



## Driving business value through enhanced margins and capital efficiency

### Current trends

Economies and markets are showing favourable signs of stabilisation and improvement, and many family offices are focused on consolidation, recovering trading performance and dealing with the legacy issues brought about by the COVID-19 pandemic. Sectors have been impacted in different ways therefore the response of family offices will vary by portfolio in order to align to group objectives. We are witnessing some common activities and themes across family offices:

- Family offices are critically assessing core and non-core asset portfolios as well as where and how to invest.
- Cost reduction and budget tightening has been implemented, but now requires strategic change to support business growth.
- Working capital cycles and their risk profiles are increasing in many sectors.
- Central Bank stimulus is still supporting capital structures but acknowledging that it will not be finite.
- Reassessment of business model appropriateness in a new digital economy.

### Future trends

As family offices navigate challenges, they may encounter structural transformations and explore new business models, including equity models, and even future IPOs. There needs to be careful attention to the future corporatisation of the group in order to provide platforms for long term growth as well as risk mitigation. Areas to consider include:

- Future proofing business models and strategies to enhance returns for the long term, through technology, further acquisition or organic investment.
- Exiting of non-core businesses that attract either too little or too much investment from management, or the underperforming businesses that are a drain on overall profit margins.
- More focus on balance sheets and risks posed therein from sub-optimal working capital management or inappropriate debt structures.
- Obtaining a clear group view on portfolio performance reporting, focusing on cash, and working capital efficiency in addition to profitability.
- Prioritisation of capital investment and funding allocation considering capital efficiency and relative returns.

As the family office navigates the changes brought through transformation of the group, there is much consideration to the role and expectations of the family members, as well as those of the c-suite as entrusted custodians of the family's business.

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