

# The Daily Dispatch

## Weekly Special Feature

September 16, 2022

***PH startups face uncertainty about raising next round but investors remain optimistic***

By: Mars W. Mosqueda Jr. on DealStreetAsia (Published on September 7, 2022)



*Philippine investors and startup founders pose with Winchell Wong of Gentree Fund (left, standing), Juancho Jimenez of Openspace Ventures (fourth from left, standing), and Andrew Murphy of Cooley LLP (third from right, standing) during the Open Access Event in Manila. Photo from The Independent Investor.*

Startups in the Philippines are increasingly shifting their focus on making their operations sustainable as the fundraising environment remains bleak, according to a top venture capital executive.

Juancho Jimenez, an associate at Openspace Ventures, said the correction last year has seen startups shifting gears to building sustainable businesses. The focus has shifted from how fast a startup can grow to how sustainable the business is, he added while speaking at the recent Open Access Event organised by The Independent Investor in Manila.

Venture capital's approach to investing, however, has not changed. For Openspace Ventures, Jimenez said what the firm is looking for in founders last year and this year has not changed.

“We invested in some startups last year during the upcycle, some this year during the downcycle, and we invested in them knowing that we wanted to work with them for the next 10 years or potentially even more. So it hasn't changed.

We still look for founders who can manage both ups and downs of the market,” Jimenez stressed.

And the Philippine ecosystem has all the necessary layers to produce successful startups. Jimenez said the country has promising entrepreneurs, plenty of full-time founders, and eager new founders that are participating in the ecosystem.

“The more people you get into participating in this ecosystem, the more that the wheel starts to turn and it just becomes a natural environment for collaboration, for new entrepreneurs who want to come in,” Jimenez added.

Openspace's portfolio in the Philippines includes fintech startup Lista, live streaming app Kumu, social commerce firm SariSuki, and online beauty marketplace BeautyMNL.

### Best time to be a founder

Andrew Murphy, vice president for business development at international law firm Cooley LLP, believes this is the best time to be a founder in the Philippines despite the gloomy macro environment.

As long as the ecosystem continues to build strong, early-stage companies, with founders who are focused on building partnerships, the Philippines will continue to go forward, he said, during a panel session.

Founders who can understand cash flow management and business dynamics will also give investors more confidence in the startup, said Winchell Wong associate, Philippine-focused venture investor Gentree Fund.

“Entrepreneurs will always be entrepreneurs – focused on sales. It's also good to look at your back office and see how you compare from last month or last year,” Wong said, adding that Gentree closely looks at margins and other important metrics to determine the startup's sustainability.

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Gentree Fund is the investment vehicle of the SY Family Office. The Sy family runs the retail giant SM Group in the Philippines and operates in the financial services, property development, logistics, and other sectors.

Since its launch in July 2020, Gentree has already backed a number of startups in the Philippines including e-commerce startup for mothers, Edamama; live-streaming platform Kumu; F&B software management provider Mosaic Solutions; proptech startup AQWire; fintech firm NextPay; fresh produce marketplace Builtamart; and software firm Klikit.

On the other hand, Regie C. Bautista, president and COO of GMA Ventures, the venture capital arm of Philippine broadcasting company GMA Network, also expressed confidence in the country's startup ecosystem.

She likened the Philippine startup ecosystem right now as similar to Indonesia 10 years ago. She also noted the entry of regional funds into the country.

“I think we are on our way. We’ve been looking at startups for a while now and we see the big difference in how they presented themselves a few years ago to now and the value that they offer,” Bautista said.

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Source: Mars W. Mosqueda Jr. (2022). PH startups face uncertainty about raising next round but investors remain optimistic. *DealStreetAsia*. Available at: [https://www.dealstreetasia.com/stories/ph-startups-face-uncertainty-306788?fbclid=IwAR0O0XbOkihMl2s2ln0uNhnvV2Vr5xG7NiDjxE\\_NtW4bLK4TJ5xfEkxDHUw](https://www.dealstreetasia.com/stories/ph-startups-face-uncertainty-306788?fbclid=IwAR0O0XbOkihMl2s2ln0uNhnvV2Vr5xG7NiDjxE_NtW4bLK4TJ5xfEkxDHUw)

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TODAY'S TOP NEWS

## Keepers signs P5-b deal to acquire 50% of Bodegas

The Keepers Holdings Inc., the liquor holding company of businessman Lucio Co, said Thursday it signed a share purchase agreement over a 50% stake in Bodegas Williams & Humbert SA for 88.75 mn euros, or about P5.05 bn. It said the purchase would be bottom-line accretive from its share in the future net income of Bodegas.

