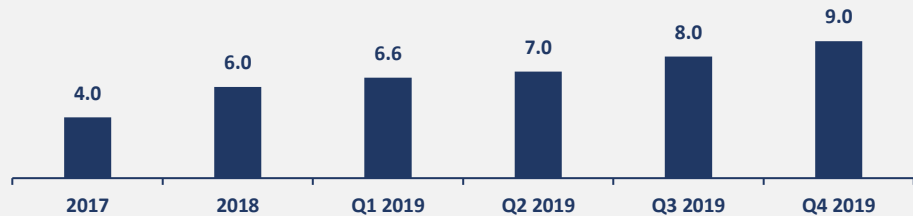
Where they are heading

Kabbage

Founded : 2009
Total funding : USD 500M
Last valuation : USD 1.2Bn
Investors :



Cumulative Disbursement - USD Bn



Cumulative Number of Borrowers - #



Fintech Landscape - Investment

Empowering millennials and a new generation of savers and investors represents a BN\$ opportunity in Indonesia

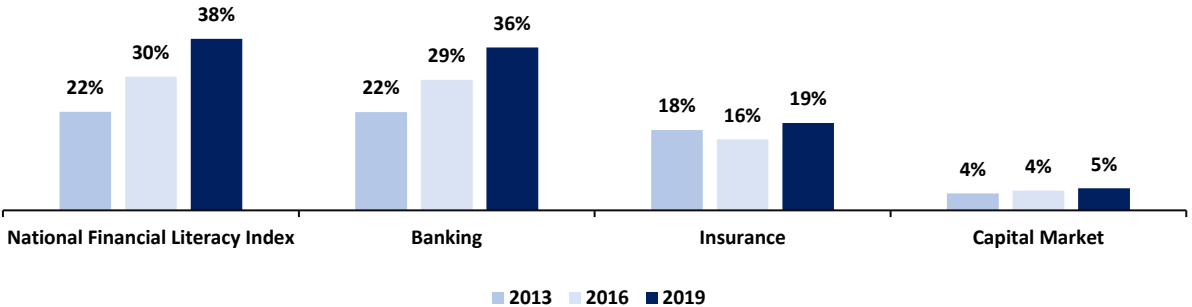
4

Challenges :

- Investment and insurance are difficult to purchase.
- Consumers are seeking for personal finance management solution.

Pain Points

Indonesia Financial Literacy - %



Indonesians have low understanding on capital market but no reliable source of information for first time investors.



Investments products are only available at small number of branch in big cities.

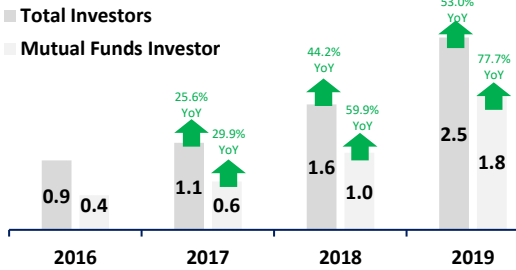
High Minimum Investment



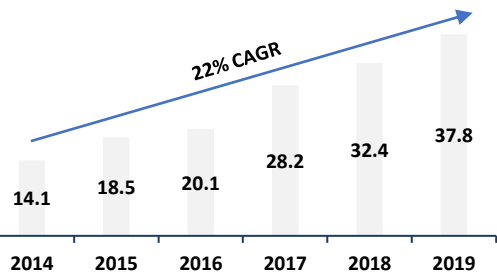
Wealth management service by banks require high initial investments, typically at USD 100K.

