

SPRING
singapore
Enabling Enterprise



Co-investment Partners in Strategic Emerging Sectors

Call For Proposal

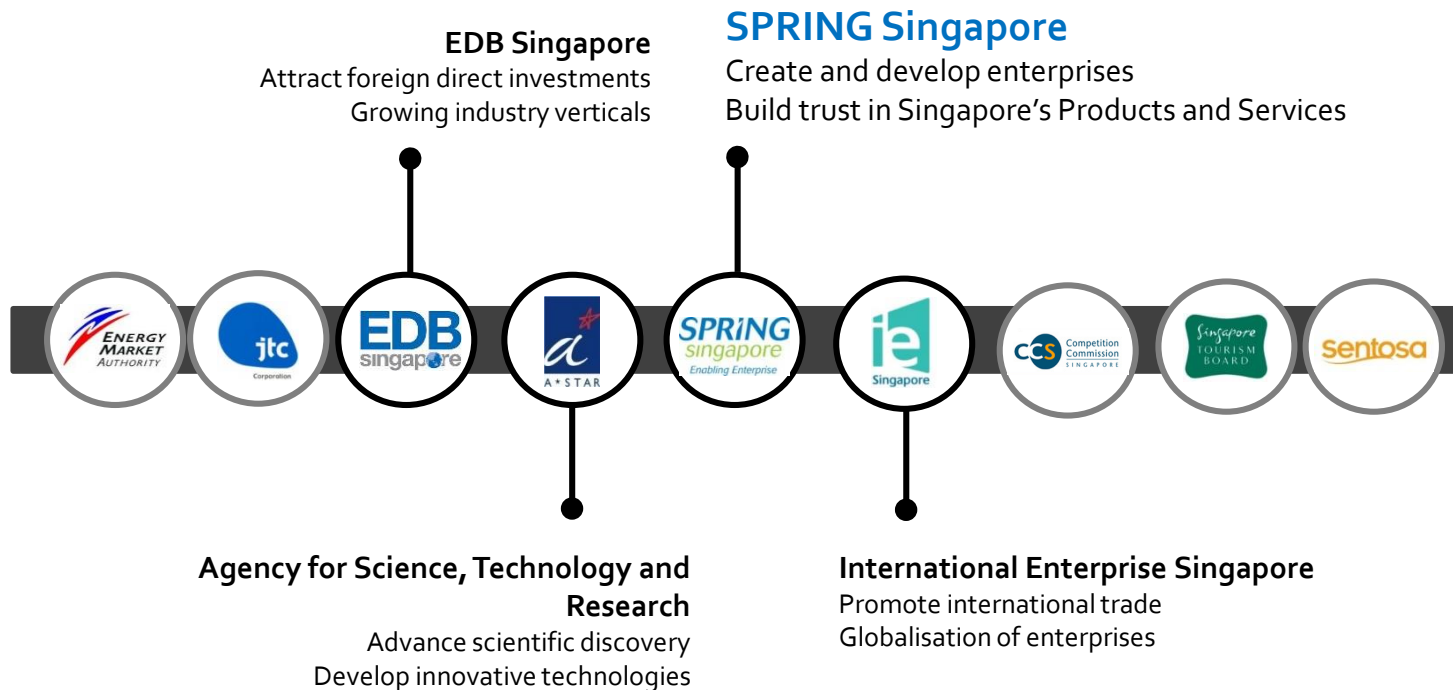
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SPRING: An MTI Agency

Promotes economic growth and create jobs,
so as to achieve higher standards of living for all



SPRING's Vision and Mission

VISION

Global Singapore Enterprises

MISSION

To help Singapore Enterprises Grow and
To build trust in Singapore products and services

**STRATEGIC
OBJECTIVES**

Local Champions
in Key Sectors

Vibrant SME Sector

Enabling and Trusted
Quality & Standards
Infrastructure

Background of Call for Proposal

- To appoint 'smart' intermediaries to catalyse and grow more innovative startups in strategic deep-tech sectors under the Research, Innovation & Enterprise 2020 plan:

Advanced Manufacturing
& Engineering
(AME)

Health & Biomedical
Sciences
(HBMS)

Urban Solutions &
Sustainability
(USS)

- Accelerate efforts to
 - a) Encourage the formation of more start-ups in sectors identified
 - b) Enhance the supporting infrastructure (funds, talent, mentors, expert advisors, market connectors)

