

# BUSINESS OPPORTUNITIES IN STANDARDIZATION

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# PREON CAPITAL

## TWO FUNCTIONS

Family office for the most successful business angel in Europe

Innovative asset manager for the family office's liquidity and for external investors

### OBJECTIVE

Develop a set of equity investment products with risk, return and liquidity profiles that are particularly suitable for family offices and long-term investors

### MISSION

Continuously innovate methods and enhance productivity to decrease costs and maximize net returns for investors



JARI OVASKAINEN



Past or estimated performance is not necessarily indicative of future results

# A NEW CLASS OF EQUITY INVESTORS

Single-family (SFO) and multi-family (MFO) offices:

- Pioneered by the Rockfellers in late 1800
- Initially focusing on tax planning, property management, administration, payroll, etc
- Deeply transformed in last 20y with proliferation of millionaires/billionaires
- Today 3000+ SFOs globally
- 50% born in the last 20y
- \$4 trillion total wealth

New billionaire profile:

- entrepreneur
- sophisticated, value investor
- has extensive entrepreneurial network
- seeks long-term (next-generation) returns
- less demanding (more passive) than VC

## SFOS, MFOS ARE THE EMERGING SOURCE OF VENTURE CAPITAL

# DEFINITION OF A STANDARD

Standards provide people and organizations with a basis for mutual understanding, and are used as tools to facilitate communication, measurement, commerce and manufacturing

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## FOR USERS / CONSUMERS

### Advantages:

- enhance network effects
- attract consumers to new technology
- permit more informed product choices
- reduce product prices
- Increase speed and efficiency

### Disadvantages:

- reduce variety

## STANDARDS TRANSFORM PRODUCTS INTO COMMODITIES

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## FOR ENTREPRENEURS / INVESTORS

### Advantages:

- facilitate business interaction
- enable companies to comply with laws and regulations
- speed up market introduction of innovative products
- provide interoperability between new and existing products, services and processes
- facilitates mix and match between components of a system

### Disadvantages:

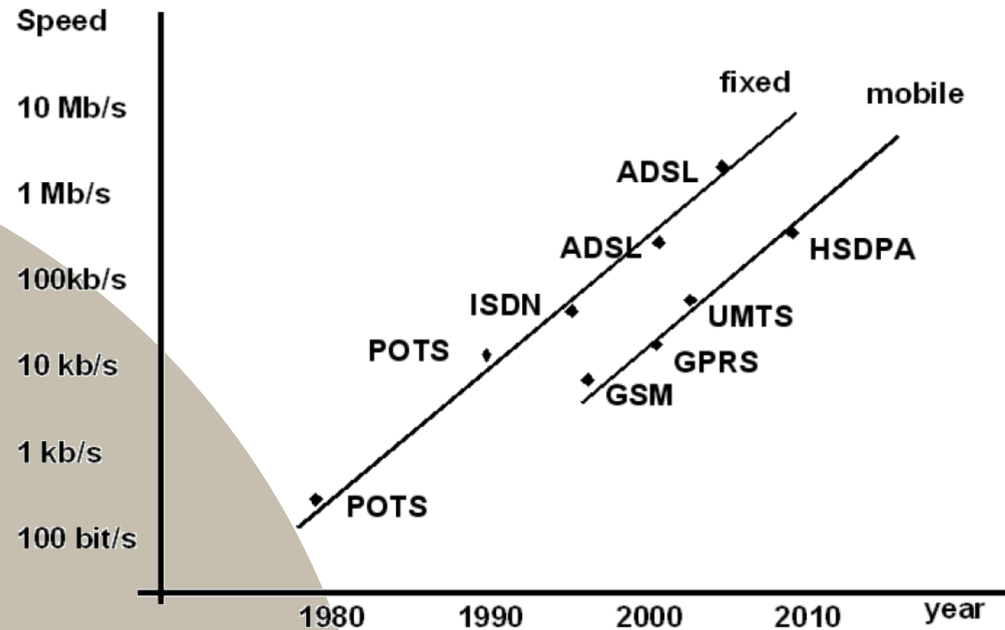
- increase competition
- Increase margin pressure
- increase regulatory burden
- impose frequent technology changes
- block technology evolution

IS THERE ANY REAL, LONG-TERM  
BUSINESS OPPORTUNITY  
FOR INVESTORS?

