Google TEMASEK BAIN & COMPANY

e-Conomy SEA 2021

Roaring 20s: The SEA Digital Decade

PHILIPPINES

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In partnership with

East Ventures · Golden Gate Ventures · Monk's Hill Ventures · Openspace Ventures · SoftBank Ventures Asia · Vertex Ventures · Wavemaker Partners

Note: All dollar amounts in this report are in USD.
*Google commissioned Dynata to run a SEA-6 Digital Merchant Survey, and Kantar to run the e-Conomy SEA consumer survey. Both research studies were conducted in Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam. Fieldwork for the consumer research ran from 16/07/2021 - 16/08/2021 online via a 25-minute Computer Assisted Web Interview survey with a total of 9,402 respondents interviewed. Fieldwork for the merchant research ran from 04/08/2021 - 16/08/2021 online with a total of 3,036 respondents surveyed. The 2020 GMV numbers have also been updated with more up-to-date estimates.

English

Philippines

Main takeaways

Consumers cruise into a new way of life

The Philippines has seen **12M new digital consumers** since the start of the pandemic (up to H1 2021), of which **63% are from non-metro areas** and **99% say that they intend to continue** using these services going forward. Pre-pandemic users - those who used the services before the pandemic - have **consumed an average of 4.3 *more* services** since the pandemic began and **95% of pandemic consumers are still consumers today**. Despite rapid growth in the last 18 months, there remains significant headroom since the Philippines has the **lowest digital consumer penetration in the region**, with only 68% of internet users consuming online services.

Resilience gives way to resurgence

Overall, **the Philippines was the fastest growing market in the region**, driven by strict lockdowns as well as a tipping point on the adoption of certain digital services. **The Philippines' 2021 GMV is expected to reach a total value of $17B - a notable 93% YoY surge.** This steep increase is underpinned by a **132% growth in e-commerce**. Looking at **2025, the overall internet economy will likely reach $40B in value**, growing at 24% CAGR.

Digital merchants take off

In the Philippines, 39% of digital merchants believe they would not have survived the pandemic if not for digital platforms. Digital merchants now use an average of 2 digital platforms, but profitability remains a top concern. Digital financial services saw very rapid growth this year, not only from e-wallets but also from the national payment rail. **Of the digital merchants surveyed, 97% now accept digital payments, while 67% have adopted digital lending solutions.** Many are also embracing digital tools to engage with their customers, with **68% expecting to increase usage of digital marketing tools in the next five years**.

Funding on track to reach new heights

As investors become accustomed to the 'new normal' in dealmaking, **deal activity rebounded strongly in the first half of 2021** and is **on track to hit the highest record in recent years**. Investment appetite remains strong in digital services that surged as a result of COVID-19, such as e-commerce and fintech. In addition, **healthtech and edtech also saw significant funding activity in the Philippines** as players turn towards the second largest market in the region for future growth.

Source: Google-commissioned Kantar SEA e-Conomy Research 2021; Google-commissioned Dynata SEA-6 Digital Merchant Survey 2021; Bain analysis; VC partners; industry reports.

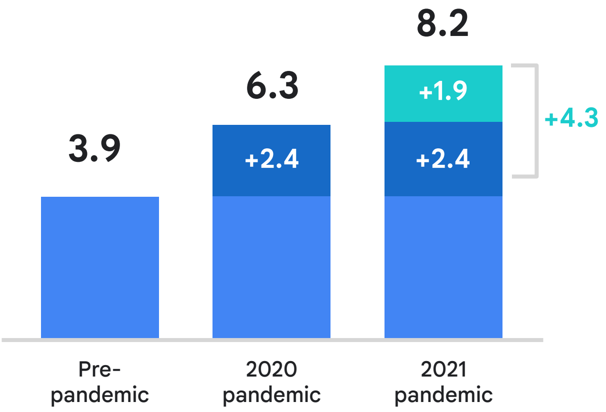
Philippines

Exponential growth in digital consumers
(who intend to continue using digital services)