Note: CFP applicants may also concurrently apply for S13H and FMI Tax Incentives

Sectors of Interests

1. Health and Biomedical Sciences

- Technologies that monitor, diagnose, treat, and/or improve medical conditions affecting humans

2. Urban Solutions and Sustainability

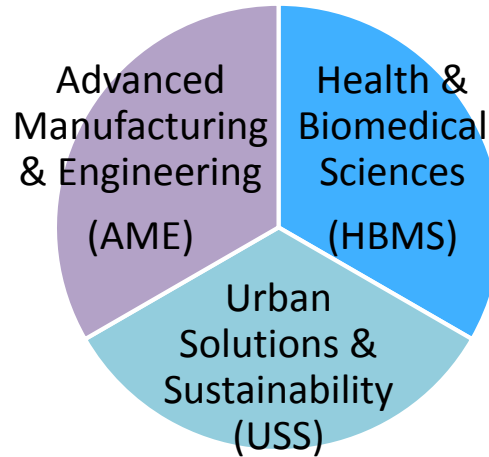
- Technologies which focus on enhancing our living environment and address our resource constraints in a sustainable manner which reduces emissions and efficiently uses natural resources

3. Advanced Manufacturing & Engineering

- Technologies that support the growth and competitiveness of manufacturing and engineering sector. This includes areas like advanced manufacturing, advanced materials and process engineer and Internet of Things

Examples of sub-sectors

- ❖ Additive manufacturing
- ❖ Robotics
- ❖ Biomaterials
- ❖ Nanotechnology
- ❖ Industrial 3D printing
- ❖ Lightweight & novel materials
- ❖ Intelligent systems or products
- ❖ IOT, etc



- ❖ Medical devices
- ❖ In-vitro diagnostics
- ❖ Diagnostic imaging
- ❖ Life science research tools
- ❖ Surgical robotics
- ❖ Digital health technologies, etc

- ❖ Renewable energy generation, storage and management
- ❖ Smart grids
- ❖ Waste and water monitoring, treatment and recycling
- ❖ Urban mobility
- ❖ Land and liveability
- ❖ Agri-technology, etc

Co-Investment Partnership

Co-Investment Partnership

- SPRING SEEDS Capital Pte Ltd (SSC) will co-invest with Co-Investment Partners under the following parameters

	General Tech	Deep Tech ₁
Investment Cap for each startup	S\$2 million	S\$4 million
Co-investment ratio	7:3 up to S\$250k, 1:1 thereafter up to S\$2 million	7:3 up to S\$500k, 1:1 thereafter up to S\$4 million

- Co-investment period of 8 years from appointment:
 - First 4 years to co-invest into new companies; Subsequent 4 years only for follow-on investments
- Total commitment of up to S\$100 mil for this call

¹¹ General traits exhibited by a deep technology start-up include, but are not limited to: (1) Product is built around unique, differentiated, often protected or hard to reproduce technological or scientific advances; (2) High barrier to entry and high cost of bringing ideas or products to market; and (3) Long commercialisation period (typically more than 3 years).

Models & Expectations

- The appointed Co-investment Partners are to identify, invest and/or incubate high potential local-based startups with view of converting them into viable businesses
- Possible models:
 - Existing VCs/ funds with established track records; or
 - Corporates or consortia, formed by groups of partners with expertise in the various functions of identifying, financing and growing start-ups
- Beyond capital, key value-add of Co-investment Partners lies in their “hands-on” management and access to critical resources (e.g. infrastructure/key opinion leaders), thus accelerating the commercialization process

Evaluation Criteria for Co-investment Partners

- **Capability of Management Team**

- Familiarity and knowledge of the local start-up ecosystem for the sectors identified
- Track record of nurturing/investing in high tech start-ups from early stage through follow-on financing
- Ability and commitment to adopt a hands-on approach with the start-ups' operations

- **Adequacy of Facilities and Resources**

Access to:

- Deal flow predominantly built around proprietary technologies, research or hardware
- Distribution channels / markets
- Expert advisors - business and technical development, quality system compliance
- Other functions – prototyping & pilot manufacturing facilities, legal, and accounting
- Investment capital and follow-on investors

