

FAQ for Technology Incubation Scheme (TIS)

Q: A linkage to a IHL is required. What kind of linkage is expected? What is the intent for such linkages?

A: The IHL linkage is desirable to facilitate deal flows from the IHL to the incubator.

An example of a good incubator-IHL linkage is the Technion Incubator in Israel. Technion, which is a top engineering university in Israel, holds an equity stake in the Technion Incubator set up by several VCs but was not required to put in capital. The Incubator is not located on campus; it is instead sited in a technology park near the university. Because of this relationship, companies at the Incubator were able to have easier access to resources at the Technion, such as equipment or labs, or expertise from the academic staff. The Incubator in turn, has early knowledge of start-up companies coming out of Technion. This has resulted in a mutually beneficial relationship to both the university and the incubator. However, the Incubator is not restricted to just having incubatee companies coming out of Technion, it is free to take in companies from anywhere.

Q: Is there support for the incubator's operating expenses? If not, why not?

A: We are currently not thinking of supporting the incubator's operating expenses. The generous co-investment terms and buy back option are given in return for the investment in the operations and mentoring of start-up companies by the Incubator operator. This is the incubator's share of the risk.

Q: Is the incubator allowed to also apply for SPRING's Incubator Development Programme (IDP)?

A: The incubator should not apply for both IDP and TIS at the same time as each scheme is designed to be complete in itself. Having the benefits of both schemes would be seen as "double-dipping".

Q: Is the incubator allowed to charge incubatees fees? What are they allowed to charge for?

A: Incubators could recover some operating costs by charging reasonable fees for services and resources provided to the companies. Examples of these are rental, shared services (e.g. secretary, finance, etc.), use of common facilities (e.g. meeting rooms) and utilities.

However, the incubator manager should not charge for the guidance and mentoring provided to their incubated companies because these activities are part of what the incubator managers provide in return for being able to draw on NRF's 85% co-investment and buyback option.

Q: A physical incubator space is mentioned in the call for proposal. Can the incubator be a virtual entity instead i.e. companies being incubated look for their own space?

A: A physical incubator space is highly desirable because the TIS scheme requires that the companies are given systematic guidance on a daily basis, with the incubator managers being physically available on site. However, the space does not necessarily need to be owned by the incubators. They could make arrangements with other parties such as universities and real estate companies that could provide the necessary space.

Q: A full-time incubator manager is required. Can there be several incubator managers on part-time/half-time basis?

A: The key to the success of the TIS scheme is systematic hands-on nurturing of incubated companies. It is important that incubator managers spend substantial time with the companies. It would not work if the incubator manager has other heavy commitments and sees the companies only when he could find time. In place of full-time managers, it is possible to have managers who are not-full time but are able to spend substantial amounts of time with the incubated companies.

Q: Does the incubator have to be a separate legal entity? Does it have to be established in order to apply for the scheme? Or can it be set up after being selected?

A: Incubators can be established after they are selected. However, each incubator should be incorporated as a separate legal entity in Singapore.

Q: What kinds of companies can be allowed into the incubator?

A: Only early-stage high-tech startups based in Singapore should be allowed into the incubators. These are defined as Singapore-incorporated entities that carry out high core value added activities (such as R&D, operations centres and regional/global HQ) here. Overseas start-ups will need to relocate to Singapore to qualify. To qualify as an early-stage start-up, the company should be less than 5 years old, and have not generated significant commercial revenue.

Q: Who decides what companies get admitted into the incubators?

A: The incubator manager will evaluate and select the companies to admit into his incubator. After he has done so, the manager will submit the incubator's evaluation to NRF to request for approval and drawdown of the 85% co-funding. NRF will perform some simple checks to ensure that the start-ups are eligible to qualify for the scheme before giving approval and disbursing the funds.

Q: Are foreign incubators allowed to apply?

A: Incubator managers from outside Singapore are welcome to apply. If selected, they are expected to relocate and establish the incubator in Singapore.

Q: Who will be on the evaluation panel?

A: The evaluation panel will comprise mainly industry people with entrepreneurial and/or venture financing experience.

Q: Who will the buyout option be given to?

A: The buyout option will be given to the incubator and its investors.

Q: What percentage of the startups' equity can the incubator take?

A: As a general rule of thumb, the stake of the startups' founders should not be diluted to less than 50% after the incubator + NRF investment. This is to ensure that the company's founders continue to have sufficient stake in the business to keep them strongly motivated to achieve success.

Q: How many incubators will be supported under the scheme?

A: We expect to support about 100 start-ups over 5 years under the scheme. Each incubator can be expected to incubate up to 8-10 start-ups at any one time. Hence, we may expect 3-4 incubators to be supported. However, this will depend on the quality of proposals submitted. We may support above or below this number.