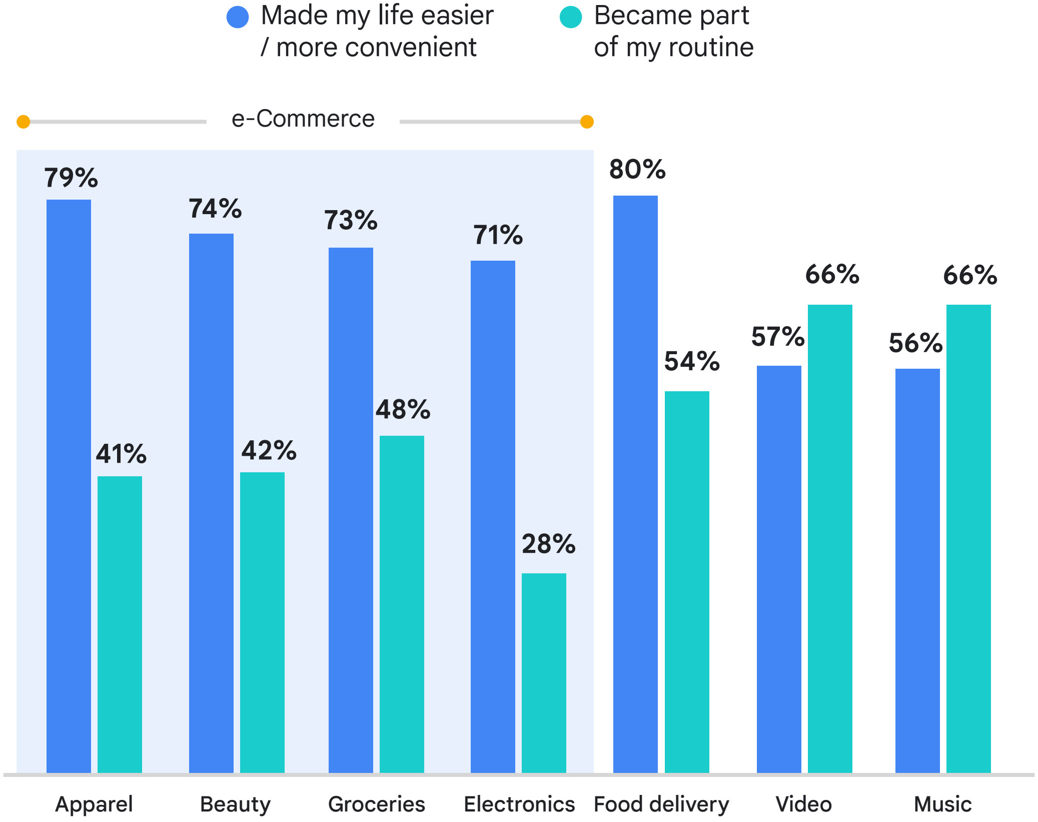
Penetration

- Pre-pandemic consumers: **54.4%**
- New digital consumers 2020: **9.1%**
- New digital consumers 2021 (H1): **4.2%**
- Non users: **32.3%**

Average number of new digital services consumed by a pre-pandemic user over time



Reasons consumers continue using digital services



Source: Google-commissioned Kantar SEA e-Conomy Research 2021.
Note: 'Pre-pandemic consumers' are defined as internet users who were already paying for one or more online services via digital channels in a vertical before Mar 2020. 'New digital consumers 2020' first started paying for one or more online services on digital channels in any vertical for the first time between Mar to Dec 2020. 'New digital consumers 2021 (H1)' first started paying for one or more online services on digital channels from Jan 2021 onwards.

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Philippines

Digital merchants are getting **tech-savvy and expect to become even more so** in the future

Digital platforms

39%

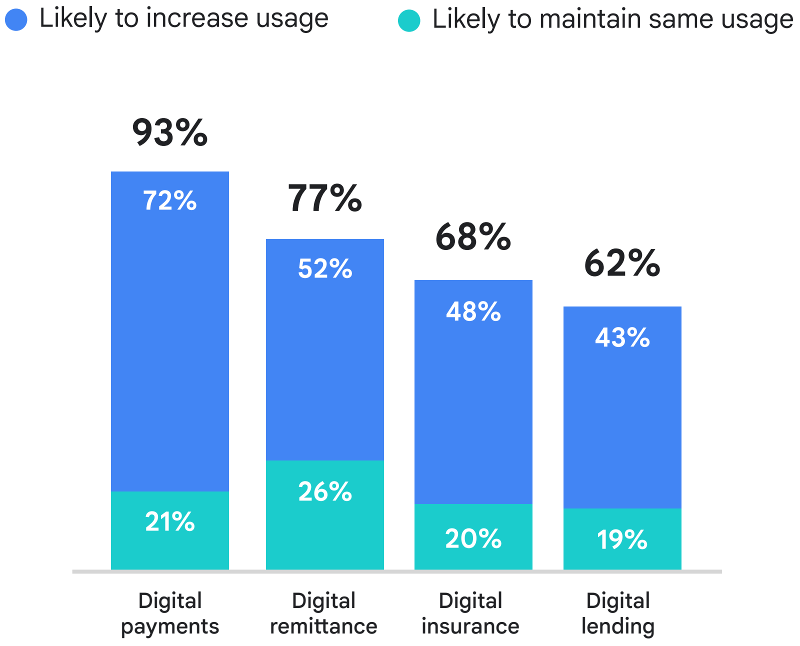
believe that they would **not have survived the pandemic** if not for digital platforms

~2

average number of digital platforms used to access consumer demand online

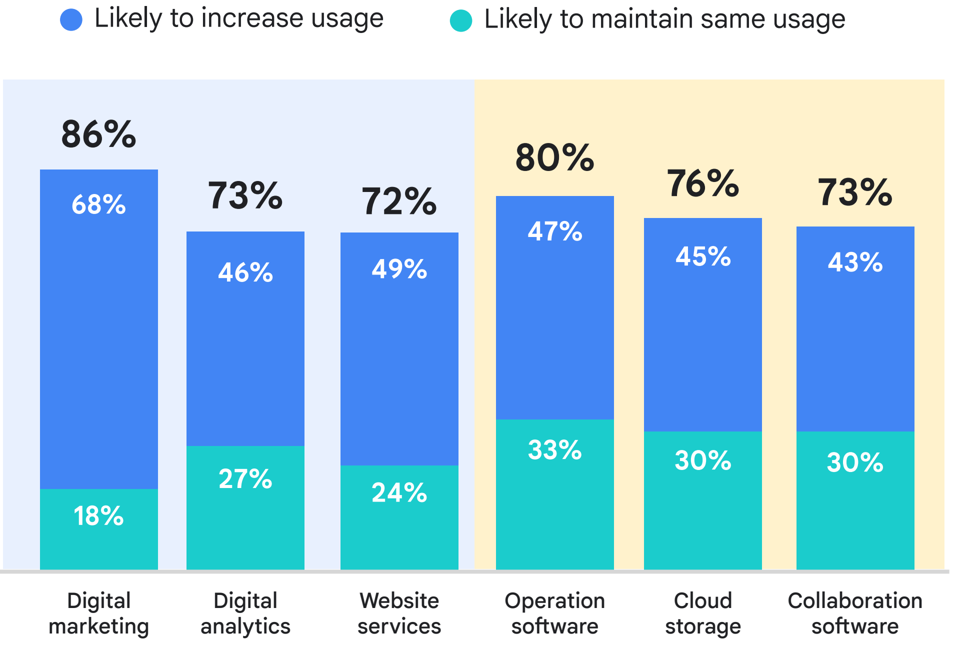
Digital financial services

% of digital merchants likely to increase or maintain usage of digital financial services in the next 1 to 2 years