Opportunities

Indonesia Number of Investors - #M

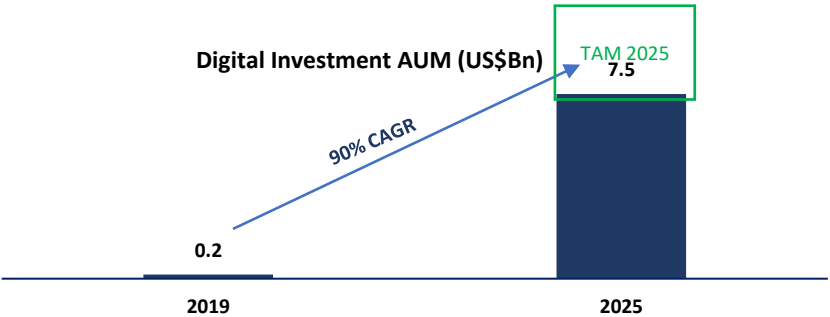


Mutual Funds Average AUM (US\$Bn)



Historically, AUM grew 22% CAGR over past 5 years and there is an increasing interest from young population to invest whereby 44.6% of investors in Indonesia were below 30 years old as of 2019. According to OJK, online platform already drove the growth in number of investor by expediting account opening process from 2 weeks to 1 day.

Digital Investment AUM (US\$Bn)



- Digital AUM growth will be achieved due to 3 factors :
1. Digital platform opens access to people who were unaware of investments product.
 2. Digital platform to automate investment decision process via risk profiling.
 3. Digital platform lowers investible-asset requirements

Boosted through the impact of Covid our investment in Stockbit/ Bibit is on course to break thorough over 100M in AUM and trading value



Where they are at



Profile

Founded : 2018 (Stockbit) /2019 (Bibit)

Total funding : US\$15M

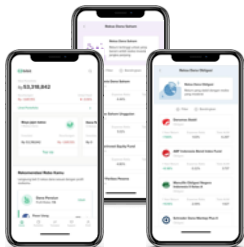
Last valuation : US\$41M

Investors :



Products

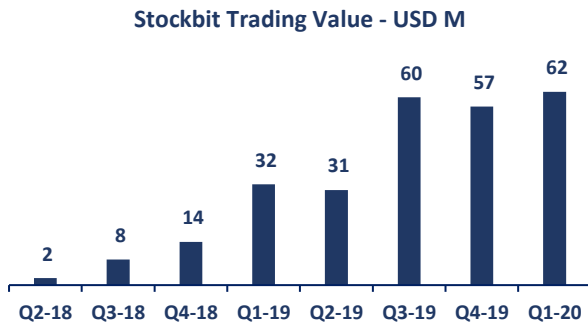
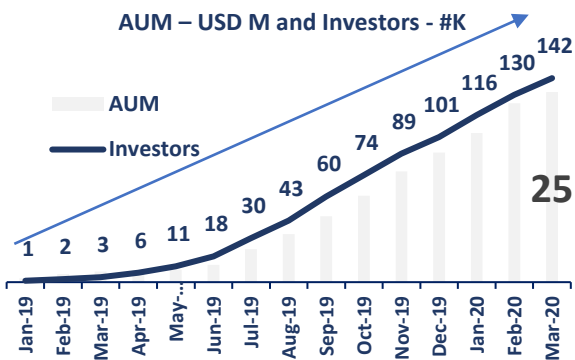
Bibit Mobile App



Stockbit Mobile App



Performance



Where they are heading



Founded :

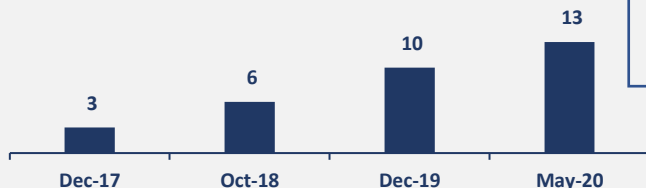
Total funding : USD 1.2Bn

Last valuation : USD 8.3Bn

Investors :



Number of Users - #M



Robinhood average value per account at USD 1.0K – USD 5.0K, providing an **estimated AUM of USD 13Bn – USD65Bn**

India also sees investment management application on the rise



Founded : 2016

Traction : 2.5M Users (2019)

Last valuation : Undisclosed – Series B led by Ribbit Capital

Founded : 2012

Traction : USD 145M AUM (2019)

