

*ICAAS-UIAAS, NLB Innovation Symposium:*

# Funding, Start-up and Innovation

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# Content

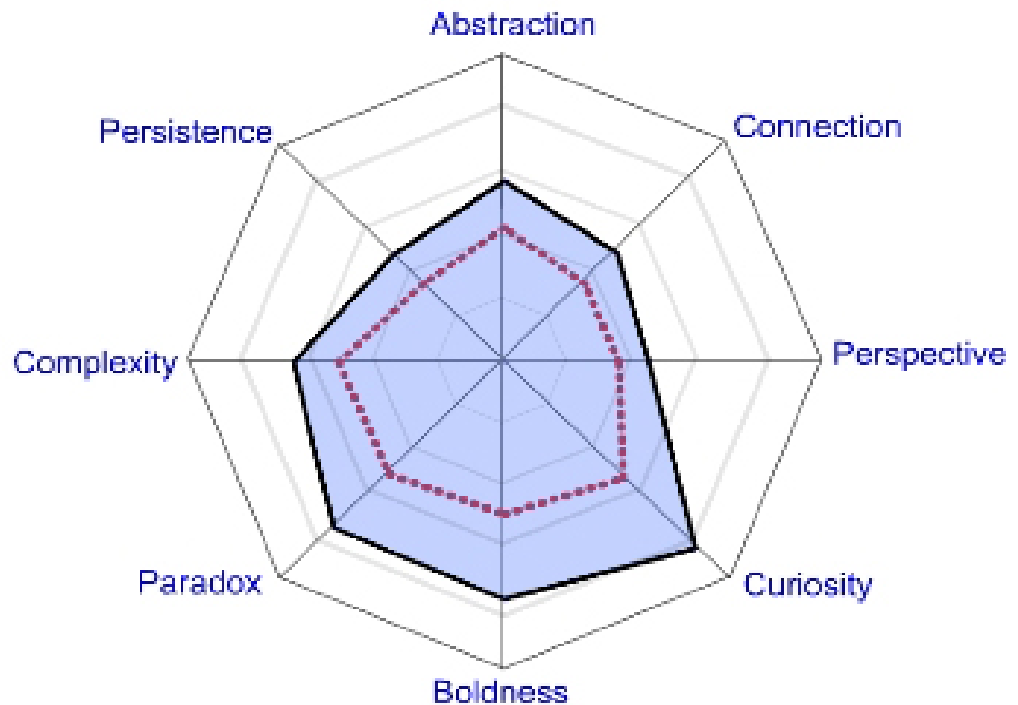
- Introduction
  - Innovation and Venture Capital
- Funding
  - Roadmap
  - Funding Matrix
- Private Investors
- Government Schemes
  - Early Start Ups
  - Growth Stage Financing
- Endnotes



