

The Development Status of Distinctive Startups in Taiwan

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I. Overview

Affected by COVID-19, the pace of global venture capital investing has slowed down. The third quarter of 2020 fundraising report shows that the number of fundraising cases in the United States has shown a downward trend this year, with 1,461 fundraising cases in the third quarter, compared with the 1,647 cases, a decline of 11 percentage points in the same period in 2019.

In Taiwan, according to FINDIT Statistics, an early fundraising platform under the Small and Medium Enterprise Administration of Ministry of Economic Affairs, also showed that both the number and amount of investment in the first half of 2020 declined. In terms of fundraising cases, there were 342 fundraising cases in 2019, and only 93 cases as of July 2020.

The epidemic has impacted startups' operations and caused fundraising difficulties, for example, overseas business is more difficult to

control, and transnational due diligence have become difficult due to border blockade.

Outstanding performance in medical care and assisting enterprise transformation

According to the leading startups' research company CB Insights, global healthcare investment in Q4'20 is predicted to reach US\$19,579M. Compared to Q2'20 and Q3'20 healthcare investment, which broke historical records, Q4'20's funding and deal activity in global healthcare is projected to decline slightly (Q4'20 projected data is based on a run rate as of 11/17/20). The U.S. and Chinese companies have received most of these deals, with the U.S. companies receiving 16 deals and Chinese companies receiving 11 deals so far this quarter. The biggest round to date is China-based biotech company LianBio(聯拓生物)'s US\$310M Private Equity financing.

In the meantime, several Taiwanese startups, including Point Robotics MedTech (炳碩生醫) which develops spine minimally invasive surgery robots; aetherAI (雲象科技) for medical imaging solutions, Heroic-Faith (聿信醫療) which develops AI micro stethoscopes, and Deep01 (愛因斯坦人工智慧), which develops cerebral hemorrhage analysis products, came out with good news, and the amount of funds raised also exceeded US\$4M, which is a bright spot in the fundraising market during the COVID-19 pandemic.

More startups in Taiwan have also gotten good results during the COVID-19 pandemic. These startups assisted in the transformation of enterprises. IKala (愛卡拉), iCHEF (資廚), KKday (酷遊天), and KooData (酷訊搜索), which have received funding from August to October in 2020, even though these four companies have different business regions, they share the same point: Assisting companies in various industries to move towards digital transformation.

II. The audio startup: Sounds Great

Sounds Great (聖德斯貴) is a Taiwanese component-based audio IC design company which transfers IC design to the physical level and applies it to related products of acoustic speakers. The semiconductor manufacturing process produces the micro-coil electromagnet, which provides a strong magnetic field in a very small volume. The micro-coil electromagnet can replace the magnet structure and coil structure in speaker products, and achieve the purpose of miniaturization of speaker products. The brand-new product could be further applied to mobile phones, earphones, and even hearing aids that require extremely high acoustics and other wearable products and so on.

During the value creation and business development period, Sounds Great received supports from Taiwan Accelerator Plus (TAcc+), a leading accelerator program in Taiwan, which offers a new business model development method and high connection with industries. The new business model development method is called Customer Development Edge (CED); CED process could capture startups' core value by identifying market and product demands from clients' perspectives.

After receiving TAcc+ accelerator program guidance on Customer Development Edge (CED), market experts consulting, market research and investigation, Sounds Greats decided to focus on 3C market first, although Sounds Great's product features have great advantages in the field of hearing aids. Comparing with the medical certification, niche, and ecological aspects in the hearing aid market, 3C market have a bigger, better, and faster explosive market. Besides, after the referral from TAcc+, Sounds Great got a chance of verify to their product by leveraging manufacturing technology of key manufacturing companies.

In the beginning, Sounds Great had 3 different business models' options, including supply key components (self-developed products), IP authorization (technology licensing to customers for product development or integration), and whole-plant output (self-built production lines together with mastering of manufacturing know-how). Now, Sounds Great only keeps two business models: supply key components and IP

authorization, because these business models could fit in short, medium, and long-term three-phase product development process program and fundraising plan.

After the guidance of TAcc+, Sounds Great received NT\$57 million (US \$2M) in the angel round of fundraising in 2020, and stood out from major business competitions in the FITI' From Ip to IPO Program, which is initiated by the Ministry of Science and Technology in Taiwan. In July 2020, Sounds Great was shortlisted for Startup Terrace Global Hack 2020 competition, and received a one-month international entrepreneurship training.

III. The SaaS startup: iCHEF

"There are 140,000 restaurants in Taiwan and an annual market value over NT\$800 billion. Nevertheless, there is no complete industry analysis report. Many restaurant management methods are not much different from 20 years ago." Co-founder of iCHEF (資廚), Kaiyou Cheng (程開佑) said, who is particularly impressed by the backwardness of the digital transformation of the catering industry, especially for small and medium-sized stores restaurants.

