BUSINESS OPPORTUNITIES
IN STANDARDIZATION

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PREON CAPITAL

TWO FUNCTIONS

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

Family office for the most successful business angel in Europe

MISSION

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

SFOS, MFOS ARE THE EMERGING SOURCE OF VENTURE CAPITAL

New billionaire profile:
• entrepreneur
• sophisticated, value investor
• has extensive entrepreneurial network
• seeks long-term (next-generation) returns
• less demanding (more passive) than VC
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.
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
Past or estimated performance is not necessarily indicative of future results

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

Terminology, semantic
Anticipatory Standards
Invention
Too early: ignored

Testing, measurement
Participatory Standards
Evolution
Maturity

Compatibility, interoperability
Responsive Standards
Absorption
Too late: block innovation

New Technology
Technology Transitions
Forward looking

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 18th century gun making was an extremely skilled craft
- Every gun was unique, expensive to produce, difficult to repair
- In mid 18th 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: √
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: √ √
C. INVEST IN RESEARCH THAT MAY GENERATE A STANDARD

THE 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: √ √ √

Mobile phones patent yield:
A recent study(*) indicates:
• 32 licensors
• $14b/y royalties
• 3.3% on mobile shipment sales

(**) Source: Bloomberg
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”)