SINGAPORE VENTURE FUNDING LANDSCAPE 2023

A full year study

DealstreetAsia
NIKKEI Group

in Partnership With

Enterprise Singapore

NAVIGATING STRATEGIC SHIFTS: 2023 VENTURE CAPITAL FUNDING UPDATE

As macroeconomic headwinds and geopolitical risks continue to cast a shadow on investor sentiment, Southeast Asia's startup funding landscape is experiencing a distinct shift towards cautious decision-making. The heightened prudence is particularly evident in late-stage funding, where venture investors are prioritising businesses with a clear path to profitability over those pursuing growth at all costs.

Although not immune to the current headwinds, early-stage deals have emerged as a beacon of hope in a challenging fundraising climate. Investors are increasingly directing capital towards promising, young startups to avoid the valuation discrepancies plaguing later stages. This trend is reflected in the minimal correction in the median value of early-stage deals and their growing share of the overall deal value and volume in 2023.

In another discernible shift, investors are increasingly focusing on impact investing in sectors such as green tech, healthtech and agritech, recognising their potential to address pressing global challenges. In contrast, capital-intensive consumer tech, an investor favourite during a period of excess liquidity, has witnessed a pullback in investments. This change signals a broader shift – investors understand that long-term success requires not just navigating immediate challenges but also the foresight to invest in solutions that address enduring threats such as climate change and food security.

Singapore, the mainstay of technological innovation in ASEAN 6, has weathered the regional downturn relatively well, showcasing its startup ecosystem's adaptability and maturity. The city-state's deep tech sector, in particular, has emerged as a bright spot, with companies such as semiconductor firm Silicon Box, which is building one of the world's most advanced fabrication plants in the city-state, attesting to its capacity for groundbreaking innovation. Firms headquartered in Singapore secured nearly 80% of the new capital raised by Southeast Asian VC funds in 2023, solidifying the city-state's position as the regional financial hub. This steady capital flow during a broader fundraising downturn signals enduring investor confidence in the long-term prospects of both Singapore and the rest of the region.

ASEAN 6 encompasses Singapore, Indonesia, Malaysia, Philippines, Thailand and Vietnam.

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KEY FINDINGS

NO RESPITE FROM GLOBAL WINTER

A confluence of macroeconomic challenges, geopolitical tensions, and unique market dynamics led to a shift in the global investment climate in 2023. Southeast Asia, too, felt the brunt of the venture capital funding downturn last year, which followed a fundraising boom in 2021 and resilient dealmaking in 2022. As the region's primary innovation and investment hub, Singapore was not spared from the effects of the slowdown. The city-state recorded 522 equity funding deals in 2023, marking a 19.8% drop from the preceding year. However, this decline was the lowest among the Southeast Asian markets analysed in this report. Collectively, the ASEAN 6 experienced a 28.6% drop in the deal volume compared to the previous year. In terms of total funding value, venture-backed private companies in Singapore secured $6.1 billion last year, down 44.7% from 2022. Meanwhile, the ASEAN 6 saw deal values plummet by more than 52.9%.

SINGAPORE CONTINUES TO ATTRACT PRIVATE CAPITAL

Amid a challenging environment, Singapore broadened its lead as the top investment destination in Southeast Asia. Startups headquartered in the city-state accounted for 63.7% of all equity deals in ASEAN 6 in 2023, up from 56.7% in 2022. In addition, Singapore's share of the total venture capital raised in the bloc during the year rose to 73.3% from the preceding year's 62.5%. In contrast, Indonesia, the largest consumer market in the region, contributed 15.4% of the annual deal value. Startups in the archipelago witnessed a 65.4% year-on-year drop in private funding, mainly due to a decline in e-commerce investments. Malaysia and Thailand experienced deeper deal value corrections of 82.6% and 86.2%, respectively. Singapore's sustained share of the investment pie underscores the maturity of its tech ecosystem, in contrast to the emerging markets in the region.

INVESTOR-LED FOCUS ON FUNDAMENTALS

A global funding slowdown and lack of liquidity forced venture investors to become more selective and prioritise companies with robust business fundamentals and valuations reflective of the new market reality. This shift resulted in a drop in deal volume and valuation corrections, especially at later stages (defined as Series C rounds and above in this report) that had witnessed inflated valuations during recent years. Singapore clocked 29 late-stage deals in 2023, down by more than half from 64 deals in 2022 and 63 in 2021. In terms of the total value, late-stage deals collected $3.06 billion, down by 50.8% year on year. As a consequence, late-stage funding's share of the overall deal value in Singapore fell to 50.2% in 2023 from 56.3% in the previous year. Seen as a proxy for valuation, the median value of Series C funding rounds fell 20.5% to $35 million last year, following a 14.4% correction in 2022. Separately, the median value of Series D rounds remained flat in 2023, but this came after a 66% drop in the previous year. In another indication of growing investor caution, only 10 companies secured funding of more than $100 million last year, versus 22 in 2022 and 23 in 2021.

EARLY-STAGE DEALS INCREASE SHARE OF TOTAL PIE

On the back of a renewed focus on fundamentals and asset pricing, investors showed a greater preference for early-stage deals (funding rounds up to Series B) in 2023, with their smaller deal sizes and muted valuation corrections adding to the allure. Early-stage deals in Singapore garnered a larger share of the total funding last year, accounting for 94.1% of the deal volume and 49.8% of the deal value, up from 89.9% and 43.7%, respectively, in 2022. Early-stage startups were not totally immune from the funding crunch, as deal volume for those based in Singapore fell 18.2% year on year to 464, while deal value dropped by 37% to $3.04 billion. Despite the fall in total deal value, the median values for early-stage deals witnessed minimal impact from the ongoing funding winter, with seed and Series B median dropping by 7.4% and 4.8% in 2023, while Series A saw no change.

DEEP TECH RISES TO THE FORE

Singapore's commitment to advanced scientific research and innovative technologies is bearing fruit as local deep tech startups continue to reach new milestones. The city-state recorded a 31.4% year-on-year increase in deep tech deals to 159 in 2023, marking a recovery from a 38.9% drop in the preceding year. However, deal values continued their downward trajectory, decreasing by 18.4% to $1.53 billion in 2023. Silicon Box achieved the maximum funding among deep tech startups, amassing $139 million as part of a $200 million Series B round in December. Renewable energy firm InterContinental Energy secured the second largest funding with a $115 million Series B. Overall, Singapore saw 10 deep tech startups graduate to Series B rounds, while 24 moved to Series A. In a sign of increased ecosystem maturity, several deep tech companies secured late-stage funding, including MiRXES, which raised a $50 million Series D for its early disease detection kits, and SCG Cell Therapy, which bagged $8.1 million in Series C funding for its cancer and infection treatments.

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AI GAINS TRACTION AS INNOVATION ENABLER

The integration of artificial intelligence (AI) and machine learning (ML) into the operational framework of deep tech startups in Singapore signifies a pivotal shift in research and development (R&D) methodologies and cost optimisation. The recent surge in private funding for AI companies in the US is likely to inspire other investors, including those based in Singapore. We are already seeing homegrown companies break new ground. HPC-AI Technology, a frontrunner in AI model solutions, clinched $22 million in its Series A funding round in 2023. Meanwhile, Motion G, which leverages generative AI for engineering solutions, garnered $31 million in two early-stage funding rounds. Cortical Labs, a company that uses lab-cultivated neurons from human stem cells to form a "DishBrain", raised $10 million last year. While the AI landscape in Singapore is relatively nascent, fund managers see the potential for disruptive companies to emerge in the city-state on the back of the resources and funding it has committed to strengthening its position as a test bed for new technologies.

STRONGER FOCUS ON HEALTHCARE AND FOOD SUSTAINABILITY

Analysing deal activities through the lens of Singapore's Research, Innovation and Enterprise (RIE) 2025 initiative reveals that three domains – Human Health and Potential (HHP), Urban Solutions and Sustainability (USS), and Manufacturing, Trade, and Connectivity (MTC) – saw notable growth in deal activities. The HHP domain, boosted by investments in biotechnology, digital therapeutics, and telemedicine, saw deal volume surge by 64.9% to 61 transactions. Meanwhile, the USS sector benefited from a focus on green technology solutions, agritech, and construction technology, resulting in a 36.4% rise in deal volume. This shift reflects a growing awareness of the need to address global issues in healthcare, climate change, and food security, accentuated by the pandemic's impact. The MTC domain also saw an uptick, with deals increasing by 9.7% to 68, continuing a positive trend from 2021 driven by investments in domestic manufacturing for both consumer and industrial products. Consumer-focused tech platforms within the Smart Nation and Digital Economy (SNDE) domain suffered a setback due to shifting investor sentiment, falling 31.5% in volume. The total deal value fell across the four domains compared to 2022, mirroring a broader investment slowdown.

PIPELINE OF HIGH-POTENTIAL STARTUPS

Despite the funding winter, global and regional investors continue to show strong interest in startups that have demonstrated strong business fundamentals, innovative solutions and growth potential. In 2023, Indonesian aquatech firm eFishery netted $200 million in funding from marquee investors such as Malaysian pension fund KWAP and Singapore state investor Temasek, propelling its valuation past the $1 billion mark. Singapore-based Silicon Box followed suit later that year, joining the unicorn club after securing one of the largest Series B rounds in the region on record. The pipeline of high-potential companies in ASEAN 6 extends beyond these two examples. For instance, Singapore alone boasts at least eight other tech companies valued at over $500 million after closing large funding rounds. These include e-commerce loyalty solutions provider ShopBack, cross-border payments specialist Thunes, and e-commerce enabler SCI Ecommerce.

SUSTAINED INVESTOR VIGOUR

The capacity of venture capital companies to secure capital commitments from investors, commonly referred to as limited partners (LPs) in the lexicon of private investing, indicates that Southeast Asia continues to be viewed as a burgeoning market for venture investment. Regional venture firms recorded 45 interim and final fund closes to raise $5.01 billion in new capital in 2023, with Singapore-headquartered investment firms accounting for nearly 80% of the proceeds. While this is a step down from 2022's $6.64 billion haul, fund managers interviewed for this report say the latest annual performance indicates a market realignment rather than a downturn. The capital raised by regional venture firms in 2023 still surpassed that secured in 2021 and 2020, illustrating sustained investor confidence in the growth potential of Singapore and the rest of the region.

LOOKING AHEAD

The current investment landscape is characterised by a complex interplay of cautious optimism and strategic prudence, according to fund managers interviewed for this report. Geopolitical uncertainties are prompting global LPs to adopt a more conservative stance, leading to tightened funding for startups and VC firms alike. This cautious approach is tempered by two factors- significant unspent capital raised by venture investors (dry powder), especially those based in Singapore, and a noticeable shift in investor preference towards innovative and sustainable business models. The city-state's robust ecosystem, supported by strategic government initiatives, positions it as a prime beneficiary in this selective investment climate. Fund managers acknowledge that Singapore offers a conducive environment for deep tech innovation, suggesting a promising investment trajectory in 2024 if navigated prudently.

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This report focuses on fundraising by Singapore-based venture-backed companies in 2023 and offers a comparison with the performance of their counterparts in the rest of ASEAN 6.

All data cited in this report is based on company announcements, regulatory filings, media reports, industry reports and DealStreetAsia's research.

Considering the opaque nature of Southeast Asia's venture capital market, we strive to constantly update our data to ensure accuracy. If you spot errors or inaccuracy, please let us know here: research@dealstreetasia.com.

METHODOLOGY AND DEFINITIONS

- For the purpose of this report, 'deals' refer primarily to equity funding rounds. Transactions such as mergers, acquisitions, secondary trading, debt funding, bridge loans, initial coin offerings (ICOs) and grants are excluded.
- This report defines venture-backed companies as enterprises that have obtained equity funding or investment from external investors, which can include angel investors, venture capital firms, private equity firms, and others, to foster their development, growth, and expansion.
- The term 'ASEAN 6' in this report encompasses Singapore, Malaysia, the Philippines, Thailand, Vietnam, and Indonesia. Conversely, 'ASEAN 5' denotes the aforementioned countries with the exclusion of Singapore.
- Companies are categorised based on the location of their headquarters.
- Deep tech refers to cutting-edge technologies and scientific advancements that have the potential to create a significant impact on industries and societies. It covers a broad range of verticals, including quantum computing, biotechnology, medtech, cell-based protein, blockchain, and autonomous mobility.
- The themes covered in this report are aligned with Singapore's Research, Innovation and Enterprise 2025 (RIE2025) plan, which highlights areas of strategic importance to Singapore. These are:
  - Manufacturing, Trade and Connectivity: Besides manufacturing sectors, it includes trade and connectivity sectors (examples include aviation, sea transport, logistics and wholesale trade).
  - Human Health and Potential: This includes enhancing development during pregnancy and early childhood, augmenting learning outcomes, and fostering healthy and meaningful longevity. Most healthtech firms fall under this theme.
  - Urban Solutions and Sustainability: This theme addresses new challenges in sustainability and resilience, including climate change, decarbonisation, healthy cities, and transformation of our built environment.
  - Smart Nation and Digital Economy: This refers to capabilities to prepare the populace for opportunities in the digital space and the transformation of enterprises.
- The delineation of several business verticals/sectors detailed in this report, such as agritech and green tech, may encompass multiple RIE2025 themes, depending on the distinct characteristics of these sectors and their affiliations to the themes.
- For clarity, and the avoidance of doubt, all monetary values listed in this report are in US dollars.

SINGAPORE'S GROWING DEEP TECH LANDSCAPE

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SINGAPORE'S GROWING DEEP TECH LANDSCAPE

The Singapore startup ecosystem strongly supports technology-intensive products born out of scientific research, often referred to as deep tech. It is, therefore, not a surprise that the country is a leader in the ASEAN 6 deep tech scene.

The Research, Innovation and Enterprise (RIE) 2025 plan underscores this commitment. With a five-year budget of S$25 billion ($19 billion) – the largest research and development (R&D) budget in the country's history – it aims to fuel deep tech advancements and fortify Singapore's post-COVID-19 resilience. This comprehensive plan, representing 1% of the nation's GDP, prioritises four key sectors: health, sustainability, the digital economy, and manufacturing. Notably, it emphasises support for basic research to lay the foundation for breakthroughs in deep tech innovation, ensuring long-term growth and competitiveness.

This robust ecosystem did not appear overnight. Singapore's R&D journey began over three decades ago with the launch of the National Technology Plan – now known as RIE – that laid the groundwork for the country's strong research and technology efforts. Since then, the country has consistently invested in building a deep pool of scientific talent at its world-class research institutes and universities. As a result, it now boasts more than 40,000 researchers, a strong IP protection regime, and a pro-business environment that works closely with the government.

Known for their academic excellence, institutions such as the National University of Singapore (NUS) and Nanyang Technological University (NTU) also serve as pivotal incubators for new startups. Notable ventures and spin-offs emerging from these institutions include Aliena, BeeX, Biorithm and Meracle. These enterprises have also secured funding from SEEDS Capital, the investment arm of Enterprise Singapore.

In addition to providing equity funding through its investment arm, Enterprise Singapore manages the Startup SG Tech Grant, a programme to fast-track the growth of startups with proprietary technology solutions and scalable business models.

Singapore has also launched a series of initiatives to incubate new startups and assist entrepreneurs with bringing cutting-edge technologies to market. For instance, in August last year, NTU, A*STAR, and the National Healthcare Group (NHG) jointly launched co11ab Novena, the country's inaugural biomedical technology incubator.

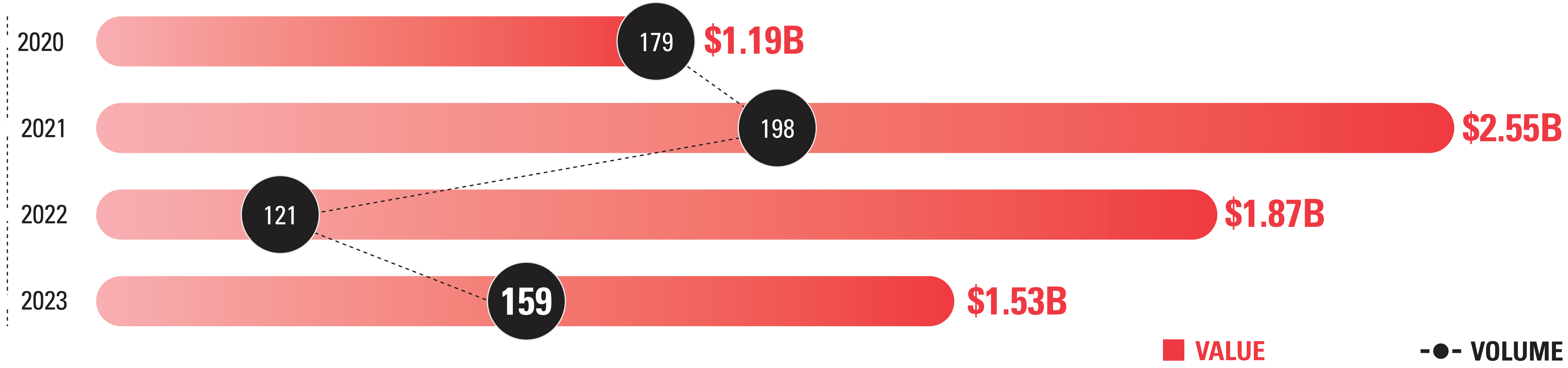
In September, state investor Temasek, along with NUS and NTU, unveiled a plan to invest S$75 million in supporting deep tech ventures stemming from the universities' research pipelines. These investments will be carried out through Temasek's deep tech-focused early-stage investment arm, Xora Innovation.

In the realm of artificial intelligence (AI), Singapore achieved a significant milestone in July by launching two inaugural generative AI (GenAI) sandboxes for government agencies and local businesses to develop and test applications. A pivotal component of this endeavour is the AI Trailblazers workshop, a 100-day programme designed to identify 100 GenAI use cases across government and industry sectors. The second round of the workshop is expected to be launched later this year.

Thanks to its strong commitment to research and innovation, Singapore witnessed a 31% increase in deep tech deals, totalling 159 in 2023. At least 90% of the total deals in the deep tech sector were early-stage deals. While this reflects the sector's infancy, there are other encouraging signs. Many local startups have reached new maturity levels, with 24 startups moving to Series A and 10 to Series B funding rounds in 2023. Among late-stage companies, SCG Cell Therapy garnered $8.1 million in Series C funding, while MiRXES secured a $50 million Series D last year. However, the deep tech sector is not immune to asset repricing, as it witnessed an 18% year-on-year drop in deal value to $1.53 billion in 2023. Though there might be some short-term instability, the strength of Singapore's deep tech sector continues to be bolstered by government support and leading academic research.

