

The Essential Guide to Finding an International Investor



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Introduction

So, you're a business owner with a great product who wants to expand into overseas markets, or perhaps an entrepreneur with an innovative idea that you think has the capacity to disrupt current technologies. It could be that you've identified a demand for premium organic eggs in China from health conscious middle-class consumers. Or you might have developed a social program which has the potential to bring significant returns to investors, whilst also adding value to humanity; think a water-purification technique that can provide clean water to remote locations. You believe that your fledgling business or idea may have the potential to change the world and grow into a truly national or global company.

While ideas cost nothing to think up, you're all too aware that realising an innovative or brilliant concept is likely to require significant investment. Imagine that you want to follow through on your idea of harvesting organic eggs and exporting them to an organic-hungry China but when you crunch the numbers you realise that the production and harvesting costs are astronomical. Not wanting to give up, you persist, hoping that you can eventually raise the funds to commence operations. Time has passed and you've boot-strapped your project with your own funds for the past four years, and begged and borrowed from friends and family, but only raised a fraction of the capital that you need to realise your vision and harvest organic eggs at a large enough scale to start turning a profit. You're not a tech outfit, so none of the domestic banks will loan you any money and you can't access a grant from government either.

A former colleague has suggested that you seek investment from a cashed-up international investor. You've heard success stories of ambitious international investors propelling small businesses deep into the black and the idea appeals to you; but where to start? Here is a concise guide on how to attract international investors who can help you to convert a brilliant idea into a viable and prosperous company. **There are seven things you'll need:**

1 - A Project Which Appeals to Potential Investors

Though at face value this may sound like a basic requirement, it is one of the pitfalls investees fall into when trying to source funding from international investors. Quite simply, the potential investor must be interested by what you are proposing they invest into. Pitching to the wrong investor is a classic mistake - there's no point pitching a fin-tech project which needs \$2 million in quick funding to a sovereign wealth fund that is looking for investments in the resources sector valued at \$100 million or higher.

This means that you must profile potential investors based on what they are looking for in terms of strategic vision and assess whether your idea falls within that vision. You can begin this process by looking at the type of projects which a potential investor has previously put his/her money into and whether your project aligns with the investor's investment track-record. For instance, if you have identified that an investor is risk-averse then it is not sensible to approach someone who tends to invest \$5 million at a time with a request to fund a speculative \$50 million mining project which will make a return in seven years' time.

However, notwithstanding the above, if you identify that an investor tends to invest heavily in one sector then your project may offer a perfect solution to assist the investor diversify their portfolio. An agricultural-based company that specialises in selling tin-canned mangoes may take note that a wealthy investor has significant assets in the highly volatile minerals sectors. A well-considered pitch which expresses that the company's growth prospects are positive and sustained, especially in the face of a growing global population may be enough to get said investor interested in your project.

So, before you get started, make sure that you know your potential investor from the inside out. Research their financial holdings if possible, investigate where and what they tend to put their money towards and whether your idea fits within that framework. Perhaps they have philanthropic interests and donate their money to foundations providing clean drinking water to remote villages. Your revolutionary new water filter may just be the sort of thing which is likely to pique their interest. If the potential investor is an individual, learn what makes them tick as a person and whether your idea is compatible with their personality. Perhaps they are sports-lovers and are interested in your plan to sell hand-crafted cricket bats to the growing South Asian population in the UAE. If possible, try to spend time with them so that you can establish whether your prospects of obtaining investment capital are good.

2 - Strong Track Record and/or Inspiring Vision & Sound Strategy

While international investors are usually well-funded, entrepreneurs often mistakenly believe that they are just hanging around, waiting to invest money into new ideas. In reality nothing could be further from the truth and when pitching an idea, you should always remember that an investor will often have more to lose than what you do if the idea does not materialise into tangible financial returns. International investors are usually:

- Successful business people in their own right, with razor-sharp intuition about which projects are likely to succeed or fail.
- Members of wealthy families with staff trained to protect their wealth and make shrewd decisions about what to invest in.
- Representatives of private equity firms whose jobs depend on making strong returns on behalf of the firm.
- Sovereign wealth funds with strict criteria about the investment classes, risks and returns that they will accept.

If you're going to catch and hold the attention of one of the above sources of capital, you will need to have a strong track record that demonstrates solid performance over several years and indicates that your project is likely to succeed if it secures cash which will allow it to expand.

