

## **Additional \$285 million Financing Support for Promising Start-ups**

### *General/For Startups:*

<b>1. How will the Government financing be implemented? Will Government select and invest directly in startups, similar to a private sector VC?</b>
<ul style="list-style-type: none"> <li>• The S\$285 million (Special Situation Funds for Startups, SSFS) set aside as financial support for promising startups will be administered by Enterprise Singapore’s investment arm SEEDS Capital, and EDBI.</li> <li>• Under this, SEEDS Capital/EDBI will co-invest into selected tech startups in strategic sectors with private sector co-investors on a 1:1 basis. This is a time limited scheme which will end when the funds are fully committed or by 31 October 2021, whichever is earlier.</li> </ul>
<b>2. What is the intent of this scheme?</b>
<ul style="list-style-type: none"> <li>• The SSFS is intended to provide time-limited funding support during this COVID-19 period, to help high-potential startups (that had good growth momentum pre COVID-19) to maintain their growth momentum through the COVID-19 period.</li> </ul>
<b>3. Who is eligible to receive investments under this initiative? What are the key business attributes in the startups that the Government is looking for?</b>
<ul style="list-style-type: none"> <li>• The SSFS could support early- to late-stage startups from diverse sectors, which may have developed innovations and technologies that can contribute to Singapore’s national priorities (such as those in the Industry Transformation Maps (ITM), or those creating good jobs for our population).</li> <li>• EDBI and SEEDS Capital will assess startups on a case-by-case basis. The startups should be incorporated as a Private Limited company with key value-added activities in Singapore and possess strategic capabilities such as technology and innovation competencies and/or sustainable competitive advantages.</li> <li>• In particular, the startups should possess the following key business attributes:             <ul style="list-style-type: none"> <li>- Substantial innovative and/or intellectual property content developed or owned in-house.</li> <li>- Able to demonstrate a commercially-viable business model from its products and/or services – this includes being able to secure paying customers and partners.</li> <li>- Able to demonstrate value proposition and potential for scalability in the target customer segment(s) and across international markets.</li> <li>- Has a committed and capable management team, with the relevant experience and business acumen skills (e.g. business, industry, technical capability) and receptive to guidance from investors.</li> </ul> </li> </ul>

<p><b>4. Does SSFS help newly established and early stage businesses without adequate traction secure financing?</b></p>
<ul style="list-style-type: none"> <li>• The SSFS could support early- to late-stage startups from diverse sectors.</li> <li>• There are other existing Startup SG schemes that support newly established startups, and early-stage, deep tech startups (e.g. Startup SG Founder, Startup SG Equity, Startup SG Tech).</li> <li>• While the SSFS is open to startups which are below 10 years from date of incorporation, the scheme is targeted at startups that have demonstrated good traction during pre-COVID times, to help them maintain their growth momentum. As part of most commercial due diligence is done on potential investments, startups would be evaluated by investors on the basis of being commercially viable with a clear path to profitability.</li> </ul>
<p><b>5. How is this scheme relate to other existing Government-funded equity schemes and investors, such as Startup SG Equity?</b></p>
<ul style="list-style-type: none"> <li>• SSFS is intended to provide time-limited funding support to help selected high-potential startups, pre-COVID, sustain their growth momentum through the COVID-19 period. These startups should have the capabilities to develop innovative solutions and technologies that would contribute to Singapore’s national priorities (e.g. aligned to Industry Transformation Maps). Therefore, SSFS is designed to provide more broad-based support and targets early- to late-stage startups from diverse sectors.</li> <li>• Other existing Government-funded equity schemes have different areas of focus. For example, the Startup SG Equity Scheme is focused on catalysing private sector investments into early-stage deep-tech startups, in RIE focused domains such as Pharmbio/Medtech, Advanced Manufacturing, and Agri-food tech.</li> </ul>
<p><b>6. How do startups decide which scheme to apply to? Can startups apply for SSG Equity and SSFS at the same time?</b></p>
<ul style="list-style-type: none"> <li>• The startup may submit an application for co-investment by SEEDS Capital or EDBI. SEEDS Capital and EDBI will determine which of the schemes (e.g. Startup SG Equity, SSFS) would be most appropriate for the startup, based on each startup’s unique circumstance.</li> </ul>
<p><b>7. How can startups apply?</b></p>
<ul style="list-style-type: none"> <li>• Interested early-stage startups can apply for the funding via <a href="mailto:ssfs@enterprisesg.gov.sg">ssfs@enterprisesg.gov.sg</a>, while late stage startups can apply via <a href="mailto:ssfs@edbi.com">ssfs@edbi.com</a>. Please provide more details of your company according to the list below:             <ol style="list-style-type: none"> <li>1) Business plan setting out the startup’s technology and innovation competencies and/or sustainable competitive advantages</li> <li>2) Latest Financial statements and cashflow projections for the next 24 months</li> <li>3) Company preliminary information including name, date of incorporation, list of directors, management team and shareholding details.</li> <li>4) Information on manpower showing the breakdown of Singaporeans / permanent residents and foreign talent employed by the startup and recruitment plans for the next 24 months.</li> </ol> </li> </ul>

