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Indonesian online lender UangTeman raises \$10m in series B round

Indonesian online lender UangTeman said it has closed the second part of its series B round. ACA Investments, an affiliate of Japanese financial institution Daiwa Securities Group Inc, is anchoring the round with participation from Pegasus Tech Ventures and Japan's Spiral Ventures.

The entire series B funding amounts to US\$10 million. The company previously closed its series B1 tranche of US\$4.2 million in August 2019, which was led by Draper Associates and Japan's KDDI Open Innovation Fund.

“Whilst headline growth rate is sexy and will fetch high valuations, I believe that at the core of viability of every business – startup or otherwise – is its economic fundamentals and sustainability for the long term,” says Aidil Zulkifli, the founder and CEO of UangTeman.



UangTeman founder and CEO Aidil Zulkifli / Photo credit: UangTeman

UangTeman had a tough 2018 beset by internal issues, but it appears to have turned things around. Going through the tough times has helped prove the company's resilience to investors, says Zulkifli.

Last year, it acquired an elusive license from Indonesia's financial services authority and hired a deputy CEO named Masa Paskalis Lingga, who has 30 years of experience in banks like Sumitomo Mitsui Banking Corporation.

Zulkifli claims that the company is projected to achieve positive EBITDA by the end of 2020. He says that the company's series C round, which is targeted for the third or fourth quarter of this year, would probably be the company's “last major active financing round.”

UangTeman is also entering into debt financing deals with several Indonesian financial institutions, while also working to close a consumer financing debt facility with a Europe-based lender. The latter, which the company claims would be its largest debt financing raise so far, is expected to close by the end of February 2020.

The company is now one of several fintech startups that are connected to the Fintech Data Center (FDC), an initiative launched by Indonesia's fintech lending industry association. The FDC is akin to a credit bureau which integrates borrower data from participating lenders, with the aim of reducing non-performing loans.

Moving forward, Zulkifli sees challenges that the entire industry will need to tackle.

One is an integration between fintech and legacy financial institutions, which he finds to be important for scale. Another is to build loan products that are less risky and more sustainable.



The UangTeman team / Photo credit: UangTeman

“I think moving forward we need to implement or build out a model where we are not reliant on high-interest microloans,” Zulkifli says. “How do we diversify our risk to build a sustainable business moving forward?”

The regulated interest rate ceiling for Indonesian online lenders is 0.8% per day, which comes out to 292% on an annual, non-compounded basis. However, for most online lenders, including UangTeman, the loans are due on a much shorter timeline, typically between 10 to 30 days.

Some of UangTeman's competitors, like Koinworks and Amartha, focus on productive loans.

Unlike consumptive loans, productive loans are designed to help business and economic activities. They typically have lower risk, which leads to lower interest rates. Over at Koinworks, for example, the maximum interest the company charges is about 29% per annum or 0.07% per day.

Some of UangTeman's loans can also be classified as productive. According to an internal survey done to 865 UangTeman customers, 31% of loans were for a business purpose, Zulkifli shares.

Asked whether productive loans could be a focus for UangTeman in the future, the CEO says there are tradeoffs. Despite the lower risk, many online lenders that focus on productive loans have much bigger ticket sizes, which can reach billions of rupiah. In contrast, UangTeman's loans run up to 3 million rupiah (US\$219).

“My position has always been that our strength is unsecured microlending,” he says. “Will we do productive lending where the ticket sizes are in billions of rupiah? No. Because our philosophy is to spread risk as small as possible. We keep our focus on what we're good at.”