If your project is still at the point where it is an idea in need of realisation then it will need to capture hearts and most certainly minds. For instance, your idea for mobile water purification units for landlocked African countries will only capture hearts and minds if you can demonstrate that it is backed up by a well-thought out strategy that outlines how you will realise your vision and the timeframe in which you will return profits to the investor.

3 - Simple, Yet Compelling Pitch

If you are lucky enough to have a project which speaks for itself or is an inspiring idea, the next step is to create a compelling pitch that explains in detail the following:

Who you are and how you came to develop your project.

At the end of the day, investors are humans as well and will take an interest in who you are and what you stand for. Though perhaps a seemingly banal example, an investor is less likely to believe in your ambitions for domination of the fashion industry if you dress in an unpresentable way during your pitch. Make yourself as compelling as the project which you are pitching.

What your company does and what problems you solve for clients.

It is all well and good that you have come up with a brilliant and innovative idea, but the investor must know that your project will service a market. If your project is likely to reach a desirable category of consumers or end users then an investor is more likely to be interested. If you're selling bananas to Japan and your market research has indicated a demand for bananas from Japanese school canteens to provide pupils with a rich source of vitamin C then communicate this to the investor. If you have identified that demand for bananas has outpaced domestic supply then explain to the investor the shortage problem that you are solving through your project. Ultimately, an investor wants to know that there is a market ready to be serviced by your project. Explain this in your pitch.

Why are you different (and superior to) your competitors?

The reality of globalisation and world markets is that competition has probably never been higher. This means that your brilliant idea to change the world has probably been thought of already by dozens if not hundreds of people. Identify whether the market you are trying to enter is already congested with your product. If it is, then it is unlikely an investor will buy into your vision unless you can explain your project's point of difference and how it will withstand competition in the market in a very compelling way. Fierce competition is a reality of the global economy, but this should not deter you from following up on your project's vision. Just be prepared to justify why your project offers superior potential to that of competitors.

Why are you credible?

The reality is that not everyone with a brilliant idea will have an MBA from Harvard. Investors are aware of this and probably wouldn't be wealthy investors if they only backed the projects of highly educated people. A pertinent case study is the growth of HoneyFlow, where third generation beekeeper Cedar Anderson invented a manual crank mechanism which delivers honey on tap from the beehive. His company is now worth millions and is expected to grow as the global honey industry experiences high growth. As is evident from this case study, anybody can succeed in the business world but you need to be credible. To demonstrate credibility, make sure that you communicate your history, qualifications, experiences of past success and instances where your company has overcome challenges in the marketplace to help build a picture of you as an authority in your field.

What are the benefits of your solution and what ultimate result can the end user expect?

It goes without saying that a consumer is unlikely to purchase a product if they do not either need the product or they do not want the product. The same goes for investors - they won't invest if they don't understand how your initiative will make the world a better place. Your pitch must include the market demographic and social segment that your product is targeting and why the consumer needs or wants to use your product or service. If you sell bottled water to a country with known water-shortages, then make sure you tell the investor that there is an inelastic demand for the product you are looking to introduce into the market. Alternatively, if you are selling cosmetics to a developing economy with a growing middle-class hungry to absorb luxury western items then explain this in your pitch.

What is the opportunity for the investor?

Suffice it to say an investor will not invest his/her money if the likelihood of making a return on the investment is low. Your pitch must communicate the financial projections of the project and the timeframe in which they are likely to start seeing a return on their money. Similarly if the motivations of the investor are philanthropic, express to the investor which aspects of your project are in line with their philanthropic objectives. If the investor has other vested interests, make sure to identify these in your pitch. For instance, food security is a growing concern for Middle East and North African (MENA) countries and many individual investors and sovereign wealth funds are factoring this into their investments. If your pitch is to build a food processing plant, make sure to highlight to the investor how this benefits their overarching investment strategy of improving food security.

An investor wants to know that you have a plan and have devised systems to ensure that your plans are implemented with efficiency.

Securing capital from an investor is only the start, you also have to show the investor that you have a very clear idea about what you will do with the money once you have it. No smart investor will put money on the table if they believe that there is no clear plan for leveraging it, or if they think it is likely that you'll use a significant part of the money to pay yourself. Carefully plan and cross-check your projected expenditure before you pitch!

What will your vision look like when it is realised?

