

SVCA 25th Anniversary Gala & Awards Dinner

Speech by Teo Ming Kian, Chairman Vertex Holdings

on 12 OCT 2017 at Shangri-La Hotel

SVCA Chairman, Dr Thomas Lanyi

Ladies and gentlemen,

Good evening.

Thank you for inviting me to this auspicious event.

When Doris invited me to speak here, I asked her if she really wants a retiree who could only look backwards. It would be better that SVCA invites someone who would be able to give you a sense of what to look forward to.

But she thought at this 25th anniversary, it's appropriate to look back, I quote “through both the tough and good times”. So I'll give you a walk down memory lane with its “tough” and the “good”.

In May this year, DPM Tharman officiated at an opening of a US\$500m manufacturing facility in Ang Mo Kio.

An opening like this is good news.

It brings meaningful jobs for our people, opportunities for SMEs, research and capability development, strengthen our enterprise ecosystem and helps bring up our economic indicators.

But what is the big deal, you may ask.

Such investments are not new - though at such a scale, they are probably rarer.

Still, Singapore had attracted many MNCs that had made investments of such a scale before - perhaps a little fewer nowadays.

The company however is not an MNC, but a practically unknown VC-backed startup incorporated in Singapore 10 years ago.

It is not a fashionable Internet company – in e-commerce or resource-sharing that fetches billions in market capitalisation.

It is in fact a hardware design and manufacturing company, called Heptagon.

Never heard of it?

Heptagon is a micro-optics system company that makes many of the components well hidden in mobile devices that are sold globally.

Hidden, as they are within the devices not readily visible to the users, and also because they are so small they require great precision and technology to design and produce.

They celebrated the delivery of a billion units some years back – I don't know the latest figure as I've left the board after it was recently acquired at a value you would term it an Unicorn.

Heptagon is a story of astute investment in enterprises deemed risky but with great potential for growth and a good return.

It is a story of gumption, perseverance in the face of adversities. It nearly died 3 times along the way. But made good by the shareholders, board and staff pitching their all to build the company.

It is the type of stories VCs are accustomed to and should thrive in if we are the type of business builders we are supposed to be.

Clearly Heptagon would not be what it is today or would not have set up here if not for the technopreneurial ecosystem we have built up.

NSTB started developing the technopreneurial community and ecosystem from the early 90's.

After building up our R&D capabilities, it was a natural extension to enable them to be applied for real impact to society and the economy.

Research institutes were then measured by what we called the 3+2 indicators:

3 economic outcome indicators - how they helped 1) upgrade our industries; 2) draw in companies to strengthen our industries; and 3) create new industries.

2 foundational indicators – how well they built up R&D capability: 1) quality of research done; and 2) number of Researchers trained.

3 examples of the outcome indicators:

Keppel was helped in its development of the undersea lifting mechanism that led to its transformation from a ship builder to a rig builder.

Quintiles, was attracted to set up here since we considered it crucial to have CROs here to build a pharma industry.

A small company was helped in its project to clean up waste water from the Bird Park. This became Hyflux, and I think the start of the water industry in Singapore.

The likes of KRDL, or Kent Ridge Digital Lab and IMA, Institute of Molecular Agrobiolology were examples of good RIs by these measures. They were spinning out IP. Many visitors especially overseas VCs would ask to visit them and called them our Crown Jewels.

The creation of VentureTDF further boosted the formation of local start-ups and was the foundation in the set-up of several VCs and funds of funds.

The first of incubators, Phase Zero made up of container offices was set up and welcomed by many.

One-North was conceived and developed as a hub for the technopreneurial community.

The initiative that underpinned Singapore's deliberate and concerted efforts in building up the technopreneurial ecosystem was Technopreneurship 21 or popularly known as T21.

This was a comprehensive programme comprising 4 elements - education, infrastructure, regulations and finance.

The business environment was made a lot more conducive for enterprises to start up.

Laws and rules on bankruptcy, homes for office, even sale of second hand goods which was prohibited were amended.

The US\$1 billion TIF drew the most attention and was largely responsible for kickstarting the VC industry.

GGV that led the investment in Heptagon and moved it here from Finland is a direct outcome of this initiative. It was founded by Thomas Ng and Joel Kellman, a Silicon Valley veteran. Thomas was the CEO of VTDF.

Far more important has been the development and nurturing of our VC talent. People like you here. And quite a number flying the Singapore flag elsewhere in the global VC community. I was just told of the Dirty Dozen in China, the likes of David Su, Foo Jixun, Jenny Lee, who are on the Midas list. They are the direct products of this initiative.