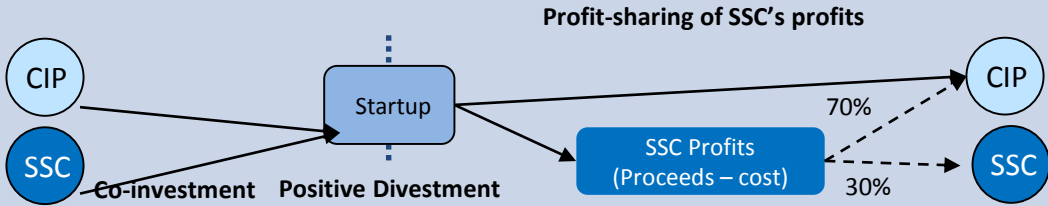
- **Decision Making and Fund Management Process**

- Due diligence process
- Investment approval process

Co-Investment Terms

	Description
Model	<ul style="list-style-type: none">• Direct equity co-investment• Through ordinary shares, RCPS, or other equity-based instruments
Commitment amount	<ul style="list-style-type: none">• Up to S\$100mil set aside by SPRING in total• Up to S\$20mil per co-investment partner• Commitment to invest over 8 years (1st 4 years for new investments; Subsequent 4 years for follow-ons)
Investment Quantum	<ul style="list-style-type: none">• Maximum S\$4mil (deep-tech) or S\$2mil (general tech) per startup• Investment may be made in 1 or more tranche

Co-Investment Partner Incentives & Deliverables

	Description
Profit-sharing incentive	<ul style="list-style-type: none">Where the Co-Investment Partner (CIP) has led SSC to a successful exit in an investee company, SSC will share 70% of SSC's profits upon exit, i.e. 70% profit-share  <p>The diagram shows the flow of investment and profit sharing. On the left, a light blue circle labeled 'CIP' and a dark blue circle labeled 'SSC' both have arrows pointing to a light blue rounded rectangle labeled 'Startup'. Below the 'Startup' box, the text 'Co-investment' is under the CIP arrow and 'Positive Divestment' is under the SSC arrow. From the 'Startup' box, an arrow points to a dark blue rounded rectangle labeled 'SSC Profits (Proceeds - cost)'. From this profit box, two dashed arrows point to the right: one to a light blue circle labeled 'CIP' with '70%' written above it, and another to a dark blue circle labeled 'SSC' with '30%' written below it. The title 'Profit-sharing of SSC's profits' is centered above the profit distribution arrows.</p>
Deliverables	<ul style="list-style-type: none">Each applicant is to propose:<ol style="list-style-type: none">Total investment amount (up to \$20 mil per Co-investment Partner)Cumulative number of start-ups to be invested yearly, including at least two start-ups by end of the 1st year of operation

Qualifying criteria

Term	Description
Qualifying Co-investment Partner	<ul style="list-style-type: none"> • Management team to preferably consist of at least two senior members based in Singapore with track record and knowledge of technology commercialisation and early-stage investment • Corporates and consortia formed by groups of partners with expertise in the various functions of identifying, financing and growing startups are also welcome
Qualifying Investees	<p>Company structure</p> <ul style="list-style-type: none"> • Be a Singapore-based company with <u>core activities (R&D, manufacturing etc) carried out in Singapore</u> • Be incorporated as a Private Limited company for less than 5 years • Have paid-up capital of at least \$50,000 • Company cannot be a subsidiary or joint-venture <p>Company profile</p> <ul style="list-style-type: none"> • HBMS, USS & AME startups typically raising 1st round of institutional financing • Be able to prove substantial innovative and intellectual content for its products and/or services and applications • Have high-growth potential with clear scalability for the international market • Business must not be involved in the following business activities: gambling, tobacco-related products, or any other activities which are in violation of law, or against public interest