# Are you an Innovator?

**CURIOUS?**

**BOLD?**



Composite Score

- Typical: 61.44

- You: 82.80



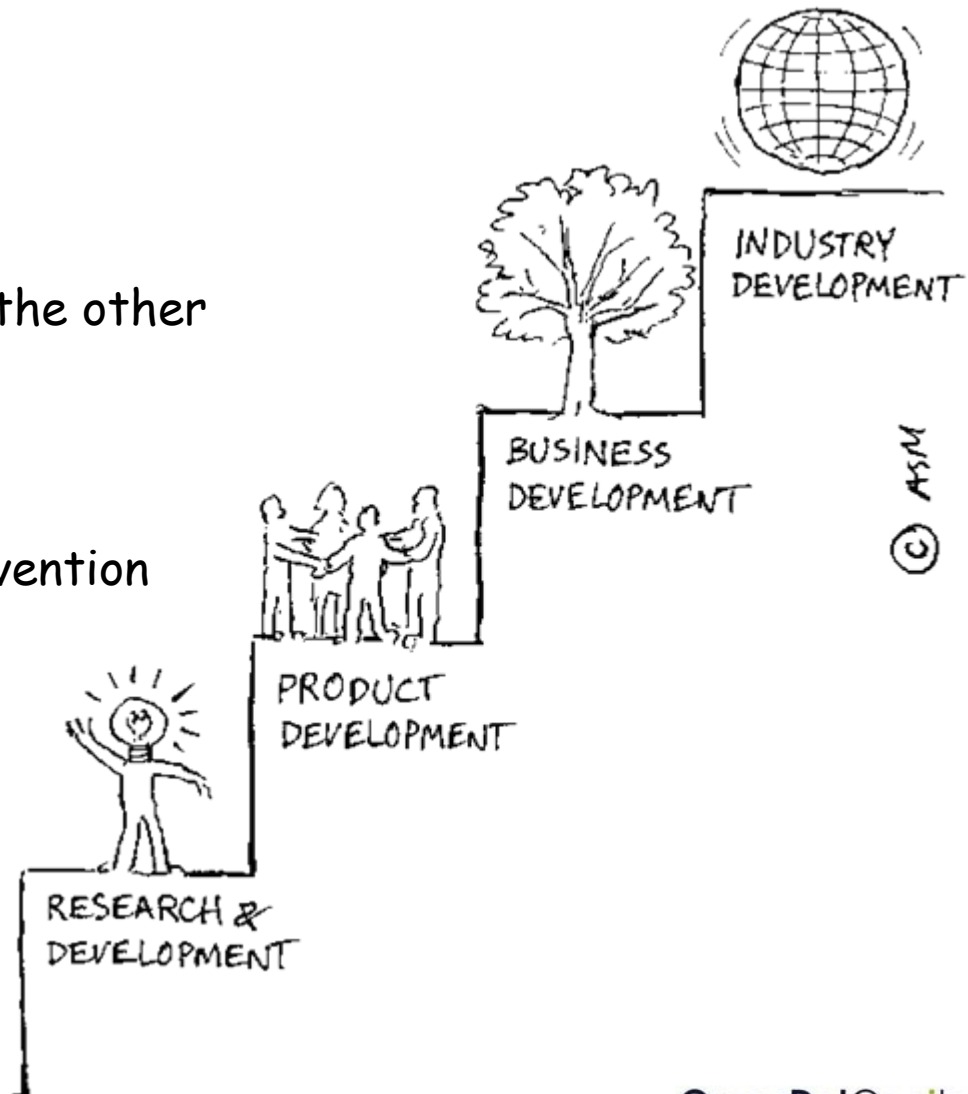
# Innovation and Industry

Two ends of the spectrum

Each step as important as the other

Be prepared to step back

Innovation also means reinvention



# Funding Road - Map

- Business Plan Competitions
- Incubators
- Angel Investors
- First Stage Funding - Venture Capital
- Govt. Support
  - Equity
  - Debt
  - Tax Incentives
- Growth (Late) stage funding

# Business Plan Competitions

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- Startup @ Singapore
  - Grand winner \$30,000, annual competition, NUS organised
- Lee Kuan Yew global business plan competition
  - US\$69,000, biennial competition, SMU organised
- NTU Business Competition
  - First prize \$12,000, NTU /NIE students only



# Incubators - Keeping your initial cost low

- Provide workspace and shared administrative resources
- Help with fund-raising and marketing
- General mentoring and guidance
- About 100 incubators in all

- Hotspots

- The Enterprise @ Jurong East
- iAxil @ Singapore Science Park
- iHub @ Jurong East
- Nanyang Technological University
- National University of Singapore
- Phase Z.Ro @ one-north
- Soho @ Central
- Technopreneur Center @ Ayer Rajah
- Technopreneur Center @ Bukit Merah
- Technopark @ Chai Chee
- Suntec City

*"HOT" stands for  
"Hub of Technopreneurs"*



# New Hotspot Schemes

- **HotAngels**
  - Business angels share what they look for in new ventures
  - Help businesses secure initial fund
  - Aspiring entrepreneurs can-
    - network with business angels
    - get advice on making their business plans more "angel investible"
- **HotShots**
  - A power speaker series
  - Lecture style format
  - Accomplished personalities share their success stories and inspire young entrepreneurs to chase their dreams
- **HoTips**
  - Structured as a small group interaction
  - Budding entrepreneurs get useful hints on pragmatic solutions to problems they encounter from those who have succeeded

Other platforms for  
Tenants

HotDate

HotPitch

HotFunds

HotSource

HotGlobal

HotTestbed

HotAssistance

HotEvents

HotFacilities

HotIntern



# Venture Capital in Singapore

- Major financial centre
- About 165 Venture Capital firms
  - Managing over S\$17.5 billion worth of venture capital funds
- Corporate Ventures
- Government Support
- University Support