Presidents of our universities too have attributed the technopreneurial development of their universities to this programme.

EDB in the early 2000's re-strategised and embraced a more inclusive enterprise community. It was driven by the vision of building Singapore into a compelling hub for diverse enterprises, large and small, local and foreign, interacting with one another, pushing each other up the technology and innovation curve.

Even Kenny Yap of Qianhu, our local ornamental fish company - just to cite one many would consider most remotely associated with high-tech or MNC, was surprised with the support that he later said it had never enjoyed up till then. This was when he was trying to increase the breeding rate of the very high value Arowana, which required the technological support of IMA that became TLL, Temasek Lifesciences Lab after it was closed down by ASTAR.

TLL has gone on to develop a healthy and fragrant brown rice branded as Temasek Rice, now sold in some supermarkets here. Helps in the diabetes campaign. Also, coming into the market is the St John's Sea Bass – fast growing, nice tasting, helping our fish farmers with a species that is disease resistant, suitable for high density urban fish farming. Helps with our food security.

EDB also started the SEED to catalyse the formation of seed capital to spur more startups. SEED was subsequently transferred to SPRING.

Bringing people together - founders of companies, captains of industry, VCs, lawyers and bankers, was part of entrenching Singapore as a compelling enterprise hub. It is about creating the opportunities for building networks and relationships.

It initiated Global Entrepolis, which was built upon NSTB's TechVenture. Both events enjoyed great support from our political leadership especially our late Founding PM, Mr Lee Kuan Yew.

He put Singapore on the VC map when he first held a dialogue session at our event in Silicon Valley, which many of our Silicon Valley VC friends called

the coming out party of Singapore. And at every subsequent session in Singapore.

Those were the days when 10-20 thousand participants from over 60 countries would descend on Singapore as the Asian hub of technopreneurial activities. The vibrancy was palpable.

Unfortunately, the efforts were not sustained. Coupled with the emergence of China, Singapore lost its shine as the hub for the technopreneurial community in Asia.

NRF's set up gave the technopreneurial development another boost.

Today the community is growing well, and the environment quite vibrant.

Several successful start-ups are emerging.

Razer, SEA previously Garena, Grab are some examples.

And not just in IT, but in healthcare and deep science. I will cite 2 that I'm most familiar with as I chair their boards to help the budding founders.

Tessa, a T-cell cancer immunotherapy company is conducting the world's first US FDA approved phase 3 multi-centre clinical trial for nose cancer.

Tychan, that rapidly designs and produces therapeutics and prophylactics against deadly infectious diseases – the likes of Ebola or Zika, hopefully in time before their full wrath is unleashed on those afflicted or to be afflicted.

Investors ready to put in big money are coming in. More than US\$1b of VC funding are invested annually into Singapore-based companies, and Singapore based VCs grew their funding capacity by 6 times from 2010 of US\$400m to US\$2.6b today¹.

It augurs well for further strengthening of our community and environment.

Are we simply chasing a fad, and all that we have been doing will disappear when Technopreneurship lost its flavor of the day? Would it lose its favor someday?

No doubt, during the dotcom boom, there were many countries and cities that simply took on names with Silicon as a prefix, Silicon Anything, as if by taking on such a

¹ Source: Preqin.

name, it would inherit the Silicon Valley magic. I called these the Silly Clones. We don't hear of them anymore after the dotcom bubble burst.

Companies jumped into investing in the many dotcom startups, thinking it was easy money to be made, whether they had the competency to do so. Many were burnt with the dotcom bust and swore never to make any venture investment again.

For Singapore though, we cannot be a Silly Clone. We need to put in real efforts to develop into an innovation node. We don't have a choice but to build and strengthen as an entrepreneurial and enterprising economy - that's my view.

With no natural resources, Singapore has been transforming and shifting its strategy as situations demanded, but always living by its wits and enterprise.

In the 60's, it was a labour intensive economic strategy to soak up large unemployment by attracting MNCs when other newly independent countries saw them as neo colonialists.

In the 70's, skills intensive as others emulated our strategy and a host of vocational institutes were set up.

Then, capital intensive in the 80's because we had gained the trust of investors after two decades of engagement.

The 90's was one of technology intensive phase of development with the set-up of NSTB when others in the region rode on the coat tails of the 4 dragons to compete for investments.