SINGAPORE'S DEEP TECH INVESTMENTS YIELD POSITIVE RETURNS

Deal volume and value by startups classified as deep tech



Top 10 deep tech deals in 2023 by Singapore companies

Company	Vertical	Funding Stage	Value	Investors (Not Exhaustive)	Domain
Silicon Box	Industrial products	Series B	$139M*	BlueRun Ventures, Maverick Capital, TDK Ventures, UMC Capital	Manufacturing, Trade & Connectivity
InterContinental Energy	Green tech	Series B	$115M	GIC, Hy24	Urban Solutions & Sustainability
Foundation Healthcare	Healthcare	Growth Equity	$111M	SeaTown Holdings	Human Health & Potential
Qosmosys	Space tech	Seed	$100M	Undisclosed	Manufacturing, Trade & Connectivity
Oatside	Food & beverage	Series A	$76M	Venezio Investments, GGV Capital	Manufacturing, Trade & Connectivity
Holmusk	Healthtech	Series B + Venture - Series Unknown	$75M	Health Catalyst Capital, Heritas Capital, Veradigm	Human Health & Potential
Blue Planet Environmental Solutions	Green tech	Venture - Series Unknown	$51M	Mizuho Asia Partners, ILUM Holdings I SDN. BHD., Kaizenvest	Urban Solutions & Sustainability
MiRXES	Healthcare	Series D	$50M	China Fellow Partners, EDBI, Mitsui & Co, NHH Ventures	Human Health & Potential
Engine Biosciences	Healthtech	Series A	$45M	Polaris Partners, EDBI, ClavystBio, Invus, SEEDS Capital	Human Health & Potential
Lucence	Healthtech	Venture - Series Unknown	$42M	SGInnovate	Human Health & Potential

*The remainder of Silicon Box's $200 million Series B round was received in February 2024.
All monetary figures are in USD

VENTURE CAPITAL MARKETS ACTIVITY

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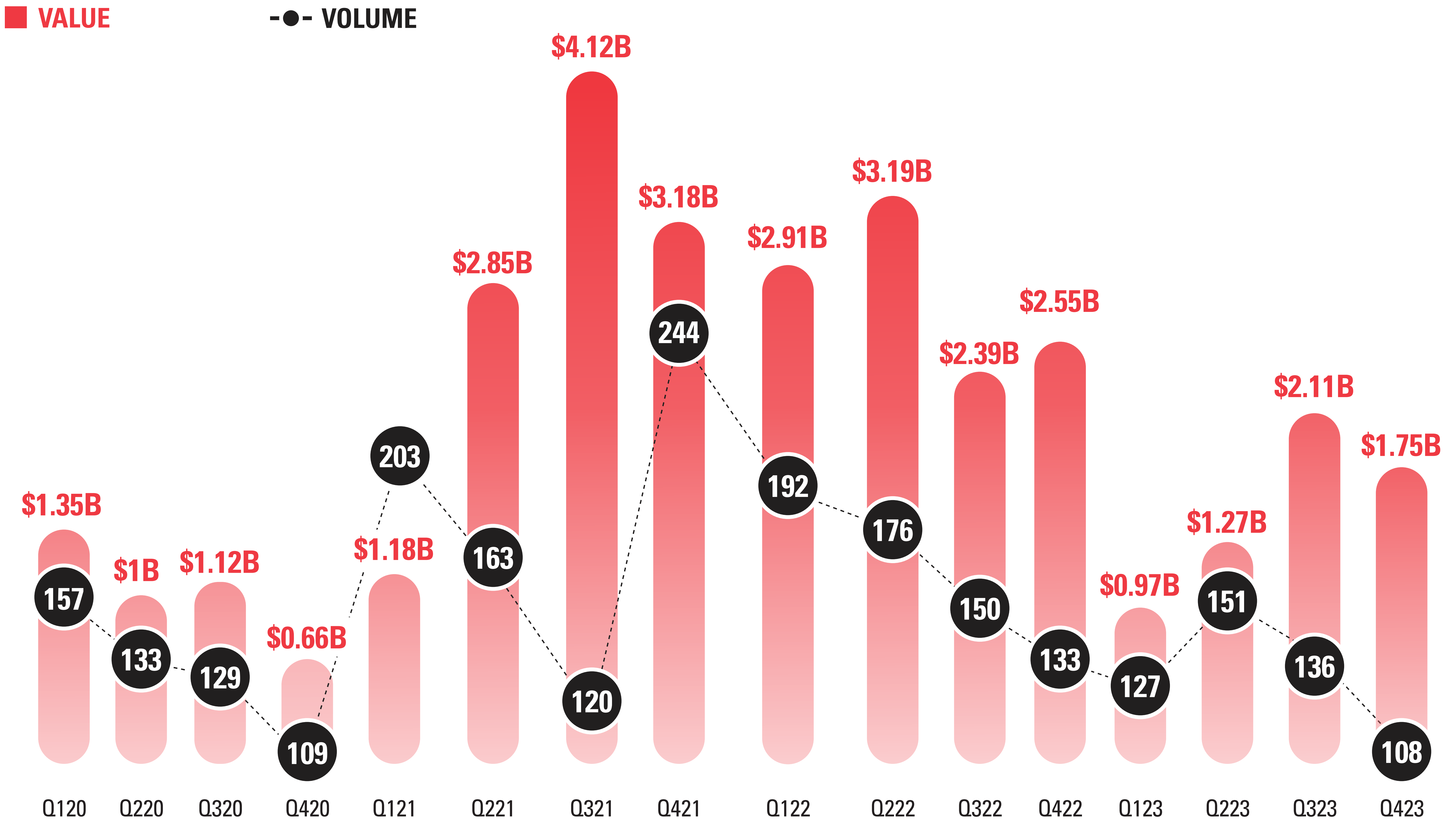
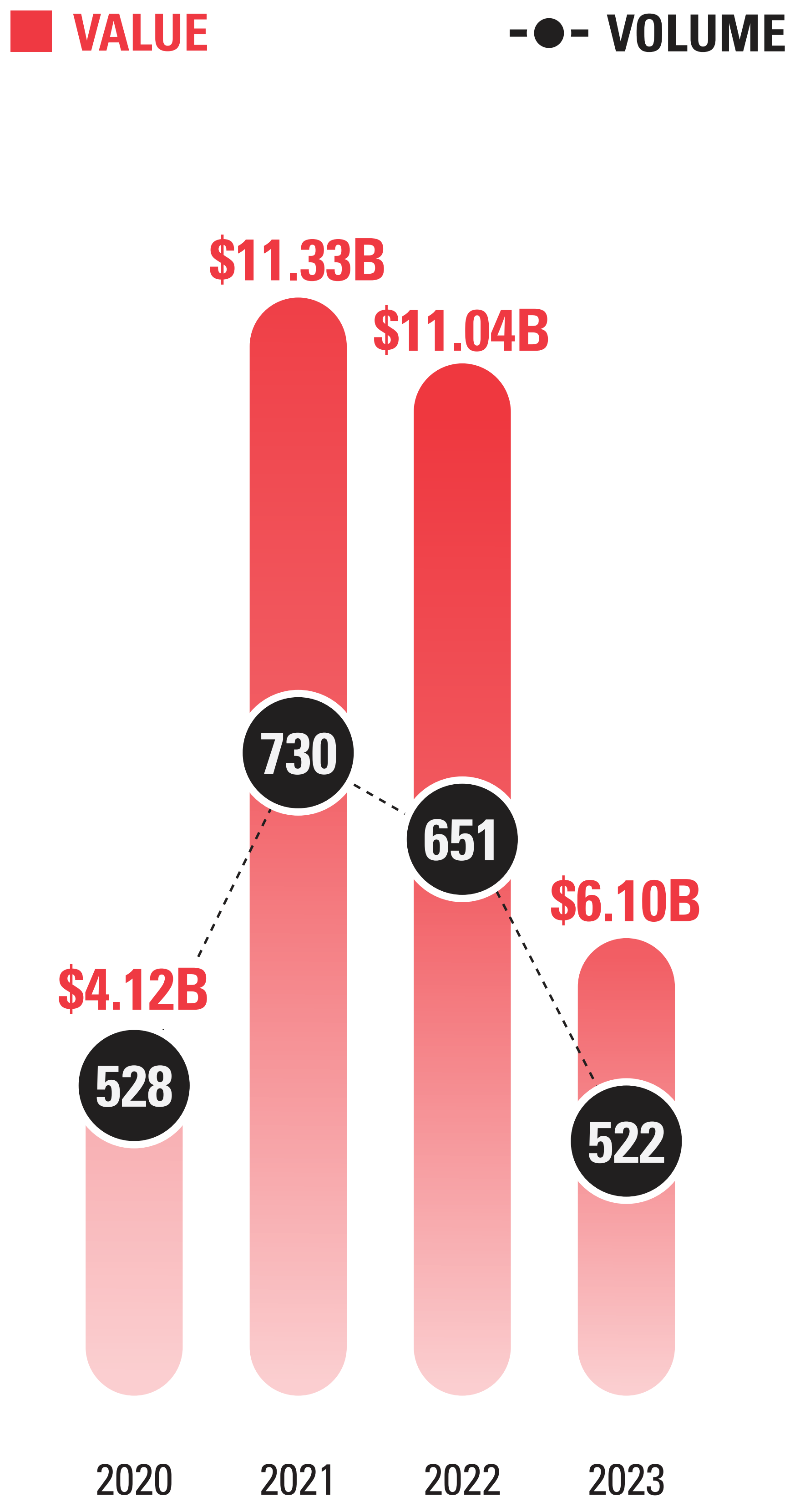
DECLINE IN DEAL ACTIVITIES IN 2023 REFLECTS FUNDING FRIGIDITY

Equity funding deal volume and value for Singapore-headquartered firms



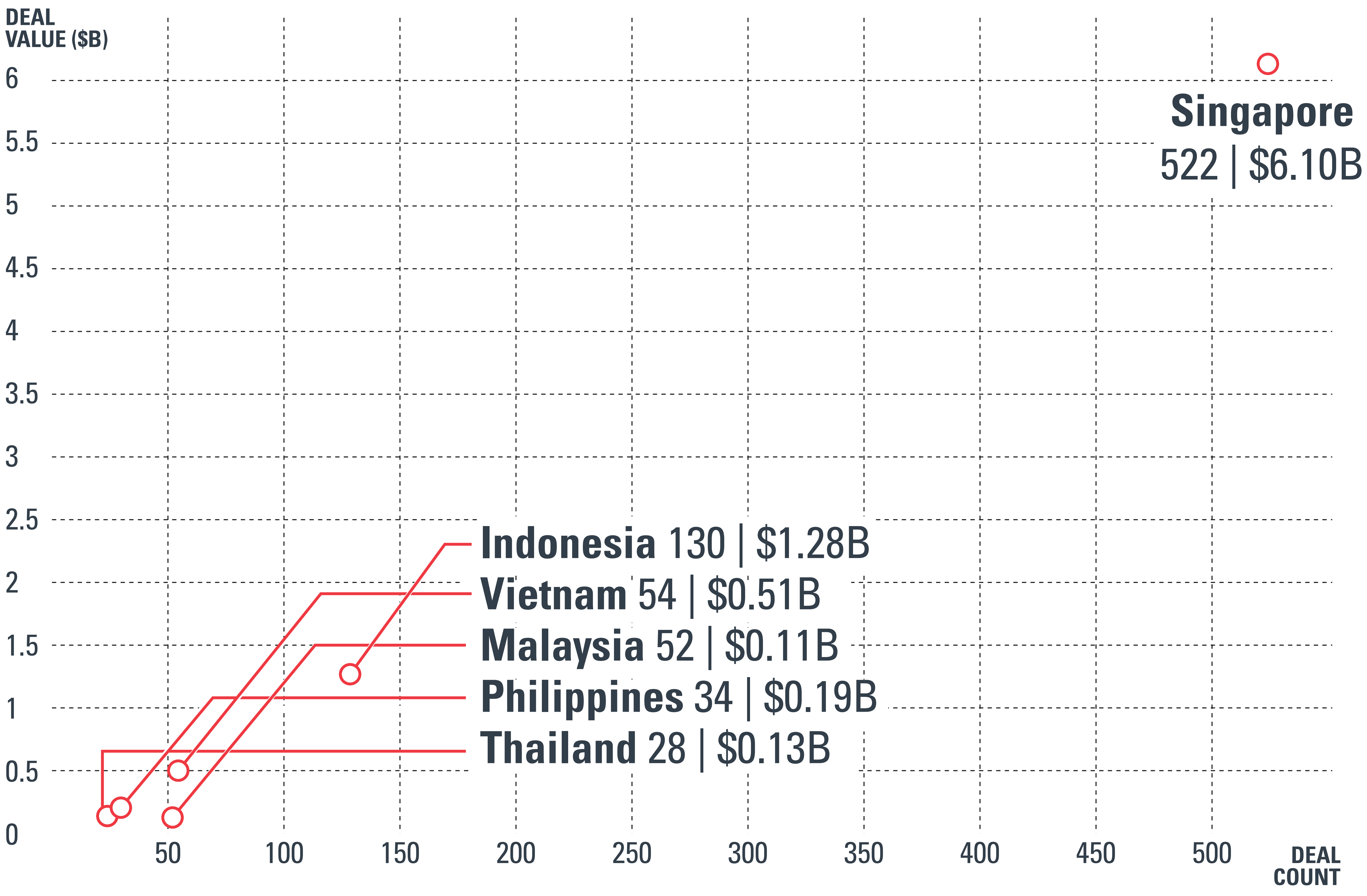
Deal volume and value from 2020 to 2023



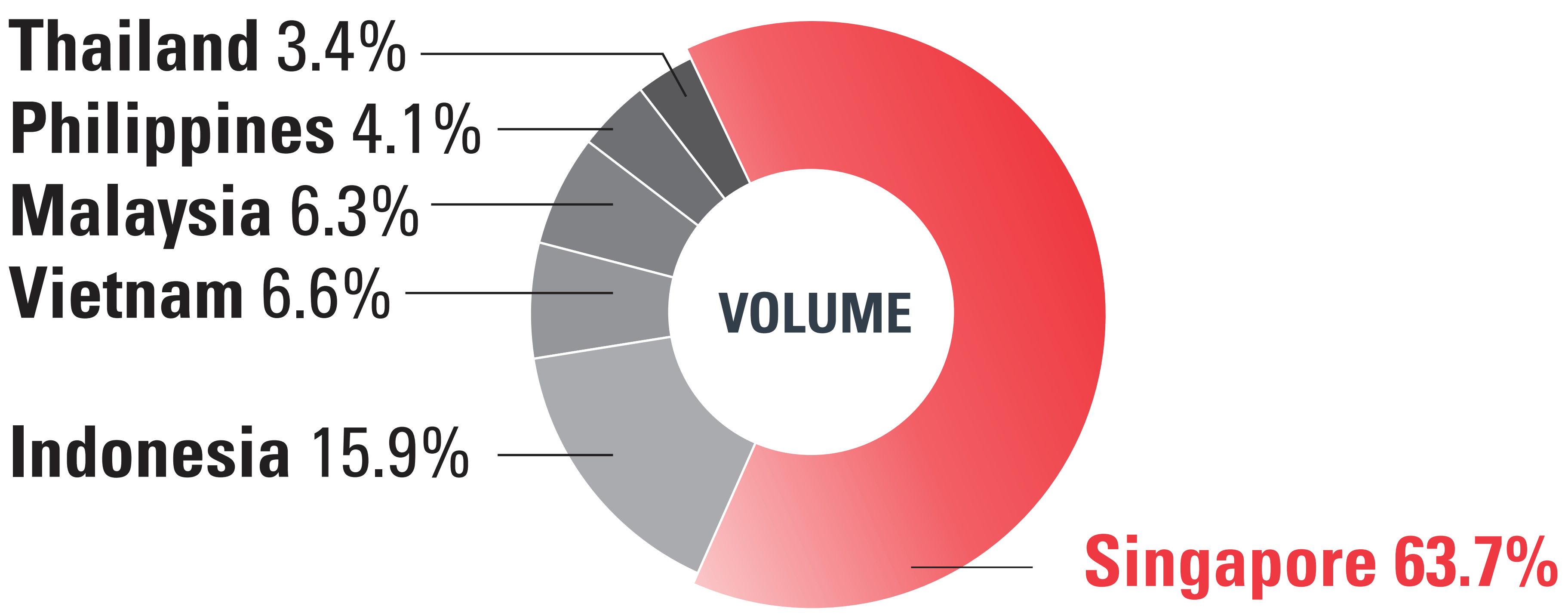
All monetary figures are in USD

SINGAPORE MAINTAINS LEAD IN EQUITY FUNDING ACROSS ASEAN 6

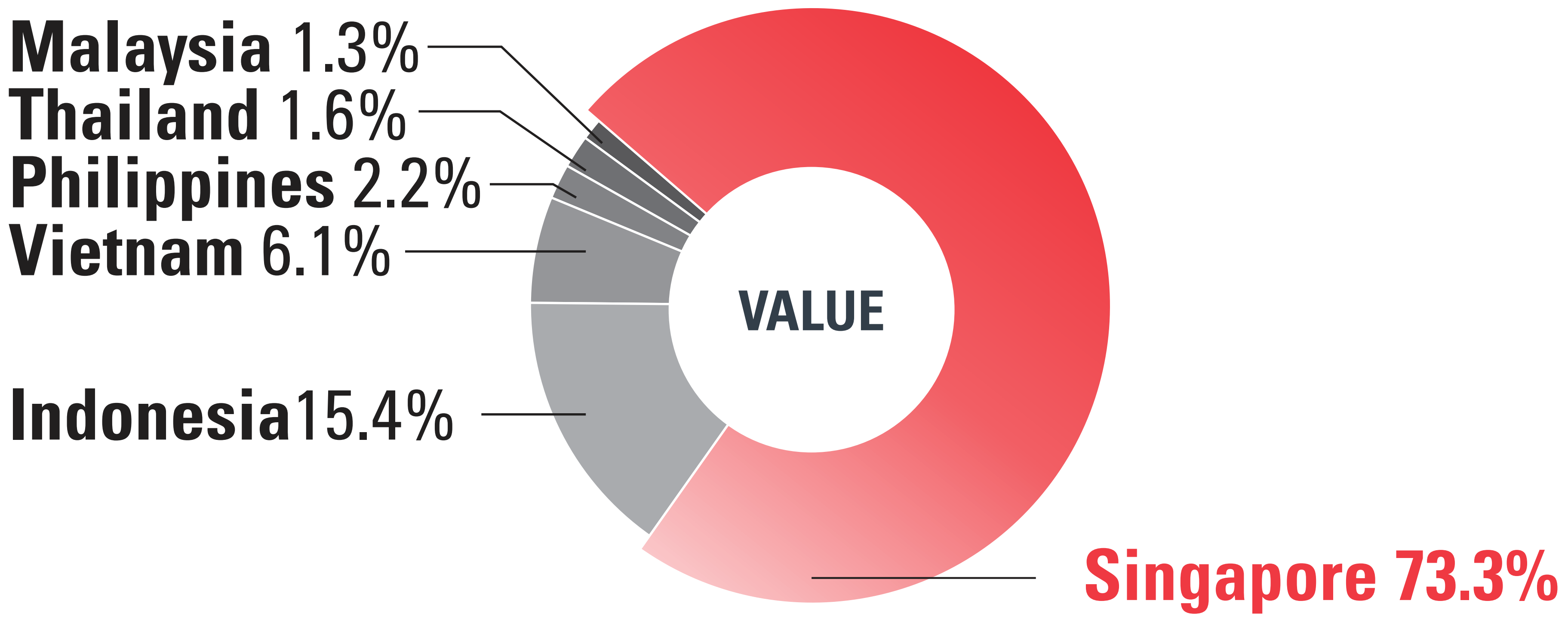
Deal volume and value per market in 2023



