

Venture Capital Funding for the Biotech Industry

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In the biotech sector, it typically takes millions of dollars to transform an innovative idea into a commercially viable product. Hence, venture capital funding is often a necessity and is critical to the success of a biotech company. The biotech industry is therefore closely linked to the venture capital industry that supports it.

The venture capital industry in Singapore has grown rapidly over the past decade. In the mid 1990s, around S\$6 billion worth of venture capital funds was managed out from Singapore. This has since grown and today, Singapore is home to around 165 venture capital firms, managing in excess of S\$17.5 billion worth of funds. The Singapore government has played a key role in this tremendous growth as it aims to establish the venture capital industry as part of its overall strategy to transform the Singaporean economy into a higher value-added knowledge-based one.

Since the mid 1980s, the government has taken a number of steps to promote the development and growth of the venture capital industry. In addition to investing in domestic and foreign venture capital firms, it has created a conducive environment to encourage the growth of venture capital and high-technology entrepreneurship.

Among venture capital firms in Singapore, a number of them have the capacity to evaluate and invest in the biotech sector. These include government-linked firms like Bio*One Capital and Temasek Holdings, as well as notable private sector players such as UOB Venture Management, BioVeda Capital, Asia Growth Venture Management and Whiterock Partners.

Bio*One Capital is a subsidiary of EDB Investments Pte Ltd, which together with Temasek Holdings, are owned by the Singapore government. Bio*One Capital manages approximately S\$1.2 billion and invests in local and overseas life sciences companies with the aims for both financial returns and economic spin-offs to Singapore. Temasek Holdings also actively invests in the life sciences sector (though not exclusively) worldwide. Among the private-sector players, both BioVeda Capital and UOB Venture Management have dedicated life sciences funds that invest globally. In all, it has been estimated that approximately 10% of the funds managed out of Singapore go into the life sciences industry.

Using Singapore as a base, most of these venture capital firms have been investing in the life sciences sector in the region, especially India and China in the past few years. Ms Hong Sau, MD of Asia Growth Venture Management, sums up the rationale, "It is a matter of scale. If VCs look into Asian opportunities, the China market is hard to ignore. Furthermore, as the Chinese government has, over the decades, invested and supported development based on technological progress, we are now witnessing entrepreneurial growth based on some of the fruits that are finding applications and financial rewards."

Other Funding Options

In addition to venture capital funding, biotech companies can also seek financial support from the Singapore government. Biotech companies setting up operations in Singapore can tap upon various investment funding schemes to support the different stages of their development. For instance, Bio*One Capital administers the Biomedical Sciences Innovate 'N' Create (INC) Scheme that provides seed capital of between S\$250 000 (US\$157 000) to S\$2 million (US\$1.3 million) for promising start-ups. One such company to benefit from this scheme is ProTherapeutics. It was set up last year to develop drugs from animal toxins. Through its BMS INC scheme, Bio*One Capital pooled resources with A*STAR's Exploit Technologies, to inject funding into the company and kick-start its operations.

"Bio*One Capital's dedicated scheme, Innovate 'N' Create (INC) was created to help nurture promising start-ups and foster the biomedical sciences entrepreneurial environment in Singapore," said Ms Chu Swee Yeok, CEO of Bio*One Capital. "Pro-Therapeutics is one of the growing beneficiaries of this scheme. The company will add to the vibrancy of the cluster of biomedical sciences R&D companies here. We hope more scientists and entrepreneurs come forward and take advantage of the available resources to further strengthen Singapore's biomedical entrepreneurial environment."

Besides the INC Scheme, companies can also approach the Singapore Economic Development Board (EDB) for two fund-matching schemes. These schemes are not confined to life sciences companies. They are the Startup Enterprise Development Scheme (SEEDS) and the Growth Financing Scheme.

SEEDS provides up to S\$300 000 (US\$188 000) for each investment in seed or early stage company, matching an equal amount received from a third party investor. A number of companies in the life sciences sector have benefited from the scheme, including Inflexion Corporation, which used SEEDS funding to help develop, manufacture and market its biotech products, specifically diagnostic kits to provide competitive immunoassays of nasopharyngeal carcinoma. On the other hand, the Growth Financing Scheme aims to help companies to access overseas market and become a global player. The scheme allows for co-investments of up to S\$1 million (US\$0.6 million) (including any financing received from SEEDS) per company based on matching S\$1 for every S\$ 2 from third party investor.

Although the venture capital industry in Singapore is small compared to its counterparts in the US and Europe, it has enjoyed significant growth and is expected to develop further. The key drivers are the tremendous potential of the growing life sciences sector as well as the committed support from the government. In the past decade, the venture capital industry has participated in the establishment of more than 20 life sciences companies here and invested in many more companies abroad. As Singapore's ambition to become a global biotech hub takes shape, the sector will no doubt present even more opportunities that will attract greater investment interest to the country. 🌐

Mr Marvin Ng heads the Asia operations of DN Venture Partners, a specialist consulting firm offering one-stop business development services to life sciences companies seeking to expand their activities in Asia and Europe. He has been involved in the life sciences industry since 2000, including a stint with the Singapore Economic Development Board where he was responsible for the investment promotion of European pharmaceutical and medtech companies. Marvin has co-authored the Singapore Biotech Guide and has also conducted life sciences related IP research at the IP Academy of Singapore

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