



## Australian Financial Review

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**Funding** Governments show polar differences in attitude to backing new companies

# Singapore ahead in help for start-ups

Matthew Smith

Australian hopes of becoming a regional hub of the burgeoning tech start-up scene risk being left in the shade as the Singaporean government steps up its push to back the next generation of tech giants.

The head of the Singaporean government's special division for funding start-ups told *The Australian Financial Review* that the island state was going all in to financially back tech start-ups, while the Australian government ended start-up-focused co-funding and grant programs in the May budget.

Alex Lin, the head of Infocomm Investments, a wholly owned subsidiary of the Singaporean government that seeds early stage technology start-ups, said his country's funding programs could start bearing fruit within the next 12 months.

In May the Australian government cut eight research and innovation funding bodies, including the \$213 million grants program Commercialisation Australia, and the Innovation Investment Fund, which co-invested in venture capital funds.

Dr Lin pointed to Reebonz, a privately owned Asia-focused e-commerce platform specialising in luxury goods, as an example of a start-up initially seeded by Singapore government that he said could look to a public listing in the next 12 months – potentially on the Nasdaq.

To date, the biggest sale of a government-funded Singapore start-up was the reported \$US100 million (\$113 million) acquisition of Non-stop Games by King, the company behind Candy Crush.

There are many more Singapore start-ups seeded with government

money currently eyeing a potential listing on the Australian Securities Exchange, Dr Lin said.

In the next 12 months, chief executive of **Fatfish Internet Group**, Lau Kin Wai, expects to help at least two Singapore-based start-ups list on the ASX.

Fatfish is an ASX-listed venture and start-up accelerator, and one of a handful of incubator programs approved to co-invest in start-ups through the Singapore government investment programs.

Among the more mature businesses within Fatfish's investment portfolio are Indonesian online general insurance supermarket Auto Direct, 3D dancing game creator VDancer and Singapore's leading online fashion retailer, Dressabelle.

Incubators such as Fatfish can invest up to \$S250 million (\$228 million) and have every dollar matched with \$S1.50 of funding through the Singapore government's Media Development Authority (MDA).

The Infocomm Development Authority, the MDA's sister government agency, has what it calls an "evergreen fund" meaning it has an uncapped mandate to invest in highly scalable start-ups, ideally investing between \$S1 million and \$S5 million at a time.

The only hurdles for start-ups to qualify for funding through these programs is for the businesses to be Singapore-based and that the concepts have a commercial potential, Dr Lin said.

"With limited land for agriculture and few natural resources, the Singapore government wants to drive its economy through innovation and

technology, and that's where it is spending its money," Mr Lau said.

Managing partner of Australian venture capital fund OneVentures **Michelle Deaker** said Australia was at risk of losing some of its start-ups to the lucrative benefits offered by the Singapore government.

Dr Deaker said she was aware of Australian tech firms being courted by the Singaporean government to relocate overseas in order to gain access to some of its funding programs.

Last Monday, OneVentures announced the first close of its second \$100 million Innovation and Growth Fund, which aims to fill a funding gap in the Australian ecosystem for growth-stage start-ups.

While Dr Deaker said the Australian government's Industry Innovation and Competitiveness Agenda, announced earlier this month, would remove some of the impediments

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### Key points

**The Australian Coalition cut start-up focused co-funding and grant programs in May.**

**One Singaporean government evergreen fund has an uncapped mandate.**



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Lau Kin Wai of Fatfish says several successful start-ups will list on the ASX.

### From page 23 Singapore ahead in help for start-ups

start-ups currently face setting up in Australia, she said it's an area the government needed to invest in if it wanted start-ups to be competitive globally.

Co-founder of online odd jobs marketplace Airtasker **Tim Fung** said it can be a case of an Australian start-up either being "hot or

not" in the eyes of local investors.

He said the local funding market favoured immediately successful ideas, whereas other ventures that need more of a push to get up and running tend to miss out on funding all together.

He said the struggles of many start-ups to find suitable backers highlighted both an immaturity and a lack of depth in the approach to tech-focused investment. In comparison with rival economies, this meant that Australia was more likely to restrict itself to backing only a few

– and the most successful – ideas, with plenty of viable businesses left languishing.

"What our market is saying right now is either your enterprise value is huge or you're worth nothing," Mr Fung said.

"If you start here and don't get a million subscribers in six months, you're considered a failure and you go into the bin straight away."

Australian start-ups are pitted against ventures from overseas that have had the benefit of

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subsidised work spaces and VC funding leveraged with sovereign funds, Mr Fung said.

Singapore's own version of Silicon Valley, Block 71, is jointly funded by National University of Singapore, the MDA and

SingTel Innov8, a wholly owned subsidiary of the **SingTel Group**, Singapore's main telecommunications provider.

Singapore's technology district is expanding to offer cheap rent to later stage technology businesses that have progressed through the start-up phase.

"It takes us longer here to raise money than in some overseas countries, because [funding is] so scarce you've got to pick it up from all sorts of parties," Mr Fung said.

"Certainly if there was more bulk to our funding here it would make us more competitive because raising money is not what start-ups actually want to be doing."

**Either your  
enterprise value  
is huge or you're  
worth nothing.**

Tim Fung, Airtasker