



Taiwan's Startup Investment Scene

*A deep dive into the trends of
Taiwan's Venture Capital Industry*

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Editor's Note

This report was originally released by Eric Fan and the [FINDIT](#) team of the Taiwan Institute of Economic Research on August 28th, 2019. FINDIT's mission is to integrate and provide valuable information related to innovative entrepreneurship and market, such as early-stage investment market dynamics, perspectives on the startup ecosystem, and latest ideas of technologies and media.

The purpose of this report is to share the data and findings on Taiwan's startup investment space. In this edition of the report, we have translated the original document from Chinese to English and have also included some commentary on some of the data from a TSS perspective. You can find the original report [here](#).

Brian Chen,
Investor Relations Manager, Taiwan Startup Stadium

Executive Summary & Key Findings

- Both access to early-stage funding as well as information regarding venture capital markets are important for a robust startup ecosystem. Taiwan's startup investment scene historically has lacked transparency and an aggregate information database. The FINDIT research team has analyzed over 700,000 public and private news and deals from 2015 to 2019 August, aiming to establish a more thorough picture of the early-stage investment market.

- Between 2015 to 2019 August, there are 1,154 early-stage investment deals in Taiwan which totaled over US \$3.3 Billion, of which 792 are deals in which the startup was founded after 2010.

- From 2015-2018, Taiwan's startup investment deals has an annual growth rate of 8.72%. This is roughly similar to the global average.

- The government's National Development Fund (NDF) has already made 130+ startup investments since its inception in 2017. This accounts for 17% of total deals between 2015-2019 (note: 2019 data is from January to August).

- In Taiwan, deals are significantly smaller, though we are seeing investment deals above US \$10 million steadily growing year over year.

- Taiwan's top startup industry is Health Tech. Between 2015 - August 2019, there have been 188 Health Tech deals totaling US \$572 Million.

- Corporate Venture Capital investments comprise of 52% of all startup deals in Taiwan.

- Looking from an investor's perspective, high risk, high reward, and high technological barriers are still the most attractive to investors looking to invest in Taiwanese startups.

Introduction

As new economic models develop, industries and capital markets rapidly shift and quickly adapt to the market. Typically, when this occurs, many “startups” and new ventures emerge to take advantage of the new market opportunities. These startups not only play important roles in highly competitive markets, but also challenge and disrupt traditional industries, spurring innovation and change. This new wave of entrepreneurship, which has exploded in places such as the Silicon Valley, Israel, and China, is creating a new type of company dubbed the “unicorn” -- companies valued over US \$1 Billion. Unicorns such as Uber, Airbnb, Stripe, and Slack are attracting attention from people all over the world, especially investors.

TSS Perspective

The startup craze has become a global phenomenon -- many countries don't want to get left behind, and so governments have been investing many resources to strengthen the startup ecosystem and encourage entrepreneurial spirit in their country. According to Startup Genome's “2019 Global Startup Ecosystem Report,” the global startup economy continues to grow year over year, creating US \$2.8 trillion in value between 2016 and 2018, representing a 20.6% increase from the previous period and more than double what it was 5 years ago.

Similarly, Taiwan's government began investing a substantial amount of money and resources to build a robust startup ecosystem. Taiwan Startup Stadium (TSS) is an example of the government's effort to bolster startup activity.

TSS has 180+ Taiwanese startup members across all different verticals and industries. Since 2015, we have trained and led 130+ teams to over 12 international conferences in countries all over the world!

Founded in 2015 and funded by Taiwan's National Development Council (國 發 會), TSS's main mission is to help Taiwanese startups grow and scale to world-class tech businesses by bridging innovative Taiwan startups to industry thought leaders, potential investors, and other resources necessary to be successful. How we serve startups is through a free "Starting Lineup X (SLX)" membership program to help incubate and accelerate early-stage companies, offering educational content and workshops, investor and mentor matchings, and other startup resources. Currently, TSS has 180+ Taiwanese startup members across all different verticals and industries. Since 2015, we have trained and led 100+ teams to over 12 international conferences in countries all over the world! We've definitely witnessed the remarkable growth of our startup ecosystem in the past few years, and are excited about the trajectory that we are on.

In the past few years, the Taiwanese government has been actively investing numerous resources to build and establish a startup ecosystem similar to that of Silicon Valley's. From a legislative and policy perspective, in order to build a growing and flourishing startup ecosystem, creating a stable and robust venture capital market is not only necessary, but also a strong incentive for startup founders and investors. In other words, venture capital plays a key role in nurturing entrepreneurship and new ventures. For investors, it is

To provide some insight into our 180+ startups, they have collectively raised \$113M+ US Dollars since 2015, with 82% of our startup members at the Seed/Pre-A funding stage.

imperative to assess and track shifts in the capital market and ever-changing industry trends, and to scope out new potential investment targets. For startup founders, receiving external investment is a necessity to growing; it is important for founders to know who are the active investors, what are the innovative trends, and what are the characteristics of startups that get funded. For government agencies, their responsibilities are to implement and adjust legislative policies according to capital market trends. All in all, a robust VC market is necessary to spur entrepreneurial growth and create a stable startup ecosystem.

TSS Perspective

As already mentioned, TSS's main mission is to continue to build Taiwan's startup ecosystem and bridge Taiwan startups to the rest of the world. We agree that access to early-stage funding is key to a flourishing startup community. To provide some insight into our 180+ startups, they have collectively raised \$113M+ US Dollars since 2015, with 82% of our startup members at the Seed/Pre-A funding stage. It is important to note that these statistics are a current representation of our SLX members and not the entire startup ecosystem.

