

**TNB***Aura*

Perspectives: Offering the latest intelligence on  
emerging industries and business models

Telehealth Edition

# TNB Aura Perspectives

COVID 19 has proven to be a catalyst for technology and ESG adoption, forcing businesses to re-evaluate their value add to societies. The desire for action and the increased importance of sustainable value creation is arguably stronger now than ever before.

Perspectives by TNB Aura offers our views on emerging industries and business models which we believe have reached an inflection point across Southeast Asia – many as a result of the impact COVID 19 has had in the world around us.

Over the coming months, we'll be taking a closer look at the theme of catalyzed technology, with Telehealth as the focus of this edition.

# Issue 1: The Investment Case For Telehealth in Southeast Asia

Within this edition, we focus on the topic of Telehealth, and ask ourselves the following questions:

- i. Why now?
- ii. How large is the opportunity in Southeast Asia?
- iii. What will it take for a Southeast Asia champion to emerge?

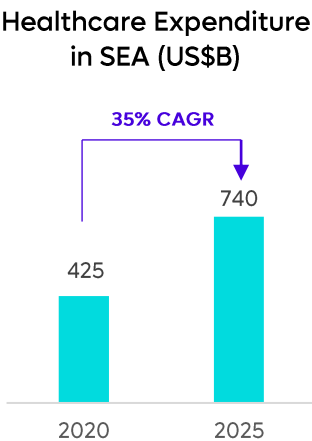


# Southeast Asia is primed for the emergence of Telehealth

## Rising Healthcare Expenditures

Healthcare expenditure in SEA is growing at significantly faster rate than GDP. Healthcare spending in the region is projected to grow from **US\$425B in 2020 to US\$740B by 2025<sup>1</sup>**.

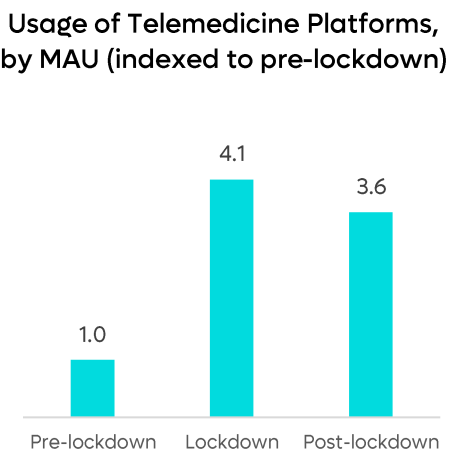
This is largely driven by the **ageing population** (% above age 60 will grow from 9.6% in 2016 to 13.6% in 2025)<sup>2</sup>, as well as the prevalence of non-communicable and chronic diseases in the region.



## Uptake of Digital Services

The number of internet users in SEA is increasing rapidly, from 360M in 2019 to 400M in 2020<sup>3</sup>. **The majority of new consumers are notably coming from non-metro areas.**

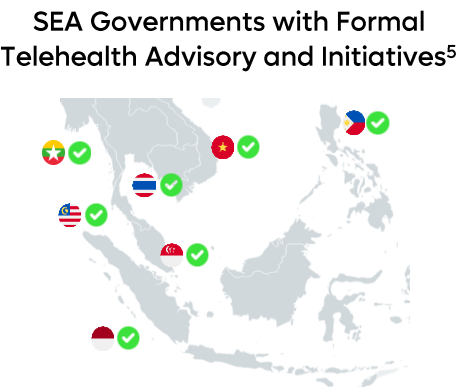
HealthTech usage in the region expanded by 4x in 2020<sup>4</sup>, accelerated by COVID19. Digital health services **retained the majority of their users even after the strictest lockdown period** and consumers in the region are expected to utilize more digital health services over the next 5 years.



## Public and Private Sector Support

Governments are **increasing support for Telehealth** by issuing policy changes, formal advisories and forming partnerships such as the Ministry of Health in Indonesia with Halodoc.

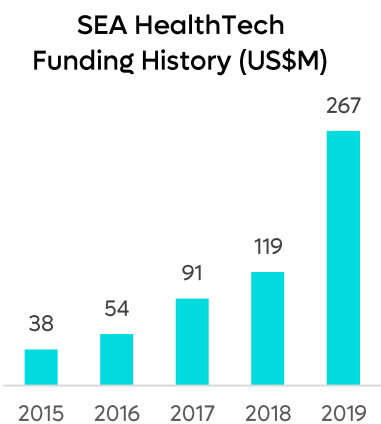
In the private sector, **Pan-Asian insurance companies and local giants such as Grab have partnered with telehealth startups** including Doctor Anywhere and Ping An Good Doctor.



## Increasing Funding

Institutional partnerships and investments in recent years have legitimized the telehealth industry as a **new pillar in the delivery of healthcare services.**

The HealthTech sector in SEA had a **record-breaking funding level of US\$267M in 2019<sup>6</sup>**. This is on top of a **41% CAGR in deal volume** since 2014<sup>6</sup>. Major deals included Halodoc (US\$65M) and Alodokter (US\$33M).



# Remaining hurdles present opportunities for innovative players to overcome

## Persistence of Patient Acceptance

Despite growth in usage, persistence of telehealth usage remains untested post COVID-19. For example, **57% of patients<sup>1</sup> whose appointments were affected by COVID-19 would resume in-person care** as soon as the pandemic resolves.

Patients are also **more likely to use Telehealth for routine checkups (45%) vs more urgent care (19%)<sup>1</sup>**.

**Takeaway: Telehealth players should aim to create 'sticky' relationships with customers vs. classic 'transactional' / 'one-off' platform opportunities**



## Fragmented Healthcare Ecosystem

The healthcare system in SEA is **diverse and highly fragmented**. Countries such as Vietnam and the Philippines have over a **thousand autonomous health systems<sup>3</sup>** at municipal, provincial and national levels. Telehealth companies must navigate through each complex healthcare system to consolidate a large base and emerge as a local winner.

**Takeaway: As regulators rapidly shape emerging policies, maintaining an open dialogue and compliance-forward position can become a competitive moat**

## High Marketing and Customer Acquisition Costs

Telehealth companies are faced with **high marketing and customer acquisition costs (CAC)**. Teladoc, a leading Telehealth company had selling and marketing expenses of USD\$380M (34.8% of revenue) over FY 2020.<sup>2</sup>

Existing SEA players such as Halodoc effectively **relied on a "freemium" model** to grow a customer base and focus on monetizing existing users.

**Takeaway: Establishing strong unit economics from the outset are essential to outweigh relatively high CAC investments necessary to shape user behavior**



## Lagging Infrastructure

Digital infrastructure continues to restrict 'real-time' consultation capabilities, with Vietnam, Indonesia and the Philippines scoring among the **lowest in internet connection speeds compared to broader APAC and OECD nations<sup>4</sup>**.

From a care provision perspective, **SEA has a relative undersupply of hospital beds, qualified physicians and nurses<sup>3</sup>**.

**Takeaway: Players that help enhance efficiency and reduce loads on the existing healthcare system can play a critical role in improving health outcomes in the region**

**If you've enjoyed our insights on the Telehealth industry in Southeast Asia, keep a lookout for us on LinkedIn, or visit our News & Insights page over at [www.tnbaura.vc](http://www.tnbaura.vc)**