Last Valuation : USD 110M – Series C led by Accel

Fintech Landscape - Insurance

Fintech Insurance market is still at a nascent stage but an enormous opportunity to supercede traditional, non customer centric solutions

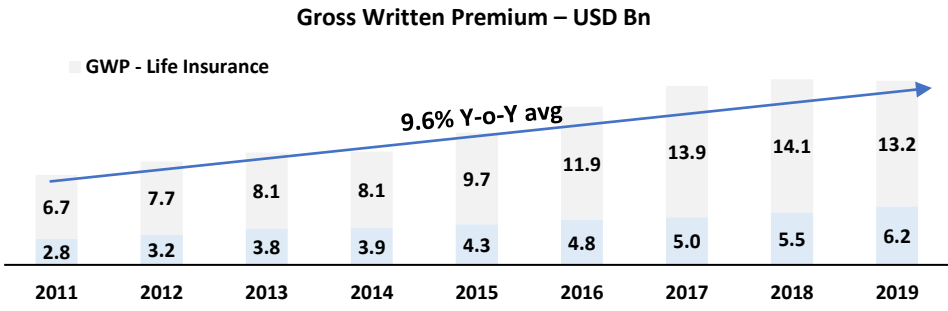
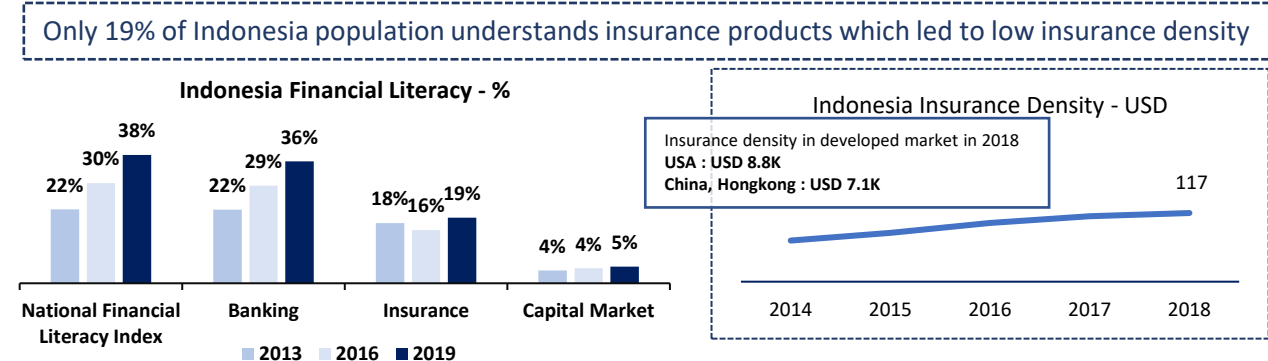
4

Challenges :

- Investment and insurance are difficult to purchase.
- Consumers are seeking for personal finance management solution.

Opportunities

Pain Points



GWP grew 9.6%, mainly facilitated by traditional agents. Despite having low level of literacy, Indonesia population purchased USD 19.4 Bn of insurance in 2019.

No suitable products

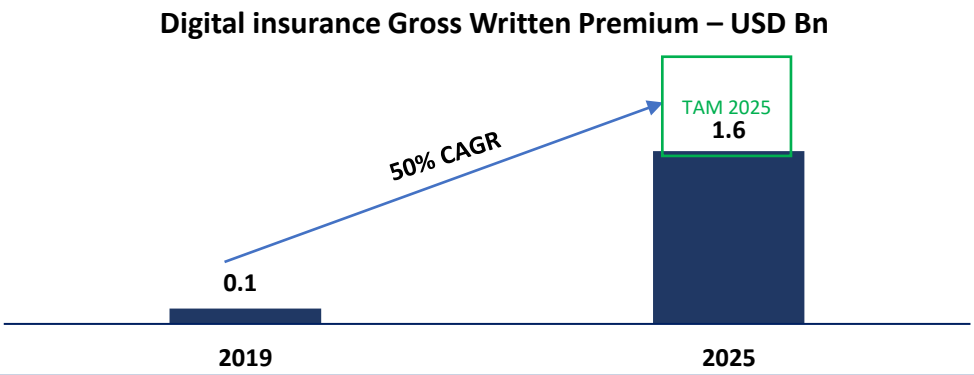
Traditional insurance products are not customer centric. For instance, a flight delay insurance is only applicable for selected reasons and starts only after 4 – 6 hours of delay