Nine years ago, iCHEF, a software company specializing in serving small and medium restaurants, was born. The secret to their success in helping 7,000 restaurants is to improve their working efficiency by using SaaS management.

iCHEF's goal is to empowers small and medium restaurants by technologies. iCHEF sees the restaurant's demand for POS(point of sale, it is an electronic system widely used in the retail industry, catering industry, hotels and other industries. Its main function is to count the sales, inventory and customer purchase behavior of commodities.). In addition to providing SaaS system support, iCHEF' services also include free catering entrepreneurship courses and exchanges. iCHEF provides enterprise-level

technological support for small and medium restaurants, and also provides customer growth resources.

iCHEF announced in 2016 that it has completed a US\$5.6M A round of funding, led by AppWorks. In 2017, iCHEF' revenue exceeded NT\$100 million, its cash flow turned to break even and gradually became positive in 2018, and its revenue in 2019 was about NT\$200 million. As of the first half of 2020, profit and cash flow have reached new highs each month. The total number of users includes overseas markets (Singapore, Hong Kong, Malaysia) have also grown to more than 8,000.

In 2020, iCHEF will continue to add new features, for example, serial connection with Uber Eats, Facebook, LINE and other international platforms. In September 2020, iCHEF announced that it has completed a new round of fundraising, led by JAFCO Asia's fund, which received a total of US\$5M. The purpose of fundraising is to strengthen the operation of the Taiwan market, develop and enhance products and customer experience, and continue to expand the energy of the food and beverage ecosystem. The long-term goal is to apply for an initial public offering (IPO).

IV. The optical detection startups: FlowVIEW Tek

FlowVIEW Tek (邑流微測) is a startup company derived from Industrial Technology Research Institute in 2017. It focuses on the research and development of accurate and fast liquid sample detection. It has multinational patents to protect its AI fluid detection technology. It has successfully imported its technology service to semiconductors, energy batteries and so on.

The core value of liquid sample detection in semiconductors is called Flow AOI. AI image recognition technology integrates hardware, software and imaging analysis services. After software imaging, the tiny particles in the high-end advanced manufacturing process can appear in 30 seconds. Not only can the particles, size, and shape be clearly seen, but also their distribution and composition can be clearly analyze.

As the semiconductor manufacturing process becomes more sophisticated, the detection market for nanoparticles is estimated to exceed US\$100 billion by 2025. The current Flow AOI solution of FlowVIEW Tek can measure the range of 1 nanometer to 1 micron, and the improvement of the yield rate is also between 2% and 5%.

In the development process of FlowVIEW Tek, with the help of TAcc+, FlowVIEW Tek could focus on the semiconductor and energy battery markets from many potential market options. Through the referral from TAcc+, FlowVIEW Tek has known many industry experts and startup mentors. In 2020, FlowVIEW Tek received a seed (Pre-A) round of about NT\$28 million (about US\$1 million) from the National Development Fund (National Development Fund, Executive Yuan in Taiwan) and Japan's Sumitomo Corporation.

V. The big data startup: Vpon Big Data Group

At the beginning of its establishment, Vpon (威朋) took digital marketing as its operating direction. After continuous experimentation and transformation, in recent years, it has pivoted to data analysis services, relying on the mobile device usage behavior database accumulated over the past years to provide enterprises with comprehensive big data technology service and marketing solutions.

Vpon scaled up quickly because Vpon does not focus on single data analysis projects, but provides a data analysis platform that gathers many data sources and tools, allowing customers to plan their own data analysis application forms according to their needs.

In the past 12 years, Vpon's business has spread across 7 cities in the Asia-Pacific region and has more than 1,500 customers, including local companies and multinational groups in various industries. Vpon announced in 2020 that it has received a C round of US\$40M in funding. Vpon investors include Cool Japan Fund and STIC Investments, respectively with Japanese and South Korean government-backed investment

institution, Beenos Inc., and TripLabs, a Hong Kong travel technology investment fund.

Vpon will use this round of funds to scale up its business in the Asia-Pacific region and invest in its research and development. In addition to working to promote Taiwan as a future global data hub, Vpon will continue to develop the Asian data market and target as global data leaders.

VI. Conclusions

The 2020 Entrepreneurship Survey of Digital Times showed that despite Taiwan's success in epidemic prevention policy, 36.2% of Taiwanese startups disclosed that the negotiation with investors has become more stringent when raising funds.

Since the rise of the ICT industry, digital transformation is no longer a new issue. Under the impact of the COVID-19 epidemic, the company's needs and urgency for digital transformation have increased. Also, the related startups have become the new darlings of venture capitals.

Compared with other countries, Taiwan's business practices and daily life have not been affected by the epidemic because of its success in epidemic prevention. Therefore, it is recommended that startups that are affected by the epidemic and unable to develop and verify their business model may be able to leverage Taiwan's markets, innovation resources, and environment for business verification and sustainable development.

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