

Frequently Asked Questions on Startup SG Equity

Startup SG Equity is a scheme which catalyses private-sector investment for startups through government equity co-investment. SEEDS Capital Pte Ltd (SC), an investment arm of Enterprise Singapore, is one of the administrators of funds under Startup SG Equity.

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1 Startup Applicant

1.1. Can startups with foreign founders consider raising equity financing under Startup SG Equity?

Yes, startups with foreign founders can consider raising equity financing under Startup SG Equity and the same eligibility criteria applies. Please see the webpage on Startup SG Equity on www.startupsg.net for eligibility criteria.

1.2. What are the key business attributes that SEEDS Capital looks for in assessing the startup before it can be considered for potential funding?

The startup would be considered for investment if it possesses the following key business attributes:

- Has substantial innovative and/or intellectual property content developed or owned in-house
- Able to demonstrate a commercially viable business model from its products and/or services – this includes being able to secure some pilot/paying customers
- Able to articulate clearly its value proposition and potential for scalability in the target customer segment(s) and across international markets
- 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 co-investors

1.3. Does SEEDS Capital co-invest in startups in certain sectors only?

While there are some nascent sectors that SEEDS Capital focuses on, such as Health and Biomedical Sciences, Urban Solutions and Sustainability, and Advanced Manufacturing and Engineering, SEEDS Capital can also invest in other sectors. What is important is the startup should be able to demonstrate and evidence the attributes explained in 1.2.

Note: However, firms with the following business activities (but not limited to activities in the table) will not be considered for investment:

Real estate development	Consultancy
Gambling	HR recruitment
Tobacco related products Finance companies specialising in provision of loans and leases	Other activities which are in violation of law, or against public interest

1.4. Does SEEDS Capital take shares in the startup?

As SEEDS Capital operates on a co-investment equity financing model, it will take shares in the startup. The amount of shareholding taken by SEEDS Capital is dependent on the valuation of the company.

2 Third-Party Co-Investor (excludes SEEDS Capital's appointed partners)

2.1 Is it necessary for my startup to bring forth a third-party co-investor when considering raising investment from SEEDS Capital?

Yes. SEEDS Capital operates on a co-investment equity financing model. The investment principle is based on a matching commitment from an independent co-investor. The depth of assessment by the potential co-investor and his/her professional background and ability to value-add will be taken into consideration.

2.2 Can third-party co-investors be foreign?

Yes, SEEDS Capital can consider foreign third-party co-investors. The same eligibility criteria will apply. Please see the webpage on Startup SG Equity for details on the eligibility criteria.

2.3 How does application process differ if the intended co-investor is an appointed partner of SEEDS Capital?

Where the intended co-investor is an appointed partner of SEEDS Capital, startups are encouraged to approach the appointed partners directly. As with independent third-party co-investors, the appointed partners will also have their own criteria, carry out due diligence with regards to the startup in order to decide if they will proceed with the investment and surface to SEEDS Capital for SEEDS Capital's decision on co-investment.

3 Post Investment Stage

3.1 What role will SEEDS Capital assume after its investment?

Like commercially-managed fund managers, 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. SEEDS Capital also takes proactive measures to add value to our investee companies in various advisory and strategic means.

3.2 How long does it take and what modes of exit will SEEDS Capital seek after investing?

SEEDS Capital is looking at an investment horizon period of about five to seven years. However, this 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 SEEDS Capital's shares, and initial public offering.

4 Other Questions

4.1 On what terms would the co-investment be made with the co-investor into the startup?

Both SEEDS Capital and third-party co-investor(s) will be investing on the same terms, which are discussed after an initial assessment is made.

For e.g. matters such as valuation, shareholding distribution and fund raising amount are advised to be disclosed during initial discussion to gain better understanding.

4.2 Is there a limit to the investment quantum by SEEDS Capital at first or subsequent rounds?

The maximum potential investment amount that could be raised from SEEDS Capital is S\$2 million (for General tech) or S\$4 million (for Deep tech) over several investment rounds. Tranching based on milestones within each investment round can be expected. The basis of the fund-raising amount must be clearly articulated by the investee/co-investor.

Subject to company's specific progress and performance, additional investment into the company can be considered for follow-on investment rounds (up to S\$2 million or S\$4 million in total, inclusive of initial investment).

4.3 Who is involved in the final decision to support or reject an investment case?

For investments with appointed partners of SEEDS Capital, SEEDS Capital officers will seek approval for the investment internally within SEEDS Capital. For co-investors who are not appointed partners of SEEDS Capital, the Investment Panel in consultation with the investment team are involved.

If your investment proposal passes through due diligence, our team will advise the startup on the schedule of the next Investment Panel meeting. This is where the startup and potential co-investor(s) will surface and pitch their case to the Investment Panel.

4.4 Who are involved as the investment panel members?

The members of the investment panel are largely made up of private-sector individuals from diverse professional background and experience (i.e. venture capital/finance/investment, entrepreneurial, corporate expertise, legal, & senior management skills), including several executive personnel from SEEDS Capital/ Singapore.

4.5 What other information regarding the investment procedure should the startup be aware of?

The startup does not need to submit official/confidential documents and application form unless otherwise advised by the team.

4.6 Will the application outcome for the Startup SG Equity Scheme affect my application for other grants (i.e. CDG/Startup SG Founder/Startup SG Tech)?

The application outcome for SSG Equity Scheme is discrete and does not affect the applications for other grants which have different considerations. Companies which are already receiving grants from Enterprise Singapore are also not excluded from applying for Startup SG Equity Scheme.