# Venture Capital '101'

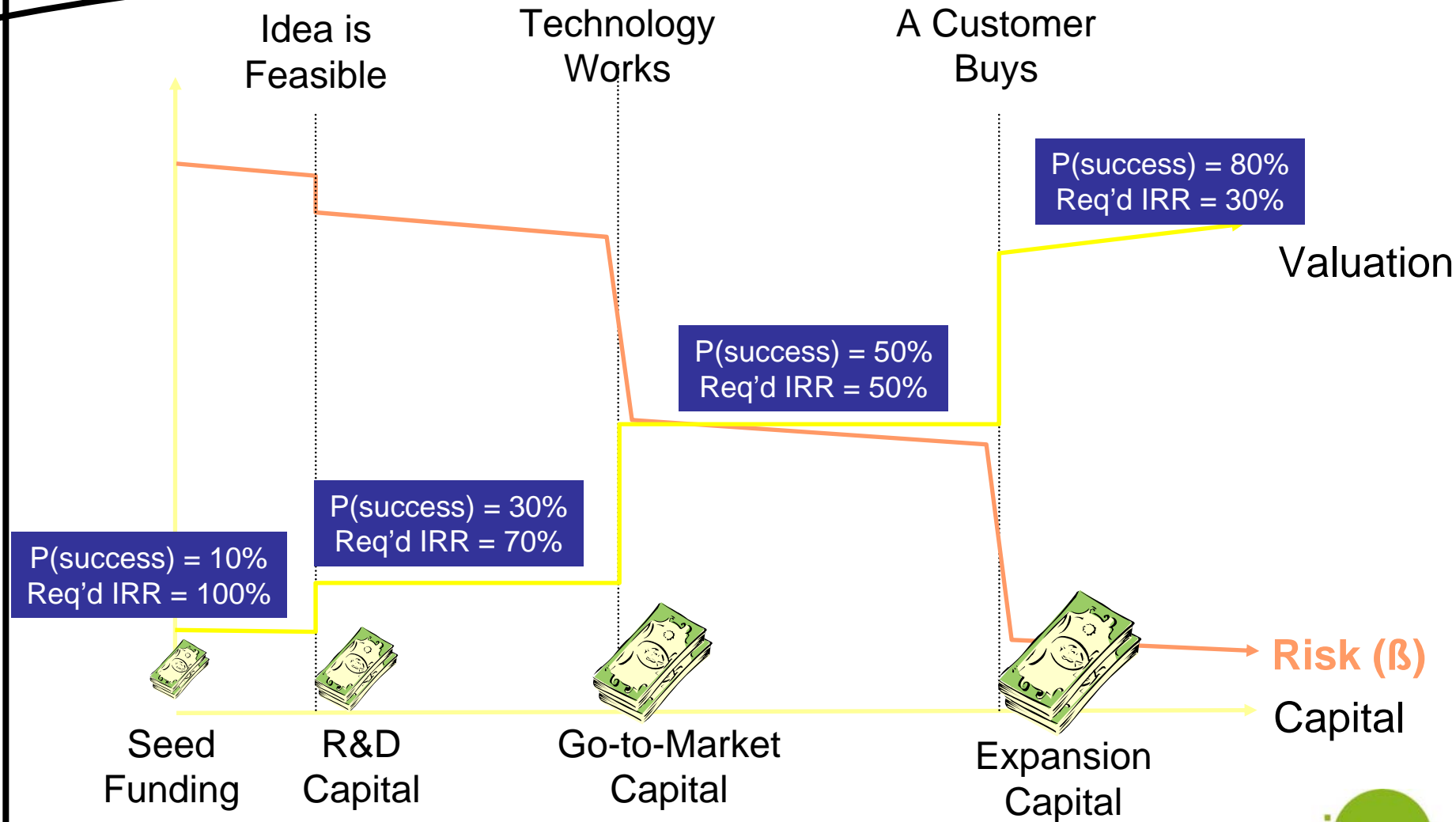
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- **Seed Round:** Idea Stage - No Prior Capital
- **First Round:** Series 'A' - Feasibility Stage, First Professional Capital & Structure for R&D
- **Second Round:** Series 'B' - Product Development Stage, Collaborations & Customers, Clear Intellectual Property Strategy
- **Later Rounds:** Series 'C' & Beyond - Commercialization Stage
- **Exit:** M&A or IPO