Furthermore, access to information of the venture capital markets and early-stage startup funding is just as important as access to capital in regards to building a successful startup ecosystem. Global early-stage investment databases such as Crunchbase, PitchBook, DealRoom, Preqin, and MoneyTree Report have contributed to the growth of other startup ecosystems. However, Taiwan has long lacked such a database or place to find aggregate information on early-stage funding. In the past, various organizations have attempted to compile this research, but have only captured an incomplete picture.

TSS Perspective

We agree that there is a lack of transparency and available startup funding data in Taiwan. Many startup deals are undisclosed to the public, and sometimes investors and angels choose to remain anonymous. While angel groups do exist, they are quite segmented and not necessarily very active in terms of the number of deals done each year. Furthermore, as you'll see from the data later, many of the startup investments in Taiwan are funded by publicly listed companies. These investments are usually strategic investments, and are therefore usually not publicly announced.

Researching and investigating Taiwan's venture capital markets

Over the past 2 years, the FINDIT team of the Taiwan Institute of Economic Research (TIER) has been researching and investigating Taiwan's venture capital markets. After analyzing and cross examining data from early-stage startup investment databases, major media reports, public companies' quarterly financial reports, and press releases published by startups, investment organizations, and government investment reports, FINDIT has uncovered some interesting data in regards to the early-stage capital markets of Taiwan. The FINDIT research team has analyzed data of over 700,000 public and private news and deals from 2015 to 2019 August, aiming to establish a more thorough picture of the early-stage investment market.

Of the hundreds of thousands of data analyzed, the FINDIT team has found 1,154 early-stage investment deals totaling over US \$3.3 Billion, of which 792 are deals in which the startup was founded after 2010 (if you just look at just these 792 companies, they totalled US \$2.3 Billion). (See Figure 1)

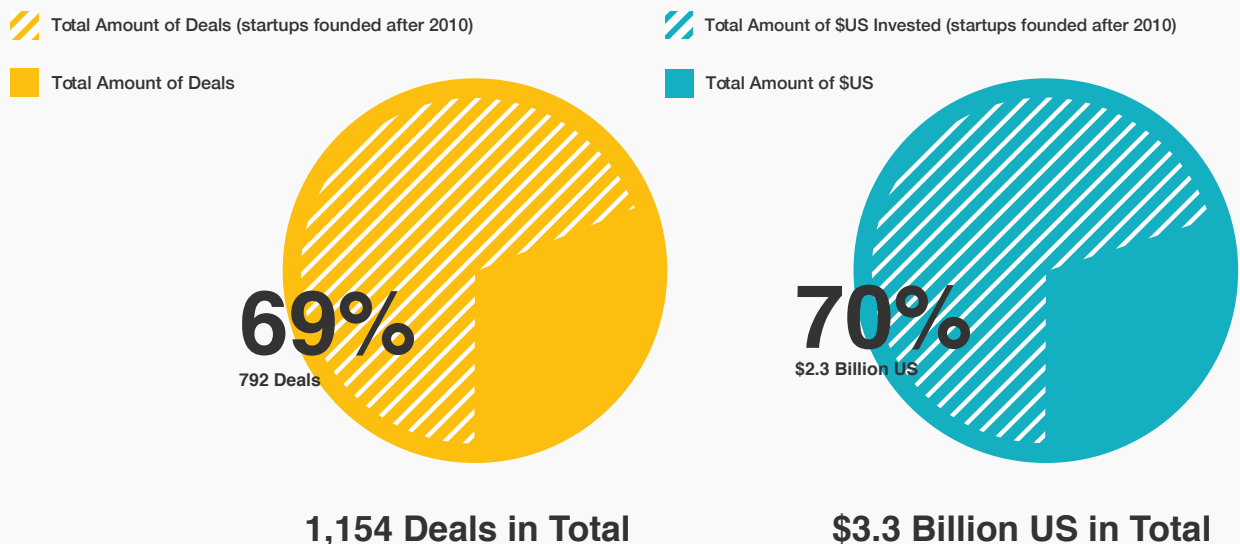


FIGURE 1. From 2015 to 2019 August, there have been 1,154 early-stage investment deals totaling US \$3.3 Billion. Of the 1,154 deals, 792 are deals where the startup was founded after 2010. These 792 deals totaled US \$2.3 Billion.

In 2015, there were 140 startup investment deals in Taiwan totaling US \$434 million. Since then, Taiwan has seen a steady growth rate in the amount of capital invested in early-stage startups. In fact, by 2018, there were 187 startup investments deals totaling US \$540 million! However, in 2016, the amount of investments dipped to US \$370 million due to slow market conditions. Also, the large spike in 2017 can be attributed to Gogoro receiving US \$300 million. If we exclude this large Gogoro deal from 2017, the total annual growth rate from 2017 to 2018 would be at 20.27%. (See Figure 2)

