

FIVE CHARACTERISTICS OF AN OPPORTUNITY

- Creates significant value for customers or solves significant problem
- Offers significant profit potential for both investors and the entrepreneur
- The management team has the capability and experience to pursue
- Is durable
- Can be financed

BUSINESS MODELS AND STRATEGY

A BUSINESS MODEL describes...

- Sources of revenue
- Costs
- Size of investment required
- Success factors

STRATEGY gives the business...

- Differentiation
- Competitive advantages

THE BUSINESS PLAN

“You can’t get funding without one”

Applies to all sources of finance external to the founder.

- Relatives
- Banks
- Angel investors
- Venture Capital investors
- Private equity

BUSINESS PLAN FORMAT

- I. Contents
- II. Executive Summary
- III. The Opportunity
- IV. The company and its products (or services) and strategy
- V. The Management Team
- VI. Marketing Plan
- VII. Operating Plan
- VIII. Financial Plan

Appendix

Resumes of management team members

Supporting market research

Sales projections for initial products

EXTERNAL AND INTERNAL STRATEGY FORMULATION

- Outside threats and opportunities
- Inside resources and capabilities
- Solving for threats and opportunities
- Aligning the people and the activities of the business with the strategy

COMPANY LIFE CYCLE

THREE STAGES

Start up...

- Personal Savings
- Loans from friends
- Credit cards
- Home equity loan
- Trade credit from suppliers
- Local angels

COMPANY LIFE CYCLE

Growth...

- Internal cash flow
- Bank loan
- Venture capital
- IPO
- Asset-based loans/leases

COMPANY LIFE CYCLE

Maturity...

- Secondary share offering
- Bond issue

PROS AND CONS OF DIFFERENT CAPITAL SOURCES

INTERNAL CASH FLOW

- Cost-free if shareholder waives dividend
- May not be enough for the early stages of business

DEBT CAPITAL

- Interest payments generally tax deductible
- Interest rate variability
- Credit worthiness test
- Increases risk in the business

ANGEL AND VENTURE CAPITAL

- Potentially the most expensive as investor will take a significant ownership stake
- Free if the business fails
- Power must be shared with the VC investor but could bring valuable advice and credibility

LEVERAGE

Business with high proportion of debt to equity

- Advantages for the owner when company makes a profit
- Catastrophic for the business when cash flow falls

Key Ratios

- $\text{Total Debt} / \text{Total Assets} = \text{Debt ratio}$
- $\text{Total Liabilities} / \text{Owners Equity} = \text{Debt Equity ratio.}$
- $\text{EBIT} / \text{Interest Expense} = \text{Times interest earned ratio}$

WHAT IS A BUSINESS REALLY WORTH?

3 Different Approaches

- Asset – Based
- Earnings – Based
- Cash flow -Based

FUTURE OPPORTUNITIES

Islamic Banking

- Growing interest in Islamic Instruments
- Sharia compliant syndicated loans
- Sharia mortgages
- Singapore REIT launch

Ultra high net worth individuals

- Global phenomenon

WHAT IS THE IMPORTANCE OF THE VARIOUS CLASSES OF INVESTMENT TO UHNWI's?

(10 = highest degree importance)

	Europe	Middle East	North America	Latin America	East Asia	Global
Own Business	8.1	7.3	7.5	8.3	9.1	8.3
Property	7.4	7.0	6.5	7.1	8.1	7.3
Equities	5.4	4.9	6.5	6.0	6.4	6.1
Corporate bonds	5.3	5.2	4.5	5.6	4.9	5.0
Government bonds	5.2	4.7	5.1	5.1	4.1	4.7
Private equity/venture capital	4.5	5.8	4.8	3.2	3.8	4.3
Commodities	3.8	4.5	4.1	3.1	4.2	4.0
Hedge Funds	4.1	5.0	4.5	3.8	3.8	3.9
Gold	3.8	3.6	3.4	2.2	3.6	3.8
Derivatives	3.2	4.0	3.1	2.0	3.8	3.3

SOURCE : KNIGHT FRANK / CITI

WHAT HAS BEEN THE CHANGE IN ENTHUSIASM OF UHNWI'S TO INVEST IN ASSET CLASSES OVER THE PAST FIVE YEARS?

(5 = much more willing to invest)

	Europe	Middle East	North America	Latin America	East Asia	Global
Property	3.2	3.8	3.4	3.0	4.0	3.9
Equities	2.7	2.7	3.0	3.0	3.7	3.6
Government bonds	2.9	3.3	2.4	3.4	2.4	3.2
Corporate bonds	3.1	3.3	2.6	3.5	2.8	3.1
Commodities	2.9	2.6	2.9	3.0	3.2	3.0
Derivatives	2.1	2.2	2.3	1.6	2.7	2.9
Private equity/venture capital	2.1	2.2	2.5	1.8	2.3	2.7
Hedge Funds	2.2	2.2	2.8	2.2	2.5	2.4
Own business	3.6	4.1	3.6	4.0	4.0	2.3
Gold	3.3	3.0	2.6	2.9	3.1	2.3

SOURCE : KNIGHT FRANK / CITI

HOW WILL THE IMPORTANCE OF DIFFERENT ECONOMIC SECTORS TO UHNWI INVESTMENT STRATEGIES CHANGE OVER THE NEXT DECADE ?

(% of respondents)

	Not important	Limited importance	More important	Far more important
Energy	1	7	44	48
Natural resources	1	10	50	39
Healthcare	1	21	51	27
Green/low-carbon technology	2	21	58	19
Hi-tech industries	1	23	58	18
Food production	5	23	54	18
Education	5	39	29	17
Utilities	5	43	42	10
Communication	3	30	58	10
Leisure	8	50	35	7

SOURCE : KNIGHT FRANK / CITI