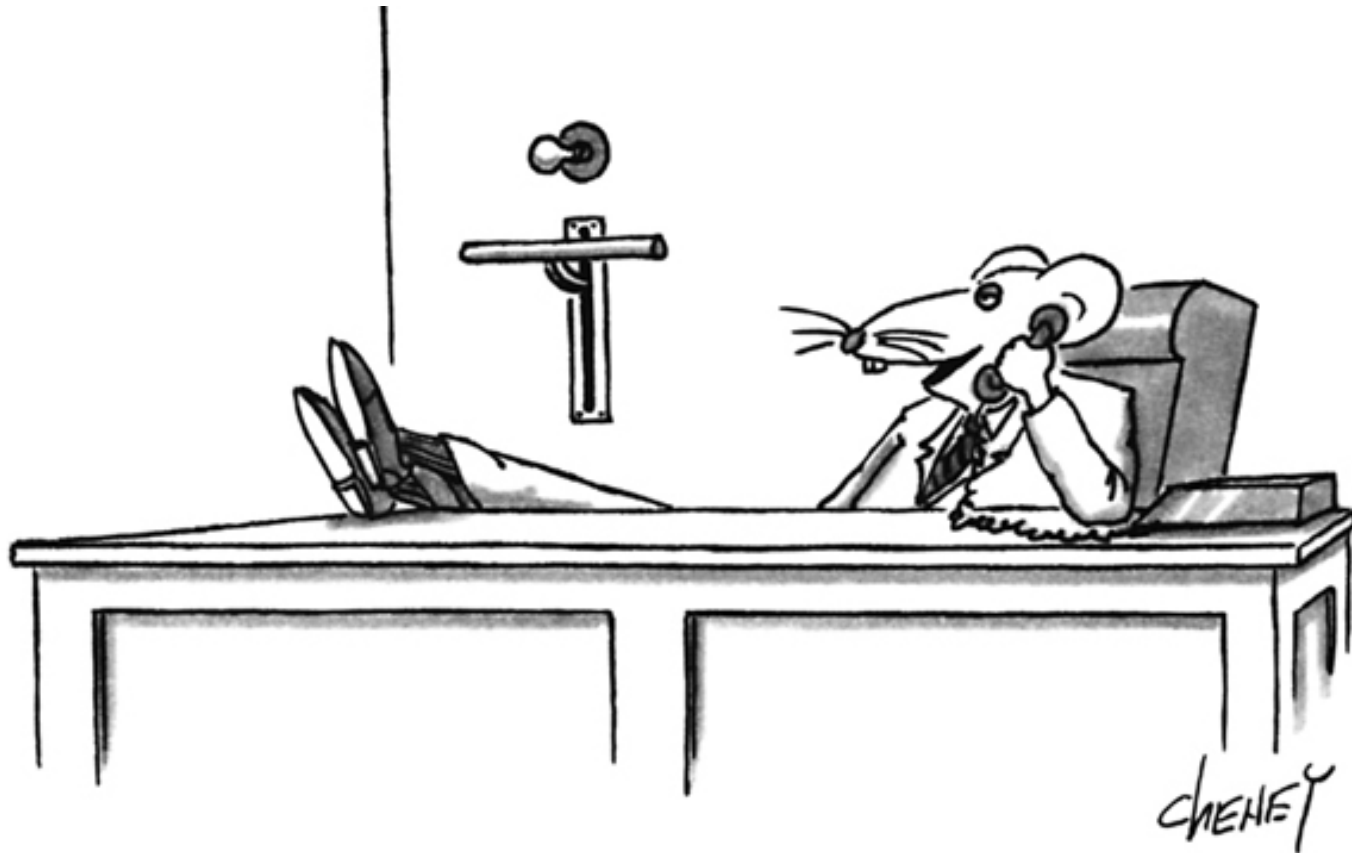


# Funding to Milestones

"Old-Fashioned  
Venture Capital"



# Venture Capital Investing in 1999



*"Oh, not bad. The light comes on, I press the bar, they write me a check.  
How about you?"*



# Financing Matrix

|                        | Private  | Government                     |
|------------------------|--|--------------------------------|
| Equity                 | Business Angels<br>Venture Capital<br>Family/Friends | SEEDS - EDB<br>ETDF - SPRING   |
| Grants                 |  | ICS<br>IDS                     |
| Debt                   | LOC<br>Loan<br>Leasing assets                        | MLP                            |
| Tax Incentives         |  | Tax Exemption<br>EII           |
| Growth<br>(next stage) |  | LEF   LETAS   LIS<br>RFS   GFP |