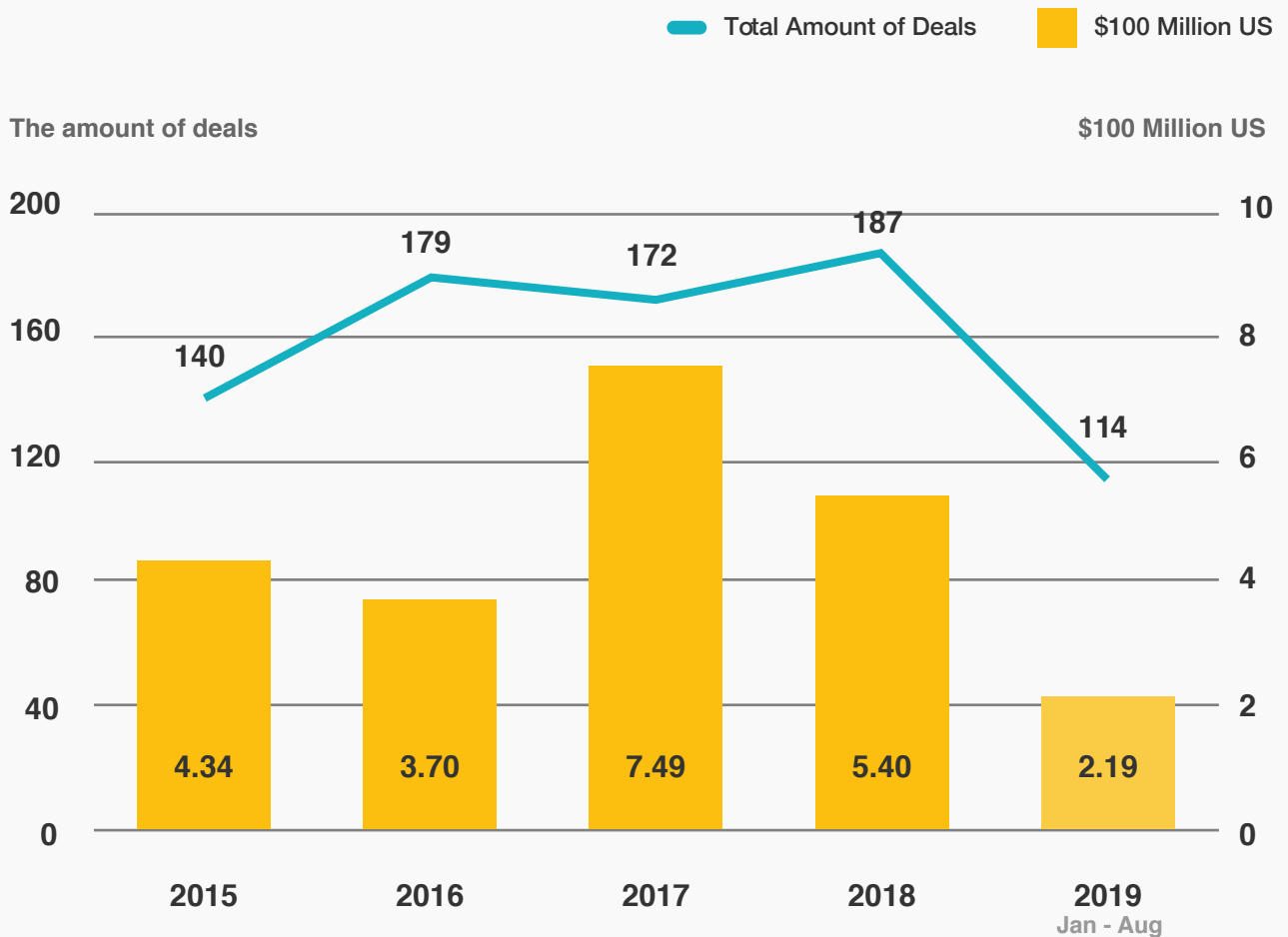


FIGURE 2. The total number of deals and the total amount of money invested into startups per year. Note: 2019 only covers January to August.

Compared to the global market, the amount of startup investments (both the total amount of money invested as well as the number of investment deals) in Taiwan is roughly around the global average. According to the 2018 MoneyTree Report by PwC and CB Insights, the global total number of VC investments was 14,247, a 9.52% increase compared to 2017. These investments amounted to a total of US \$207.1 Billion, a 20.69% increase compared to 2017.

This 5-year program has been allocated \$2 billion NTD, and has already made over 60 startup investments since its inception

TSS Perspective

Once someone manages to manually sort and analyze all the data, the investment scene in Taiwan is actually more robust than one might expect. This is very exciting because **this growth can be attributed to the Taiwanese government's investment in the startup ecosystem**. In fact, in 2017, the National Development Council (NDC) started a program called the Business Angel Investment Program through the National Development Fund (NDF). Through this program, NDF "aims to establish a sound startup investment mechanism to improve the angel investment environment in Taiwan" through co-investments in startups alongside business angels. This 5-year program has been allocated \$2 billion NTD, and has already made over 60 startup investments since its inception. Furthermore, this government program's investments already comprise of 17% of all startup deals from 2015 to 2019 August.

Trends in Taiwan's startup investment scene

Within the investment scale of a single transaction, the amount of money and number of transactions are inversely proportional; most deals are under US \$1 million, followed by deals between US \$1 to 2 million. (See Figure 3) Although there are still transactions above US \$10 million in Taiwan, most of the investment deals are still rather small compared to the West. According to Preqin's statistics, the average global transaction amount of VC investment in the seed/angel round in 2018 was US \$2.3 million, with seed/angel round investment deals accounting for 35% of the total startup investments. The average global transaction amount of a typical Series A amounted to US \$16.1 million, and accounted for 28% of the total investment deals. In Taiwan, deals are significantly smaller, though we are seeing investment deals above US \$10 million steadily growing year over year.