Digital tools

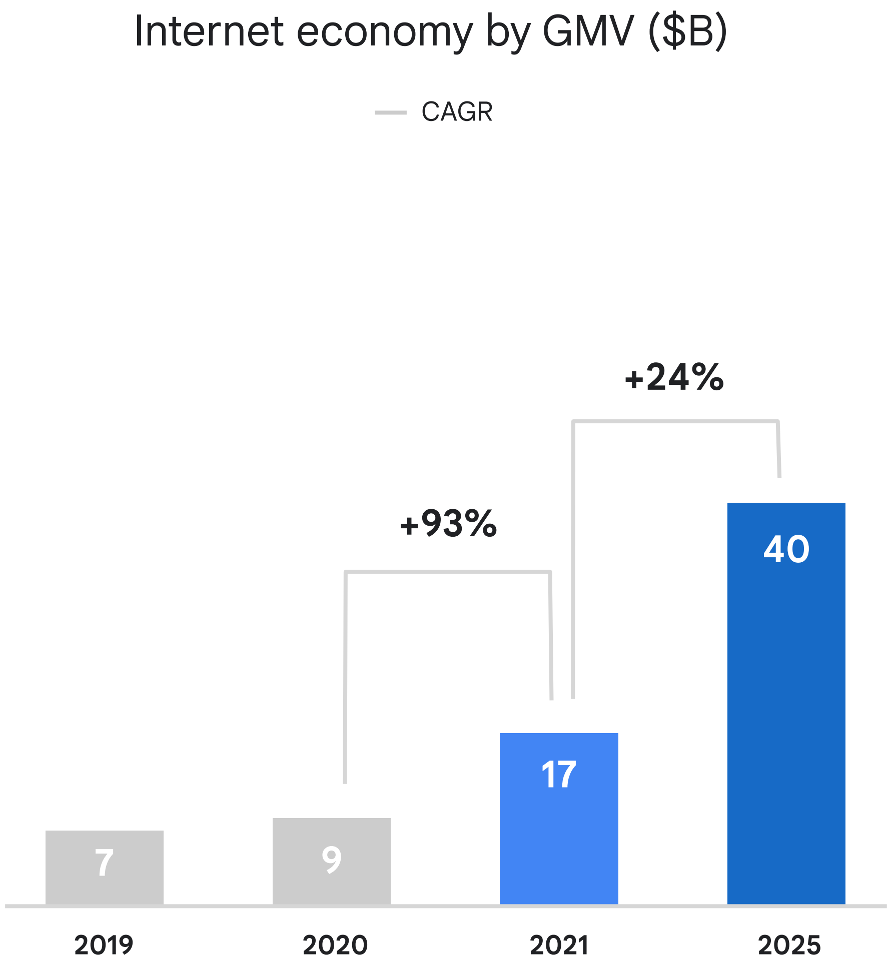
% of digital merchants likely to increase or maintain usage of digital tools over the next 5 years



Source: Google-commissioned Dynata SEA-6 Digital Merchant Survey 2021.

Philippines

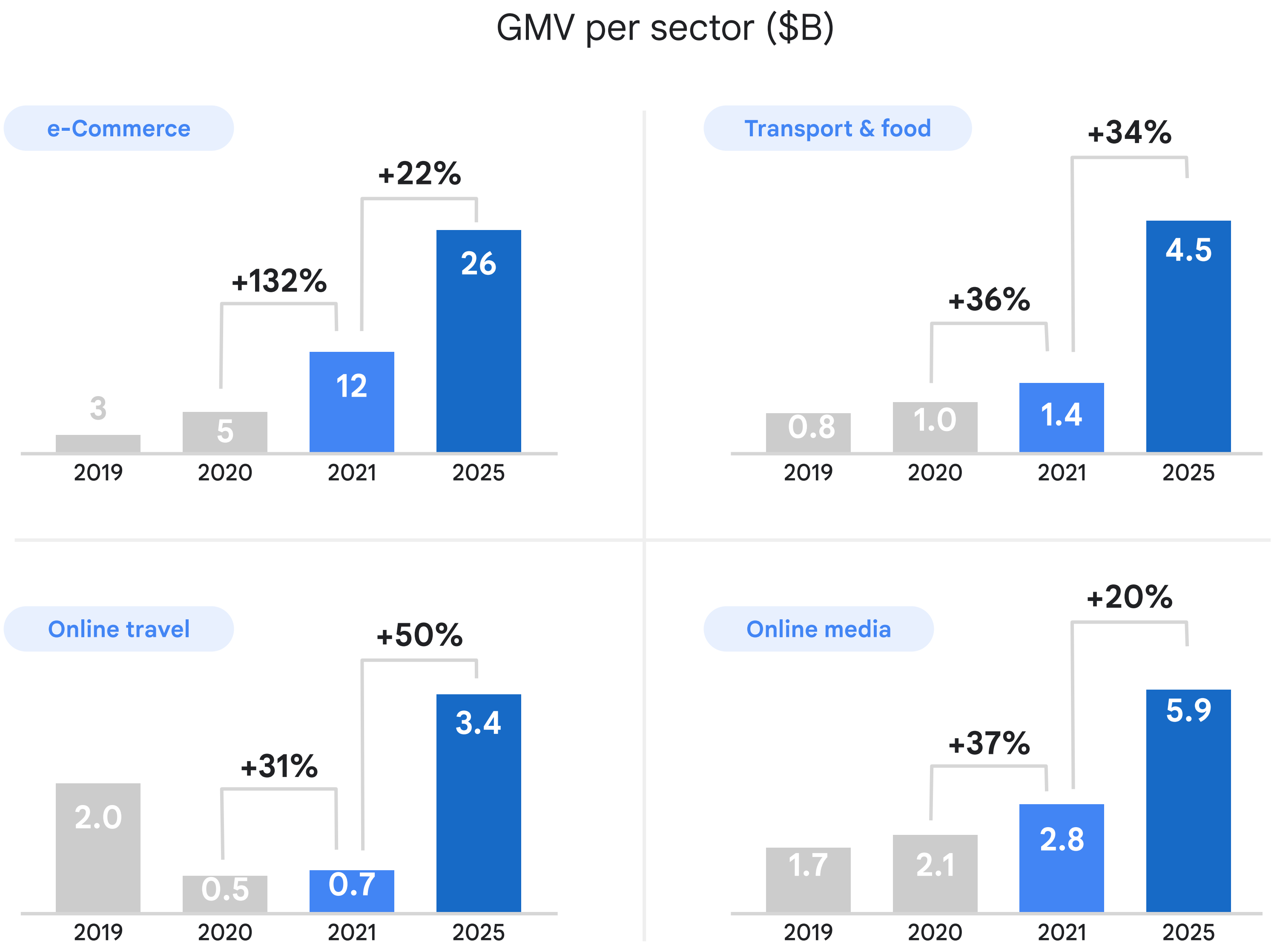
2021 internet economy doubles to $17B, driven by government initiatives and mass digital adoption due to the pandemic