# STANDARDIZATION AND TECHNOLOGY REVOLUTION

## THREE CONDITIONS:

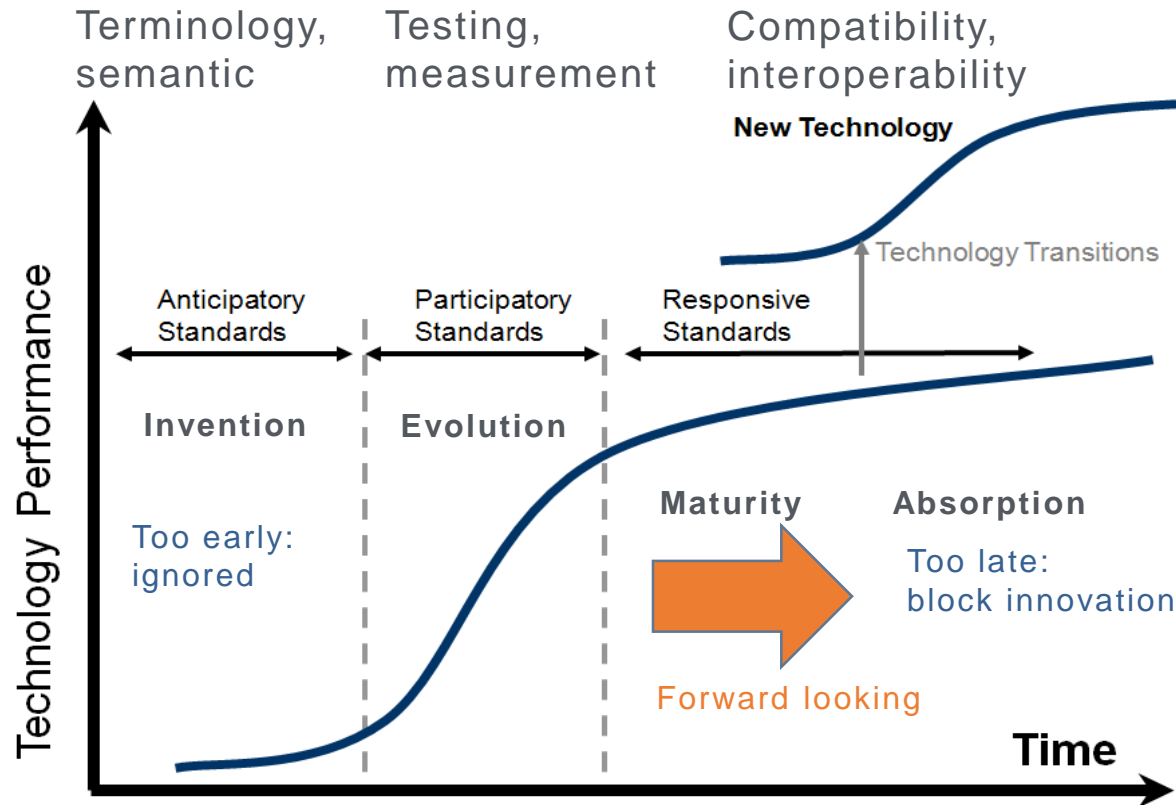
- a) Increase in performance
- b) Decrease in cost
- c) New standard