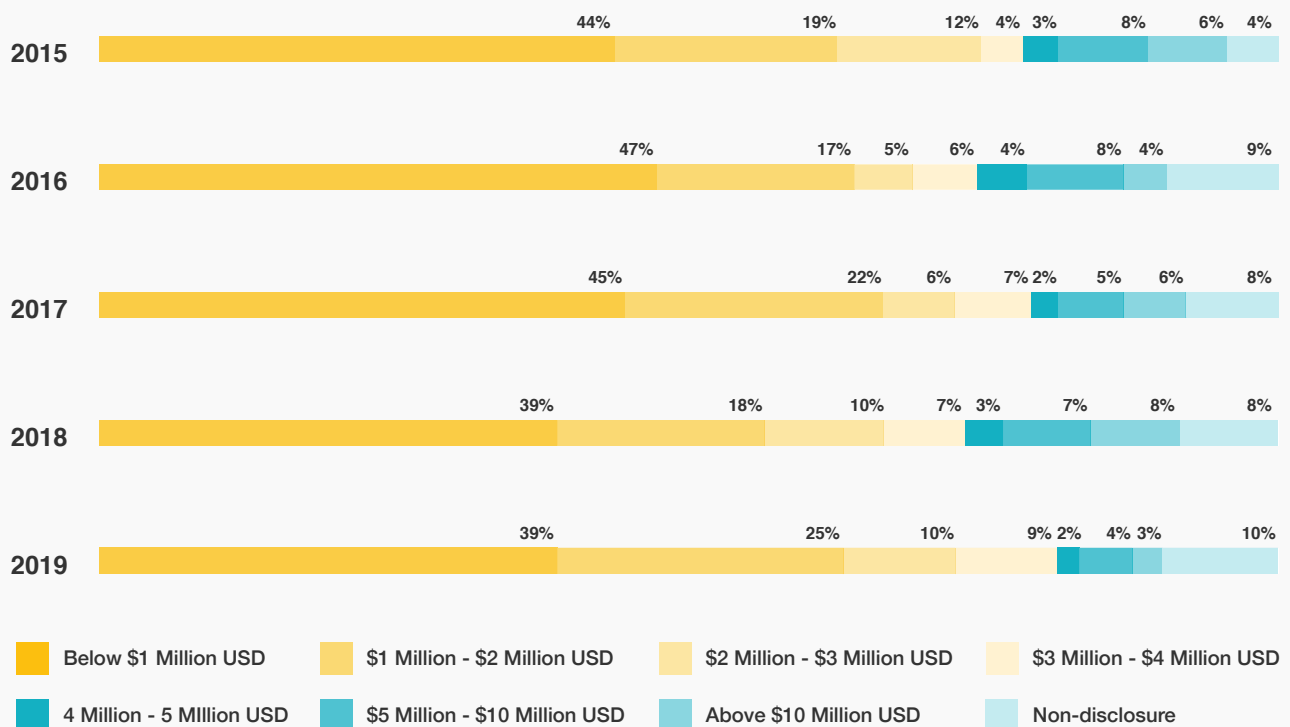


FIGURE 3. Percentage breakdown of deals by funding rounds.

TSS Perspective

Our startup ecosystem is still relatively young compared to that of Silicon Valley's and other ecosystems. As a result, we're seeing startups "grow up" as the ecosystem continues to develop. Taiwan Startup Stadium is currently around the 4-5 year mark of seriously building startups in Taiwan, and so at this juncture we're seeing many startups fail...but at the same time we're also seeing the successful startups raising larger rounds to tackle the global market. This aligns with the trends found in FINDIT's report — **investment deals are steadily getting bigger as startups that were founded a few years ago are experiencing growth and looking overseas to find success.** (See Figure 4)