Share of deal volume per market in 2023



Share of deal value per market in 2023



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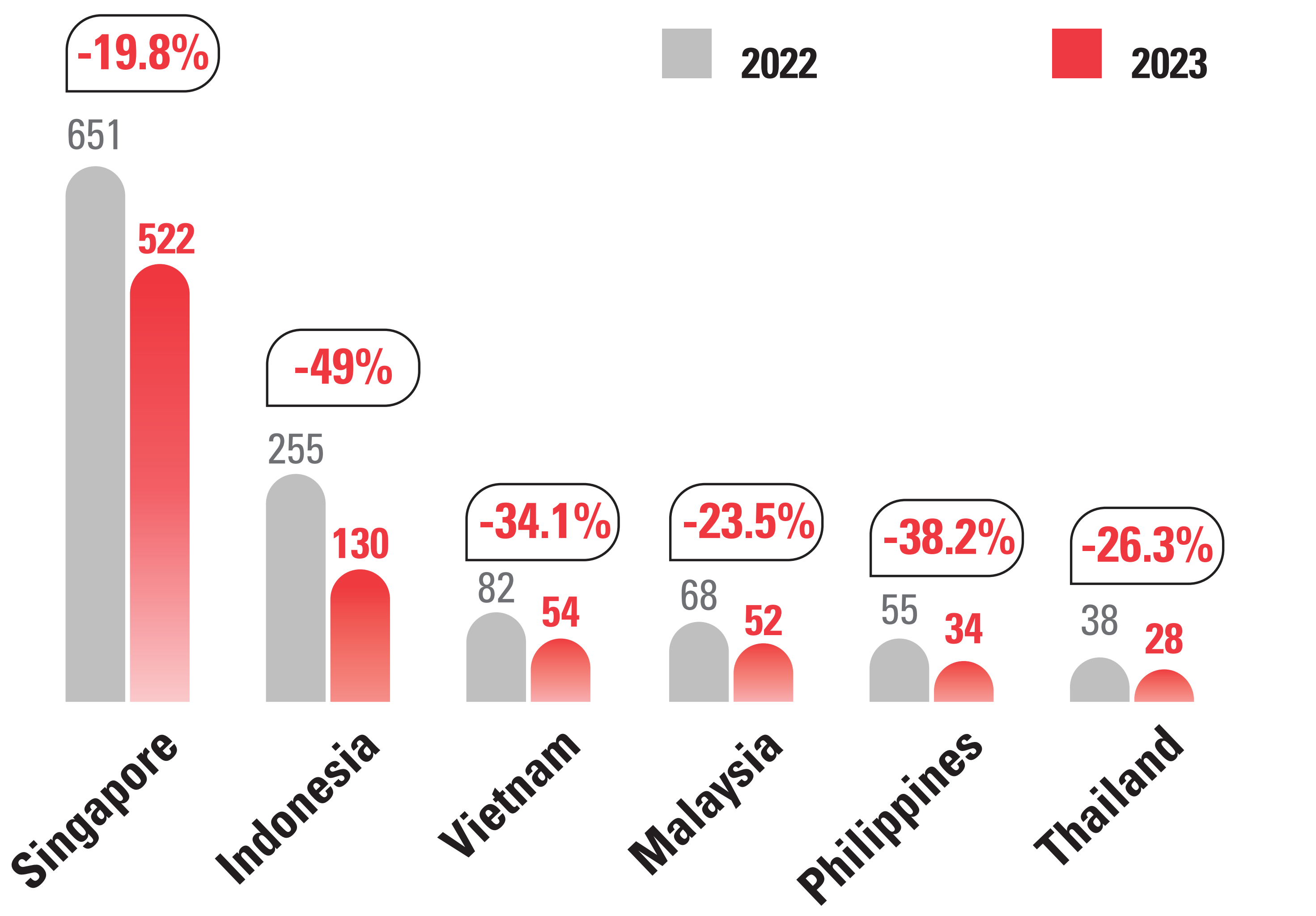
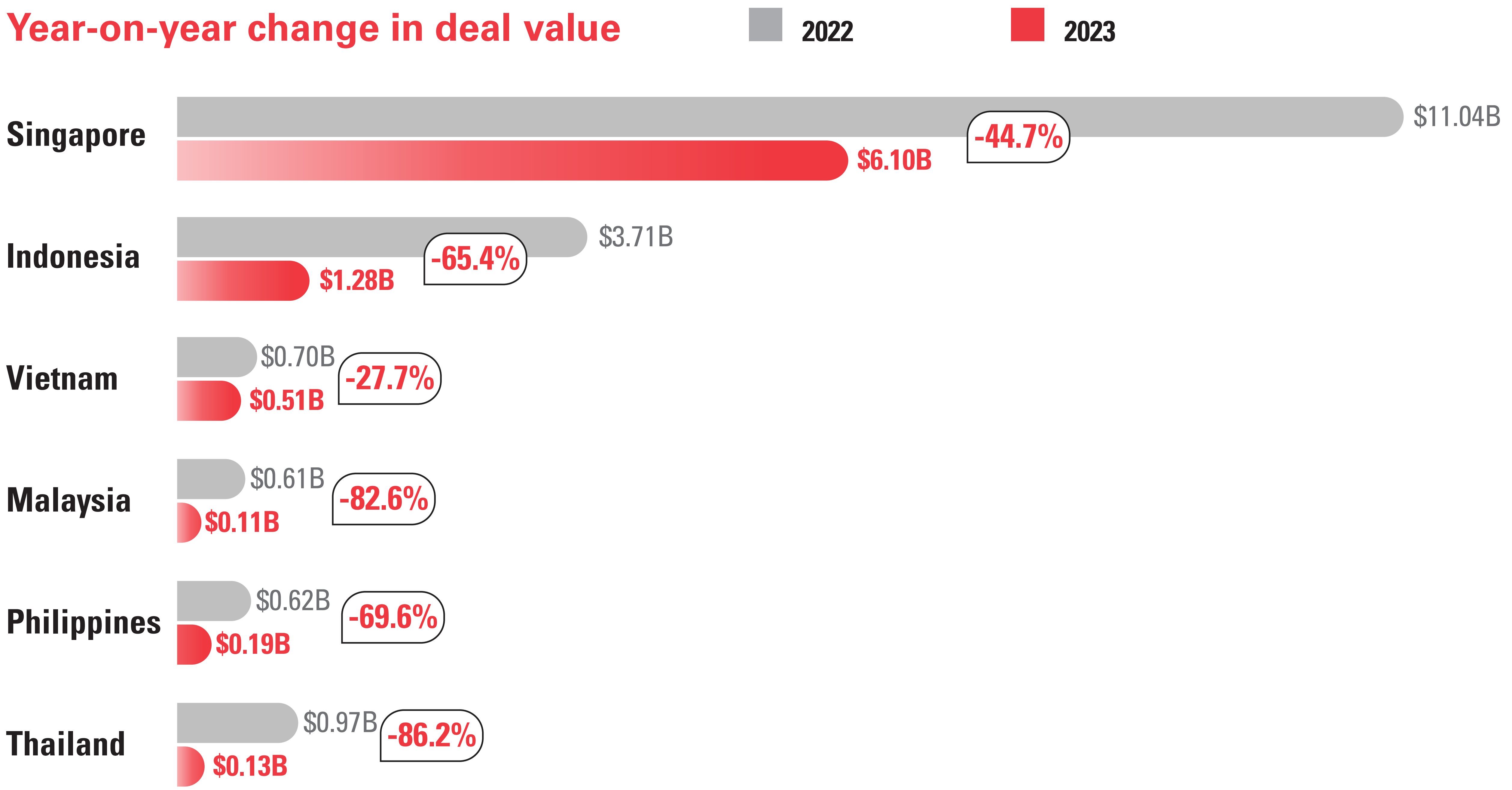
SINGAPORE OUTPERFORMS MAJOR MARKETS IN ASEAN 6 IN 2023

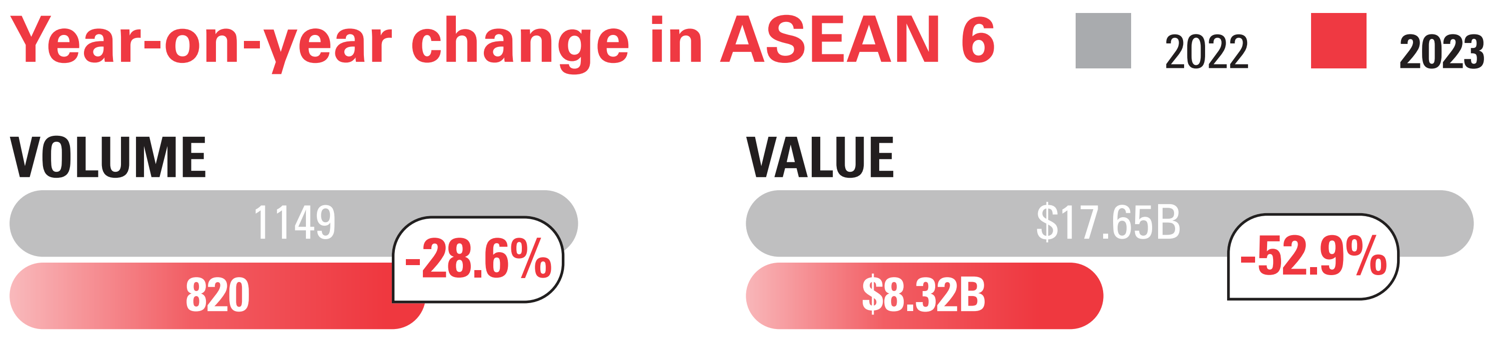
Year-on-year change in deal volume



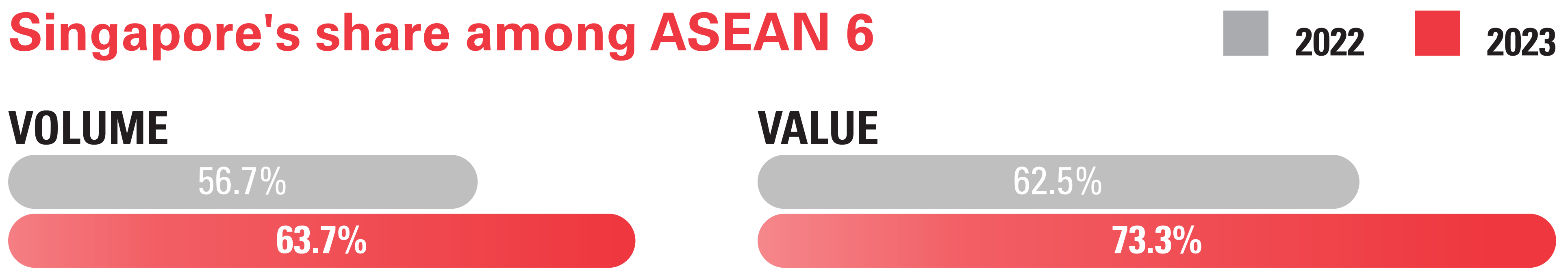
Year-on-year change in deal value



Year-on-year change in ASEAN 6



Singapore's share among ASEAN 6



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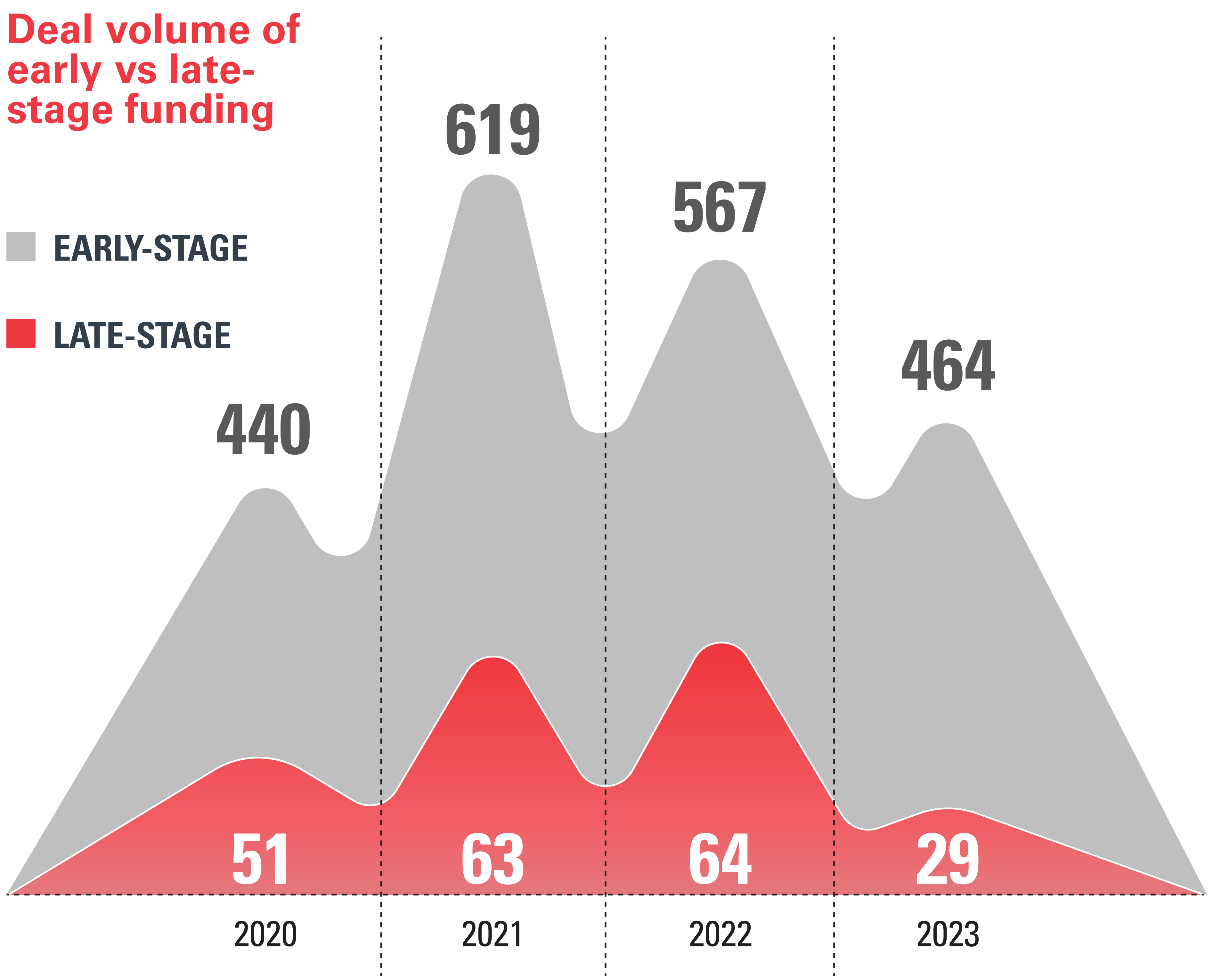
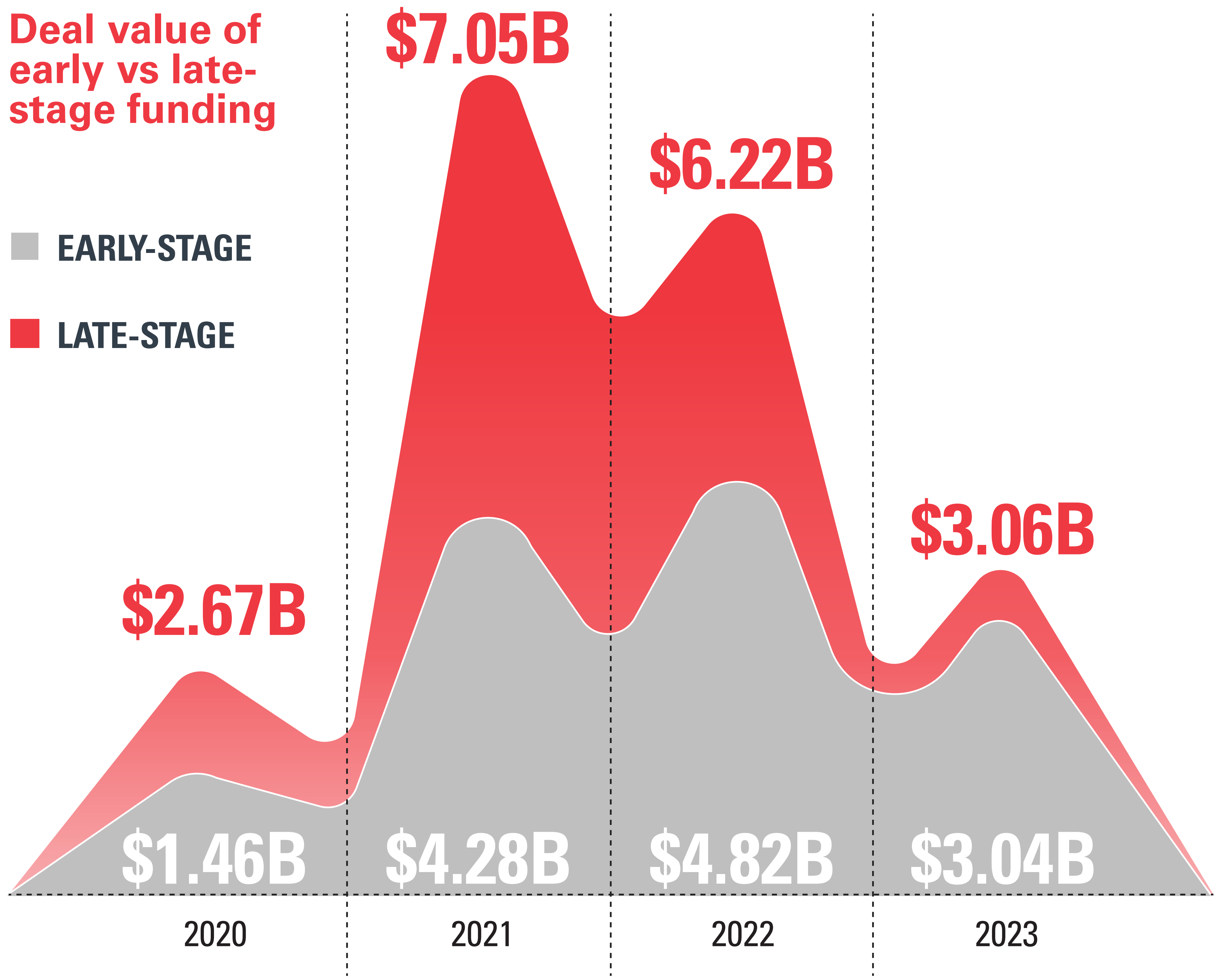
INVESTORS SHIFT FOCUS TO EARLY-STAGE FUNDING



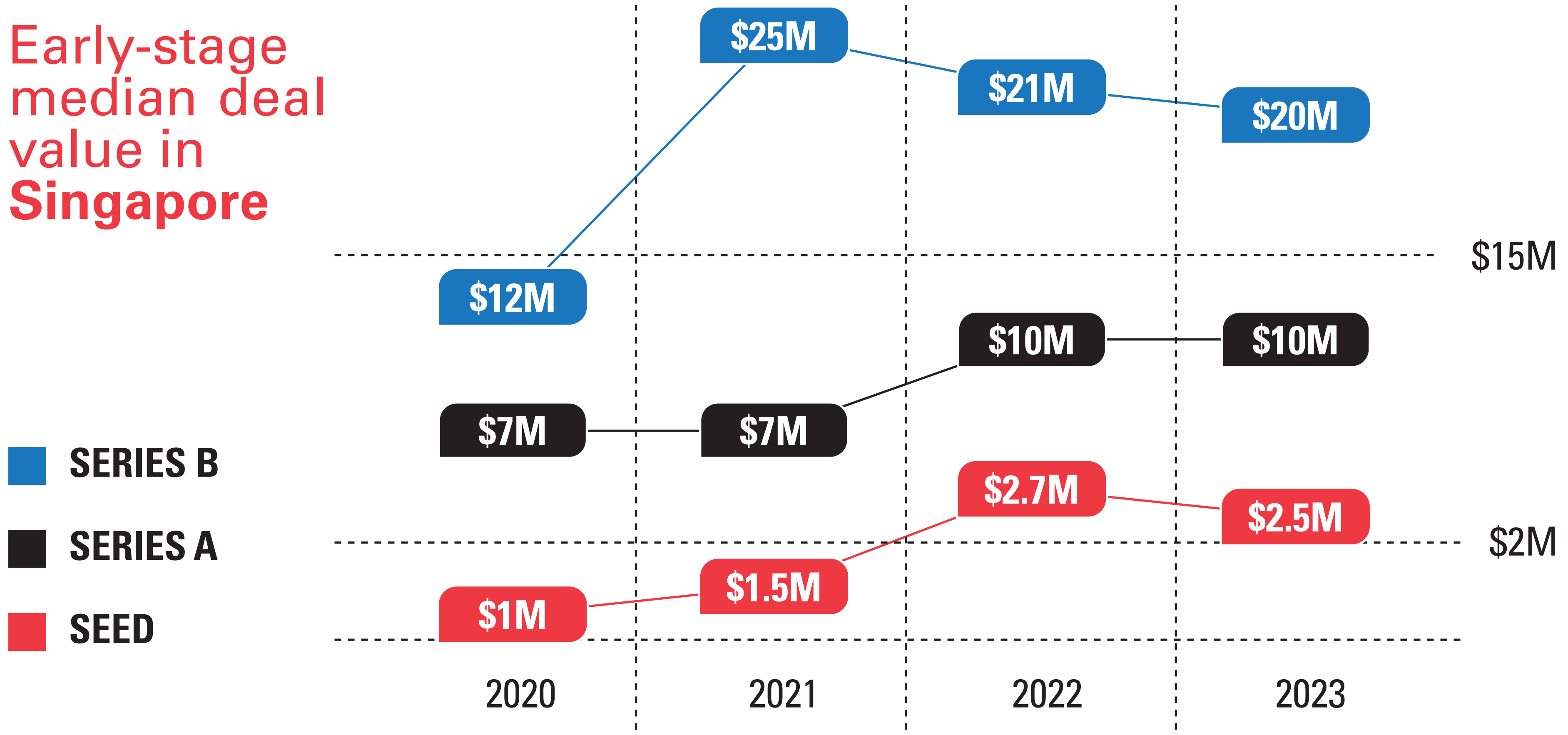


Early-stage deals refer to seed through Series B rounds. Late-stage refers to Series C and above rounds.
Data excludes deals with unspecified funding stages.