STANDARDS BRIDGE THE GAP BETWEEN RESEARCH AND MARKET

# SUCCESSFUL STANDARDS

## TIMING AND EVOLUTION



Source: [www.ifm.eng.cam.ac.uk/uploads/Resources/Reports/OSullivan\\_Dodin\\_Role\\_of\\_Standardisation\\_June\\_2012\\_\\_2\\_.pdf](http://www.ifm.eng.cam.ac.uk/uploads/Resources/Reports/OSullivan_Dodin_Role_of_Standardisation_June_2012__2_.pdf)



# BUSINESS OPPORTUNITIES

## A. IMPROVED, LOWER COST MANUFACTURING

MIX & MATCH OF STANDARD COMPONENTS

## B. DEVELOP PRODUCTS/SERVICES BASED ON A NEW STANDARD

BIRTH OF A NEW INDUSTRY

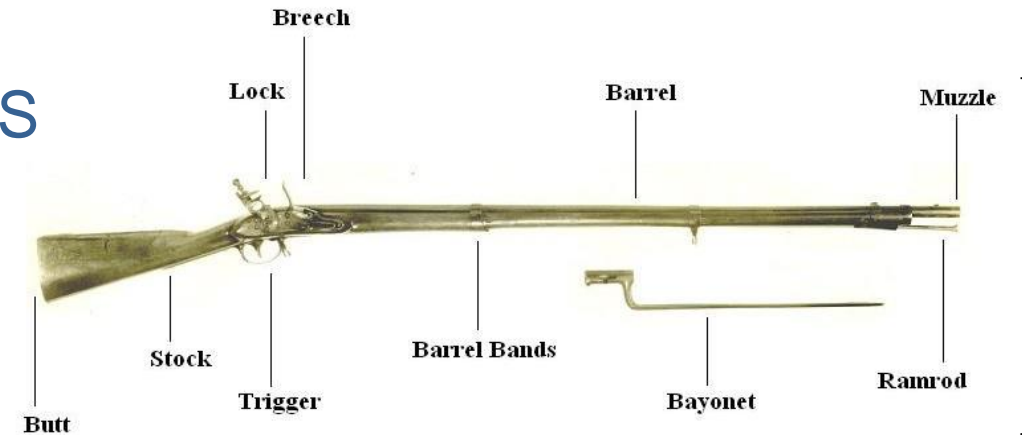
## C. INVEST IN RESEARCH THAT MAY GENERATE A STANDARD

IP ROYALTY REVENUE MODEL

# A. IMPROVED, LOWER COST MANUFACTURING

## THE ADVENT OF INTERCHANGEABLE PARTS

- In early 18<sup>th</sup> century gun making was an extremely skilled craft
- Every gun was unique, expensive to produce, difficult to repair
- In mid 18<sup>th</sup> century Honoré LeBlanc introduced standard parts
- Parts are simple, identical, interchangeable
- New guns required unskilled labour. They were cheap to produce and repair



## LEBLANC'S INVENTION WAS IGNORED IN FRANCE

- Revisited by Eli Whitney (1798) in US
- Used by US against France in the quasi-war
- Whitney's craft company was bought by Samuel Colt...

Benefit to the user: ✓✓✓

Benefit to the entrepreneur: ✓

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# B. DEVELOP SERVICES BASED ON A NEW STANDARD