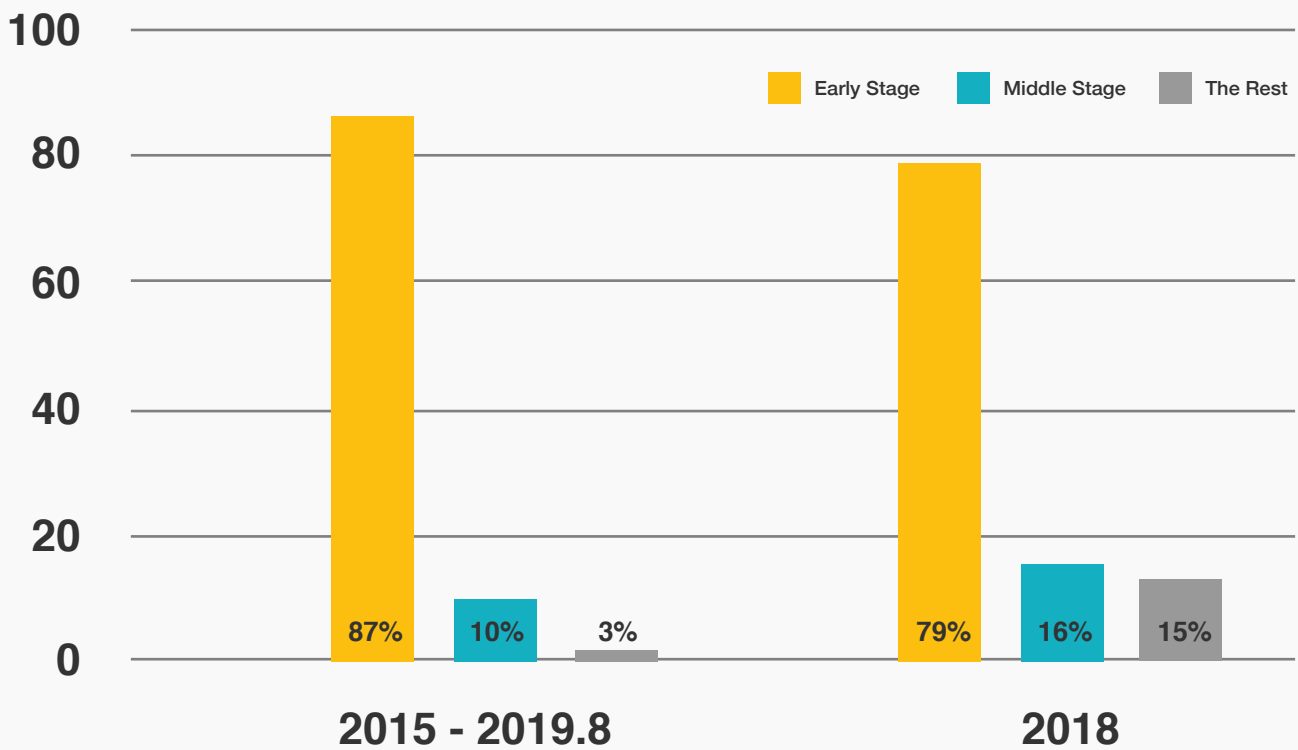


FIGURE 4. As the research shows, from the span of 2015-2019, Series A and earlier rounds comprise of 87% of total deals. However, if we just look at 2018, early-stage investment rounds comprise just 79% of total deals. Therefore, we can see that there is a trend of more later stage rounds occurring in Taiwan.

Taiwan has a population of 22 million, so in order for a startup to survive they must penetrate new markets.

TSS Perspective

While the deal size for each investment round in Taiwan is smaller than the global average, it is important to note that the economics of starting and running a business in Taiwan is lower compared to that of other countries. Thus, the investment rounds comparatively are smaller to other countries, but the use of those dollars can typically last a lot longer and give Taiwanese startups enough runway to get to the next milestone.

Currently, TSS has 180+ startup members in our free Starting-Lineup X program. About 80% of our startups are still at the Seed/Pre-A investments round. When TSS officially started 4 years ago, 100% of our startups were Angel/Seed stage startups, so it's been awesome growing alongside Taiwanese startups! That's why we've seen bigger deals as these startups are looking to expand overseas. Taiwan has a population of 22 million, so in order for a startup to survive they must penetrate new markets. Therefore, going global is imperative for startups to succeed!

Taiwan's top startup industries

FIGURE 5. shows the top startup industries in terms of total number of investment deals closed (left) and total funding amount (right) from 2015 to August of 2019.

Taiwan's top industry in terms of VC funding received is the **healthcare and medical industry**. Whether in total amount of money invested or total number of investment deals, the healthcare and medical industry tops both categories. Since 2015, there are a total of 188 cases totaling US \$572 million. Aside from healthcare, we've found that startups that provide software/hardware B2B services or startups that produce electronic components also attracts investors. **Startups that focus on blockchain technology also attracts VCs, with a total of US \$185 million total invested in the last 4 years.** More importantly, in 2018 alone, Taiwanese blockchain startups collectively attracted over \$100 million US dollars; startups like OwlTing and BitoEX are both good examples. (See Figure 5 and 6)