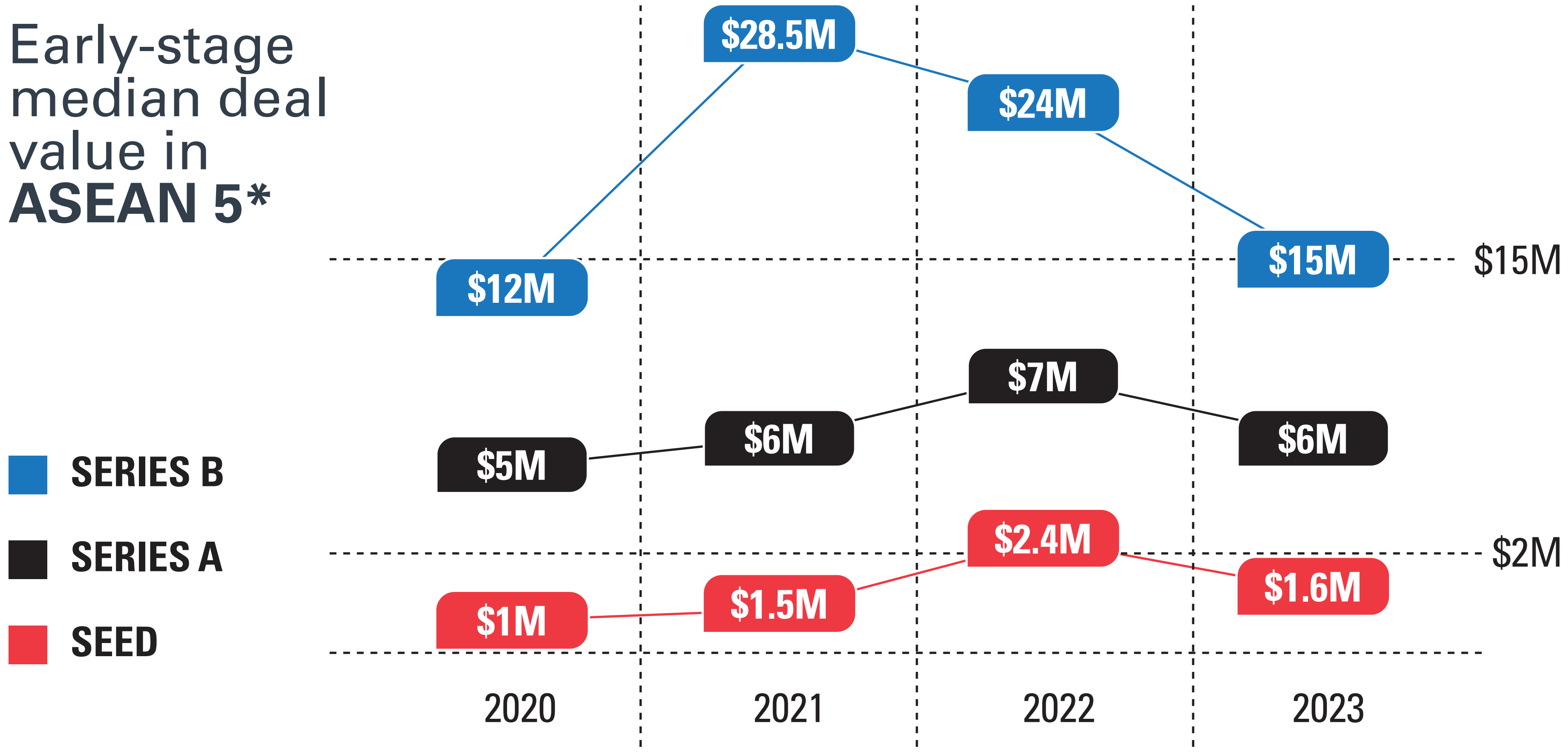
All monetary figures are in USD

MEDIAN DEAL VALUE SUGGESTS VALUATION RATIONALISATION ACROSS THE REGION

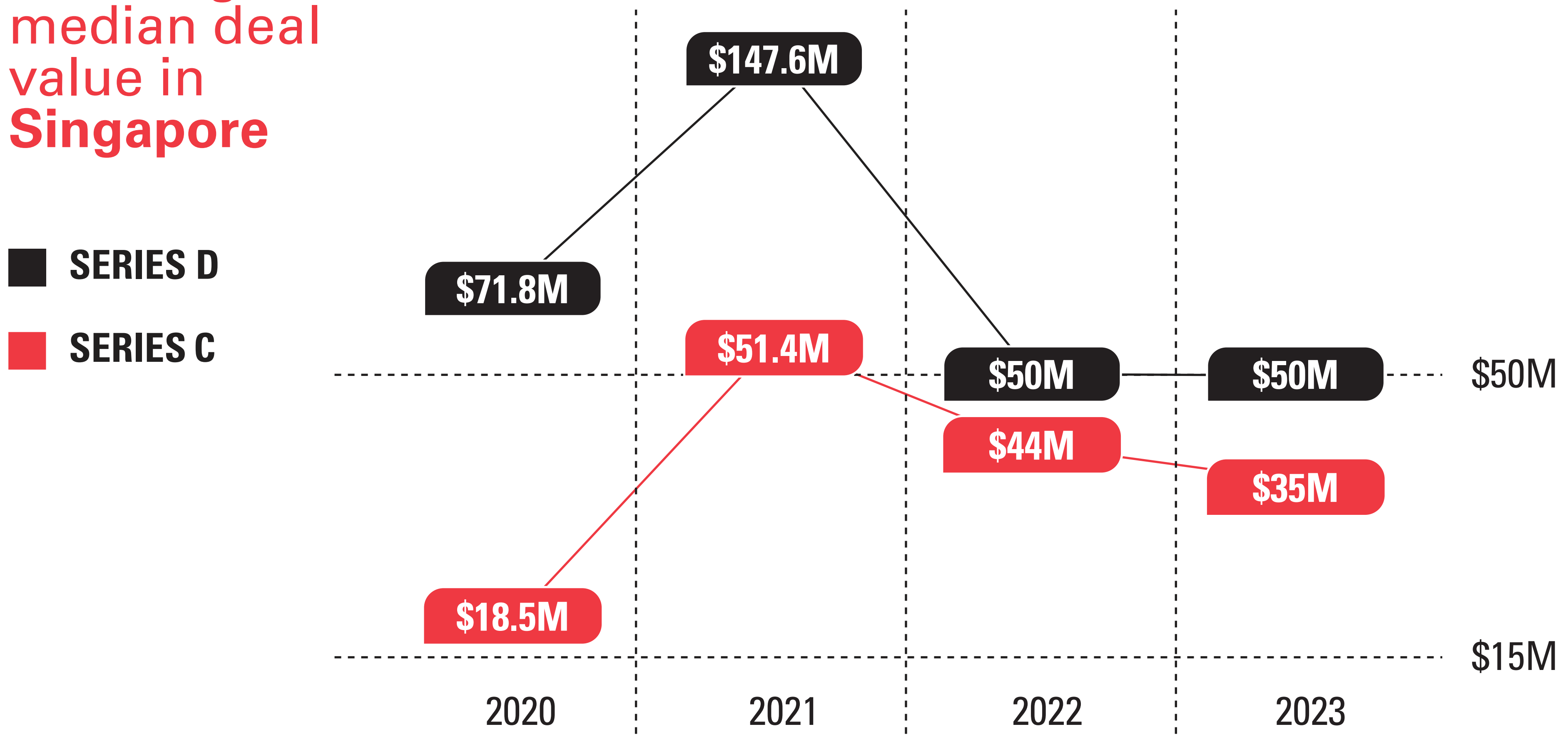
Early-stage median deal value in **Singapore**



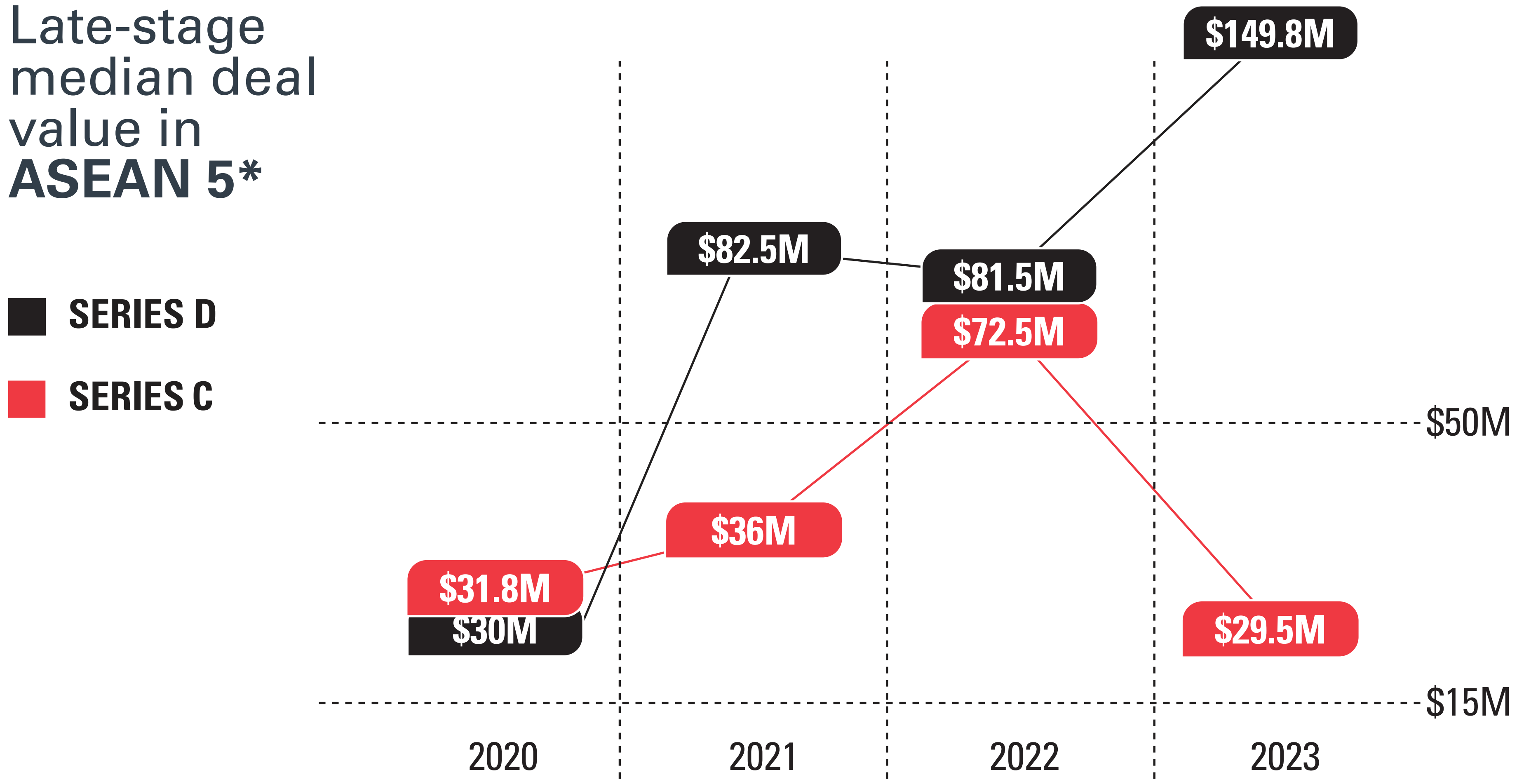
Early-stage median deal value in **ASEAN 5***



Late-stage median deal value in **Singapore**



Late-stage median deal value in **ASEAN 5***



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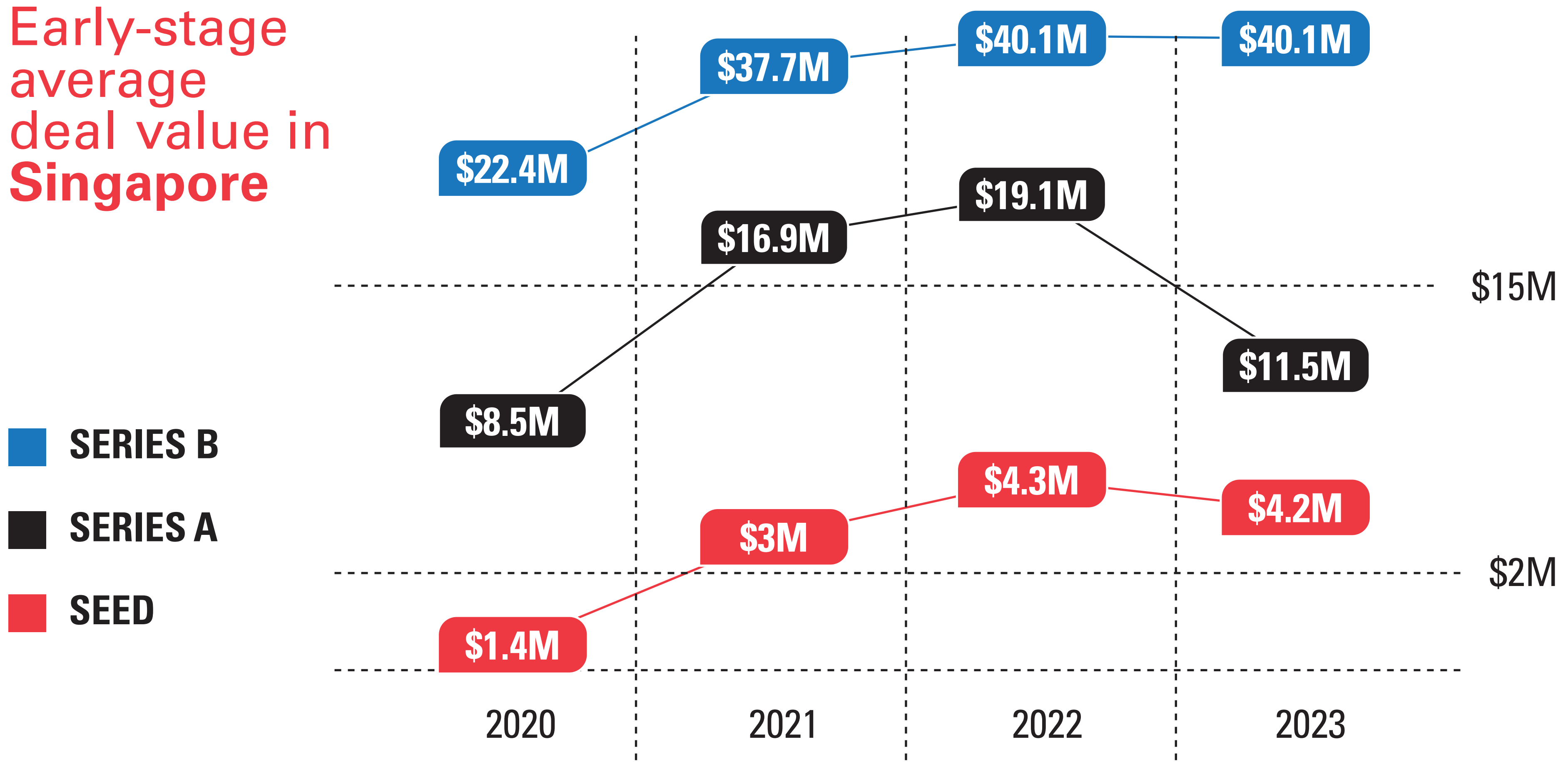
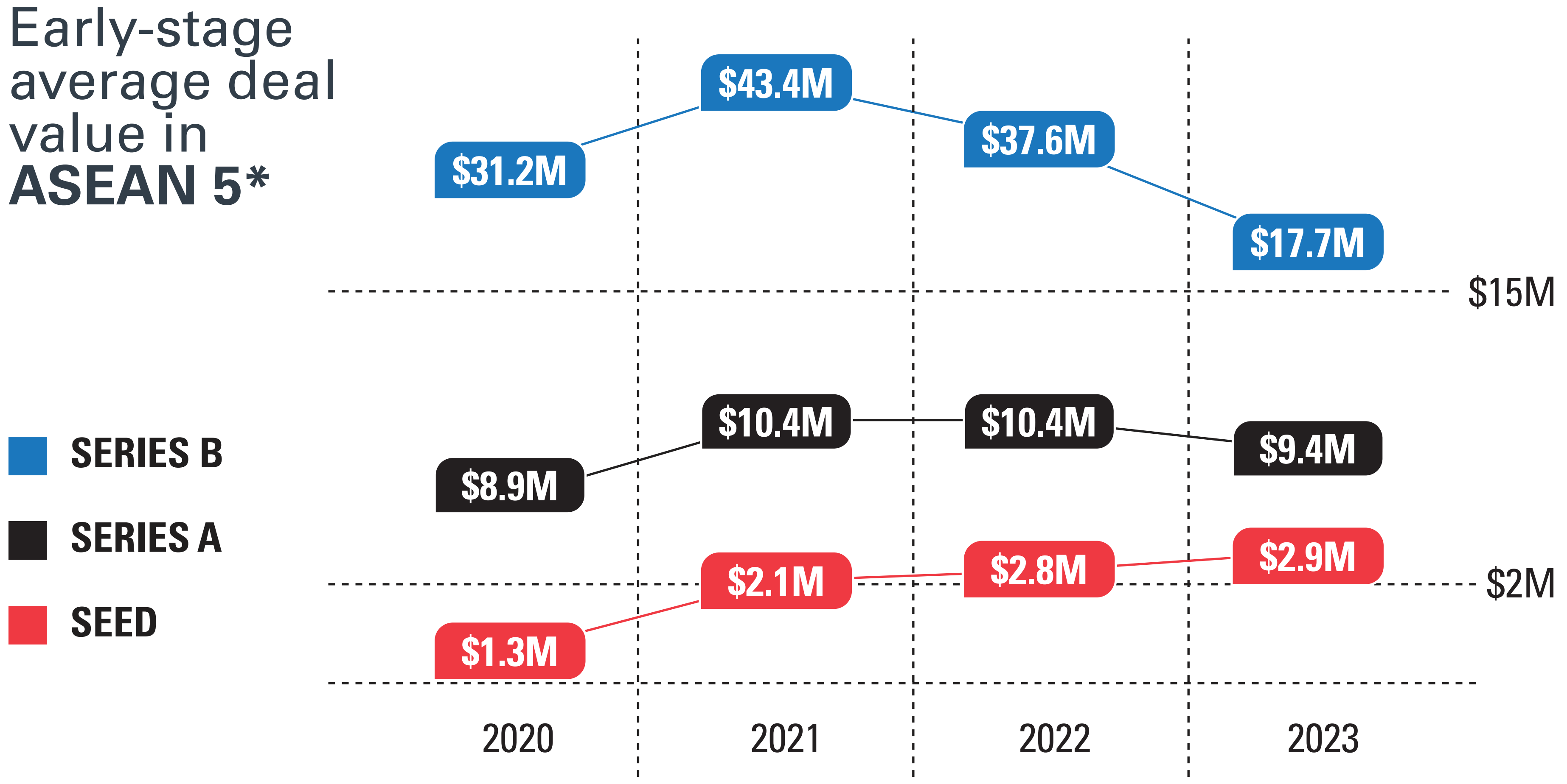
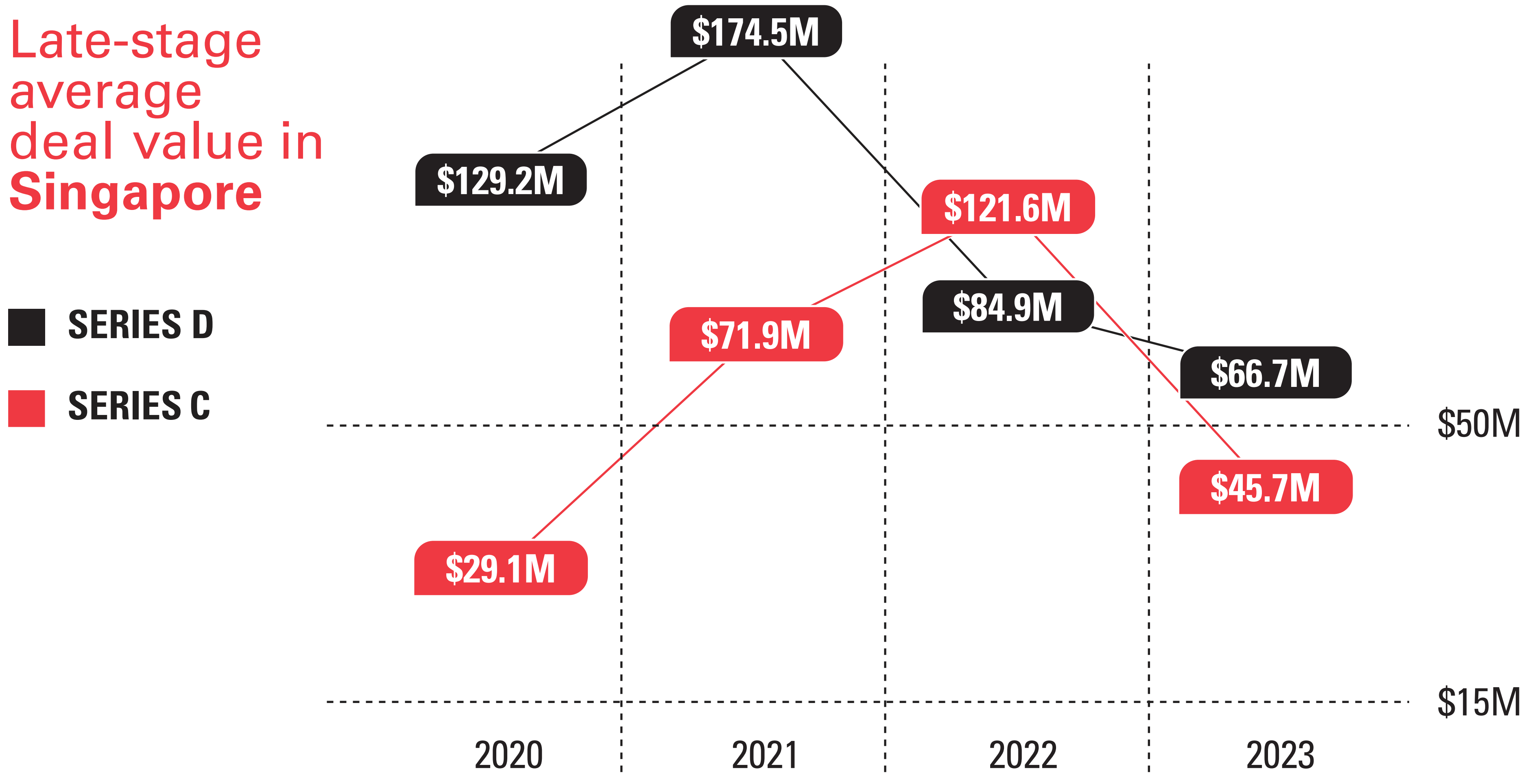
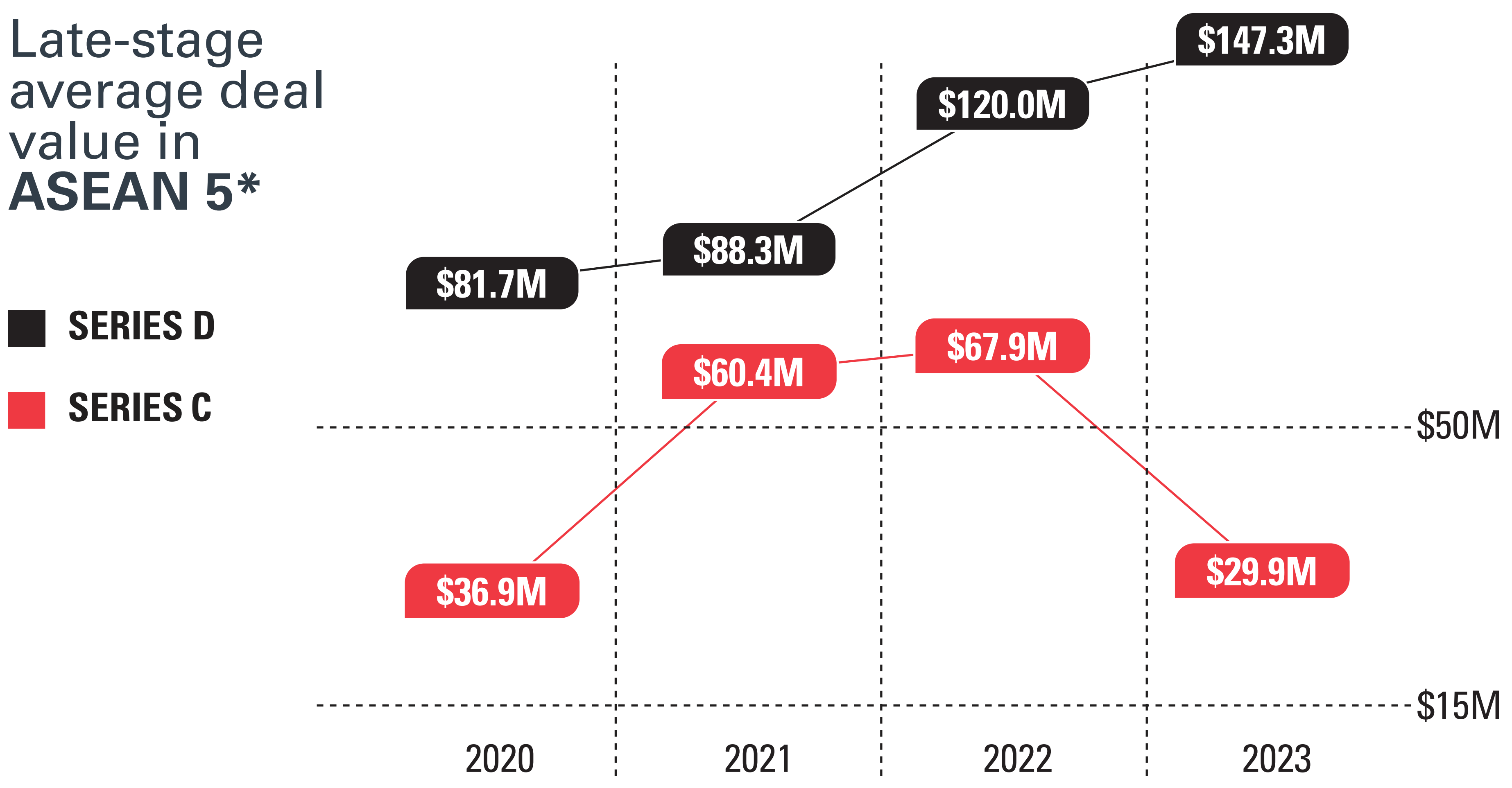
EARLY-STAGE ROUNDS DECLINE AMID ASSET REPRICING