## THE CONTAINERS “NEW” INDUSTRY

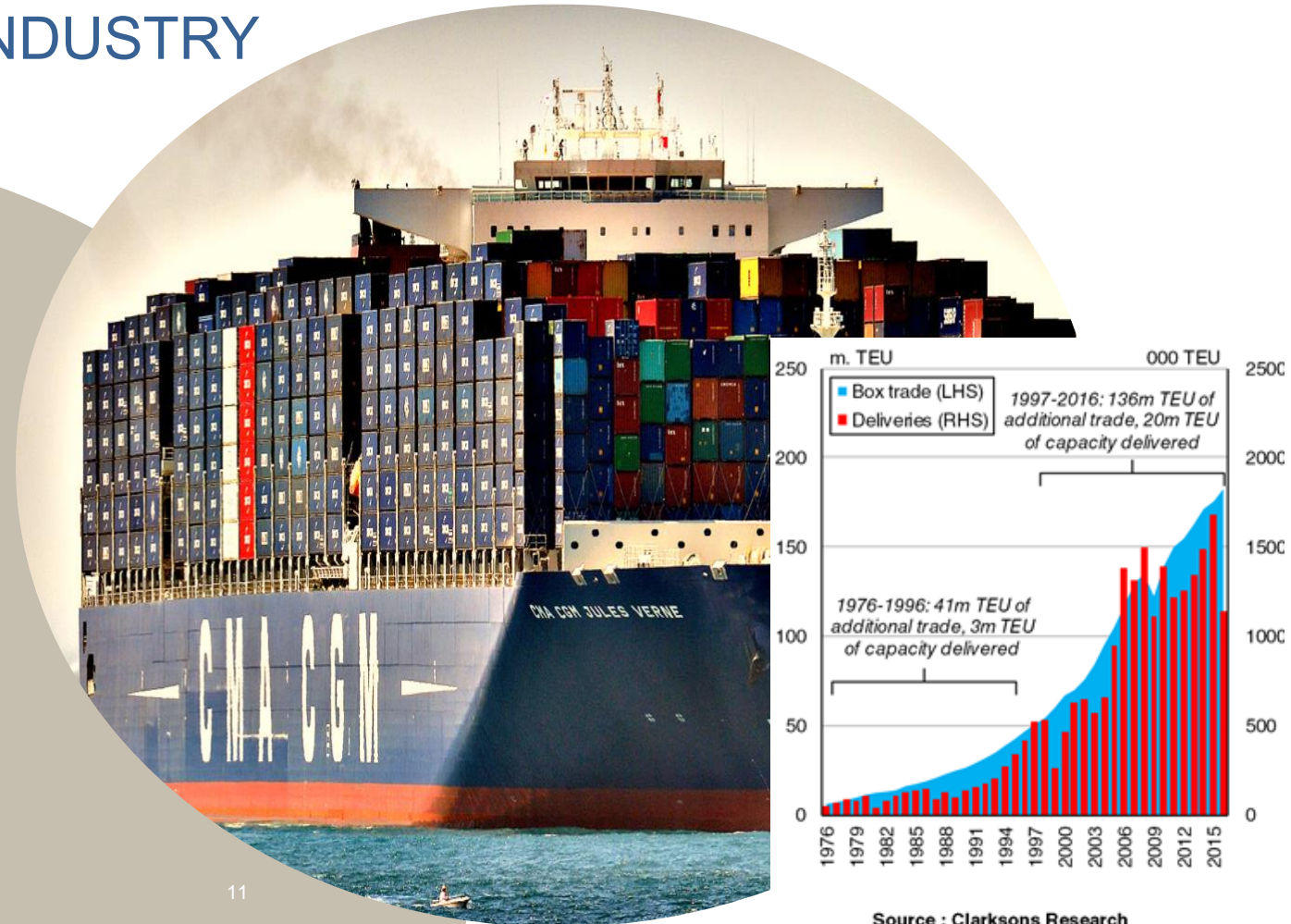
Before 1950 bulk-break cargo was loaded/unloaded one piece at a time  
 With TEU standard cargo grouped into identical boxes:

- Shipping time reduced by 84%
- Shipping cost reduced by 35%

The TEU standard has created a new industry, with enormous business opportunities, and boosted trade

Benefit to the user: ✓✓✓

Benefit to the entrepreneur: ✓✓



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# C. INVEST IN RESEARCH THAT MAY GENERATE A STANDARD

## THE technicolor BUSINESS CASE

Former Thomson, Thomson Multimedia  
Active in all tech fields (A,B,C above) but focus is in tech IP (MPEG, HEVC, etc.)