# Private Investors

Angel Investors  
Venture Capital



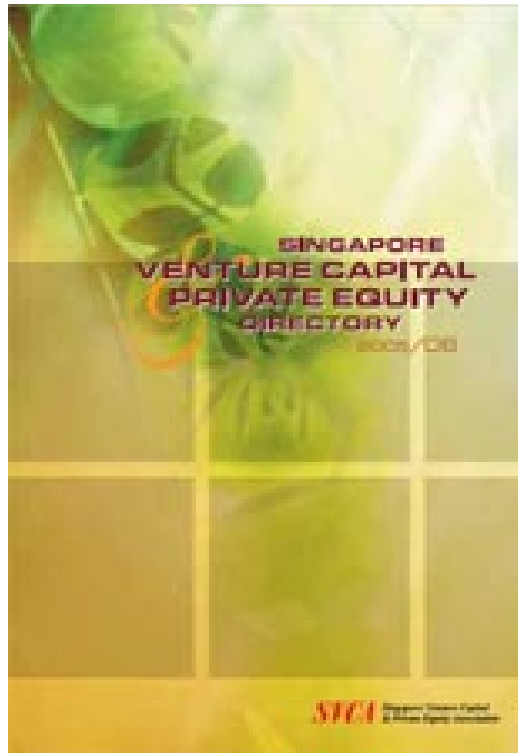
# Where to find them?

- DEALS
  - An online directory to match up investors with startups
  - Classified by 14 Industries
  - <https://venus.edb.gov.sg/deals/process/OnlineDirView>
- BANSEA - Business Angels Network of South East Asia
  - One time membership Fee \$200
  - Membership Benefits
    - Information on deal flows & overseas contacts
    - Discounts for public events requiring registration fees, and
- ACE - Action Community for Entrepreneurship
  - Events like BlueSky
- SVCA - Singapore Venture Capital and Private Equity Association



# SVCA

## Singapore Venture Capital and Private Equity Association



- Publication of newsletters and magazines
  - SVCA Directory
- Facilitates link between businesses seeking funds/investment with VC/PE firms
- Talks, seminars, and conferences
  - Social and business networking functions
- Facilitate networking with international VCs

# Which VC to look for?

- Synergy beyond just the \$\$\$
- Industry expertise
- Access to relevant
  - Customers
  - Suppliers
  - Consultants
  - Lawyers
  - Accountants
  - I-Bankers
  - Authorities



# Government Schemes for Start Ups

\$ for \$  
Tax exemptions

# SEEDS

## Startup Enterprise Development Scheme

- \$ for \$ match for funds raised with a third party investor
  - Minimum of S\$75,000 from third party/parties
  - Maximum funding of \$300,000
- An **EDB** scheme
  - 25% SEED Cos Have Foreign Founders
  - As of today 148 Companies Have SEED Funding
  - 50% of SEED Enterprises Have Launched Products/Services
  - 80% of SEED Enterprises Developing Patents/IPR



# SEEDS Conditions

- Firm

- Any firm with less than \$500,000 of previous funding
- Incorporated in Singapore and carry out its core activities in Singapore.
  - HQ functions, highest value added functions, such as intellectual property and top management, should reside in Singapore
- Only one-time funding

- 3<sup>rd</sup> Party Investor

- Corporate investors with minimum paid-up capital of \$500,000
- At least one 3<sup>rd</sup> Party investor or his nominee must take a Board seat in the company



ICS

## Innovation Commercialisation Scheme

- Encourage development and commercialisation of innovative ideas
- **EDB** reimburses up to half of the qualifying costs of supported projects
  - Up to a maximum of \$75,000



## Innovation Development Scheme

- **EDB Grant:** provides co-funding to support innovation in products, processes and applications.
- Eligible project costs include expenditure on manpower, equipment, intellectual property and professional services.
- Open to companies registered in Singapore.
- Project must lead to the build-up of innovation capabilities.
- Co-funds costs related to innovation and R&D



# PAF Plus

## Patent Application Fund Plus

- **EDB Grant:** helps defray costs of patent application.
- Encourages innovation, and commercialisation of inventions.
- Commercial benefits from inventions must accrue to Singapore.
- Inventions should not be receiving any other government aid.
- Reduces cost of patent applications.