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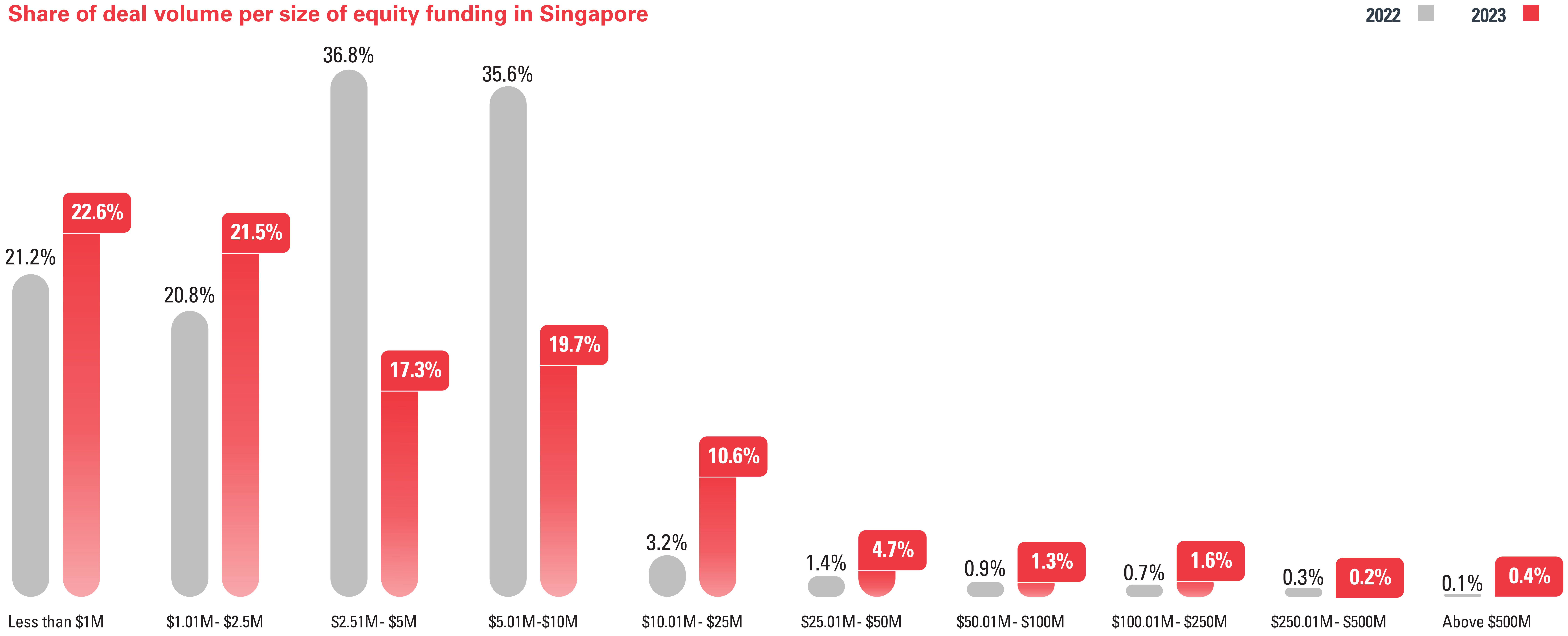
SUB-$2.5M DEALS ACCOUNT FOR 44% OF THE TOTAL DEAL COUNT IN 2023



The deal value on the X axis is not indicative of the funding stage.
Data excludes deals with unverified investment value
All monetary figures are in USD

VENTURE-BACKED COMPANIES VALUED AT MORE THAN $500M AFTER LAST FUNDING ROUND

Company	Founding Year	Focus	Total paid-up capital	Valuation	Last funding round
ShopBack	2014	Cashback & rewards	$384M	$997M	May. 23
Thunes	2018	Cross-border payment	$208M	$821M	Jul. 23
Esco Lifesciences	1984	Life sciences products	$200M	$800M	Feb. 21
SCI Ecommerce	2014	E-commerce solutions	$96M	$641M	Oct. 22
Cell Research Corporation	2002	Stem cell therapy	$521M	$567M	Sep. 23
Tonik	2018	Digital bank	$157M	$563M	Nov. 23
BrightCHAMPS	2021	Edtech, gaming	$68M	$539M	Aug. 22
Fazz	2019	Fintech	$184M	$514M	Feb. 23

Source: DealStreetAsia DATA *VANTAGE* except Esco Lifesciences, which is based on company announcement
All monetary figures are in USD

TWO-THIRDS OF THE MOST FUNDED STARTUPS HAIL FROM SINGAPORE

Top 20 equity funding deals in ASEAN 6

HQ	Organization Name	Vertical	Type	Value	Investors (Not Exhaustive)
Singapore	**Lazada Group**	E-commerce	Corporate Round	$1,872M	Alibaba Group
Thailand	**Flash Express**	Logistics & supply chain	Series F	$447M	Undisclosed
Indonesia	**Kredivo**	Fintech	Series D	$270M	GMO Global Payment Fund, Jungle Ventures, Mizuho Bank
Singapore	**Bolttech**	Fintech	Series B	$246M	LeapFrog Investments, Khazanah Nasional, MetLife, Tokio Marine
Indonesia	**eFishery**	Agritech	Series D	$200M	G42 Expansion Fund, Northstar Group, KWAP, 500 Southeast Asia
Singapore	**Silicon Box**	Industrial Products	Series B	$139M*	BlueRun Ventures, Maverick Capital, TDK Ventures, UMC Capital
Singapore	**Singlife**	Financial Services	Corporate Round	$133M	Sumitomo Life Insurance Company
Vietnam	**EQuest**	Education	Private Equity	$120M	Kohlberg Kravis Roberts
Vietnam	**Hyosung Vina Chemicals**	Industrial Products	Corporate Round	$120M	Hyosung Chemical
Singapore	**InterContinental Energy**	Green tech	Series B	$115M	GIC, Hy24
Singapore	**Foundation Healthcare**	Healthcare	Growth Equity	$111M	SeaTown Holdings
Singapore	**Insider**	Media & entertainment	Growth Equity	$105M	Qatar Investment Authority, Esas Private Equity
Singapore	**Trusting Social**	Fintech	Series D	$105M	Masan Group
Singapore	**Aspire**	Fintech	Series C	$100M	LGT Capital Partners, Lightspeed Venture Partners, Picus Capital
Vietnam	**International Dairy Products**	Consumer products	Private Equity	$100M	Growtheum Capital Partners
Indonesia	**Halodoc**	Healthtech	Series D	$100M	Astra Digital, Novo Holdings, Openspace Ventures
Singapore	**Qosmosys**	Space tech	Seed	$100M	Undisclosed
Singapore	**Advance Intelligence Group**	Fintech	Growth Equity	$80M	Northstar Group, Warburg Pincus
Singapore	**Oatside**	Food & beverage	Series A	$76M	Venezio Investments, GGV Capital
Singapore	**Thunes**	Fintech	Series C	$72M	Marshall Wace, Bessemer Venture Partners, EDBI, Endeavor Catalyst

*The remainder of Silicon Box's 200 million Series B round was received in February 2024.
Excluding deals with unverified investment value | All monetary figures are in USD

FUNDING BY SINGAPORE THEMES

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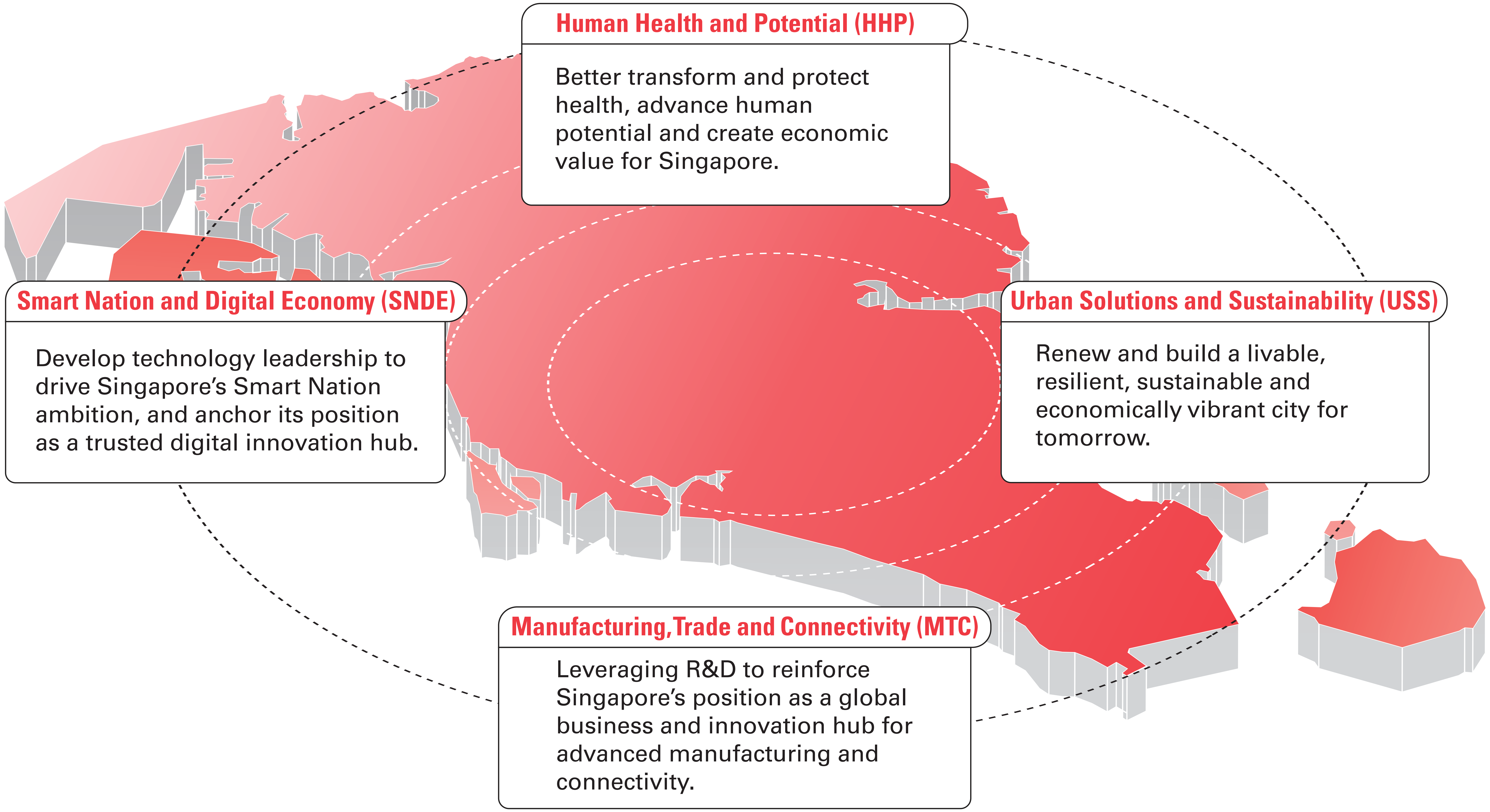
Funding by themes

SINGAPORE’S STRATEGIC DOMAINS

Singapore's Research, Innovation and Enterprise (RIE) initiative is central to its development strategy, facilitating a shift to an innovation-driven, knowledge-based economy, thereby boosting economic competitiveness and paving the way for new growth opportunities. Updated every five years, the RIE plan sets the groundwork for the nation's science and technology advancements.

Under the RIE2025 Plan, the Singapore government allocated S$25 billion between 2021 and 2025 to bolster research, innovation, and enterprise, aligning with the long-term vision of establishing a research-intensive, innovative, and entrepreneurial economy. Through the budget allocation, the Singapore government is supporting enterprises in their innovation journey to build and invest in Singapore-headquartered ventures.

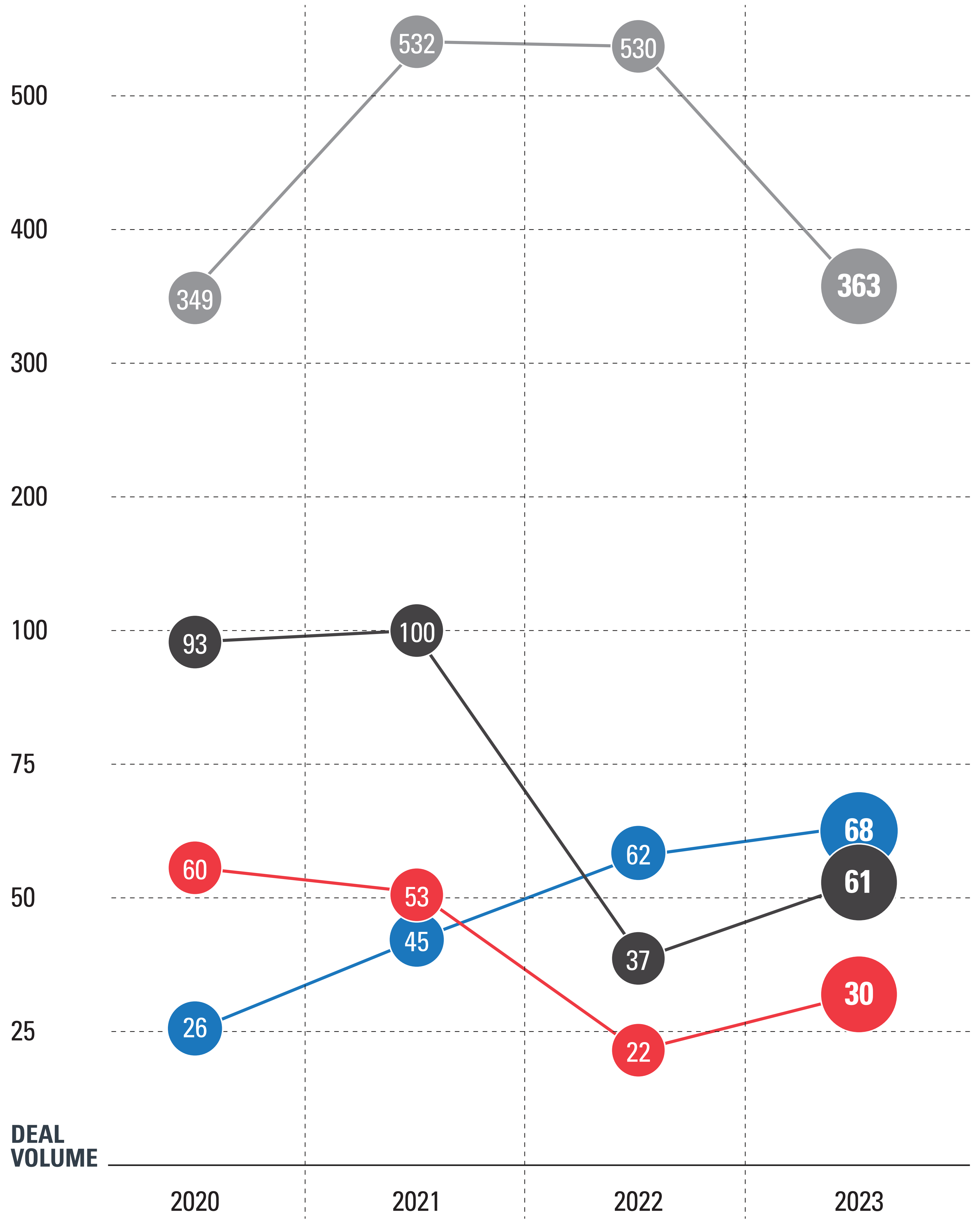
It is therefore imperative that in assessing the venture funding landscape of Singapore we assess how funding is evolving in the four strategic focus themes of RIE2025.