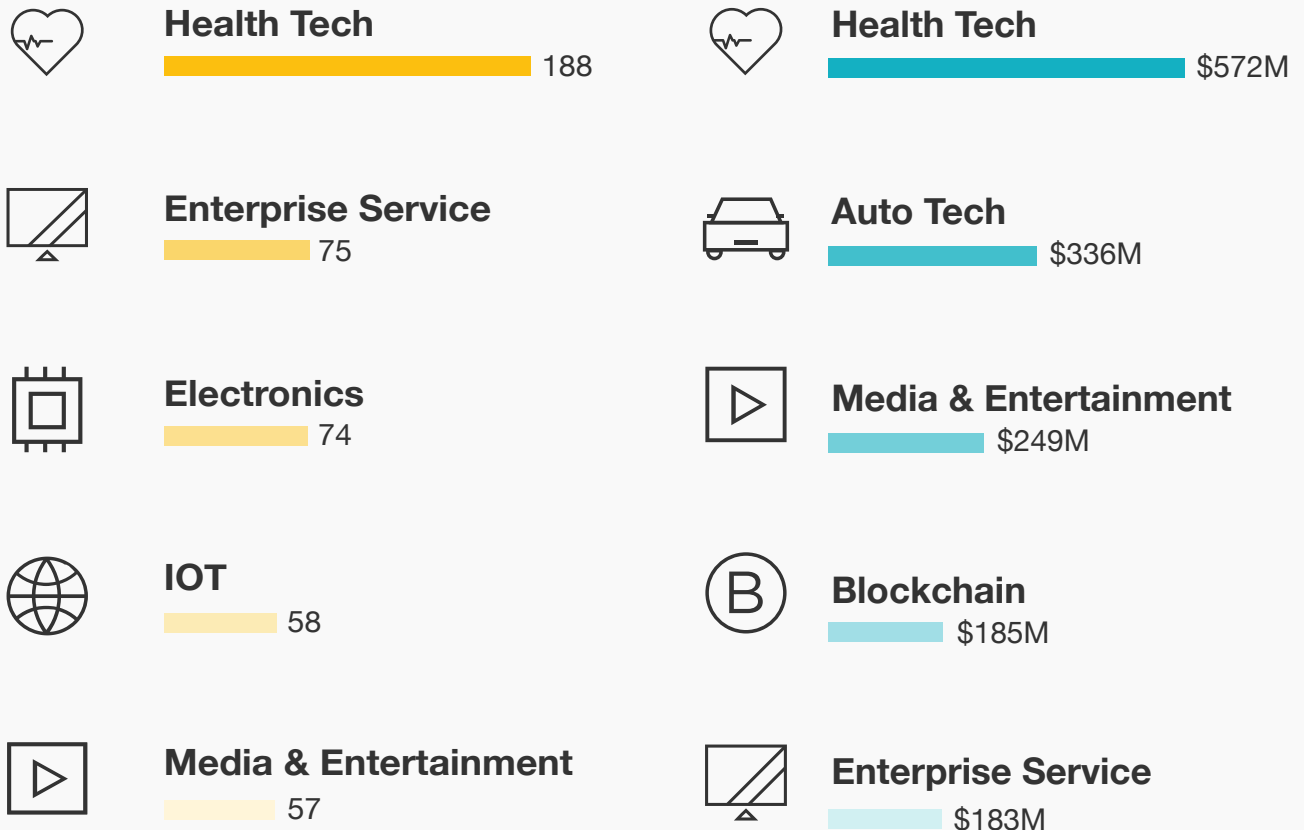
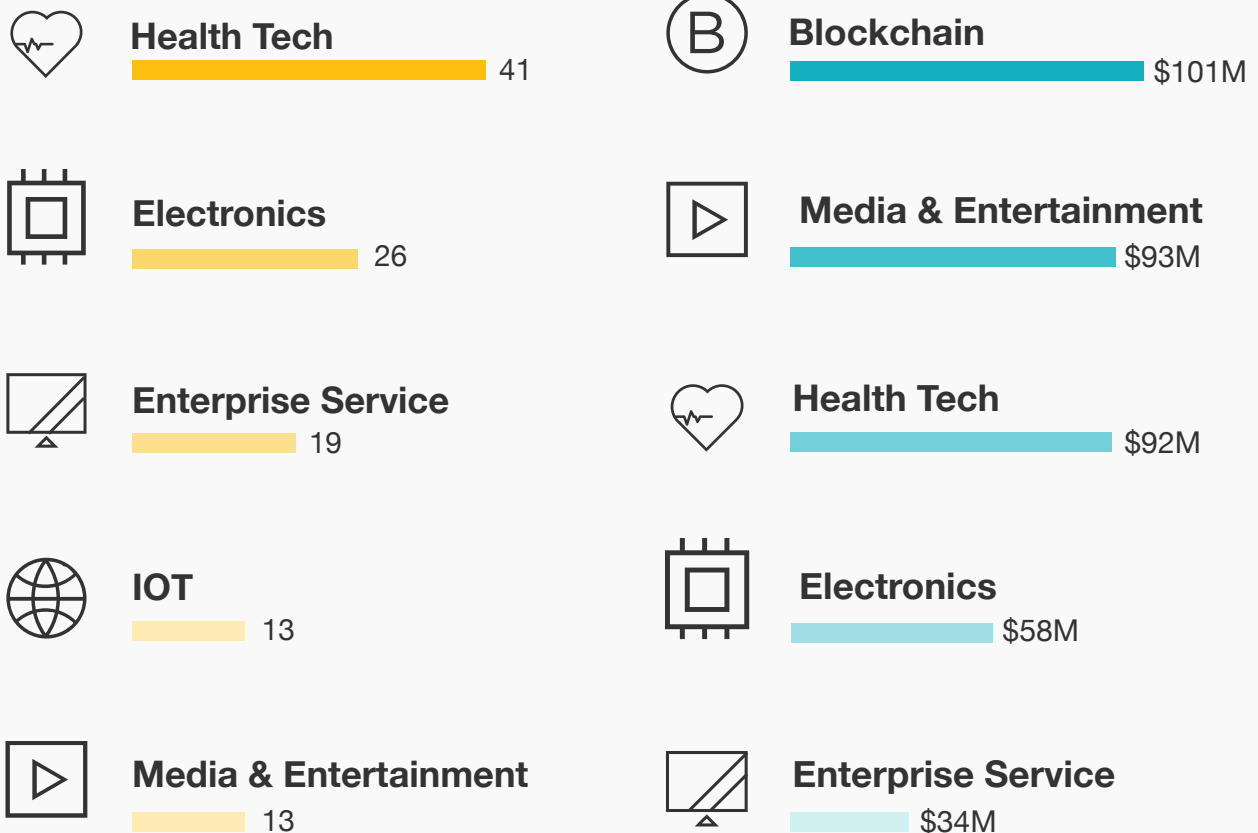


Figure 6. shows the top startup industries in terms of total number of investment deals closed (left) and total funding amount (right) in the year 2018.

