



cutting through complexity

Family matters

**Financing Family
Business growth
through individual
investors**

COUNTRY COMMENTARY:
RUSSIA

kpmgfamilybusiness.com

Russia

HNWIs in Russia have mixed attitudes towards family business investments. Two out of five preferred to invest in family businesses, while one other specifically targeted non-family company and two more had no preference.



The fact that family members have a big stake in the company is attractive to investors, according to one Russia-based HNWI: "I like family businesses as they are well managed and organized. The way family members are placed strategically in different departments is a great sight, as everything is managed well and there is lack of manipulation as the members have their own share in the returns based on business performance." Encouragingly, four of the five Russian HNWIs have varying degrees of interest in investing in family businesses in the future, with two of them very much so.

Family business' view of HNWIs is generally positive, with three out of five having received direct finance from an external investor before, and four out of five businesses having previously offered equity to an external investor. One CFO from Moscow said: "We obtained investments from a HNWI, as we had existing relations with them. We had to develop our supply chain model with the increasing competition which required high amounts of investments and the HNWI showed great trust and confidence in our firm."

However, another respondent, a Moscow-based head of corporate development, said that finding this kind of partnership is challenging: "Sourcing investments from HNWIs is not easy, the availability is limited and finding the right partner to satisfy your investment need is difficult."

Despite this positivity, not all businesses are open-minded about offering HNWIs involvement – two out of five respondents indicated that they would prefer investors who were completely passive.

Family businesses in Russia and CIS are undergoing a transformation, whereby the first generations of owners are gradually considering the next steps: exit the business, pass it on to the next generation or other alternatives. These younger family firms are experiencing some of the many issues that are specific to family-owned businesses, which countries with third and excessive generations of owners have already gone through. Family business and HNWI sectors have become an increasingly important economic player to be recognized by financial institutions and other market participants. The challenges that this development may bring are numerous, but the opportunities will easily overcome them.

VICTOR AKULIAN
PARTNER, HEAD OF FAMILY BUSINESS,
KPMG IN RUSSIA AND THE CIS

KPMG in Russia and the CIS

Victor Akulian

Partner

ZAO KPMG

Naberezhnaya Tower Complex, Block C

10 Presnenskaya Naberezhnaya

Moscow 123317

Russia

T: +7 495 937 4444

E: vrakulian@kpmg.ru

www.kpmg.com/socialmedia



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