Source: Bain analysis.

Philippines

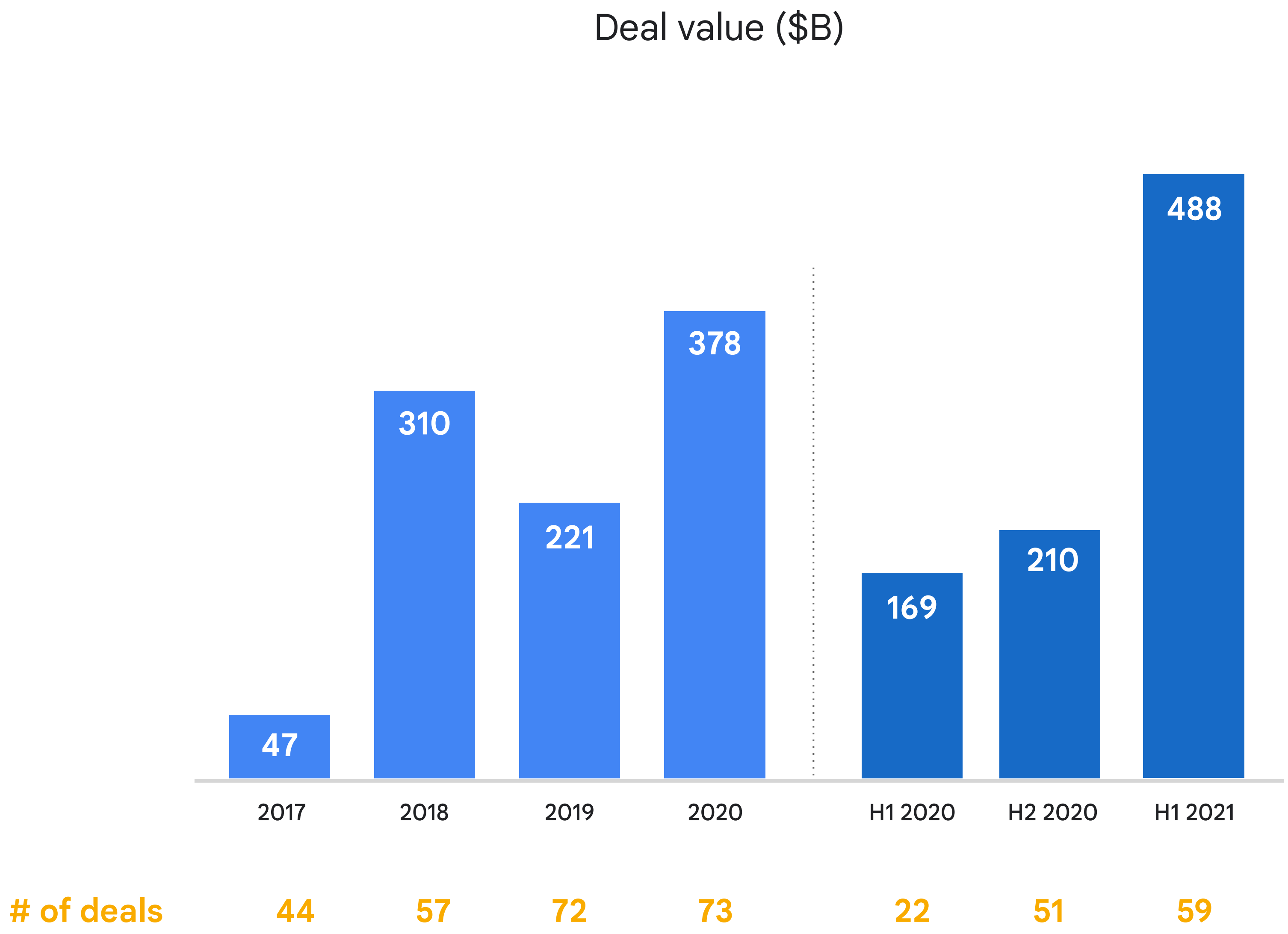
All sectors are booming, led by e-commerce which grew 2X



Source: Bain analysis.

Philippines

H1 2021 alone has **surpassed the deal values of each of the last four years** - by a stretch



Source: Industry reports; VC partners; Bain analysis.
Note: Deals include investments by venture capital, private equity and strategic investors.

Filipino

Philippines

Mga Pangunahing Punto

Paglalayag patungo sa digital

Nakakita ang Pilipinas ng **12M bagong digital na consumer** mula sa simula ng pandemya hanggang H1 2021, at mula dito, **63% ay nagmula sa labas ng malalaking lungsod**. Sinasabi ng **99% ng mga consumer na balak nilang patuloy ang paggamit** ng mga serbisyong ito. Ginagamit ng mga pre-pandemic na user ang average na **4.3 pang serbisyo** mula noong nagsimula ang pandemya at **95% ng mga consumer na nagsimula sa panahon ng pandemya ay mga consumer pa rin** ngayon. Sa kabila ng mabilis na paglago sa loob ng nakaraang 18 buwan, mayroon pa ring malaking agwat dahil nananatili ang Pilipinas na **pinakamababa sa rehiyon pagdating sa paglaganap ng digital na consumer**, nang may 68% lang ng mga internet user na kumokonsumo ng mga serbisyo online.