Slow claim process

Traditional insurance has slow claim process. Process takes 2 weeks and only starts after claim submission. Additionally, claim requires a lot of paperwork and hard to get supporting documents.

Limited Distribution

Distribution channel is still mainly offline. 89% of insurance are sold through brick and mortar office and 19% are through insurance agents. Online channel saw minimum usage for distribution.



Digital channel GWP will grow driven by 3 factors :

- Emergence of new distribution channel through digital platform
- Abundance of data to create a customer-centric product
- Improved claim process through digital channels

Fuse uses the app enabled agent model to profitably expand the reach of micro insurance products to individuals and MSMEs

ACVENTURES

Where they are at

FUSE

Profile

Founded : 2015

Total funding : US\$17 M

Last valuation : US\$84 M

Investors :

GROWTH

SKYSTARCAPITAL

Golden Gate Ventures

ACVENTURES

Provident

Capital Partners

Products

Web Interface

Agent Mobile App

Performance

Gross Written Premium - USD M

Period	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20
Premium	2.7	4.0	4.2	5.6	7.2

Registered Agents - #K and Active Agents Rate - %

Period	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20
Agents (#K)	7.3	7.9	8.7	9.3	10.7	12.0	13.2	13.9	15.1	16.8	18.2	19.5
Active Agents Rate (%)	16%	21%	23%	20%	26%	22%	19%	21%	20%	19%	20%	19%

Where they are heading

眾安國際
ZA International

Founded : 2013

Total funding : Public

Last valuation : USD 41.8Bn

Investors (Pre-IPO) :

Morgan Stanley

SoftBank

CICC
中金公司

CDH
INVESTMENTS
鼎暉投資

Pre-IPO

Gross Written Premium – USD M

Year	2014	2015	2016
Premium	285	285	286

2019

Gross Written Premium – USD M

Year	2015	2016	2017	2018	2019
Premium	308	490	692	1,355	1,887

Source: Yahoo Finance, WSJ, Crunchbase

Fintech Landscape – SaaS

SaaS products improving productivity and efficiency in SMEs acquire valuable data for fintech adjacencies – the next frontier for lending

4

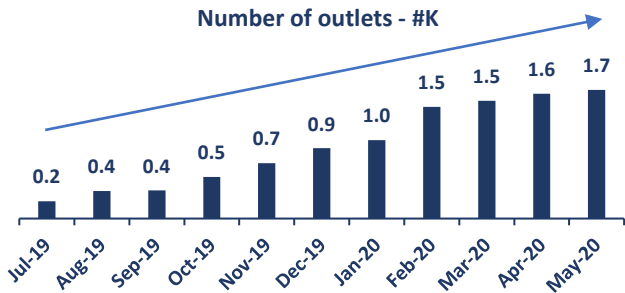
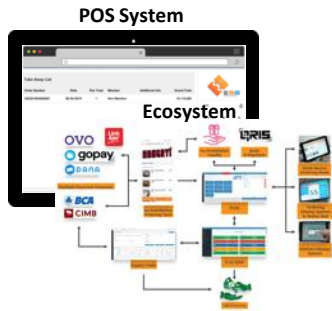
Challenges :
SMEs want tool to manage their business financials, connected with all other fintech function.