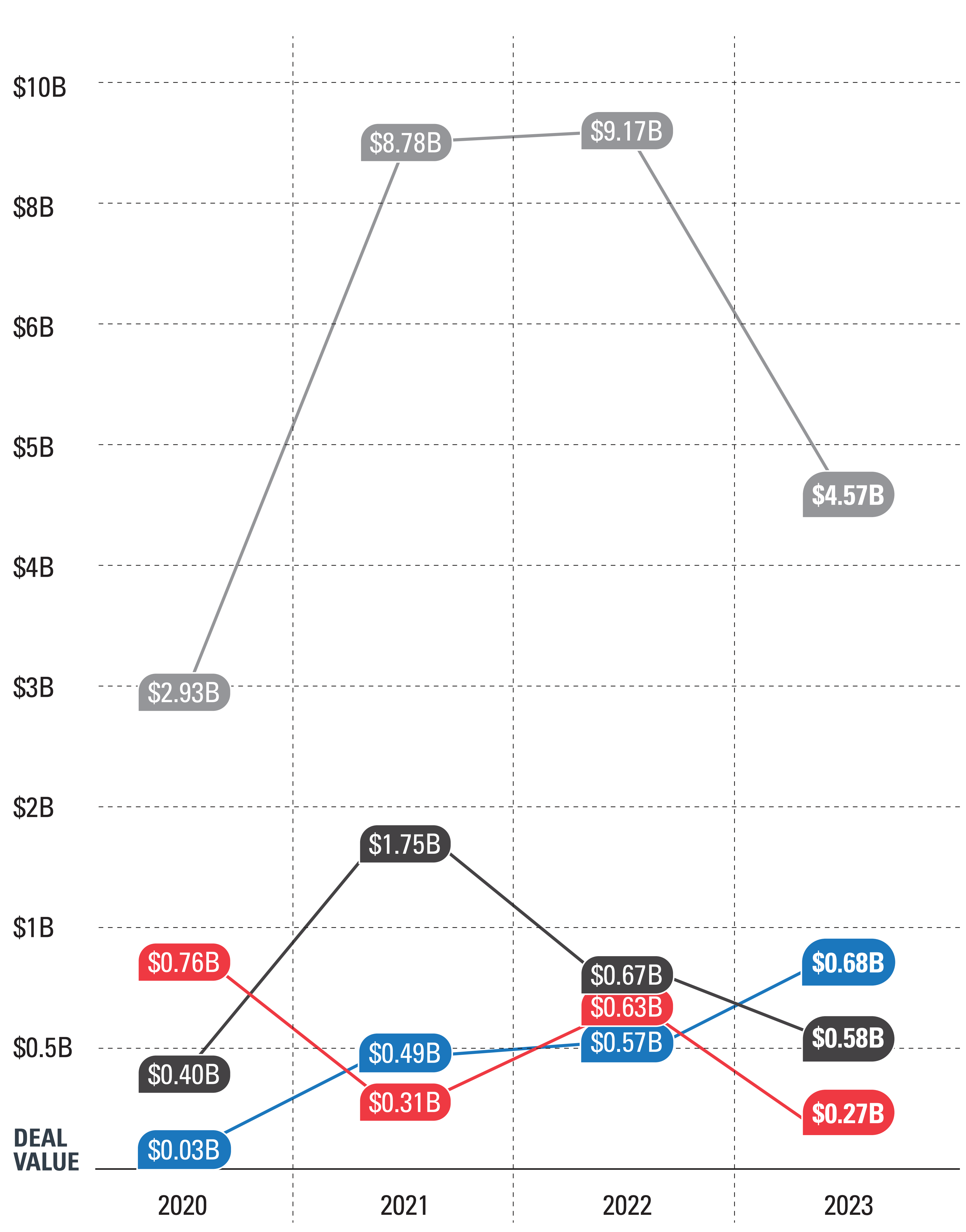


ALL RIE2025 STRATEGIC DOMAINS RECORD HIGHER DEAL VOLUME EXCEPT SMART NATION AND DIGITAL ECONOMY

Deal value and volume across four Singapore themes from 2020 to 2023

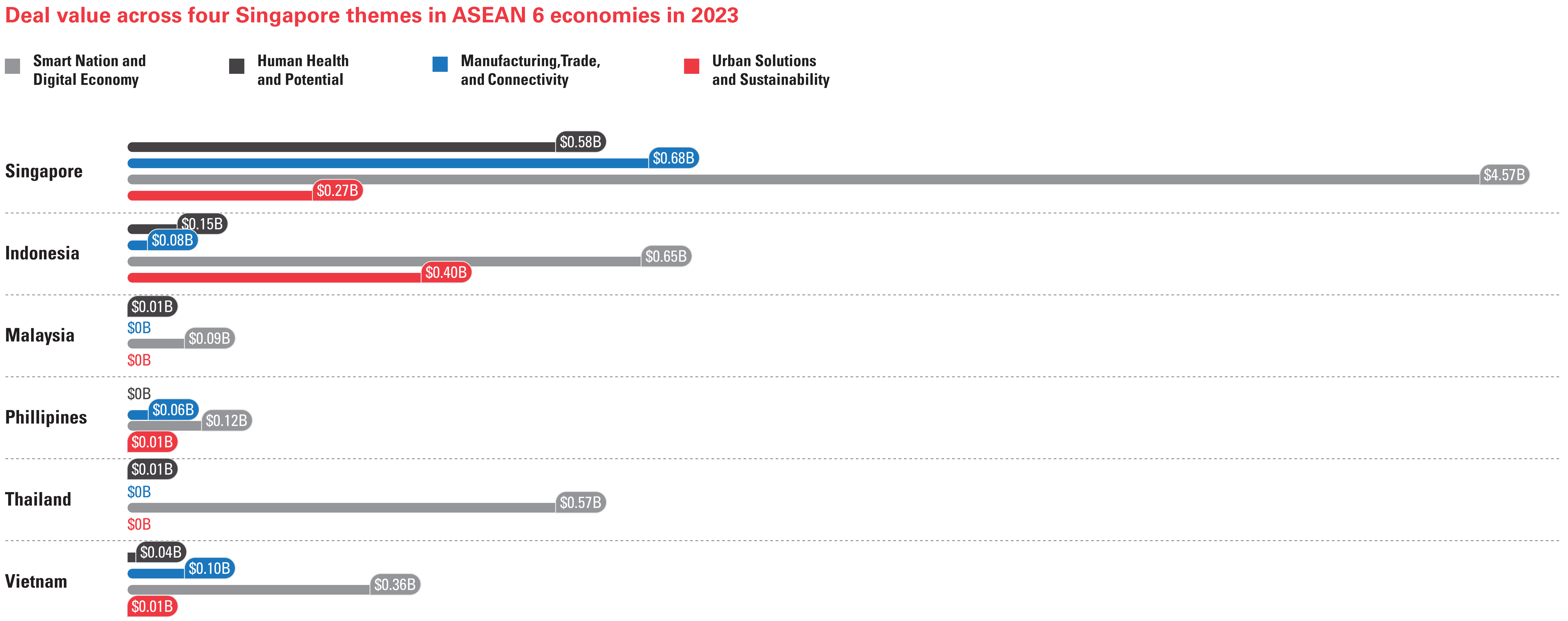
- Smart Nation and Digital Economy
- Manufacturing, Trade, and Connectivity
- Human Health and Potential
- Urban Solutions and Sustainability





The 2022 total value includes Alibaba Group's $1.63 billion investment into Lazada Group.
All monetary figures are in USD

SMART NATION AND DIGITAL ECONOMY TOPS ASEAN 6 FUNDING VALUE

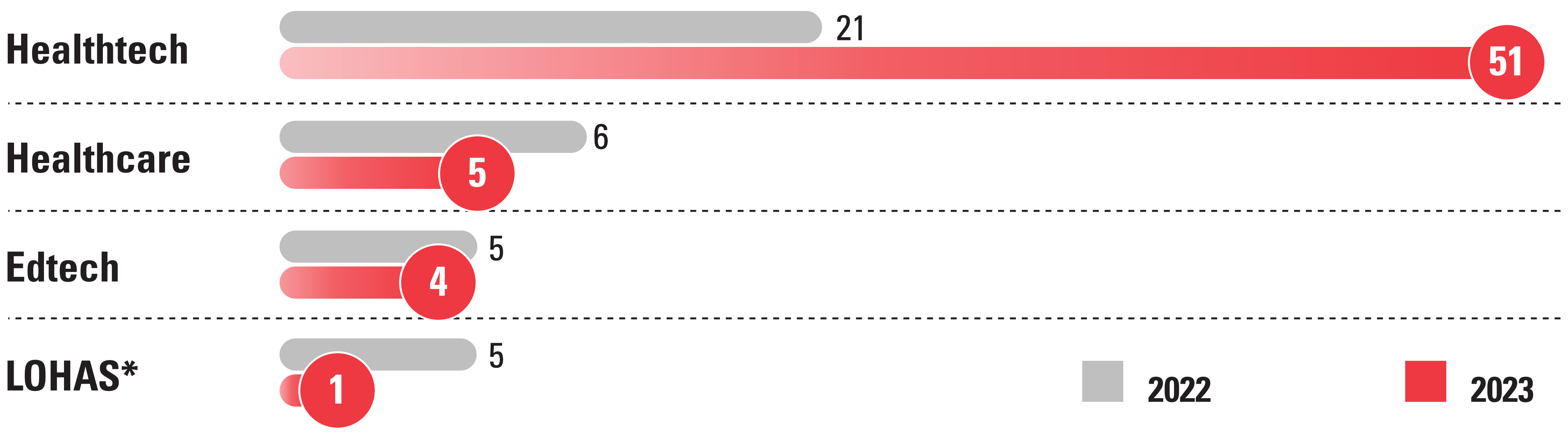


ASEAN 6 refers to Singapore, Indonesia, Malaysia, Philippines, Thailand and Vietnam
All monetary figures are in USD

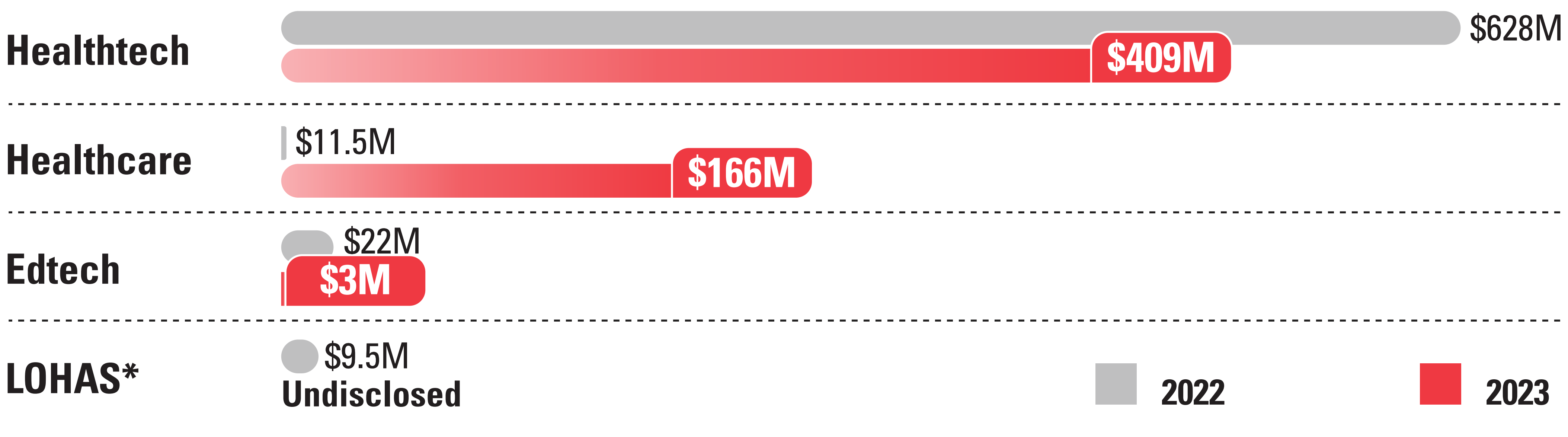
HEALTHTECH REMAINS A FOCAL POINT OF INTEREST POST-PANDEMIC

With increased global life expectancy and research breakthroughs, affordability, and availability of healthcare are the two fundamental challenges startups today are attempting to solve. Investors are keeping a close watch on key sub-sectors such as precision medicine, digital therapeutics, and telemedicine. Singapore continues to remain an attractive hub for startups in this space with double the amount of healthtech deal activity taking place since 2022.

Top verticals under Human Health and Potential (HHP) theme in Singapore by deal volume in 2023



Total value of top verticals under Human Health And Potential (HHP) theme in Singapore in 2023



Top 10 Human Health and Potential deals

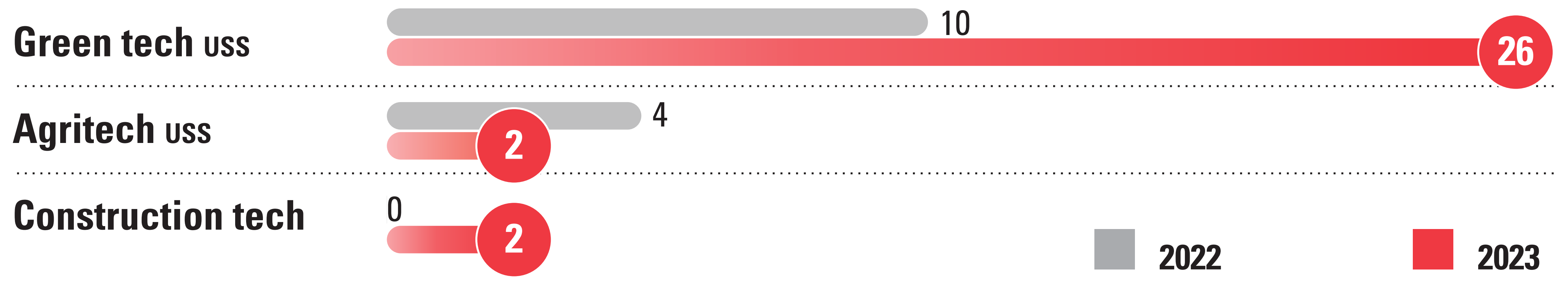
Company	Vertical	Funding Stage	Value	Investors (Not Exhaustive)
Foundation Healthcare	Healthcare	Growth Equity	$111M	SeaTown Holdings
Holmusk	Healthtech	Series B + Venture - Series Unknown	$75M	Health Catalyst Capital, Heritas Capital, Novartis, Veradigm
MiRXES	Healthtech	Series D	$50M	China Fellow Partners, EDBI, Mitsui & Co, NHH Ventures
Engine Biosciences	Healthtech	Series A	$45M	Polaris Partners, EDBI, ClavystBio, Invus, SEEDS Capital
Lucence	Healthtech	Venture - Series Unknown	$42M	SGInnovate
Lion TCR	Healthtech	Series B	$42M	CSPC NARD Capital, Guangzhou Industrial Investment Group
Tricog Health	Healthtech	Series B2	$20M	Inventus Capital Partners, Omron Healthcare, SGInnovate
AWAK Technologies	Healthtech	Series B	$20M	Lion X Ventures, Vickers Venture Partners
Automera	Healthtech	Series A	$16M	Accelerator Life Science Partners, Clavvyst Bio
Axcynsis Therapeutics	Healthtech	Seed	$15M	TIF Biomedical Ventures, Hapi Ventures

*Lifestyles of Health and Sustainability (LOHAS)
All monetary figures are in USD

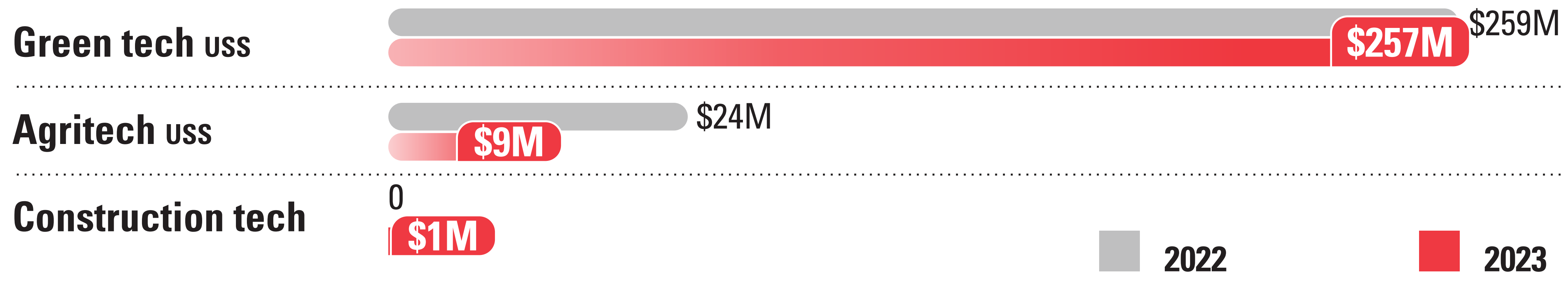
GREEN TECH FUNDING GATHERS STRONG MOMENTUM

With the world's focus on green transition and charting a path towards net zero, startup founders are leveraging this opportunity to solve ESG (Environmental, Social and Governance)-related problem statements. Investors also prefer to invest in venture-backed companies that have ESG frameworks embedded into their core operations and management. Green tech deals have consequently more than doubled since 2022. Among the top ten deals, we see traction for green tech enterprises with hardware capabilities in renewable energy, waste management, and battery services attracting investments.