Muling pagkabuhay dulot ng katatagan

Sa pangkalahatan, **ang Pilipinas ang pinakamabilis na lumalagong market sa rehiyon**, na nahimok ng mahihigpit na lockdown at ang pagdagsa ng paggamit sa ilang digital na serbisyo. Inaasahang umabot ang **2021 GMV ng Pilipinas sa kabuuang halagang US $17B, na may paglagong 93% YoY**. Sinusuportahan ang pagtaas na ito ng **paglago ng e-Commerce nang 132%**. Pagdating sa **2025, malamang na aabot ang kabuuang e-Conomy sa halagang US $40B**, at lumago nang 24% CAGR.

Pagbangon ng digital na merchant

Naniniwala ang 39% ng mga digital na merchant sa Pilipinas na hindi nila magagawang makaraos sa pandemya kung hindi dahil sa mga digital na platform. Habang gumagamit ang mga digital na merchant ng average na 2 digital na platform, nananatiling pangunahing priyoridad ang kakayahang kumita. Nagkaroon ng napakabilis na paglago ang mga digital na serbisyong pampinansyal, hindi lang mula sa mga e-wallet, pero gayundin mula sa pambansang payment rail. **97% ng mga digital na merchant na na-survey ay tumatanggap na ng mga digital na pagbabayad, at 67% sa kanila ang nagsabing gumagamit sila ng mga digital na solusyon sa pagpapahiram.** Marami rin ang nagsisimulang gumamit ng mga digital na tool para makipag-ugnayan sa kanilang mga customer, at may **68% na umaasang mas gumamit pa ng digital marketing tools sa loob ng susunod na 5 taon**.

Paglalago ng pagpopondo

Ngayong nasasanay na ang mga investor sa 'new normal' sa dealmaking, **malakas ang panunumbalik ng deal activity sa unang bahagi ng 2021**, at nagpapatuloy ito patungo sa isang **record high kumpara sa mga kamakailang taon.** Nananatiling malakas ang appetite para sa pamumuhunan sa mga digital na serbisyong nagkaroon ng pagtaas sa paggamit bilang resulta ng COVID-19, gaya ng e-commerce at FinTech. Bukod pa rito, nakakita rin ang **HealthTech at EdTech ng malaking aktibidad sa pagpopondo sa Pilipinas** habang sinusubukan ng mga player na pasukin ang ikalawang pinakamalaking market sa rehiyon sa paglago nito sa hinaharap.

Source: Google-commissioned Kantar SEA e-Conomy Research 2021; Google-commissioned Dynata SEA-6 Digital Merchant Survey 2021; Bain analysis; VC Partners; Industry Reports.

Philippines

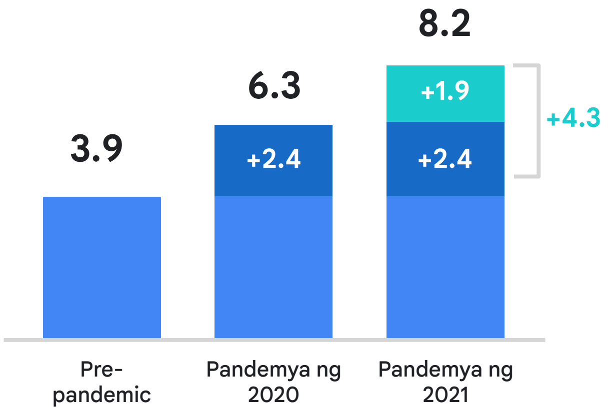
Exponential na paglago ng mga digital na consumer

(na nagbabalak na magpatuloy sa paggamit ng mga digital na serbisyo)