5) Details of current interest from potential co-investor(s), if available.
<b>8. Are startups with foreign founders applicable for SSFS?</b>
<ul style="list-style-type: none"> <li>• Yes, startups with foreign founders can consider raising equity financing under SSFS and the same eligibility criteria applies.</li> </ul>
<b>9. Is it necessary for my startup to bring forth a co-investor when considering raising investment from SEEDS Capital / SSFS?</b>
<ul style="list-style-type: none"> <li>• It is a pre-requisite to have a co-investor, in order to receive funding under SSFS. The SSFS investments from SSFS would ultimately be based on a matching commitment from co-investors and for SEEDS Capital / SSFS to be made at pari passu terms as the co-investors.</li> </ul>
<b>10. Is there a limit to the investment quantum by SSFS ?</b>
<ul style="list-style-type: none"> <li>• For early stage startups, the maximum potential investment amount that could be raised from SEEDS Capital is S\$2 million.</li> <li>• EDBI could fund up to S\$10 million for late stage startups.</li> <li>• Tranching based on milestones within each investment round may be expected. The basis of the fund-raising amount must be clearly articulated by the investee/co-investor.</li> </ul>
<b>11. Is SSFS a loan or a grant?</b>
<ul style="list-style-type: none"> <li>• The SSFS is neither a loan nor a grant. SSFS is primarily an investment scheme, where Government matches funding from private sector investors in the round, and the investment takes the form of Convertible Notes/Bonds.</li> <li>• As with most Convertible Notes/Bonds issued as part of startup investment financing, these could potentially be redeemed or converted into shares in the startup, depending on how the investment parameters are structured.</li> </ul>
<i>For Co-investors</i>
<b>12. What criteria will be used to select private sector co-investment partners? How can prospective investors participate?</b>
<ul style="list-style-type: none"> <li>• EDBI and SEEDS Capital will identify co-investors on a deal-by-deal basis.</li> <li>• Co-investors can be institutional investors, and/or other value-adding investors which may contribute to investees' growth strategies. Institutional investors can be an additional market validation to identify the promising startups to support. We are open to co-investing with strategic angel investors and family offices under SSFS, on a case-by-case basis.</li> <li>• They should demonstrate relevant management experience, strong business networks and technical expertise. They should also possess a track record of investing</li> </ul>

in startups of a similar growth stage, from the same sectors or technology areas as the startup for which they propose to seek Government's co-investment.

**13. Must these co-investors be existing partners of EDBI or SEEDS Capital?**

- No, this is not necessary.

**14. Can the third-party co-investors be foreign entities?**

- Yes, EDBI and SEEDS Capital will be open to co-invest with both Singapore-based and foreign third-party co-investors not based in Singapore.

**15. On what terms would the co-investment be made with the co-investor into the startup?**

- After an initial assessment is made, terms would be negotiated with the startup and would differ depending on the risk profile of each individual startups.
- SSFS investments should be made at terms that are no worse off than co-investors in the funding round.

**16. Does EDBI and SEEDS do joint assessment or each entity is in charge of a specific type/set of startups?**

- EDBI and SEEDS will evaluate and assess startups separately, in general, late stage startups will fall under the purview of EDBI and early stage startups under the purview of SEEDS.

*Post-investment stage*

**17. What role will SEEDS Capital/EDBI assume after its investment?**

- Like commercially-managed fund managers, EDBI and SEEDS Capital maintains a close account-management relationship with the invested company and shall be kept updated on a regular basis.
- We do have reserve right items as prescribed in our legal documentation, should the investment proceed. We retain an observer status in Board of Directors meetings, are involved in Shareholders' meeting, and any other regular updates from the company/founder(s). The same level of commitment is expected from the co-investor. EDBI and SEEDS Capital also takes proactive measures to add value to our investee companies in various advisory and strategic means.

**18. How long does it take and what modes of exit will EDBI and SEEDS Capital seek after investing?**

- Investment horizon is dependent on the traction of the company and its growth. Exit options include but are not limited to) trade sale, merger & acquisition, redemption or cash offers for EDBI/SEEDS Capital's shares, and initial public offering.