Top verticals under Urban Solution and Sustainability (USS) theme in Singapore by deal volume in 2023



Total value of top verticals under Urban Solution and Sustainability (USS) theme in Singapore in 2023



Top 10 Urban Solutions and Sustainability deals

Company	Vertical	Funding Stage	Value	Investors (Not Exhaustive)
InterContinental Energy	Green tech	Series B	$115M	GIC, Hy24
Blue Planet Environmental Solutions	Green tech	Venture - Series Unknown	$51M	Mizuho Asia Partners, ILUM Holdings I SDN. BHD., Kaizenvest
Green Li-ion	Green tech	Pre-Series B	$20M	TRIREC, Banpu NEXT, Decarbonization Consortium
Cosmos Innovation	Green tech	Series A	$17M	Xora Innovation, Innovation Endeavors, Two Sigma Ventures
SEPPURE	Green tech	Series A	$12M	Anji Microelectronics Technology Shanghai, SOSV
VFlow Tech	Green tech	Series A	$10M	Carbon Zero Venture Capital, Inci, Real Tech Holdings
Gush	Green tech	Series A1	$9M	SEEDS Capital, RSK Holdings, TNB Aura, RIF, Ralv Ventures
Mushroom Material	Green tech	Venture - Series Unknown	$5M	Undisclosed
HydroLeap	Green tech	Series A	$4M	Global Brain Corporation, Real Tech Holdings, SEEDS Capital
DiMuto	Agritech	Venture - Series Unknown	$4M	SGInnovate

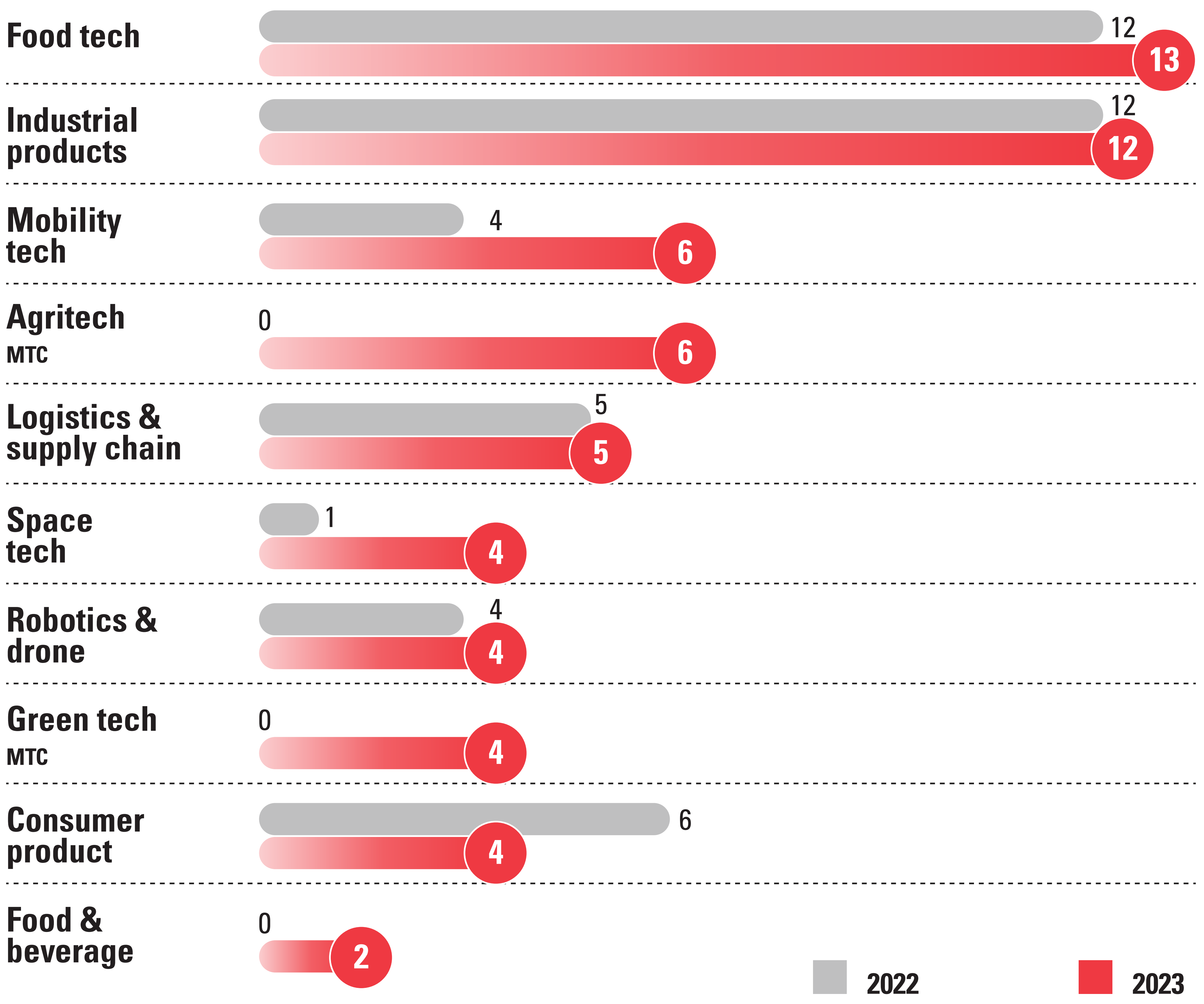
Agritech USS denotes a business vertical encompassing companies offering urban and sustainability solutions, including technologies to improve crop yields and supply chain efficiencies.
Green tech USS denotes a business vertical encompassing companies offering urban and sustainability solutions such as renewable energy technologies and waste management.
All monetary figures are in USD

Funding by themes

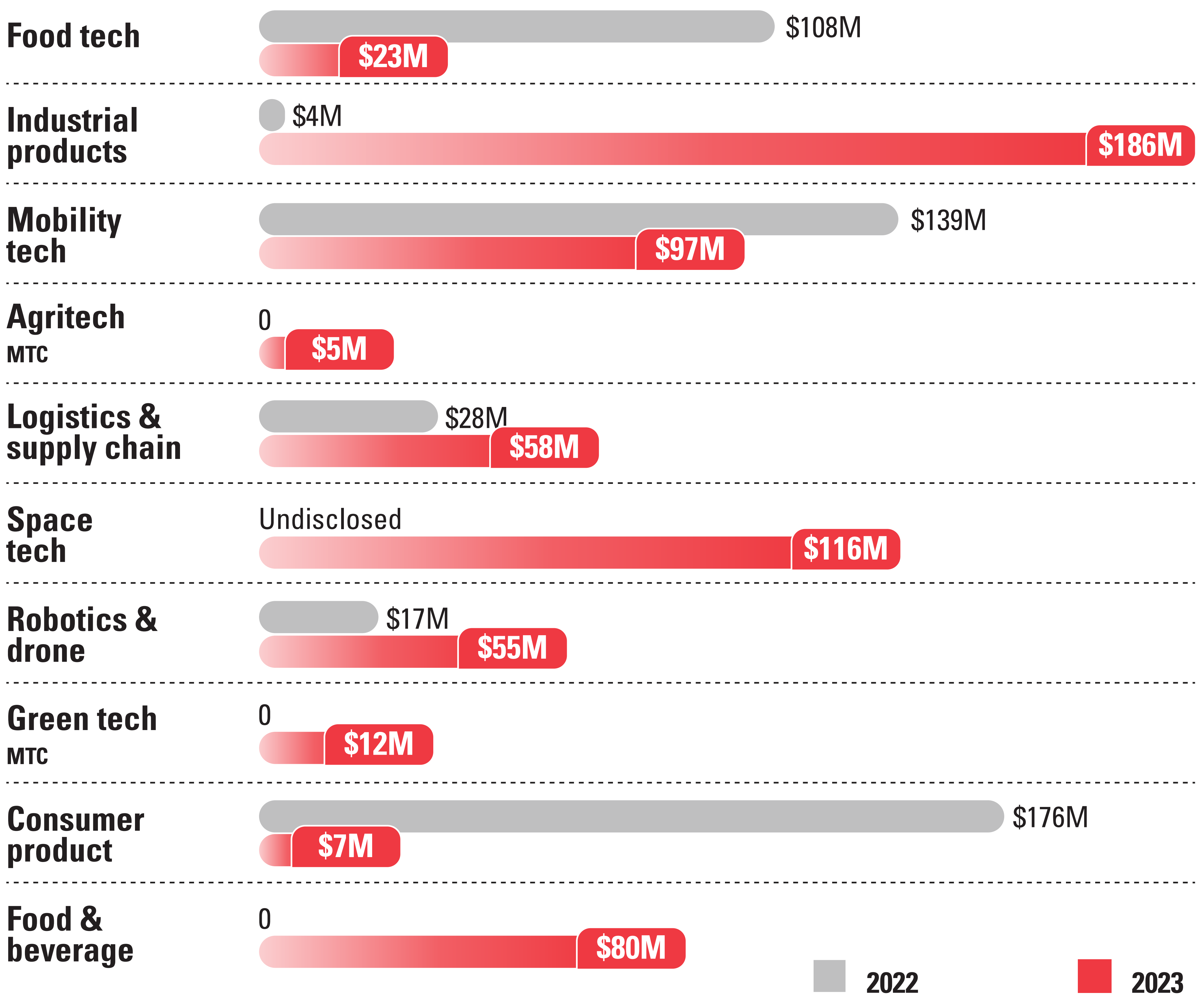
FOOD SUSTAINABILITY, INDUSTRIAL PRODUCTS DRIVE MANUFACTURING INNOVATION

The resolute focus on the future has continued to sustain interest in sectors such as industrial products, food tech, mobility tech, and agritech. Mobility tech increased by 50% in deal activity, comprising investments in electric vehicles and battery swap networks. Commitments to the future of food sustainability remain strong, with alternative food products and agricultural solutions accounting for most of the deal activity in the food tech and agritech sectors.

Top verticals under Manufacturing, Trade and Connectivity (MTC) theme in Singapore by deal volume in 2023



Total value of top verticals under Manufacturing, Trade and Connectivity (MTC) theme in Singapore in 2023



Agritech MTC denotes a business vertical that includes companies involved in either the manufacturing or trading of agriculture-related products such as waste-based feedstock, aquaculture produce and other.
Green tech MTC denotes a business vertical that includes companies involved in either the manufacturing or trading of low carbon products such as sustainable product packaging, sustainable aviation fuel, and others.
All monetary figures are in USD

SILICON BOX RAISES MASSIVE FUNDING TO BUILD $2B FAB IN SINGAPORE

Top 10 Manufacturing, Trade and Connectivity deals

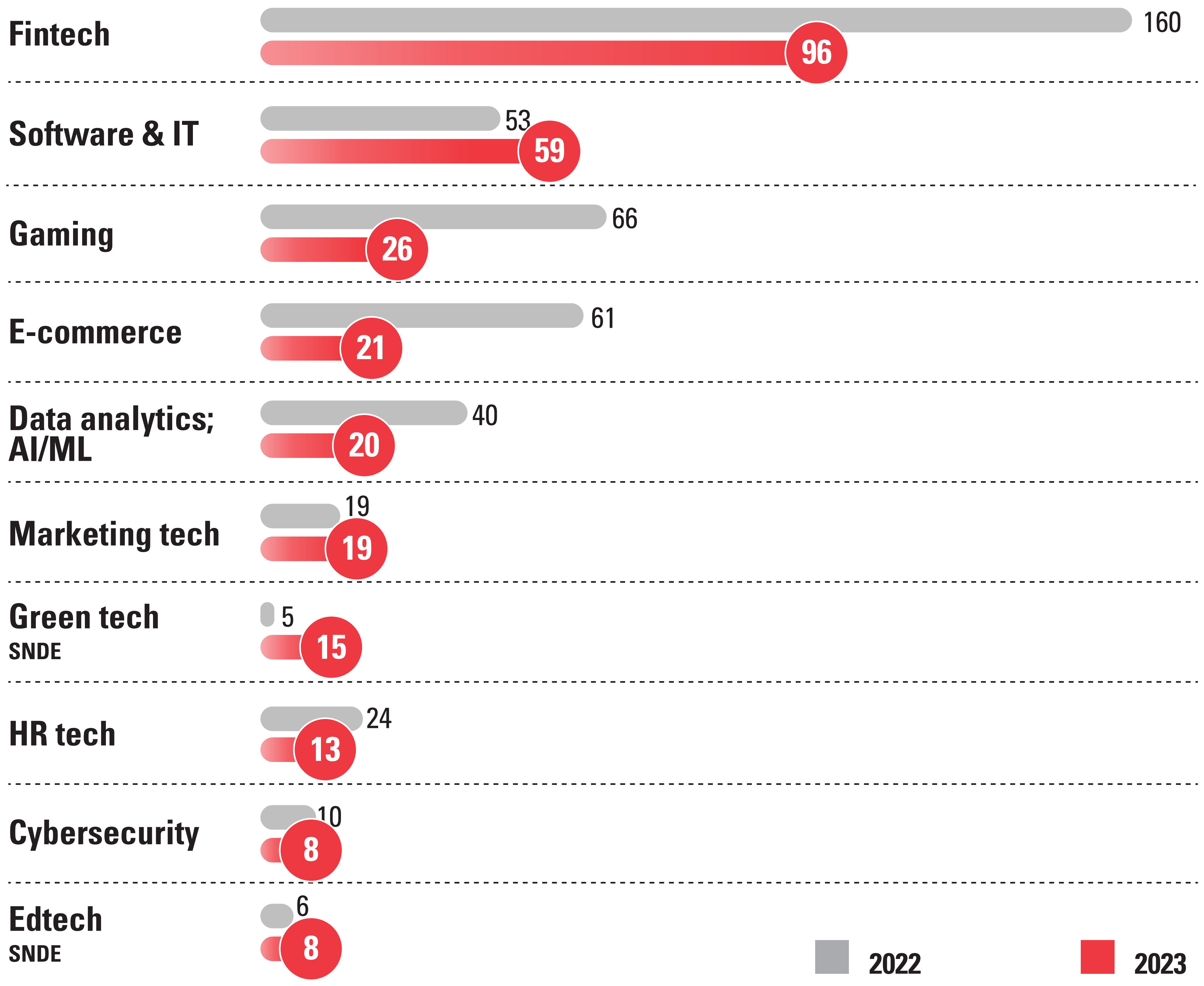
Company	Vertical	Funding Stage	Value	Investors (Not Exhaustive)
Silicon Box	Industrial products	Series B	$139M*	BlueRun Ventures, Maverick Capital, TDK Ventures, UMC Capital
Qosmosys	Space tech	Seed	$100M	Undisclosed
Oatside	Food & beverage	Series A	$76M	Venezio Investments, GGV Capital
Charged Asia	Mobility tech	Corp. Round	$40M	Geo Energy
Inteluck	Logistics & supply chain	Series C	$34M	East Ventures, Navegar
Motion G	Robotics & drone	Venture - Series Unknown + Pre-Series A	$31M	Epistemic, New Wheel Capital
AP Technologies	Manufacturing	Growth Equity	$23M	AGIC Capital
LionsBot	Robotics & drone	Series A	$21M	SuperSteam Asia Pacific, Translink Capital
SINGAUTO Technology	Mobility tech	Corp. Round	$20M	Undisclosed
Ion Mobility	Mobility tech	Series A	$19M	AC Ventures, GDP Venture, SEEDS Capital, TVS Motor Singapore

*The remainder of Silicon Box's 200 million Series B round was received in February 2024.
All monetary figures are in USD

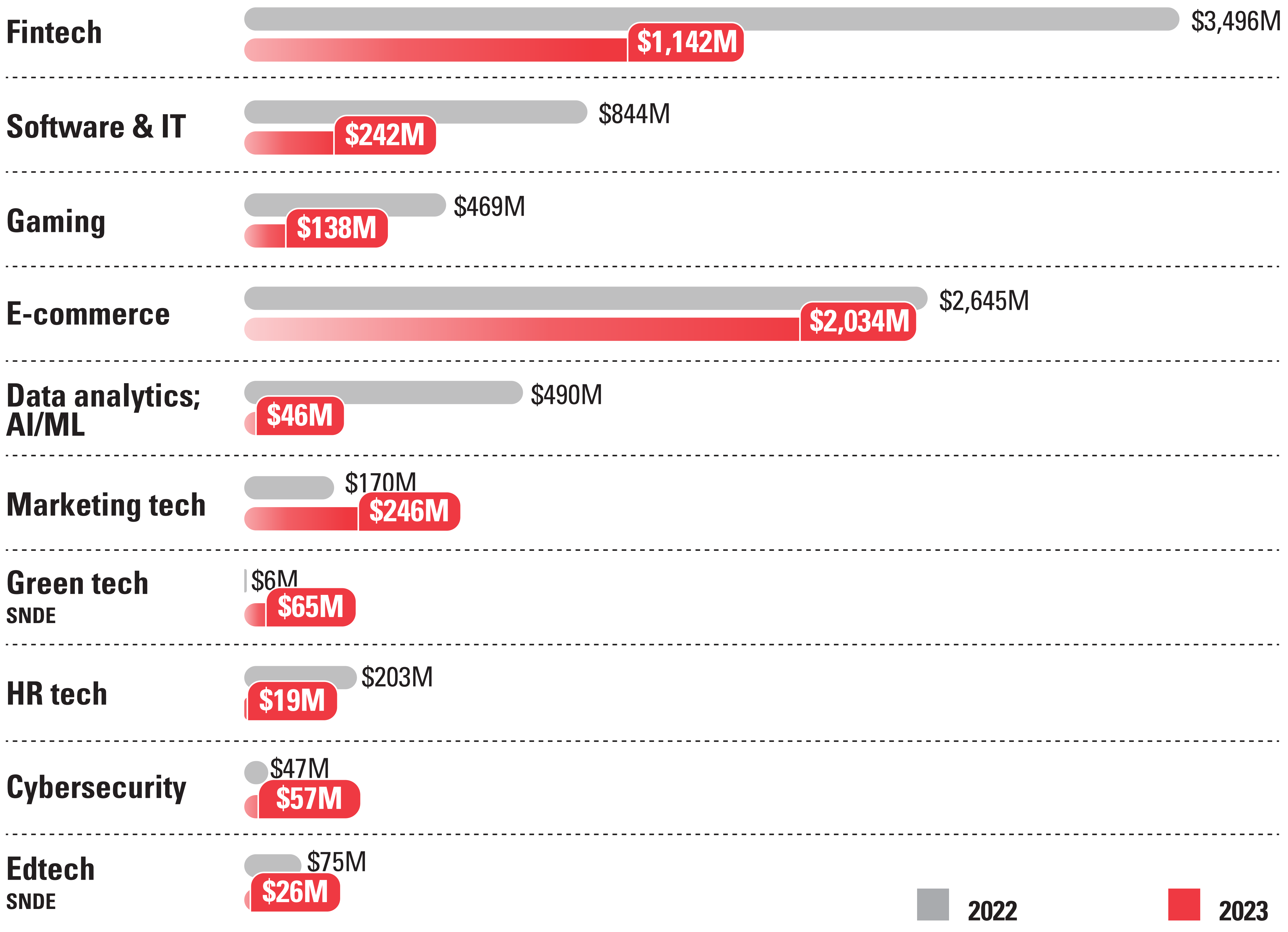
CONSUMER TECH LOSES SHEEN AS INVESTORS BECOME WARY OF CASH BURN

While consumer tech platforms, particularly e-commerce and fintech, continue to remain the top investment sectors in Singapore accounting for half of the total deal value, there is a year-on-year decline in deal value of 23% for e-commerce and 67% for fintech. Consumer tech platforms continue to compete among themselves for market share in an increasingly saturated market. In addition, their business model traditionally involves high cash burn to gain market share, which investors are wary of at the moment.

Top verticals under Smart Nation and Digital Economy (SNDE) theme in Singapore by deal volume in 2023



Total value of top verticals under Smart Nation and Digital Economy (SNDE) theme in Singapore in 2023



Greentech SNDE denotes a business vertical encompassing companies that offer software and data analytics solutions for climate change mitigation and adaptation. These include technologies to track carbon footprint or to improve energy efficiency, among other solutions.

All monetary figures are in USD

FINTECH AND E-COMMERCE FIRMS BROKER BIG DEALS

Top 10 Smart Nation and Digital Economy deals

Company	Vertical	Funding Stage	Value	Investors (Not Exhaustive)
Lazada Group	E-commerce	Corp. Round	$1,872M	Alibaba Group
Bolttech	Fintech	Series B	$246M	Khazanah Nasional, Tokio Marine, LeapFrog Investments
Singlife	Financial services	Corp. Round	$133M	Sumitomo Life Insurance Company
Trusting Social	Fintech	Series D	$105M	Masan Group
Insider	Marketing tech	Growth Equity	$105M	Qatar Investment Authority, Esas Private Equity
Aspire	Fintech	Series C	$100M	Lightspeed Venture Partners, Peak XV Partners (formerly Sequoia Capital SEA)
Advance Intelligence Group	Fintech	Growth Equity	$80M	Northstar Group, Warburg Pincus
Thunes	Fintech	Series C	$72M	Marshall Wace, Bessemer Venture Partners, EDBI, Visa
Airalo	Telecommunications	Series B	$60M	Antler, e& capital, GO Ventures, I2BF Global Ventures
YouTrip	Fintech	Series B	$50M	Lightspeed Venture Partners

All monetary figures are in USD

OUTLOOK FOR SINGAPORE & REST OF ASEAN 6

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ADAPTIVE, RESILIENT AND FUTURE-READY

ADAPTING TO THE NEW NORMAL IN VENTURE FUNDING

Private investors and venture-backed companies recognise that they are operating in the new normal as inflationary levels remain high and geopolitical tensions continue to exacerbate. With the ASEAN markets pricing in a 'higher-for-longer' interest rate, valuation recalibrations and cautious dealmaking are likely to remain fixtures of the private markets.

Sitting on record amounts of dry powder, venture investors do not have the option of turning off the tap and waiting for the tide to turn. They have instead veered towards early-stage deals that are typically smaller in size and provide them with a longer exit horizon, helping bring the total deal volume in 2023 to above pre-pandemic levels. Conversations with local and regional fund managers show that there is growing consensus over an uptick in dealmaking as businesses shift gears to achieve profitability.