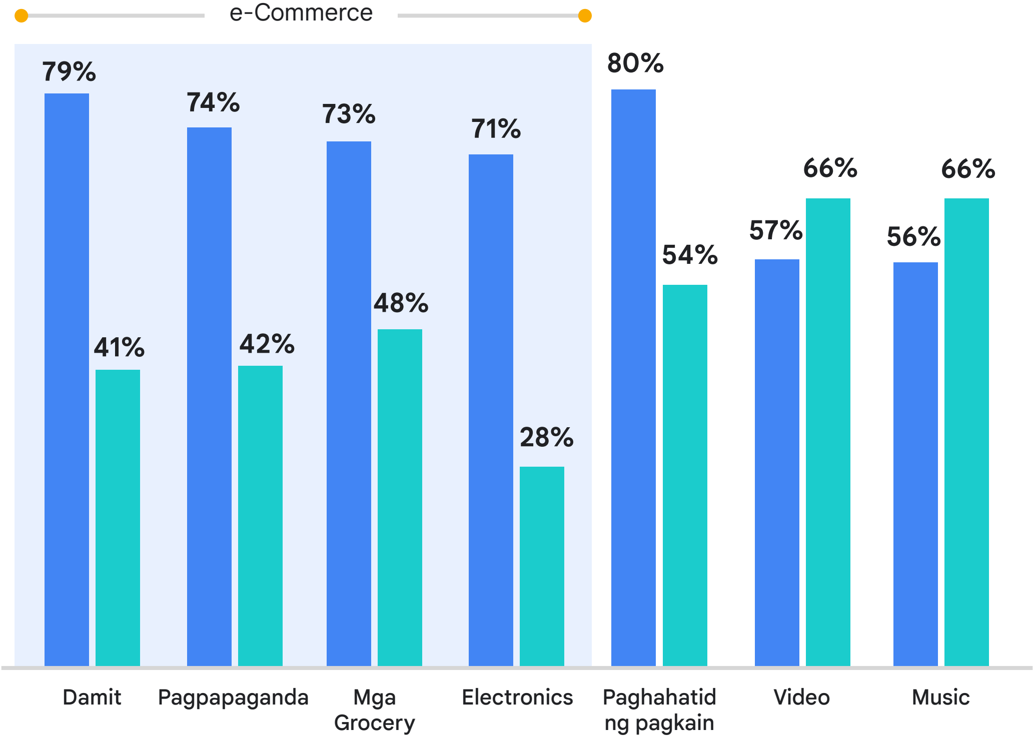
Pagpasok

- Pre-pandemic na user: **54.4%**
- Bagong digital user 2020: **9.1%**
- Bagong digital user 2021 (H1): **4.2%**
- Hindi user: **32.3%**

Average na bilang ng bagong digital na serbisyong kinokonsumo ng isang pre-pandemic na user sa paglipas ng panahon



Mga dahilan kung bakit patuloy na gumagamit ang mga consumer ng mga digital na serbisyo



Source: Google-commissioned Kantar SEA e-Conomy Research 2021.
Tandaan: 'Pre-pandemic na user' ay ang mga internet user na nagbabayad na para sa isa o higit pang mga online na serbisyo gamit ng digital na paraan sa kahit anong vertikal bago ng Marso 2020. 'Bagong digital user 2020' ay nagsimulang magbayad para sa isa o higit pang mga online na serbisyo gamit ng digital na paraan sa kahit anong vertikal mula Mar - Dec 2020. 'Bagong digital user 2021 (H1)' ay nagsimulang magbayad para sa isa o higit pang mga online na serbisyo gamit ng digital na paraan mula Jan 2021.

Philippines

Mas nagiging tech-savvy ang mga digital na merchant at inaasahang mas lalo pa sa hinaharap

Digital platforms

39%

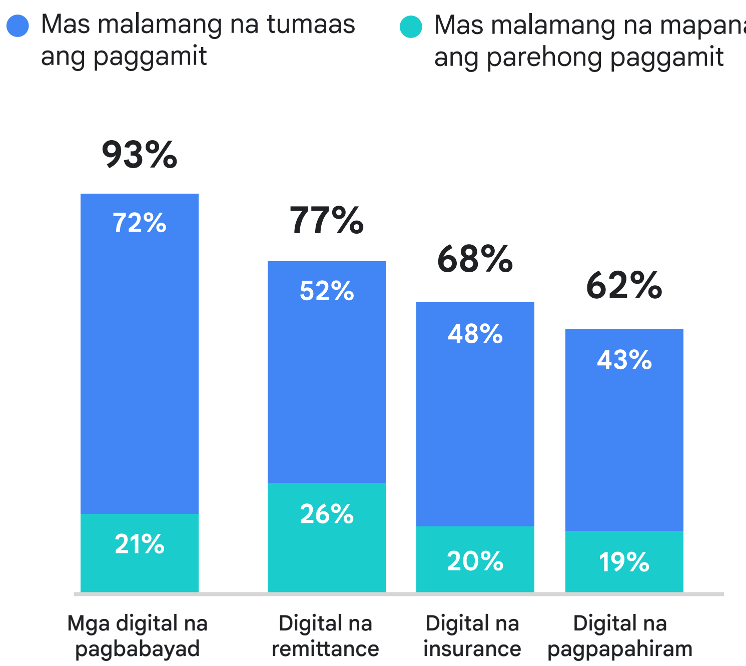
Naniniwala na **hindi nila magagawang makaraos sa pandemya** kung hindi dahil sa mga digital na platform

~2

average na bilang ng mga digital na platform na ginamit para i-access ang demand ng consumer online

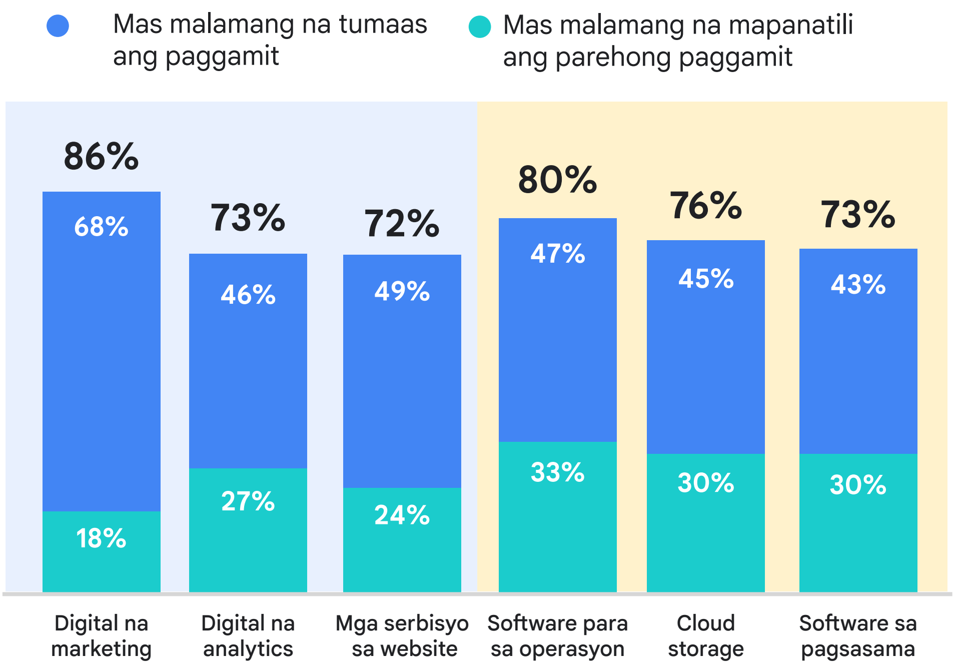
Mga Digital na Serbisyong Pampinansyal

% ng mga digital na merchant na malamang mas gagamit o papanatiliin ang paggamit ng mga digital na serbisyong pampinansyal sa susunod na 1-2 taon