TSS Perspective

It's not surprising that Health Tech ranks #1 in terms of both the amount of total dollars invested and the number of total investment deals. According to Bloomberg's "Most Efficient Healthcare 2018" report, Taiwan ranks in the top 10 of countries with the most efficient healthcare system. This healthcare system, titled National Health Insurance (NHI), was instituted in 1995 with the population coverage reaching 99% by 2005. Furthermore, Taiwan implemented a national electronic health record system in 2009. With a comprehensive NHI and health records of the population, startups have great incentives to build solutions for the healthcare and medical industry — there is already a market to sell with access to medical data. Furthermore, in 2018,



Taiwan's Ministry of Interior announced that Taiwan has officially entered an "aged society" as Taiwanese people over 65 years old accounted for 14.05% of the country's total population. An aging population is also one of the reasons why Health Tech ranks #1.

FINDIT reports that B2B startups (both software and hardware) also rank quite high in terms of both the amount of total dollars invested and the number of total investment deals. This can be attributed to the fact that Taiwan is traditionally a hardware/manufacturing country with a very organized supply chain. **Corporate Venture Capital investments actually comprise of 52% of all startup deals in Taiwan**, as corporates are looking for strategic investments. Actually, it's quite common for business units in Taiwanese corporates to spinoff and develop products and solutions specific to their parent company.

Who is investing in Taiwan startups?

So who exactly is investing in these Taiwanese startups? The percentage of local companies or Corporate Venture Capital that engages in startup investment is quite high, landing at around 52% of total startup investment deals; VCs come in second at around 48%. The government is also quite active in startup investments. Taiwan's National Development Fund (NDF) is quite active in the early-stage investment scene, investing in around 17% of total startup investments. (See Figure 7)

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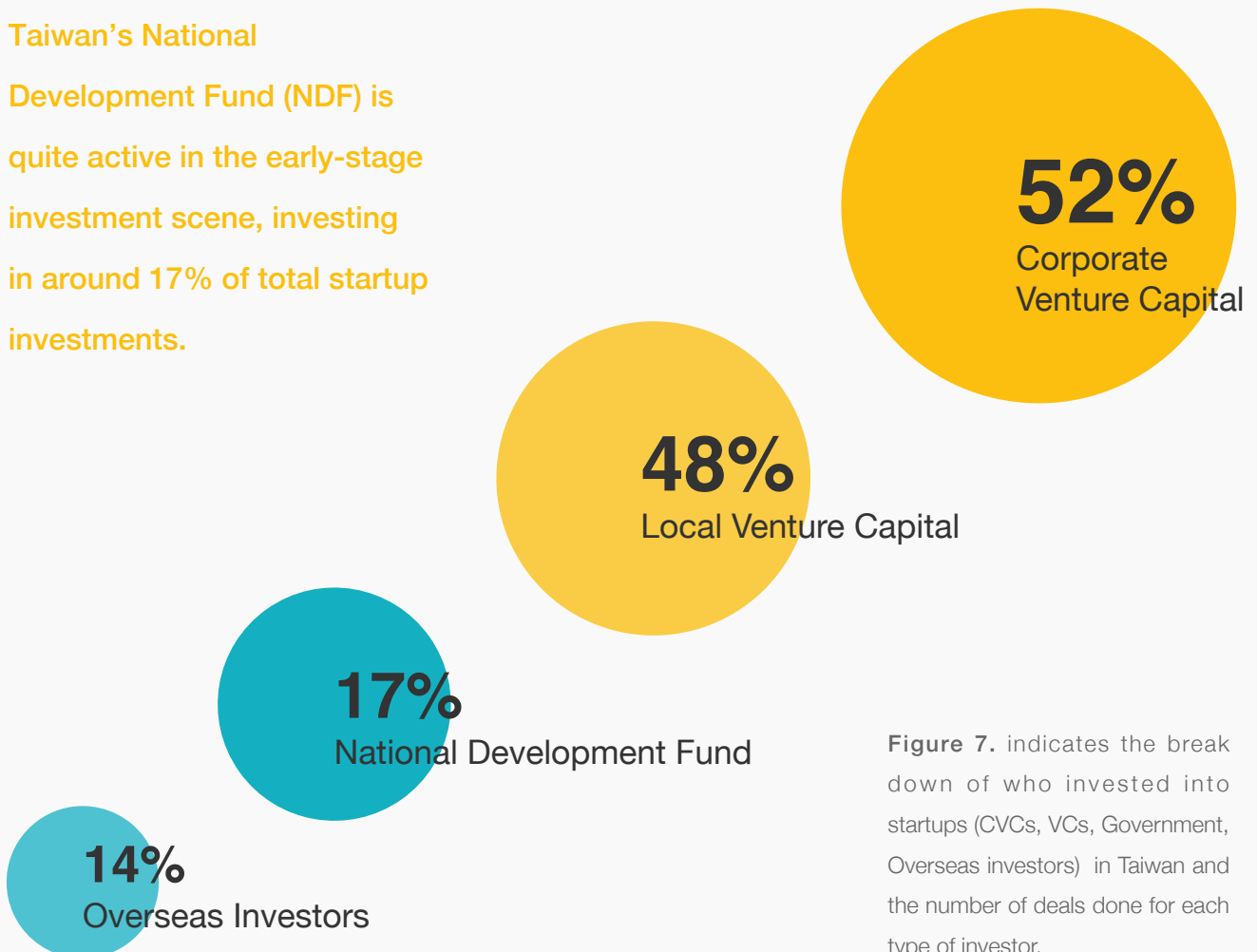


Figure 7. indicates the break down of who invested into startups (CVCs, VCs, Government, Overseas investors) in Taiwan and the number of deals done for each type of investor.