Key things to note

- **Appointed Co-Investment Partners' Key Responsibilities**

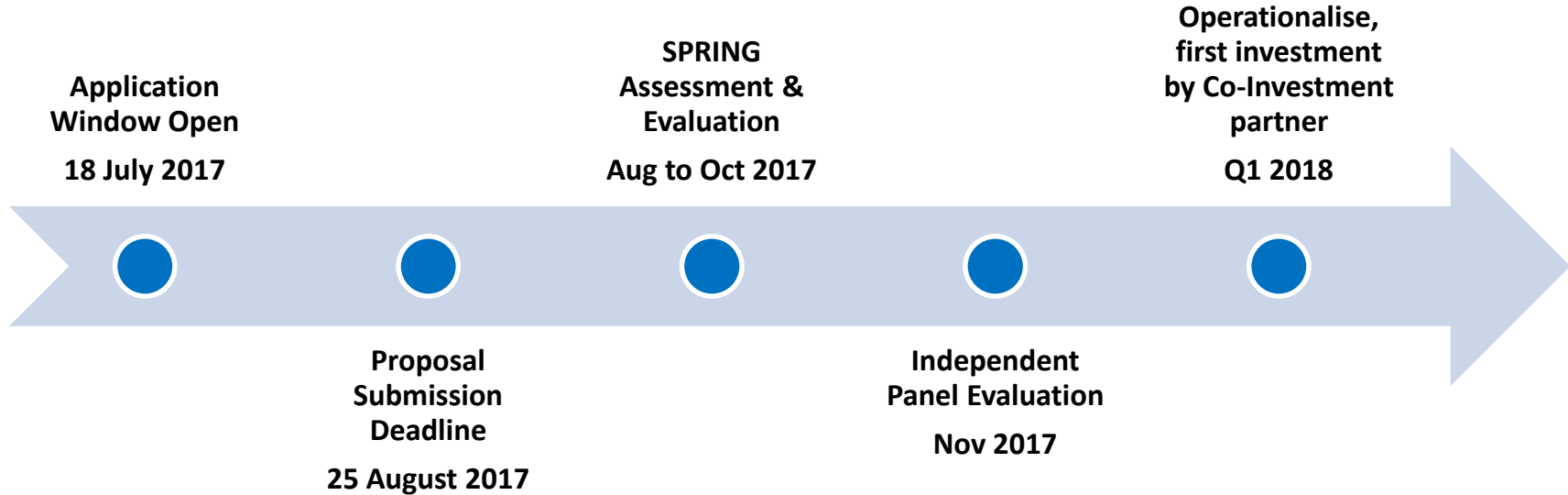
- Lead the investment negotiations and legal documentations with potential investees
- Maintain an investment committee (IC) with at least one 3rd party independent IC member
- Provide minutes of investment committee meeting and detailed due diligence report to SSC
- Must have board representation and oversee compensation matters of investees

- **Key rights of SSC**

- Appointment of observer to board of investee company
- Appointment of observer to Co-investment Partners' investment committee
- Withhold investment if the start-up fails to meet the qualifying criteria
- Subsequent to investment, investees required to consult SSC and Co-Investment Partner should they decide to shift key value-added activities (R&D, manufacturing etc) outside of Singapore
- Other rights pari passu to Co-Investment Partner on company matters

Timeline

- Prepare for due diligence interviews by SPRING



- Attend Selection Panel interview (for short-listed candidate)

(Expectations of applicants)

***(Optional)* Tax Incentive Support:
Section 13H (S13H) and
Fund Management Incentive (FMI)**

S13H and FMI Tax Incentives

- **S13H Tax Incentive**

- Tax incentive for **approved venture capital** and **private equity funds**
- Allows approved fund **zero-rated tax relief** for a period of **up to 10 years** in respect of:
 - gains arising from the divestment of approved portfolio holdings;
 - dividend income from approved foreign portfolio companies; and
 - interest income arising from approved foreign convertible loan stock.

- **FMI Tax Incentive**

- Tax incentive for **fund management companies**
- Allows approved fund management company **5% tax concession relief** for a period of **up to 10 years** in respect of:
 - management fees derived from the approved S13H fund; and
 - performance bonus received from the approved S13H fund.

Applicants May Be Eligible for S13H and FMI

- Applicants of the CFP assessed to have met the eligibility criteria for SPRING Singapore's **Section 13H Tax Incentive (S13H)** and **Fund Management Incentive (FMI)**, may also be considered for the award of the incentives.
- To be eligible for S13H and FMI, the venture capital/private equity funds and fund management companies should fulfil the following basic conditions:
 - The funds should be incorporated and based in Singapore and;
 - The fund management companies should also have obtained the necessary approvals and licenses from the Monetary Authority of Singapore
- A SPRING Singapore representative will be in touch if your CFP application is shortlisted for any of the mentioned tax incentives.

Next Steps

Next Steps

- Interested applicants can submit a proposal based on Annex C of the specification document to cfp_sse@spring.gov.sg
- Please send enquiries on **Co-Investment Partnership** to cfp_sse@spring.gov.sg with the subject “CFP 2017”
- Please send enquiries on **S13H & FMI Tax Incentives** to melinda_wong@spring.gov.sg or tony_yeoh@spring.gov.sg

FAQs

Frequently Asked Questions (1 of 5)

1) Is the CFP open only to Singapore-based funds or fund managers?