## Remittances grew 2.3% to \$2.92b in July

Remittances rose 2.3% in July to \$2.92 bn from \$2.85 bn a year ago on sustained demand for Filipino workers abroad as global economies recover from the pandemic, the BSP said Thursday. The latest figure brought cash remittances in the first seven months to \$18.26 bn, up 2.8% from \$17.77 bn recorded in the same period last year.

## KIC to buy stake in PGEC

Kyuden International Corp. (KIC), a wholly-owned subsidiary of Japan's Kyushu Electric Power Co. Inc., is taking in a 25% interest in PetroGreen Energy Corp. (PGEC), the renewable energy arm of Yuchengco-led PetroEnergy Resources Corp. EEI Power Corp. said the transaction will effectively reduce its stake in PGEC to 7.5%.

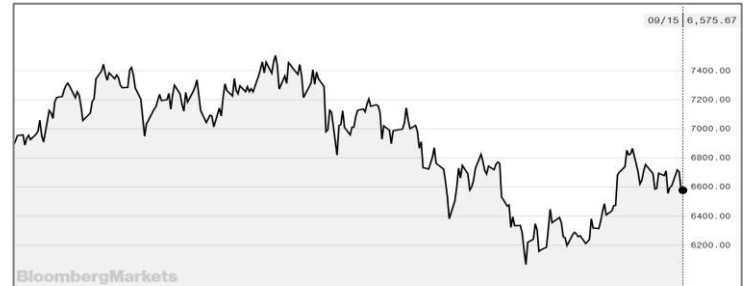
## Meralco bags more international awards

Manila Electric Company continues to exemplify communication excellence as it adds more major wins to its long list of recognitions in the international stage. Meralco won two awards of excellence at the 2022 Silver Quill Awards, an awards program organized by the International Association of Business Communicators.

## Converge, UnionBank sign deal versus online fraud

Converge ICT Solutions Inc. said last Thursday it has signed a memorandum of understanding with Union Bank of the Philippines as part of an industry-wide effort to clamp down on online fraud and financial cybercrimes. The banking and finance industry is one of the top vulnerable sectors to online fraud.

## Philippine Stock Market Update



Previous Close:

6,575.67

1 Yr Return:

-3.83%

Open:

6,586.91

YTD Return:

-7.73%

52-Week Range:

6,054.79 - 7,552.20

Source:

Bloomberg

## Foreign Exchange

As of September 15, 2022

US Dollar	Philippine Peso
1	57.07

## BVAL Reference Rates

As of September 15, 2022

Tenor	Rate
1Y	3.909
3Y	5.393
5Y	5.973
7Y	6.375
10Y	6.712
20Y	7.022

## Daily Quote

“Fear of the unknown is the greatest fear of all.”

– Yvon Chouinard

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## MORE LOCAL NEWS

### Virata-Yuchengco-Tan group bags Sangley project

A CONSORTIUM backed by Philippine, European and South Korean companies bagged the \$11-billion contract to develop the Sangley Point International Airport (SPIA), the Cavite provincial government announced on Thursday.

### CAMPI expects higher car prices as peso weakens

THE Chamber of Automotive Manufacturers of the Philippines, Inc. (CAMPI) is projecting higher vehicle prices amid the depreciating peso, but the industry is staying optimistic ahead of rising demand towards year-end.

### PetroEnergy sells 25% equity in renewables unit

YUCHENGCO-LED PetroEnergy Resources Corp. said on Thursday that its board had approved to sell 25% of its shareholdings in PetroGreen Energy Corp. to Kyuden International Corp. (KIC), a subsidiary of Japan's Kyushu Electric Power Co., Inc.

### ClixLogic targets to go public in next five years

INTERNET of Things (IoT) firm ClixLogic Inc. is eyeing to list on the Philippine Stock Exchange (PSE) by 2027 as part of its expansion efforts. ClixLogic President Carlos T. Fernando said that the firm is banking on the widespread adoption of IoT in the country for its planned initial public offering (IPO) in five years.

### ACEN secures AU\$140-M loan for Australia projects

ACEN Corp. announced that it had secured funding for the company's projects in Australia. ACEN said that as a guarantor to ACEN Australia, it executed a common provision and a facility agreement between ACEN Australia and MUFG Bank, Ltd., Sydney for a 140-million Australian dollar in long-term revolving green loan facility.