Depending on what your project is, an investor must be able to see an end result. If you are a start-up internet provider and you have set yourself the target of achieving 30% market share in the highly profitable telecommunications industry within the first five years of operations, then express to the investor that this target will be the measure of your success.

Though the above offers a clear guide on how to structure your pitch and which issues to focus on, your pitch needs to be simple enough for a ten-year old to understand and for your potential investor to repeat to his or her mates over a beer (or green tea). And here's the really tricky part, it needs to go for less than five minutes!

4 - Sound Financials or Realistic Projections Backed by Credible Strategy

If the potential investor likes the concept contained in your pitch, the next question they'll follow up with is how viable the project really is. Make sure that you are prepared and that you have your financials ready to canvass and ready for rigorous scrutiny. Ideally this should be at least three years' worth of financials showing a profit and/or growth for an existing project. If your project is still in the conceptual phase, you'll need a three-to-five-year financial forecast, backed up with a detailed strategy on how you plan to reach the forecast. If finance is not your strong point, seek professional assistance or get help from a knowledgeable colleague before you put your idea to your investor. Nothing will damage your prospects faster than shallow financials that don't hold up.

5 - Credible Leadership Team

While the investor will thoroughly check your financials, they will also cast a discerning eye over your leadership team (the board and executive), to ensure that you have joined forces with the kind of people who are likely to be able to realise your vision and ultimately convert your idea into profits for the investor.

Don't approach a potential investor without first having surrounded yourself with a sound leadership team in place. At a minimum, it's a good idea to recruit people with technical expertise in your field, financial know-how and general business acumen. The more you can demonstrate that the leadership team has succeeded in the past, the more convincing you'll look and the more comfortable your investor is likely to be with both you and your team.

6 - Cultural Skills

If you're looking for an international investor to back up your project it is likely that you have tried sourcing finance domestically but met resistance from risk-averse lenders. Though globalisation undoubtedly works in your favour and opens the door to other sources of capital, you must traverse a number of landmines to ensure that you behave in a culturally appropriate way.

This means that if you're looking to set up a project overseas or trying to source finance internationally, it's also a good idea to include a person with regional or country-specific expertise in the leadership team. The Middle East and China are two regions in particular where a cultural faux pas can make or break a business negotiation. For instance, in the Middle East, to give somebody something with your left hand is considered to be an incredibly rude gesture as the left hand carries with it negative connotations.

We have also heard a number of entrepreneur horror stories where the investor loved the investee's pitch, verbal agreements and commitments were agreed in principle, yet the negotiations broke down before they ever really got started because of the issue of time management. In Western business culture, particularly in Australia, we tend to attach a premium on our time and measure it in terms of money. Asian countries on the other hand tend to have polychronic cultures and a much more flexible relationship with time than what we may be accustomed to. For instance, time orientation tends to be higher in Western countries which means that tasks are processed sequentially and consecutively. In Indonesia or Malaysia on the other hand, tasks are more likely to be addressed simultaneously and less methodically than a Western business person may be accustomed to.

What we have described above are just a few examples of the cultural dynamics that may slow down the progress of your negotiations with foreign investors. However, it is inevitable that to get financing from an international investor, negotiations will be conducted on their terms rather than on yours. For this reason, it is essential that you obtain the correct cross-cultural training to ensure that your negotiations are conducted seamlessly.

7 - Cutting-Edge Digital Presence

First impressions are important and how you and your team present your project or company online is key to winning an investor's initial approval. Having a scrappy web presence or no web presence at all is the digital equivalent of turning up at a meeting with your shirt untucked and dirt under your fingernails... it doesn't set the right tone for a serious commercial conversation and is unlikely to impress a potential investor.

Dearin & Associates: How We Can Help You Attract a Foreign Investor

Sorting out these simple, but key elements in the capital sourcing process can mean the difference between getting to first base with an international investor and bombing out altogether.

Dearin & Associates is an international business consulting firm that helps established companies to access opportunities and capital in fast-growing international markets. We specialise in the MENA region, helping Australian companies to enter MENA markets and MENA companies to enter the Australian market. We also provide corporate advisory services to Australian and MENA-based companies and are known for our high quality, independent advice.

Our Investor Matching service helps you to find the right investor and maximises your ability to attract capital from MENA investors. Our network of associates and affiliated firms connects us to sovereign wealth funds, family offices and high net worth individuals. It also provides access to private equity firms, local brokers and authorities and relevant industry contacts.

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