A: The CFP is open to all local and overseas parties who are able to fulfill the requirements of operating a fund looking at investing in Singapore-based startups primarily in the AME, HBMS, and USS domains. Appointed Co-Investment Partners should have a core team based in Singapore to provide hands-on guidance, advise and mentorship to the startups it has invested in.

2) What constitutes an “investment commitment” during application?

A: Each applicant to the CFP has to secure investment commitment of up to S\$20 mil (preferably not less than S\$5 mil) to co-invest with SSC. At the application/ proposal submission stage, applicants are required to obtain letters of intent or similar forms from potential investor(s). These potential investors must be prepared to financially back the investment deals tabled by the applicants once they are appointed.

3) Do Co-investment Partners need to be MAS registered, e.g. RFMC?

A: To clarify, there is no requirement for Co-investment Partners to be registered have an RFMC license. That particular requirement is specifically for the S13H and FMI tax incentive schemes.

Frequently Asked Questions (2 of 5)

4) Could you elaborate more on what it means by profit-sharing?

A: “Profit” in this case refers to the difference between the investment proceeds upon exit and the initial cost of investment. For example, if SSC had co-invested S\$1 mil into Investee A, and subsequently obtained divestment proceeds of S\$11 mil following a successful exit, the profits to SSC would be S\$10 mil. Based on a 70:30 profit-sharing model, SSC would retain 30% of the S\$10 mil (S\$3mil), while passing on 70% of the S\$10 mil (S\$7mil) to our Co-Investment Partner as part of this profit-sharing incentive.

5) Would the Co-Investment Partner be able to exit the company before SSC?

A: If the Co-Investment Partner decides to exit from any investee company, it shall ensure that SSC has the right to co-sell and to divest together, on the same terms and price.

Frequently Asked Questions (3 of 5)

6) What is meant by a 3rd party independent panel member to be on the co-investment partner's Investment Committee?

A: The 3rd party independent panel member should not have any financial interests in the Co-Investment Partner. For example, he/ she should not be a general partner, limited partner, or employee of the Co-Investment Partner. Similarly, if the Co-Investment Partner is the venture capital or investment arm of a larger corporate, the 3rd party independent panel member should not be an employee or management of the corporate.

7) How does SSC participate in investment decisions of the Co-investment Partner?

A: For deals surfaced to SSC, SSC reserves the rights to have an observer's seat on the Co-investment Partners' Investment Committee (IC). The main purpose is to have a clearer sense of the merits and risks of a particular deal based on the discussions and deliberations by the IC, which would ensure greater alignment between SSC and the Co-investment Partner. SSC does not intend to influence or be required to vote as part of the IC.

Frequently Asked Questions (4 of 5)

8) Would Co-investment Partners be able to co-invest with SSC in startups beyond the three domains (AME, USS, HBMS)?

A: The main purpose of the CFP is to identify Co-Investment Partners who would be able to invest in and accelerate the growth of startups in the three priority domains. While SSC is open to co-investing in startups outside of the three domains, this should be a small proportion of the co-investments undertaken by the Partners, and subject to SSC's approval on a case-by-case basis.

9) How does the 7:3 matching for Startup SG Equity work?

A: SSC will match the private sector co-investor to a ratio of 7:3 up to the first S\$500k investment by SSC into deep tech startups or S\$250k into non-deep tech startups. For example, in the case of a deep tech startup, for the first S\$500k in matching funds from SSC, the co-investor would only need to contribute S\$215k. In this hypothetical S\$715k investment, SSC is contributing to 70% of the round, matching 30% of the funds provided by the co-investor. Investments by the co-investor beyond its initial S\$215k would be matching by SSC on a 1:1 basis.

Frequently Asked Questions (5 of 5)

10) Will investee companies' future fundraising and business operations be limited to Singapore?

A: With regard to fundraising, there is no restriction on the geographic origin of the funds. Markets wise, we also encourage investees to think global from the onset. For business operations, companies will have to base its key value-add activities in Singapore (e.g. strategic management, R&D and product development) at the initial investment stage. For investee companies, as business environment and opportunities evolve, the company's management team together with its shareholder investors, including SSC, may make a joint business decision to move part of the operations to areas outside of Singapore.