TSS Perspective

As we can see, Taiwanese corporates are actually quite active in the early-stage startup investment scene, having invested in 52% of all startup deals from 2015-2019. This perhaps is a reason as to why there is a lack of transparency in the venture capital markets in Taiwan — corporates are strategically investing and typically do not disclose their investments to the public.

Also, as mentioned previously, Taiwan's government is very active in startup investments since the Business Angel Matching program was inceptioned in 2017. It's absolutely amazing that the government has done 137 deals (probably more since the report has been published) since 2017, and the growth of startup funding in Taiwan can definitely be attributed to this program. For more information on the program, the American Chamber of Commerce Taiwan has written a great [article](#) with more details.

Conclusion

Ultimately, as the startup ecosystem becomes more robust, we have started to see more and more new startup ventures that have been attracting the attention of investors, both local and foreign. Taiwanese startups have been doing well in attracting investments in the past two years, yet the scale of a single transaction is still rather small compared to the rest of the world. Looking from an investor's perspective, high risk, high reward, and high technological barriers are still the most attractive to investors looking to invest in Taiwanese startups, such as biotech companies.

Looking from an investor's perspective, high risk, high reward, and high technological barriers are still the most attractive to investors looking to invest in Taiwanese startups

To conclude, it is important to combine startups with existing mature industries in Taiwan. As our research has uncovered, corporates and CVCs are the most active investors with B2B startups receiving the most of the funding. These startups receive massive support from big corporates when they were first founded; they're core value is not to challenge the existing industry, but to solve a specific pain point for the corporation. These kinds of startups may not make the headlines, but are still key to Taiwan's early investment market.

TSS Perspective

While we agree that high risk, high reward, and high technology startups attract the most investments, we believe that the definition of startups should expand beyond these 3 criteria. There are numerous startups that may not have high-tech barriers, for example startups with network effects or startups with strong branding. This is why our Starting Lineup X membership program accepts all startups!

Also, here at Taiwan Startup Stadium, we have observed more and more corporate involvement in the startup ecosystem beyond just investments. Corporates are more aggressive in working with startups — many corporates have approached us to engage with them on the topic of corporate innovation. They no longer want to just do pitch sessions and startup matchings, but want to actually work with startups. As our CEO, Lereoy Yau, loves to say, **“Corporates are the new startups!”**

One more important aspect of startup investments that was not touched upon in this report is exit strategies. Because investment sizes are smaller in Taiwan, and more than half are strategic investments, it may not make sense for Taiwan to focus on unicorns. Realistically speaking, mergers and acquisitions (M&As) are more likely the exit strategy for startups in Asia, and that is what we should be focusing on when building startups in Taiwan!

All in all, it is a very exciting time for startups and the startup ecosystem in Taiwan. FINDIT's report has shed light on the early-stage fundraising scene and their results have shown that we are on a growing trajectory with the government as one of the main drivers.

Acknowledgements

The editor would like to give special thanks to the original author, Ping-Hang (Eric) Fan, for his permission to allow us to translate the original report and add our own commentary. Also, special thanks to the FINDIT research team for their efforts in uncovering the startup investment scene in Taiwan. The editor would also like to give special thanks to Henk Hsieh, the creative mind behind the design and infographics of this report.

About the Author

Dr. Ping-Hang (Eric) Fan is the Deputy Director of Div. VI at Taiwan Institute of Economic Research (TIER), director of AppWorks Fund II and Harbinger Venture Fund VI. TIER was established in 1976 by Dr. Chen-Fu Koo as the first private independent thinktank in Taiwan.

Dr. Fan is the lead of government projects, which aims to promote early-stage investment and startup ecosystem in Taiwan. He is responsible for conducting the global early-stage investment database, research analysis and startup fundraising events. In addition, he covers the research of emerging technologies, innovation and entrepreneurship policies, and angel/venture capital investment.

About the Editor

Brian Chen currently serves as the Investor Relations Manager at Taiwan Startup Stadium, with a mission to help Taiwanese startups go global. At TSS, he is responsible for matching startups with overseas investors, maintaining a comprehensive startup fundraising database, and executing startup fundraising events.

Brian is a proud Northwestern University alumnus with a sales and marketing background, beginning his career at Zillow. He believes in the power of story-telling and prides himself on learning peoples' stories and building relationships through listening.



Taiwan Startup Stadium

Taiwan Startup Stadium (TSS) is the leading startup ecosystem builder in Taiwan with a mission to help Taiwanese startups grow and scale to world-class tech businesses. TSS currently serves [180+ startups](#) by connecting startups with their vast network of [mentors and investors](#), coaching startups to go global through various educational workshops and community events, and providing tons of perks from corporate partners. With tailored resources at every stage of their growth, TSS startups are ready to scale and go global!



Taiwan Institute of Economic Research

Taiwan Institute of Economic Research (TIER) was established on September 1, 1976 by Dr. Chen-Fu Koo as the first private independent think tank in Taiwan. The main purpose of the institute is to actively engage in research on domestic and foreign macroeconomics and industrial economics in order to provide consultations to the government and enterprises and to promote Taiwan's economic development.



FINDIT

FINDIT's mission is to integrate and provide valuable information related to innovative entrepreneurship and market, such as early-stage investment market dynamics, perspectives on the startup ecosystem, and latest ideas of technologies and media.