Experienced fund managers such as Vertex Ventures view the current 'funding rightsizing' to be good for the ecosystem as the focus is back on prudent management of burn rates, diversified revenue streams, and strong unit economics. Savvy investors also see an opportunity in the current environment to invest in companies at attractive valuations.

BRIGHT SPOTS EMERGE IN FUNDING LANDSCAPE

Singapore's booming digital economy, recognised as a key driver of economic growth and development, and emerging green economy have unsurprisingly produced bright spots such as healthtech, green and agritech, and AI.

Healthtech has become a focal point of investment, underlining the transformative impact of innovations in medicine and technology, and consumer demand for more accessible and affordable healthcare solutions. The sector also appears to be resilient to external factors as evidenced by the jump in deal volume in 2023 amid a broader funding slowdown.

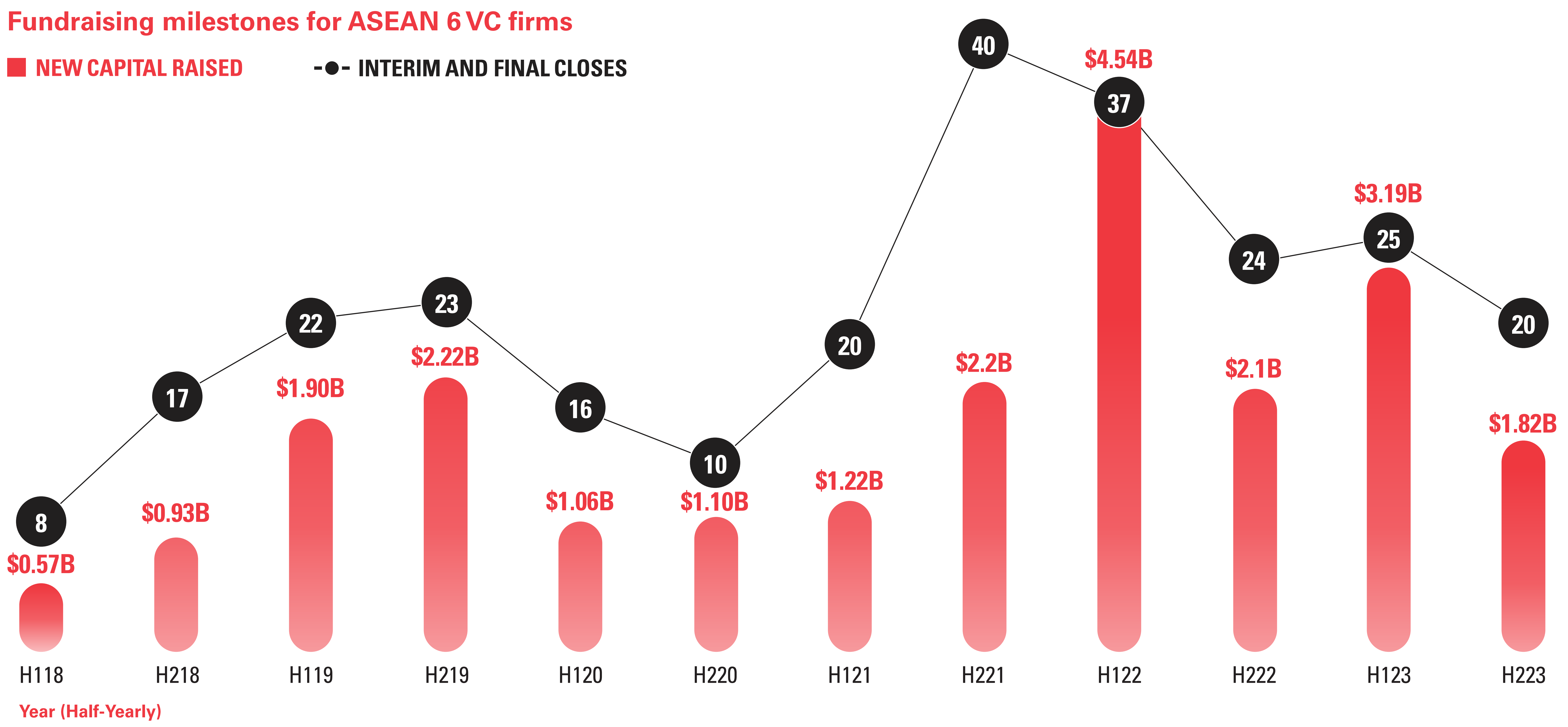
Green and agritech sectors are also seeing substantial traction, with a notable emphasis on sustainability-related innovations, and health-centric food solutions. Singapore's commitment to sustainable development, as outlined in its Green Plan 2030, and its position as a tech and innovation hub, with the necessary infrastructure and supportive policies in place, are geared to prime local venture-backed companies for success.

Additionally, the city-state's ready infrastructure for test-bedding AI tech and enabled solutions, and growing pool of AI professionals provide fertile conditions for new startups to emerge in this disruptive sector. With the recent momentum and rise of generative AI, there is an undeniable role for AI as a catalyst for sector-wide innovation and investment.

GOVERNMENT SUPPORT PROPELS SINGAPORE

In the last 10 years, Singapore's targeted interventions through policy, initiatives, and funding have helped shape and develop the startup ecosystem and made it resilient, as evidenced by the venture funding data for 2023. The city-state is well-placed to bolster its position as a technology hub on the back of the government's forward-looking policies, especially in areas such as deep tech and sustainable development. Its supportive policy landscape continues to play a crucial role in nurturing and sustaining global interest in the region, attracting investments and catalysing the growth of the startup ecosystem. Singapore is poised to take advantage of the upswing when the global landscape steadies.

STEADY VC FUNDRAISING SUGGESTS ENDURING INVESTOR APPETITE



All monetary figures are in USD

INSIDER INSIGHTS

in Partnership With

Tan Kaixin
General Manager
SEEDS Capital

While the fundraising climate has remained fairly muted in the last two years, we have approached 2024 with renewed optimism as we note that interest and investments in deep tech continue to gain steam globally, especially in areas such as clean tech, AI and quantum tech. There remains ample dry powder to be deployed in the region, with several of our co-investors having successfully raised new funds in 2023, and we expect to see a healthy pipeline of investment deals in Q1 2024. Furthermore, the fact that Singapore-based tech startups continue to account for the majority of the region's total deal value and volume points to their uniqueness and ability to compete effectively among global peers.

Our investments in 2023 kept pace with prior years as we committed S$48 million, alongside S$182 million of private capital, into 40 startups, most of them being deep tech. We see continued market interest in technology domains that SEEDS Capital has been focusing on. Sustainability-focused innovation remains red-hot. Our portfolio companies VFlow Tech, SepPure and REDEX have each raised more than $10 million in Series A rounds. We also continue to be bullish about the area of precision medicine that leverages the rich base of R&D and scientific talent Singapore has cultivated over the last 20 years. Companies we have backed in this space include Albatroz Therapeutics, Engine Biosciences and GDMC.

We have also doubled investments in the areas of advanced manufacturing and engineering and continue to see strong investor interest in this space, particularly in advanced materials, quantum technologies, and space technologies.

We will continue to work with partners to grow Singapore's deep tech ecosystem through catalysing private monies, in particular, specialised deep tech investors with not just capital but also strong overseas networks and industry knowledge to help accelerate our companies' expansion in strategic markets. With the support of our partners, SEEDS Capital will continue to nurture deep tech startups within our current areas of focus and invest in promising emerging areas that can anchor Singapore as the deep tech hub of the region.

Hsien Hui Tong
Executive Director-Investments
SGinnovate

Speaking strictly from the perspective of deep tech, 2024 is likely to be influenced by many global factors. These include interest rates, regional conflicts as well as national elections taking place in countries that drive the global economy. The outcomes will influence which particular areas of deep tech will secure more funding from governments and lead to startups in those sectors receiving more investments.

Eureka moments in deep tech are few and far between. Most of the time, breakthroughs are incremental, and it is possible to track how close a particular technology is to preliminary market adoption. For instance, the announcement by Quera of a quantum machine with 10 logical qubits is likely to lead to a renewed interest in quantum computing (and quantum computing startups).

Similarly, nuclear fusion got a shot in the arm in 2022 when the Lawrence Livermore Labs in the US was able to replicate the results of earlier tests showing higher energy output than input ($Q > 1$). While the road to adoption remains long for both technologies, the incremental progress made will encourage investors to remain focused on these sectors due to the high potential payout success will bring.

While Southeast Asia might not have startups focused on nuclear fusion at this time, there are a number of quantum-related startups that apply the technology in different areas. These might benefit from any global investor interest in this sector. Digital deep tech startups in the generative AI and cybersecurity space will find funding readily available if they can show real value and outcomes that benefit businesses.

Agritech and medtech/biotech startups are likely to continue to find it hard to raise funds, especially those at the early stages, as fund managers target late-stage companies which are closer to market and have most of the science de-risked.

Chua Kee Lock

CEO

Vertex Holdings

The decline in venture funding across Southeast Asia (SEA) is driven by two factors: Firstly, inexperienced VCs investing in marginal ideas and at excessively high valuations. Secondly, difficulty in raising money from limited partners (LPs), given lacklustre performance, especially DPI (distribution to paid-in capital) for certain VC funds.

Amidst this challenging backdrop, startups should focus on sustainable growth and profitability. Companies with strong founding teams, differentiated offerings, or business models will emerge and thrive as the next global champions. Our Vertex Ventures SEA & India team has maintained its discipline and pace of regional investments, committed to uncovering new gems. The key lies in finding the right ideas and startup teams to back and not be distracted by near-term market sentiment.

Singapore is expected to thrive as a key innovation hub in SEA, given its established tech ecosystem, broad funding base and comprehensive government initiatives to spur innovation and entrepreneurship. For instance, Enterprise Singapore and the Singapore Economic Development Board offer grants and various talent initiatives to support startup formation and growth. Most recently, the Singapore Government announced investments of over S$11 billion into national research and development (R&D) efforts and artificial intelligence (AI), finance and clean energy sectors, as well as S$3 billion into the Research, Innovation and Enterprise 2025 (RIE2025) plan to catalyse segments such as advanced manufacturing, sustainability, the digital economy and healthcare. This is expected to strengthen Singapore's leading position as the Silicon Valley of SEA.

Sensible valuations have made a comeback since the irrational exuberance in 2021/2022, and entrepreneurs are employing capital more prudently today. This includes rationalising their spending and extending their capital runway to ensure sustainable growth. We are seeing better quality and more serious founders today as compared to earlier years when the market had an abundance of capital attracting many opportunistic founders. This led to the proliferation of companies with similar business models or technologies. These are encouraging signs, and we believe the best days are ahead of us. There are many more global challenges yet to be addressed. Human ingenuity, resolve, and technological innovation will provide humanity with potential solutions for our future.

While Singapore's innovation ecosystem has definitely evolved over the years, it is still very healthy, vibrant, and amongst the leading international startup hubs. Certainly, an attractive one that is expected to draw keen global investor interest for a long time to come.

Melvyn Yeo

Founder and Managing Partner

TRIREC

The pandemic has brought the spotlight to the climate change agenda. In Southeast Asia, we have identified numerous opportunities that don't require new technology or extended R&D cycles but instead address market inefficiencies and customer pain points. For us, there are five verticals of focus: energy, mobility, food and agriculture, industries, and building sectors. We seek differentiation and commercially proven technologies. We tend not to invest in pure manufacturing companies with high capital expenditure and minimal technology innovation or people-driven consultancy models. We also do not invest in saturated business models in specific regions. For example, EV charging in the EU, or EVs in China. We concentrate on startups that drive the green transition of traditional industries through cost-effective and easily deployable solutions. Going forward, we see potential in areas like green materials for industries, carbon capture material technologies, green hydrogen, etc.

Climate tech investment is significantly influenced by public policy and a growing momentum for climate tech investments in SEA. However, the increase in valuations was not equivalent to US startups. This was partly attributed to government spending on policies like IRA, which compelled private capital interest in the sector. In Asia, the two main factors that have influenced the shifts in valuations and funding rounds are firstly increased government support and secondly, the increasing number of technological advancements in climate tech, driving down the cost of adoption.

Although the climate sector has remained resilient, we experienced necessary revaluations and corrections in 2Q2023. We are closely monitoring technologies such as baseload clean energy generation, including geothermal and fusion, hydrogen storage and transportation technologies, and mobility in terms of battery recycling and rejuvenation. Government policies are key here as most technologies today are too early to be economically viable. This support can come in the form of incentives, fees/tariffs, compliance standards, or market-based mechanisms like carbon pricing. Regulatory standards are essential in areas like carbon markets.

Magnus Grimeland
Founder & CEO
Antler

In 2023, the venture funding landscape in Singapore began to recover from its initial decline. In fact, it declined the least compared to the other regions in Southeast Asia. This reflects the resilience of the startup ecosystem here. This turnaround can be attributed to a broader digital transformation, supportive government initiatives, and investors' strategic adaptations focusing on resilient and high-growth sectors.

The shift in early-stage deal dynamics throughout 2023 underlines a cautious yet opportunistic investment approach. We invest heavily in seed rounds, in which deal values have been the most stable on a year-on-year basis. We are seeing a marked shift from growth-at-all-costs to sustainable growth. It is evident that startups with robust business models, clear value propositions, and the ability to adapt will still attract investments.

As a day-zero investor and early-stage VC, our approach remains fundamentally consistent. We foster innovation by doubling down on fundamental investment principles while being even more helpful to our portfolio companies. We are also leveraging our global networks more effectively to connect startups with international markets, investors, and strategic partners. By continuously backing the most driven founders in the world, we foster an environment where the next generation of builders and thinkers can thrive.

Given the tighter funding environment, the best founders understand that it is crucial to prioritise cash flow management and extend their runway. This means recalibrating budgets, deferring non-critical expenses, and focusing on core revenue-generating activities. It is essential to have a clear view of your financial health and to plan for a longer period before achieving the next funding milestone. Maintaining open lines of communication with current and potential investors is also key. This includes being transparent about your startup's performance, challenges, and strategy adjustments. Clear, honest communication can build trust and potentially open up more support and flexibility from investors.

Kabir Narang
Founding General Partner
B Capital Group

We believe there is plenty of room for startup growth, particularly as Southeast Asia has showcased its resiliency through the last few months. Further, the region's tech ecosystem is supported by strong fundamentals with its demographics, emerging middle class, growing internet penetration, and policy support.

Our key advice to the portfolio is around sustainable growth, managing burn, being prudent, diversifying revenue streams and reducing vulnerability to market disruptions.

We expect funding rounds to take longer than they did in the last two years. Startups should focus on increasing the cash runway to at least 24 months. This means ensuring robust unit economics and potentially a trade-off between growth/expansion versus profitability. In our view, the key is to play offence when you're ready. Once sustainable growth and efficiency are well in hand, investors can try to nudge CEOs to take some risks.

Downturns can be good opportunities to acquire smaller companies, along with capturing market share from incumbents who are not leaning into the downturn and have gone fully defensive. We believe in long-term investing and, despite the near-term uncertainties, are excited about how the region's tech ecosystem is poised to grow into a global powerhouse.

We continue to see interesting companies attacking large markets across our key focus sectors. Tech-enabled supply chain players generally continue to perform well. We are seeing disruptive models arise in massive industries like aquaculture and agritech, consolidating both the supply and demand sides. Startups in these industries are disrupting traditional sectors, which often operate inefficiently. We believe financial services is at an inflexion point. Consumer enablement has attractive opportunities in second/third-generation models such as social commerce and vertical commerce. The industrial and transportation space is also seeing massive growth driven by the explosion of e-commerce and ride-hailing / food delivery for third-party logistics players with the ability to optimise fleets/delivery schedules and provide cross-border coverage to compete against incumbents. First-generation e-commerce is mature and hypercompetitive.

Eric Loh

CEO (Singapore)
Trendlines Medical

The pandemic has created higher awareness and acceptance of the use of technology to facilitate healthcare delivery. For example, telemedicine and related activities are now more widely used. The availability of IoT devices and wearables to monitor blood pressure, heart rate, and blood glucose levels, are further developed, enhancing remote consultations. Post-pandemic the use of technology such as telemedicine continues. Coupled with the aging population, technology offers an opportunity for home-based monitoring, allowing connectivity with primary or tertiary healthcare, which could potentially create strong business opportunities. There will be a greater focus on solutions that cater to care delivery, along with secure data on interoperable platforms. For example, Occutrack Medical Solutions employs home healthcare technology for patients suffering from age-related macular degeneration (AMD) to monitor the disease progression through a proprietary technology that utilizes gaze technology to monitor and track the disease progression. The data will be made available to the physicians with alerts for any anomalies, enabling a swift request for patients to visit the physicians.

The use of data for targeted disease treatment, along with focused technology that integrates into the medical workflow, will create robust opportunities. It is crucial for healthtech companies to consider business models that can "work with the medical flow" in collaboration with the healthcare infrastructure.

An area in which the government can support the adoption of innovative healthtech solutions is regulatory approvals. It is important for authorities to ensure that there is relevant expertise within the regulatory infrastructure to review and approve solutions. Seed funding from the universities for deserving projects will be important, although the success of a project depends on private investments, which tend to focus on commercial issues such as relevance of use and scalability, etc. in the early stages of development, it is important to involve physicians so that the developments can be assessed for effective integration in the clinical workflow and the relevance of patient care delineated. The collaboration between science and medicine has to take place for a solution to meet the healthcare needs – it is quintessential.

Marie Cheong

Founding Partner
Wavemaker Impact

There is a clear shift in the belief that startups and VCs can make a difference in the fight against climate change in the region. Previously, climate tech plays were considered to be purely research or deep tech-based. There is growing recognition that it is possible to build high-growth companies that combine carbon abatement, growth, and financial return targets.

The most interesting climate tech companies are the ones that solve a real problem for customers and drive the adoption of green technologies or change behaviour. They should be evaluated in the same way as any other deal.

Two years ago, we launched Wavemaker Impact to pursue these opportunities and launch a pipeline of venture-grade climate companies that focus on business model innovation rather than technology innovations. Every business we build is a '100x100' – a company with the ability to abate 100 million tons of CO_2e equivalent and generate $100 million in revenue at scale. Wavemaker Impact has made six investments to date and is currently building another four companies.

Government policies in the region should generally support the growth of the climate tech ecosystem; for example, by increasing taxes on carbon-intensive industries, changing the way households can generate savings from renewable energy, and incentives for electric vehicles. Reporting requirements are also expected to become more robust. It is less clear how carbon credit markets will evolve, but as long as businesses don't rely solely on carbon credit revenue, that is less of a challenge.

Evolutions in alternative and sustainable fuels are interesting to watch, as are plastic alternatives. Southeast Asia is an interesting location from a feedstock and production perspective in both these markets. Singapore could be an interesting hub for these companies.

Climate tech is still a relatively new space in Southeast Asia, so I anticipate there will be more early-stage deals as more founders and companies enter the space. The agritech ecosystem is more mature, and agriculture is one of the biggest drivers of emissions in the region, so it seems likely that later-stage deals will come from this space.

James Tan
Managing Partner
Quest Ventures

Singapore, like most of the rest of the world, is a price-taker when it comes to global venture capital funding. Silicon Valley, which constitutes more than 50% of global venture capital funding, drives trends and valuations. So when it cooled significantly last year, funding around the world, including in Singapore, also cooled.

Every sector has been affected. If venture capital firms were not completely disinterested in looking at new deals then at least a cautious approach to new deal flow was seen. In 2023, venture capital firms would be in portfolio support- ensuring that their existing investees have the support and wherewithal necessary to tide through the difficult year.

Singapore's resilience lies in its ecosystem, which recently leapt 10 spots from 18th to 8th globally. This ecosystem resilience is manifested in the interconnections between its different parts, where as a single startup, it is weak but as a collective of peer support from other startups, support from public sector, support from corporations, and support from institutions of higher learning, it is strong.

Despite the funding winter, when investors look at the broader landscape of Southeast Asia, they will see strong macro fundamentals - fast-growing economies with an emerging middle class. Investors would be wise to take a long term view of Southeast Asia. This is a region which has emerged from every difficult period stronger than before, including COVID-19 in which Southeast Asia, especially Singapore, bounced back from the pandemic faster than most of the rest of the world.

We are cautiously optimistic about the fundraising landscape in the next 12 to 24 months. Startups that have survived the funding winter would have found a strong base case for their business and should presumably fund-raise from a stronger position.

New emerging sectors of global importance will drive Singapore's funding activities. These sectors include robotics, artificial intelligence, and quantum computing.

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