Singapore's UOB, Temasek to offer $500 mn for Asia start-ups

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Singapore's United Overseas Bank (UOB) said Tuesday it will partner with state-linked investment firm Temasek Holdings to provide up to $500 million in venture debt financing to start-ups in China, India and Southeast Asia.

The partnership will lend to "high-growth, innovative start-up companies in sectors such as technology, consumer, healthcare and clean technology" over the next five years, UOB said in a statement.

Venture debt is a type of financing for start-up firms which may not yet have the cash flow or assets to use as collateral for loans. It is an alternative to bank loans or raising capital by selling stocks to investors.

Under the agreement, UOB will acquire 50 percent of wholly-owned Temasek subsidiary Innoven Capital, the biggest provider of venture debt in India, with plans for the joint venture to establish subsidiaries in Singapore and China within months.

"Venture debt is important as it enables more of Asia's best start-ups to develop into world-class companies," said Eric Tham, managing director and head of commercial banking for the UOB Group.

"We can see this in China and India which have vibrant start-up ecosystems, while Singapore is establishing itself as the start-up hub of Southeast Asia."

Business consultancy EY (Ernst & Young) estimates the potential market size for venture debt in Singapore, China and India at $2.2 billion.

"This new pan-Asian venture debt financing initiative will seek the next generation of leading companies, providing the support they need to scale and succeed," said Ong Beng Teck, managing director, enterprise development group at Temasek.

UOB is one of Singapore's three major home-grown banks.

Temasek, one of the world's biggest state-linked investment firms, said this month its global portfolio reached a record Sg$266 billion ($194 billion) in the year to March, driven by rise in global equities.

It said its net profit rose to Sg$14.5 billion from Sg$10.9 billion the year before. Its holdings include top global brands such as banking firm Standard Chartered, Singapore Airlines and Spanish energy giant Repsol.

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