### Moody's affirms Philippine credit rating, outlook

Global credit watcher Moody's Investors Service on Thursday affirmed the Philippine credit rating at 'Baa2' with a stable outlook but flagged downward risks such as the country's fiscal and government debt metrics. The affirmation of the credit rating keeps the Philippines one notch above the minimum investment grade.

### Capital req hike to affect fraction of rural banks

Only a fraction of rural banks will be impacted by the changes in capital requirements as most are already compliant, BSP Monetary Board Member Bruce Tolentino said. Under the Rural Bank Strengthening Program, the minimum capital requirement for rural banks was raised to at least P50 million from P10 million previously.

### GCash: H1 Gross transaction value exceeded P3-T

Globe-backed mobile wallet GCash said on Thursday its gross transaction value (GTV) surpassed P3 trillion in the first half of 2022, nearly matching the P3.8 trillion posted in the full-year 2021. As its user base also expands to 66 million, the mobile wallet is expected to end 2022 with a P6-trillion gross transaction value.

### Automakers warn of higher costs due to weak peso

The depreciation of the Philippine peso is seen to result in higher costs for automotive firms as well as adjustments in the prices of vehicles, according to the Chamber of Automotive Manufacturers of the Philippines Inc. The weak currency affects operations as auto firms import parts, components, and the completed units.

### PH among leaders in travel recovery – AirAsia

Low-cost carrier AirAsia expects its Philippine unit to perform better than pre-COVID as the local economy recovers and as the country banks on the potential of tourism to rebound from the pandemic. The country's tourism industry was said to have grown in potential — particularly in Bohol, Cebu and Davao, among others.

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## TODAY'S TOP ASIAN NEWS

### Crypto exchange Reku raises US\$11m Series A

INDONESIA-BASED crypto exchange Reku has raised a US\$11 million Series A round led by AC Ventures. Other investors include Coinbase Ventures, the venture arm of crypto exchange Coinbase and Skystar Capital.

### CLA Real Estate sets up life sciences invst. co.

CLA Real Estate Holdings, a wholly-owned subsidiary of Temasek, has established a new company called ClavystBio to invest in life sciences companies and develop an innovation district in Singapore.

### CVC selling Asian funeral firm Nirvana, seeks \$2b

PRIVATE equity firm CVC Capital Partners is selling Malaysian funeral services provider Nirvana Asia in a deal that could fetch up to US\$2 billion, 3 people with knowledge of the matter told Reuters.

### GIC, Oak Street make \$14b offer for Store Capital

SINGAPORE - Sovereign wealth fund GIC, together with real estate investment firm Oak Street, will acquire New York Stock Exchange (NYSE)-listed net-lease real estate investment trust (Reit) Store Capital in an all-cash transaction valued at US\$14 billion (S\$19.7 billion).

### SG EV opr. gains Thai foothold in bid to expand

The largest commercial electric vehicle (EV) operator in Singapore, SEV, said that it will supply at least 1,000 electric cars and no fewer than 1,000 electric scooters to the newly established EV unit of Thai-listed telecom equipment distributor Planet Communications Asia.

## TODAY'S TOP GLOBAL NEWS

### Adobe agrees to buy Figma in US\$20b software deal

ADOBE agreed to buy software design startup Figma in a deal valued at about US\$20 billion to help it expand tools for creative professionals.

### Lufthansa Technik stake sale draws invst. interest

LUFTHANSA'S plan to sell a stake in its aircraft maintenance business Lufthansa Technik has drawn more interest from financial investors than rival engineering firms, a source told Reuters on Thursday (Sep 15).

### US mortgage rates up over 6%, 1st time since 2008

As concerns around inflation persist, mortgage rates climbed above 6 per cent this week, their highest point since late 2008 and more than double their level a year ago, further squeezing the budgets of would-be homebuyers and cooling off a once red-hot housing market.

### Ethereum completes energy-saving 'Merge' upgrade

Crypto's most important commercial highway, Ethereum, just got repaved. The blockchain network has completed the crypto world's biggest and most ambitious software upgrade to date, according to its co-founder Vitalik Buterin in a Twitter post on Thursday.

### Samsung to invest \$7bn to tame rising emissions

Samsung Electronics, the world's largest memory chip maker, will invest 7 trillion won (S\$7 billion) in green initiatives and lobby South Korea to add more clean energy as the electronics giant looks to reverse a rise in emissions and zero out direct pollution by mid-century.