

# Start-ups can seize growth opportunities amid pandemic

**Nimble businesses can attract funds, tap support from private and public sectors**

**Choo Yun Ting**

These are tough times to be running a business but the coronavirus pandemic has created opportunities across the economy that are tailor-made for nimble Singapore start-ups that can attract capital and utilise support from the private and public sectors.

Sectors such as technology and sustainability have generated huge potential, with some new operators beefing up their funding to take advantage.

Last month, plant-based meat start-up Karana closed US\$1.7 million (S\$2.3 million) in seed funding, while digital wealth management platform StashAway raised US\$16 million in a recent funding round.

With enhancements to the Startup SG Founder programme announced earlier this week, budding entrepreneurs will get a further boost.

Enterprise Singapore director for start-up development Lim Seow Hui noted that while all sectors have been disrupted by the pandemic, new trends and opportunities in the near and long term have been created.

That is where start-ups can play a key role given their ability to drive innovation, she said, stressing the need to keep the entrepreneurship ecosystem conducive for their continued development.

500 Startups general partner Vishal Harnal pointed out that leading start-ups made their breakthroughs during economic slowdowns, citing the likes of WhatsApp and Uber, which were founded after the 2008 global financial crisis.

Industries such as health technology, advanced manufacturing and education tech have caught the eye during the pandemic with their innovations, said Tribe Accelerator managing partner Ng Yi Ming.

Professor Freddy Boey, deputy president of innovation and enterprise at the National University of Singapore, said investors may be more wary of start-ups offering travel- or aviation-related solutions for now, while digital solutions and urban farming are gaining interest.

The pandemic has changed the



risk dynamics for start-ups and industry, he said, adding: "Investors are still active but pickier in terms of the criteria and assessment – the quality of teams, type of products and services, and if business models have proven to be resilient during and after the Covid-19 situation."

Ms Lim said the key concerns for start-ups amid the pandemic include the loss of revenue and reduced cash flow due to weaker demand and a longer sales cycle, which is especially acute for firms serving sectors such as travel and hospitality, the arts and entertainment.

"It has become critical to rebalance cash burn rates, trim non-essential costs and build new ways to generate revenue for long-term sustainability," she said.

Ms Huang Shao-ning, partner at angel investor network AngelCentral, said investors have generally been more cautious in recent months given the muddy economic waters, helping to send valuations down by about 20 per cent to 30 per cent.

Ms Teodora Georgieva, programme director at accelerator Scaler8, said: "With the prospect of

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**PROFESSOR FREDDY BOEY**, deputy president of innovation and enterprise at the National University of Singapore, on how the pandemic has changed the risk dynamics for start-ups and industry.

a protracted economic recession, investors are looking for start-ups that can demonstrate a more stable and realistic customer pipeline and revenue projection."

But while investors are exercising caution, there are still funds available to be deployed, said Mr Magnus Grimeland, chief executive of venture capital firm Antler.

He noted that while venture capitalists raised around US\$100 billion over 2018 and last year, only a portion of this capital has been deployed, leaving a tremendous amount of dry powder available.

Ms Huang said some investors have revised their offers to start-ups during this period as well, which has resulted in offers at lower valuations.

But lower valuations in the short term will not matter much in the long run if entrepreneurs build a strong and successful business, said Mr Grimeland, emphasising that the opportunities for start-up growth are larger than ever with "decades worth of change in months in many industries".

Mr Harnal said there has been some recovery since the March to April period, when valuations had notably taken a hit with the global virus spread.

"Now, investors are getting used to the new (market) norms and there is some concentration of capital especially among firms which are seen to be (industry leaders) and those that are promising," he said.

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**Mr Michele Ferrario**, co-founder and CEO of StashAway. The digital wealth management platform raised US\$16 million (S\$21.8 million) in a recent funding round, while last month, plant-based meat start-up Karana closed US\$1.7 million in seed funding.  
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Industry mentors and company representatives taking part in a virtual session organised by Tribe Accelerator to engage start-ups. PHOTO: TRIBE ACCELERATOR

## Industry mentors lend support via sharing sessions, resource banks

Mentors in Singapore's start-up ecosystem have taken workshops online and set up resource banks to help entrepreneurs deal with challenges stemming from the pandemic.

German Accelerator, for one, has introduced a Covid-19 centre that helps start-ups prepare their go-to-market strategy for Asia or the United States remotely.

It taps a network of over 300 international mentors to advise entrepreneurs and connect them with customers, partners and investors.

In April, venture capital firm Antler put out a call for start-ups across the world tackling the virus outbreak to apply for funding.

It invited solution proposals in mitigation, medical equipment, remote health and digital tools. It drew around 1,500 applications from 100 countries, prompting the firm to invest about US\$500,000 (S\$681,900) in some of these ideas.

NUS Enterprise has moved initiatives such as its networking sessions online and has been holding weekly community meetings to share ideas and provide encouragement.

It has also been consolidating feedback and requests from start-ups and communicating these to government agencies that are developing support packages, said Professor Freddy Boey, deputy president of innovation and enterprise at the National University of Singapore.

Incubation service fees at its facilities have also been waived since April to help start-ups preserve cash, while NUS Enterprise has helped firms negotiate rent deferment and discounts, he added.

Mr Vishal Harnal, general partner at 500 Startups, said it has been helping start-ups raise funds during this period, with part of its focus on those operating in sectors that are not directly affected by the pandemic. It has also contributed to #SupportStartups, a movement that collates promotions for both consumers and businesses.

Besides ground-up efforts, there has also been government-level assistance to boost the ecosystem.

In June, a special situation fund was launched to help promising start-ups maintain their growth momentum. The scheme involves the investment arms of the Economic Development Board and Enterprise Singapore investing in selected start-ups with private-sector co-investors through convertible notes.

A series of National Innovation Challenges has also been launched to provide co-innovation opportunities between the private and public sectors, and this includes start-ups.

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