Today owns 40k patents from 6k inventions

Royalties from IP licences:

- EUR 290M or 6% of sales
- 35% of EBITDA
- 70% margin

Benefit to the user: ✓✓

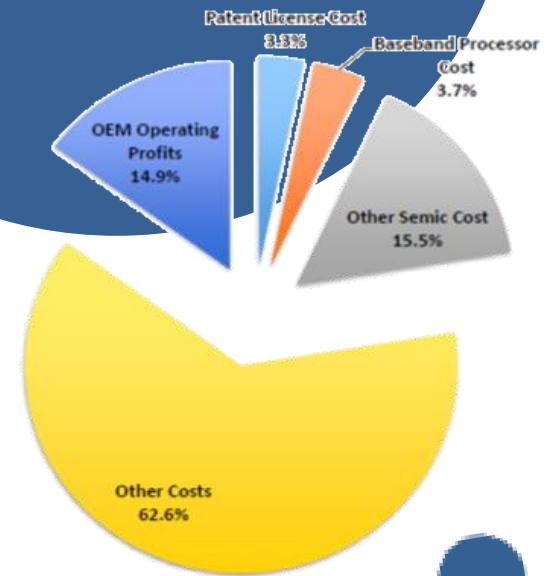
Benefit to the entrepreneur: ✓✓✓

(\*) Source: <http://hooverip2.org/wp-content/uploads/ip2-wp16011-paper.pdf>

(\*\*) Source: Bloomberg

Mobile phones patent yield:  
A recent study(\*) indicates:

- 32 licensors
- \$14b/y royalties
- 3.3% on mobile shipment sales



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# A STANDARD FOR GENOME SEQUENCING?

## DEVELOPMENT STAGE?

Technology is mature

Entering Genomics 2.0 (or mass-market) era

## WHICH TYPE OF STANDARD?

Need a responsive standard

Fostering “compatibility and interoperability”

## WHICH TECHNOLOGY?

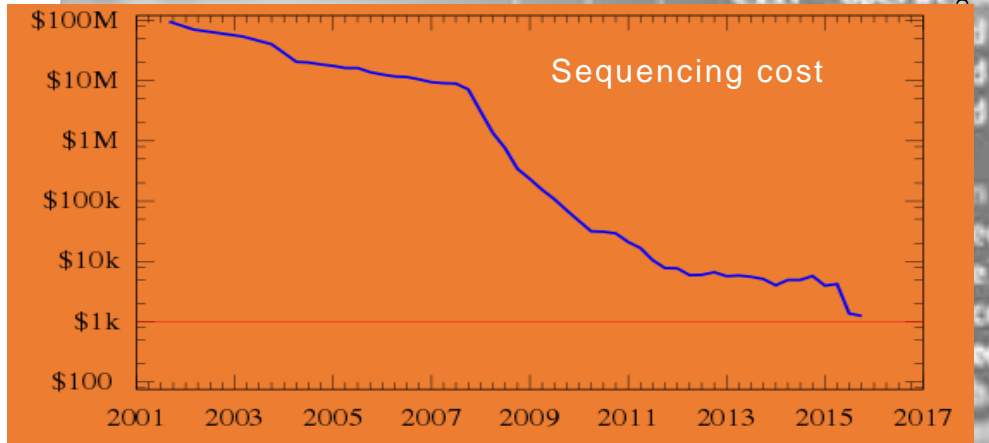
Still at the dawn of a new science

Need a forward-looking standard

Beyond compression performance, random access and privacy issues should be key element

**TIMING SEEMS TO BE RIGHT  
AMAZING OPPORTUNITY TO DEFINE  
THE LANGUAGE OF A NEW SCIENCE**

Web 2.0 (2004) describes WWW websites that emphasize user-generated content, usability, and interoperability for end-users. It describes the transition from an academic, research-driven usage to a universal, mass usage of the internet. It emphasizes facility of data exchange via the development of universal interfaces (“Standards”)



of future results

# CONTACTS

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