

RICHTER

Assessing IBA Related Business Opportunities

Québec

February 21, 2018



Financial Value through Business Opportunities



- **Contracting provisions can represent a win-win in IBA negotiations**
 - It can be a low or no cost concession for a project proponent
 - The financial opportunities to the community can be significant

- **However, business opportunities carry a financial risk**
 - Financial participation payments can be structured to fluctuate with success / failure of project, but risks don't include loss of capital
 - Business ventures involve real investment, and real risks of direct financial losses

Financial Value through Business Opportunities



- **Proper due diligence is the key to success**
 - Need to identify the right opportunities and discard the poor ones
 - Mistakes can be costly, even putting a community in dire financial straights
 - Diligence needs to be done before commitments are taken
 - Financial vs. political considerations

Due Diligence 101



- **Assessment of Proposed Business Partners**
 - Community entrepreneurs / Non-aboriginal JV partners
 - Motive / Character / Reputation
 - Relevant experience
 - Appropriate partnership / ownership structure

Due Diligence 101



➤ Operational Assessment

- Feasibility of delivering the product and/or service
- Operational processes and industry specific know-how
- Availability of necessary resources (materials / skilled labor / equipment)
- Customer / contract considerations
- Reliance on external suppliers or contractors
- ***Does the operational business plan stand up to scrutiny?***

Due Diligence 101



➤ Financial Assessment

- First step: preparation of a proper financial business plan
- Are the underlying assumptions realistic, conservative, and consistent with the operational plan?
- In addition to financial professionals, may need to engage industry-specific experts to vet material assumptions
- Review of profitability and ROI metrics
- Availability of appropriate and sufficient financing to launch and sustain the early stages of the venture – **Cash is King**

Due Diligence 101



➤ Overall Assessment of the Opportunity

- Probability of success
- Is this the right venture at the right time?
- Risk / Reward analysis – financial / social considerations
- Exit strategy – What is the financial downside / worse case scenario?

Contents of a good business plan



**Company
Profile**

**Executive
Summary**

**Marketing
Plan**

**Financial
Projections**



**Industry /
Market
Analysis**

**Project
Description**

**Operations
Plan**

**Management
Team**

Questions



Eric Barbieri, CPA, CA, CTP, CIRP, LIT
Phone: 514.934.8693
E-mail: ebarbieri@richter.ca

**Richter Aboriginal Advisory
Services**

**Richter services-conseil aux
collectivités autochtones**

**1981 McGill College
Mtl (Qc) H3A0G6
www.richter.ca**