After that, was what I had characterized as the knowledge-based innovation-driven strategy with the set-up of NRF and the RIEC, not just to add value but create value.

It would be that much more pertinent that we'll have to be more technopreneurial as we move forward. Technological advances are accelerating and the gale of disruption strengthening.

Only by being innovative and enterprising can we remain relevant.

Only by having a strong enterprise ecosystem of large and small, local and foreign companies pushing constantly for innovation and competitiveness, and one that constantly throws up new disruptive startups will our economy be more robust, leading to a more resilient society.

So what we had been doing cannot be a fad. What we had been doing was deliberately and painstakingly building for the future. Technopreneurship development takes time and perseverance.

Many consider the start of Silicon Valley with the founding of HP in a garage and the set-up of the first VC firm, the American Research and Development Corporation. These were in the late 30's, early 40's. So, it was more than 50 years before it was well established and recognized as the place for innovation and enterprise.

I don't think this imperative is lost on the Singapore Government.

RIEC continues with the commitment on R&D investment and support for IP spinoff.

CFE has proposed various measures to strengthen the enterprise ecosystem.

MAS has been reviewing its policies to help build a vibrant public market for tech companies.

Government support for Technopreneurship would not and should not diminish. There may be the ups and downs along the way, but good sensing of the environment and understanding of our situation will ultimately lead to perseverance in this effort.

Even then, I have always said that the Government could only enable, facilitate and where necessary catalyse with its policies and funding support.

The private sector has to step up.

Vertex is doing just that.

From having Temasek as the sole LP, we now have many other good LPs and helping some first time investors get exposure to this asset class.

From just focusing on US and Europe when we first started, to consolidating into China after the dotcom bubble burst and then starting to invest in Singapore and the region more recently, we have strategically reoriented ourselves to become a global platform. Because we believe that innovation comes from all over the world, the markets for innovative products are global. Heptagon is an example.

We are an enterprise builder, helping founders and their enterprises develop into global, if not regional champions. Grab is a good example. Anthony Tan has

publicly said that when even his own father doubted him, Vertex believed in him.

There are other good potentials. To name just 3 in our Vertex stable:

Patsnap - offering revolutionary patent search capability and now growing globally

Instarem - named lowest cost and fastest growing cross border payment services in the world

Reebonz - online luxury retailer that has built up a unique base of affluent customers

We are also doing our bit to help strengthen the community.

The Technopreneur Circle is part of our CSR – to provide network, mentorship and inspiration to aspiring technopreneurs.

It complements the universities efforts for their students to be interned in startups in established innovation centers around the world. The university programme was first initiated by NSTB and the universities continued and expanded even after the support ended. Several of our founders were beneficiaries of this programme.

Temasek too has been stepping up in a big way.

Allocating significant amount of resources to fund other VCs, even though Vertex is its 100% subsidiary.

Offering financial support in venture debt through Innoven with UOB as partner,

and helping startups realise their internationalization potential through Heliconia.

There are many more Heptagons, Razers, SEAs, Grabs that we all can grow.

We are at an inflection point. The region is stirring.

According to SVCA, investment in Southeast Asian startups has grown 12X from US\$200m in 2011 to more than US\$2.5b in 2016. You would have read that Vertex has just raised a significant fund for Southeast Asia and India.

Many interesting start-ups are forming in Indonesia, Thailand, Vietnam. Singapore based fund managers were involved in more than 35% of total PE and VC investments in Southeast Asia. But 55% are Singapore incorporated or Singapore startups.

We are a compelling hub for the regional technopreneurial development, one only for us to lose.

SVCA is a natural platform for the community to come together to do more to strengthen the technopreneurial ecosystem.

Today, innovation and entrepreneurship are again the buzzwords. Just like the days of T21. Others may blow hot and cold depending on circumstances. But we have to be the strongest advocate and practitioner of enterprise development. As the lifeblood for enterprise development, our belief in and dedication to it must never waver.

With more growing start-ups requiring larger funding, we could hark back to the pioneering days of VC when many would work together to share deals, share the risks and rewards and leverage on their respective networks to build compelling companies. They were not passive financial investors, fighting to get in on a good deal and exit at the earliest opportunity. They were true enterprise builders.

Could we do the same, at least amongst some like-minded partners?

Would we be able to rise to the challenge of producing the likes of Alibabas, Tencents, if not the Apples and Amazons of the world?

Whether we succeed, depends on many of the people gathered here tonight.

Best wishes to SVCA on your 25th anniversary.