# SPRING

## Standards, Productivity and Innovation Board, Singapore

- Focus is to champion enterprise formation and growth
  - Funding resources
  - Network of valued relationships
- Works with partners to
  - Help enhance the productivity and innovation and capabilities of enterprises
  - Increase access to markets and business opportunities



# ETDF

- Encourages students from Institutes of Higher Learning (IHLs) to expand on creative business ideas
- The IHL evaluates the business idea and provides one-to-one funding for every dollar invested by the student founders
- The Government, through **SPRING**, provides additional financing of 3 times the amount contributed by the IHL, up to a maximum of S\$50,000

## Entrepreneurial Talent Development Fund

- 9 Participating IHLs
  - NTU
  - NUS
  - SMU
  - LASALLE-SIA
  - Polytechnics
    - Nanyang Polytechnic
    - Ngee Ann Polytechnic
    - Republic Polytechnic
    - Singapore Polytechnic
    - Temasek Polytechnic



# MLP

## Micro Loan Program

- MLP is a fixed interest rate financing program administered by **SPRING**
- The MLP is limited to a maximum of S\$50,000 per enterprise.
- Enquiries through 16 participating financial institutions
- Criteria
  - Must be at least 30% local shareholders
  - Must have employment size of not more than 10 workers;
    - if it is in the service industry, the group employment size must not exceed 200 workers
  - Short-Term Loan
  - Net Book Value of company's group fixed assets must not exceed S\$15m



# Tax Exemption

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- All startup automatically qualify for this.
- Start-ups in operation for less than 3 years can benefit from the tax exemption scheme.
- 100% tax exemption on the first S\$100,000 of profits for up to 3 years.
- The program's objective is to encourage entrepreneurial efforts by relieving the tax burden of young start-ups.



EII

## Enterprise Investment Incentive

- Investors allowed to deduct losses from their taxable income for up to a maximum of 5 years
- Offered by
  - **SPRING** for non-technology start-ups
  - **EDB** for technopreneurial start-ups



# IE Singapore

- Double Deduction for Overseas Investment
  - Deduction of taxable income (two times foreign investment)
- Malaysia Singapore Third Country Business Development Fund (MSBF)
- Local Enterprise and Association Development Programme (LEAD)
  - Supports SMEs developing new industries
- Trade Credit Insurance (TCI)
  - Protects against the non-payment risk of buyers
- Pathfinder program
  - Help nascent Singapore-based exporters increase overseas sales
- LIS II - Loan Insurance Scheme

# Government Schemes for Growth Stage Financing

LEFS  
LETAS  
LIS  
GFP  
RFS

# LEFS

## Local Enterprise Finance Scheme

- Fixed rate financing (6.25%-6.75%) to
  - Upgrade, strengthen and expand operations
- **SPRING** administered loans upto \$15M for
  - Buying new machinery
  - Upgrading existing equipment
  - General working capital



# LETAS

## Local Enterprise Technical Assistance Scheme

- Help defray costs incurred in modernising and upgrading operations through engagement of external experts
- Govt. (through **SPRING**) pays up to half the cost of engaging a consultant for short-term assignments such as
  - Improving a company's IT systems
  - Improving Quality Management System



LIS

## Loan Insurance Scheme

- Encourage participating banks to provide attractive loans to local enterprise through loan insurance
- The Scheme (**SPRING and IE Singapore**)
  - A portion of the loan is insured against default risks
  - Govt. pays 50% of the insurance premium



GFP

## Growth Financing Program

- Support early stage Singapore based companies with the potential for global growth.
- The Program
  - \$2 (3<sup>rd</sup> party) to \$1 (EDB) matching of fund raised
  - Maximum \$1M
  - Third party investor must put  $\geq$  \$500K



RFS

## Regionalisation Financing Scheme

- Help Singapore companies setup operations overseas
- The Scheme (**IE Singapore**)
  - Fixed-cost financing program
  - Loan upto \$10M for acquiring fixed assets
    - Purchase of machinery and equipment
    - Construction of Factories or buildings





# Why Some Ventures Fail



# Reasons for Failure

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- Execution, execution, execution
  - Commercialization of new technology is also an art!
- Teamwork/Management Team
  - Cohesive, supportive and focussed
- Costs outstrip revenue
- Unwilling to change course or take remedial action
- Regulatory barriers/approvals
- LUCK !



