



Valuable Advice from Workshop 5

Effective Investment in Growth Companies – How Best To Go About Raising or Investing Capital

Held at the Northern Club, Auckland on Tuesday 13 October 2015

Allan McRae (Partner, Lowndes) introduced the four speakers: Marcia Rick Dawood (United States), Raiyo Nariman (Malaysia), Jayesh Parekh (Singapore) and Allan May (United States).

The discussion was opened with questions from the audience to the panel.

What are Angel investors looking for with growth companies?

Raiyo said with New Zealand companies it comes down to the ability to move from New Zealand and raise capital in another country. It is fundamental to get into the mindset of the market you want to transact in as it would be very hard to raise capital where your team has no expertise.

Marcia said companies need to differentiate themselves and set a clear pathway.

Allan May said that investors want to know how they can work with a company. Investors want a company to explain their target base, strategy, exit plan, etc.

What do Angels want to hear?

Allan May said Angel investors want to know how a company is going to make money.

Who steps up to help New Zealand businesses?

Raiyo said that at the end of the day “it’s your baby, it’s your call”. As a founder/business owner your company is your responsibility. Raiyo said these days there are phenomenal resources available to help your company upscale and he would struggle when someone says no one is helping them. He recommended growth companies to find an adviser.



What resources are available about Angel Investors in the United States?

Marcia mentioned Golden Seeds; one of US’s largest and most active investment groups that focus on the opportunities of women-led businesses. Allan May mentioned Angel Capital Association, which has every investor group you will want to talk to.



(L-R) Marcia Rick Dawood, Raiyo Nariman, Jayesh Parekh, Allan May, Allan McRae (Partner, Lowndes)

What are your thoughts on the “tyranny of distance” issue, especially for companies from countries such as New Zealand?

Jayesh said there are no boundaries for most products today, for example Facebook. He recommended investment in young people and noted that most young people are building products, but do not know who their customers are.

Allan May said the tyranny of distance can be overcome by technology such as Skype and Web On Demand. You have to talk to your customers, and technology will help you get feedback from customers despite geographical distance. That most honest feedback can be gained from looking at a customer’s body language. Allan emphasised the importance of customer discovery for businesses, and noted that companies do not need to raise capital to do this.

Raiyo said that tyranny of distance does not apply anymore. Sometimes you just have to hop on a plane and do it.



How viable is the social enterprise model?

Jayesh said that the social enterprise model was working and gave an example from India. A man in India started off with a fund investing in equity that makes a social impact. The intention of the fund is to do good by investing in education, healthcare, etc. He now has more than one fund. Jayesh noted there are half a dozen funds in India that are doing the same thing.

How often do you see a philanthropy model applied to a start up?

Jayesh said that a business needs to decide from day one whether it’s for profit or non-profit. Once that’s decided then the company just runs like a normal business.

What are your thoughts on failure?

Allan May said that a lot of people underestimate the risk of failure and the amount of failure that occurs. The number of failures in businesses is extremely high. Allan stated that everyone is nice when a business is winning. However, when a business is failing the character of a person shows. You can see who works hard, knuckles down etc. The way to success is to have failures.

Jayesh said in the US when two entrepreneurs come before an investor, one that has failed several times and one that has not, the investor is likely to take the one that has failed more seriously. However, this is not the view that is always taken, for example in India failure is taboo.

Marcia noted that some entrepreneurs think they can get to a certain point and keep raising more money; however a lot of the time businesses cannot do that. Be cautious of people that are on a high. It’s good to think about what can be done to the level that high a little bit and consider the milestones the business will hit, so that it is sustainable.

Raiyo said there is a difference between failure because you are daft and failure because things shift around you. It’s not good to fail for the sake of failing. When you do fail you must learn from it and consider what to bring the second time around.

How do you define success?

Jayesh said that with normal investment the number one thing is the internal rate of return (IRR). However, with social enterprises the number one thing is it’s impact.

Allan May added that knowing when to sell is a really big part of the game.

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