Where they are at



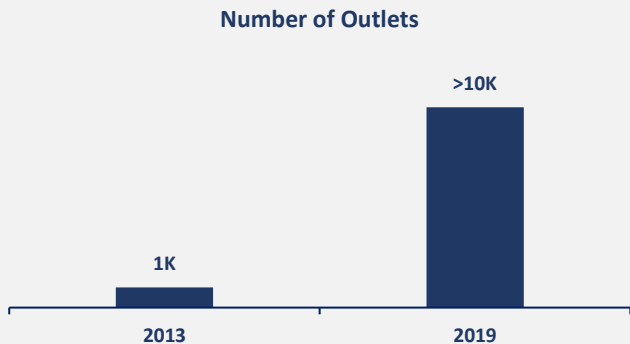
POS System



Where they are heading



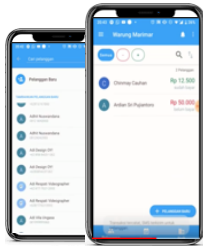
Founded : 2011
Total funding : USD 902M
Last valuation : USD 4.9Bn
Investors :



Where they are at

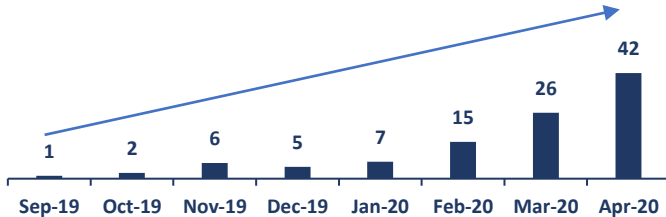


Mobile App



Digital Ledger

Monthly Transacting Users - #K

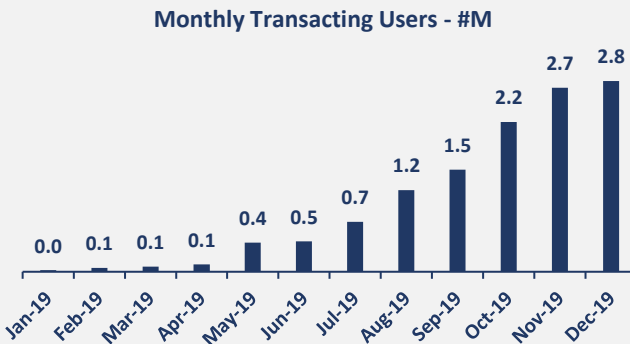


Where they are heading



KhataBook

Founded : 2013
Total funding : USD 87M
Last valuation : USD 300M
Investors :