Mga Digital na Tool

% ng mga digital na merchant na malamang mas gagamit o papanatiliin ang paggamit ng mga digital na tool sa susunod na 5 taon

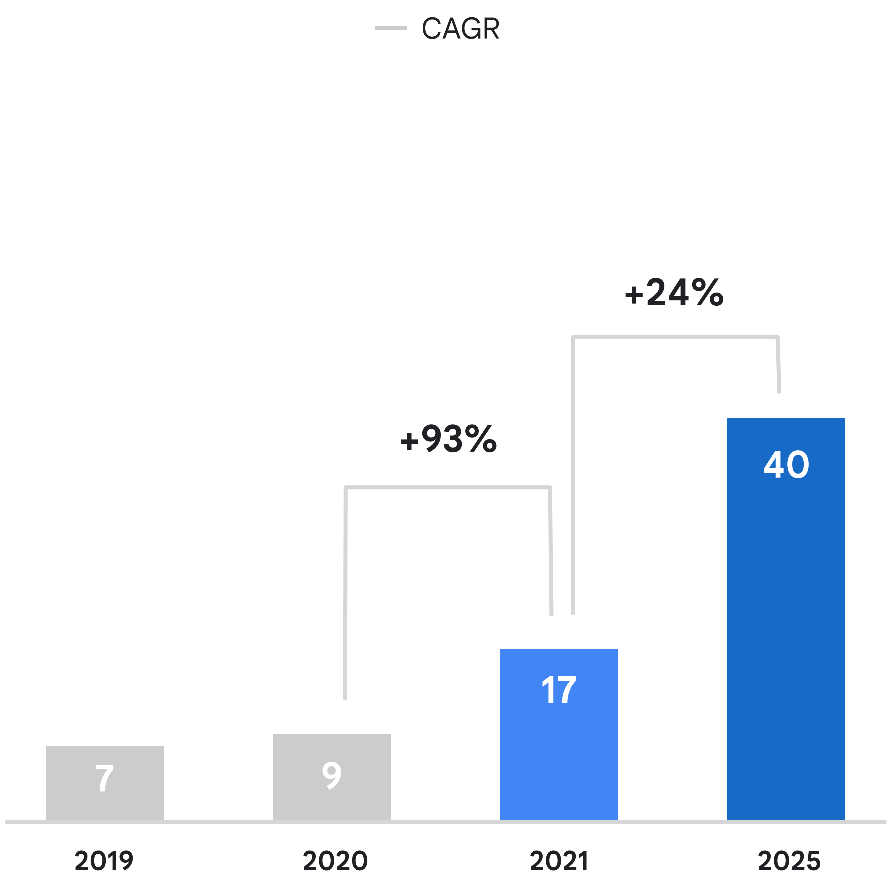


Source: Google-commissioned Dynata SEA-6 Digital Merchant Survey 2021.

Philippines

Dumoble ang ekonomiya ng internet sa 2021 sa $17B, na hinimok ng mga inisyatiba ng pamahalaan at maramihang paggamit ng mga digital na serbisyo dahil sa pandemya

Ang ekonomiya ng internet ni GMV ($B)