# Lessons Learnt By Many.....

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- Business involving change of paradigm is very difficult
  - Early adoption is slow
- Cross Boarder Business is tough
  - Don't under estimate the regulatory barriers/approvals
- Need stringent mentality
  - Go for low frills and low costs set-up until cash flow positive!
- Not to be dependent on only 1 major revenue stream
- Need a plan B, C.....
- Discount heavily any initial forecasts by the company





## End Notes

Be prepared

Be flexible

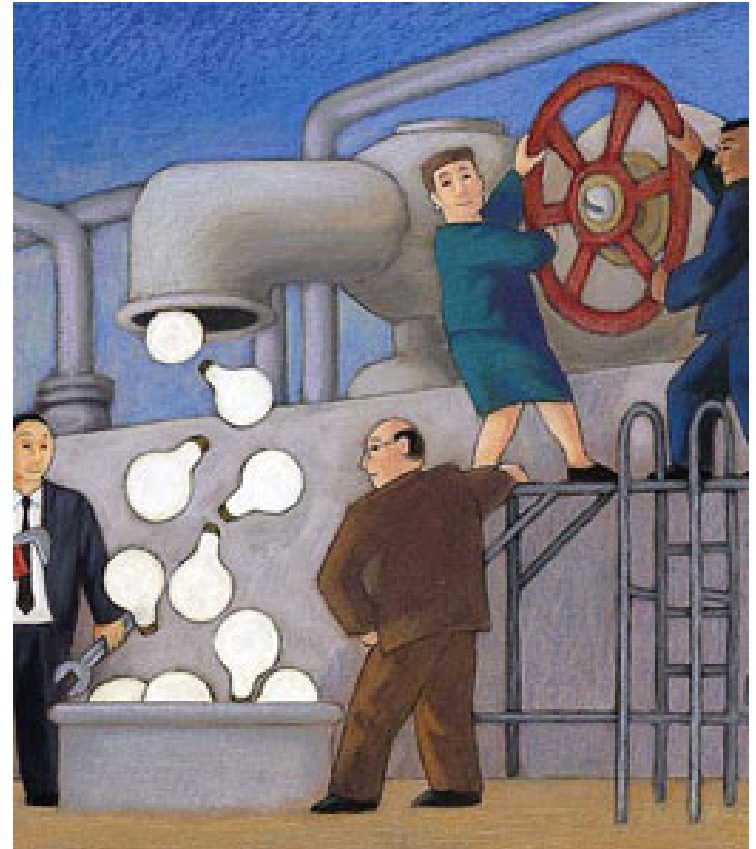


# Perspectives

Your View?



Investor's View



# What does a VC look for?

- The management team
  - More important than the idea
- Business plan - realistic?
- Intellectual Property Rights - Barrier to entry?
- Scalability
- Constraints and roadblocks i.e. legal and regulatory issues
- Exit Plan



# Books to Read

- Inside the Tornado (Easy read)
  - By Geoffrey A. Moore
  - A well renowned book on phases of startups
- The Monk and the Riddle : The Education of a Silicon Valley Entrepreneur (Easy Read)
  - by Randy Komisar, Kent L. Lineback
  - Business about passion not just spreadsheets
  - "If you cant see yourself doing this for the rest of your life don't start it"
- Build to Last (Medium)
  - By Jim Collins and Jerry I. Porras
  - An examination of some companies that lasted for over 50 years
  - The importance of team
- Quest for Value (Advanced)
  - By G. Bennett Stewart
  - How to increase economic value for an investor



# Some Singapore stories

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- Atsuma - Utilising computer idle time
- FriarTuck - Scheduling Software
- MyMCSB - Document management
- PurpleAce - Mobile data backup
- TenCube - Securing Mobile phones and data
- World Indigo - Mobile services on planes

# Be flexible

BRAND CAMP



THE IDEA



by Tom Fishburne

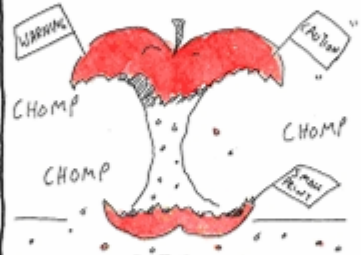
CAPITAL CONSTRAINTS



TECHNICAL FEASIBILITY



LEGAL REVIEW



MANAGEMENT INDECISION



DEVELOPMENT



FINAL PRODUCT



STUBBORNLY MARKETED AS ORIGINAL IDEA



SKYDECKCARTOONS.COM





**THANK YOU FOR YOUR ATTENTION**

**GreenDotCapital**