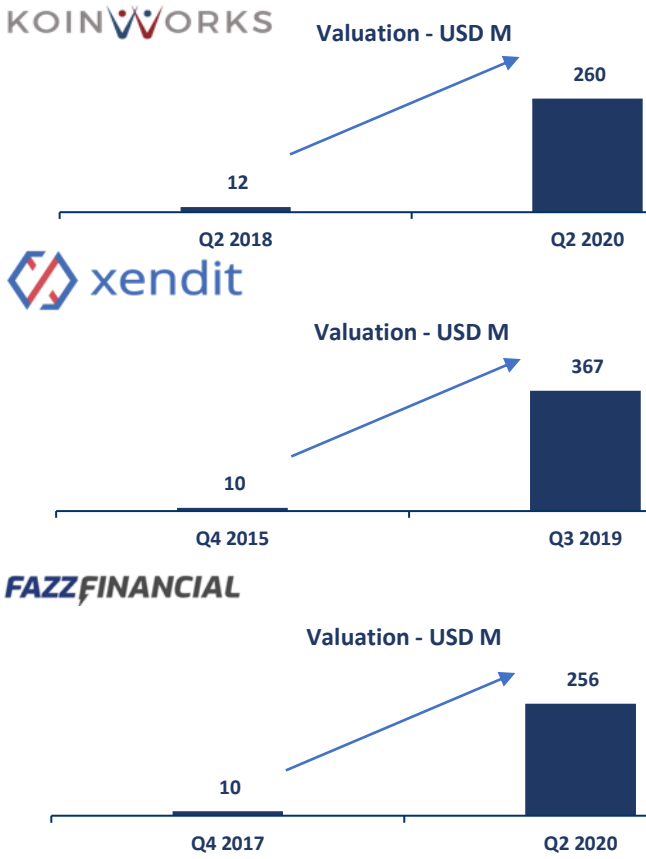


AC Ventures Fintech Portfolio Status

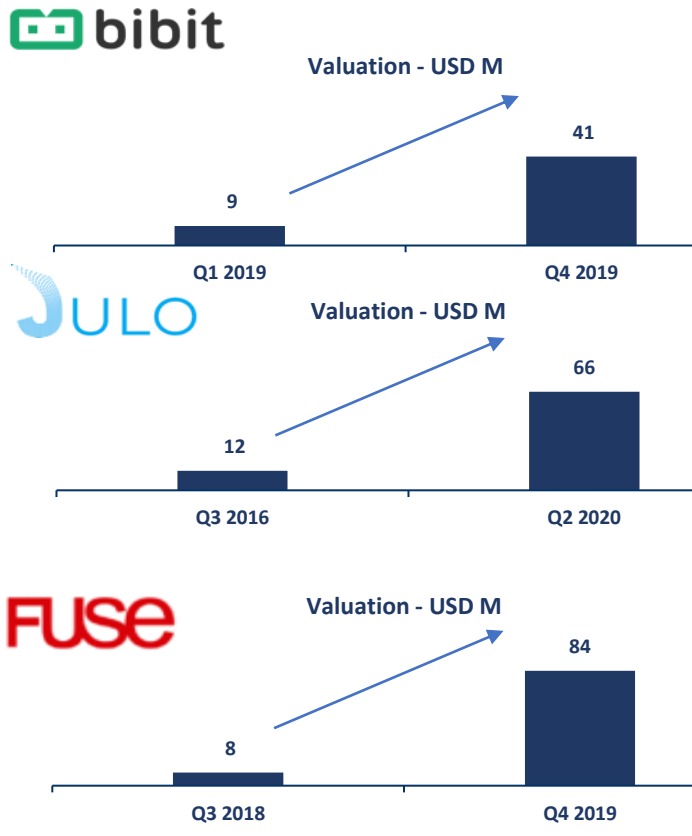
Our deep experience in fintech provide us with insights and tools to outperform in investing and supporting our portfolio



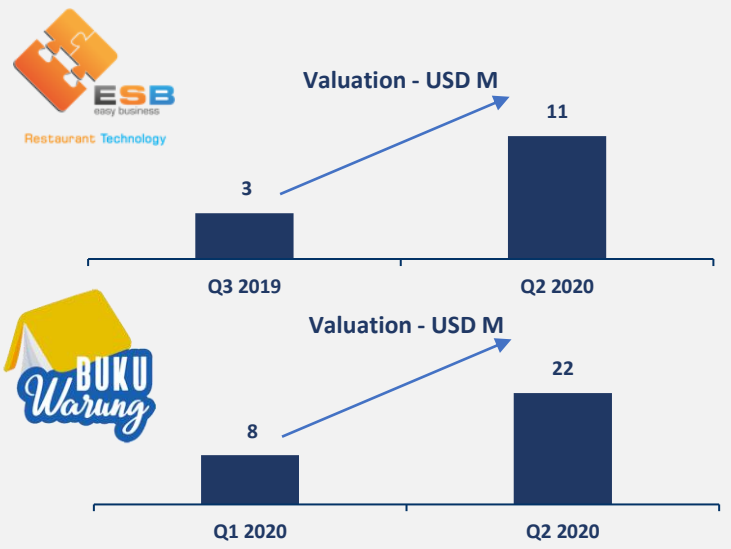
>USD 100M in Valuation



USD 50M – USD 100M



ACV Ventures Recent Bets in Fintech Sector



Fundraising round in progress...



AC Ventures early fintech bets averagely provided a **17x in valuation uplift** and become market leaders in each of their segments