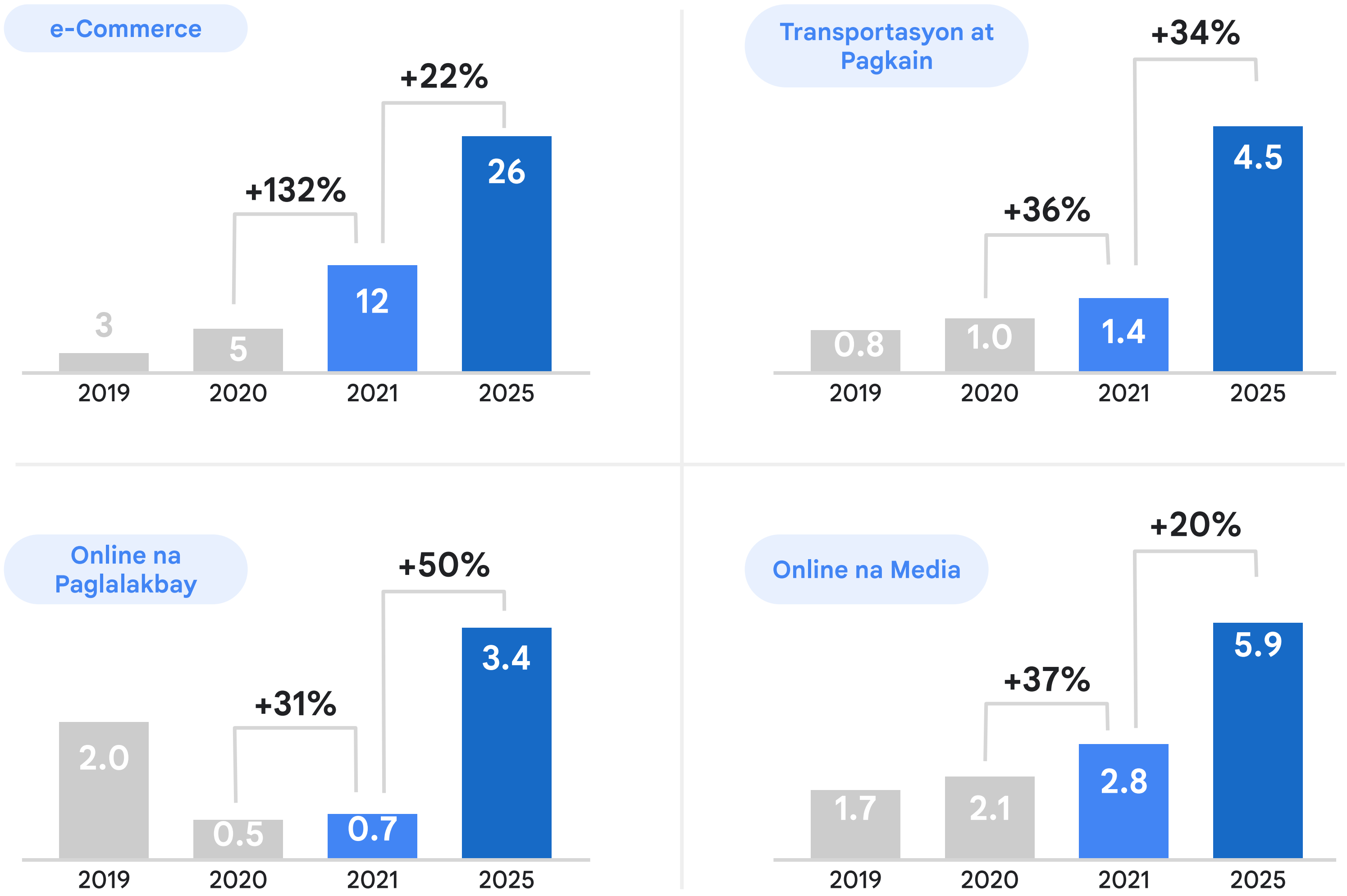


Source: Bain analysis.

Philippines

Lumalago ang lahat ng sector, na pinangungunahan ng e-Commerce na lumago nang 2X

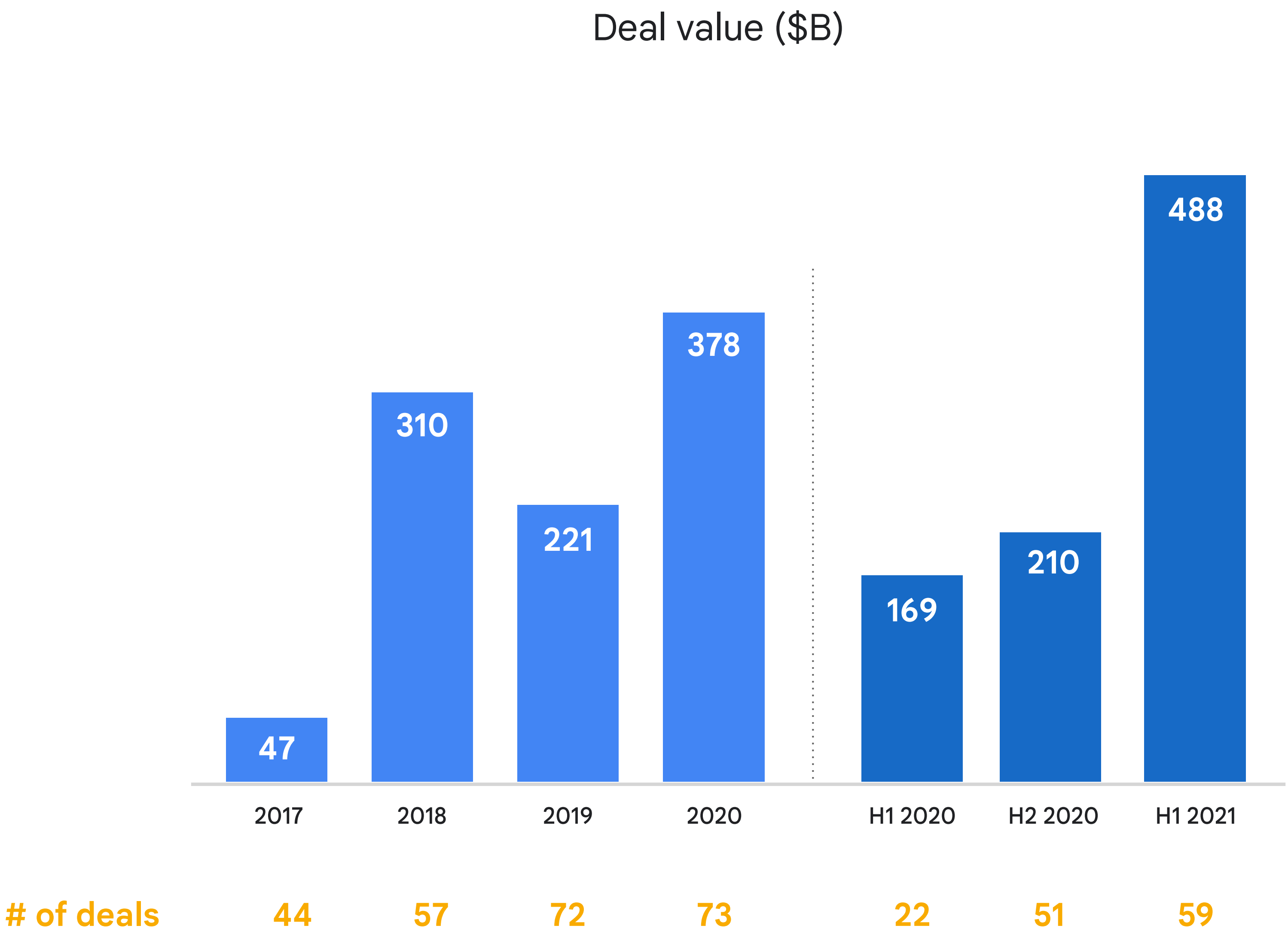
GMV bawat sector ($B)



Source: Bain analysis.

Philippines

Sa H1 2021 pa lang, **nalampasan na ang mga halaga ng deal ng bawat isa sa huling nakaraang apat na taon** - sa malaking agwat



Source: Industry reports; VC partners; Bain analysis.
Tandaan: Kasama sa mga deal ang mga pamumuhunan sa pamamagitan ng venture capital, private equity at mga strategic na investor