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INTERNATIONAL TECH HUBS

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INTRODUCTION

Welcome to the International Tech Hubs ebook, brought to you by BDO's plugd:in platform.

This work represents the latest in BDO's insights into the future tech hubs of the world. Gathering together the collective expertise of BDO's partners around the world, we review each location's benefits and advantages for startups, scale-ups, established businesses and investors looking to expand internationally.

From untapped talent pools and expansive available capital to strong governmental support, we believe these areas represent the most fertile locations for tech businesses to thrive. We highlight local specialisms and advantages, and correct some myths and misconceptions. Drawing on years of experience advising businesses of all sizes and investors of all interests, we believe the following locations represent the best opportunities for technology ventures:

- **Australia:** a bridge market with deep capital potential
- **India:** a transformed market with untapped potential
- **Silicon Valley:** a mature tech market with opportunities for big ideas
- **France:** a stable region with appeal for the tenacious
- **Canada:** a positive area for growth with significant R&D benefits
- **London:** an unparalleled market with a supportive development heritage
- **Malaysia:** an extremely attractive package for foreign businesses
- **Israel:** a highly innovative zone with a unique talent pool.

The world's present trying times have illuminated the increasing need for technological solutions. The COVID-19 pandemic will lead us to rely more heavily on technological solutions across all sectors, not least manufacturing, agrotechnology, SaaS, medtech and life sciences. Support – both financial and governmental – will be critical to meet the "New Normal" of our post-coronavirus world. The global tech hubs highlighted in this work are still the epicentres of business growth and investor interest, and will be at the heart of this vital post-pandemic project.

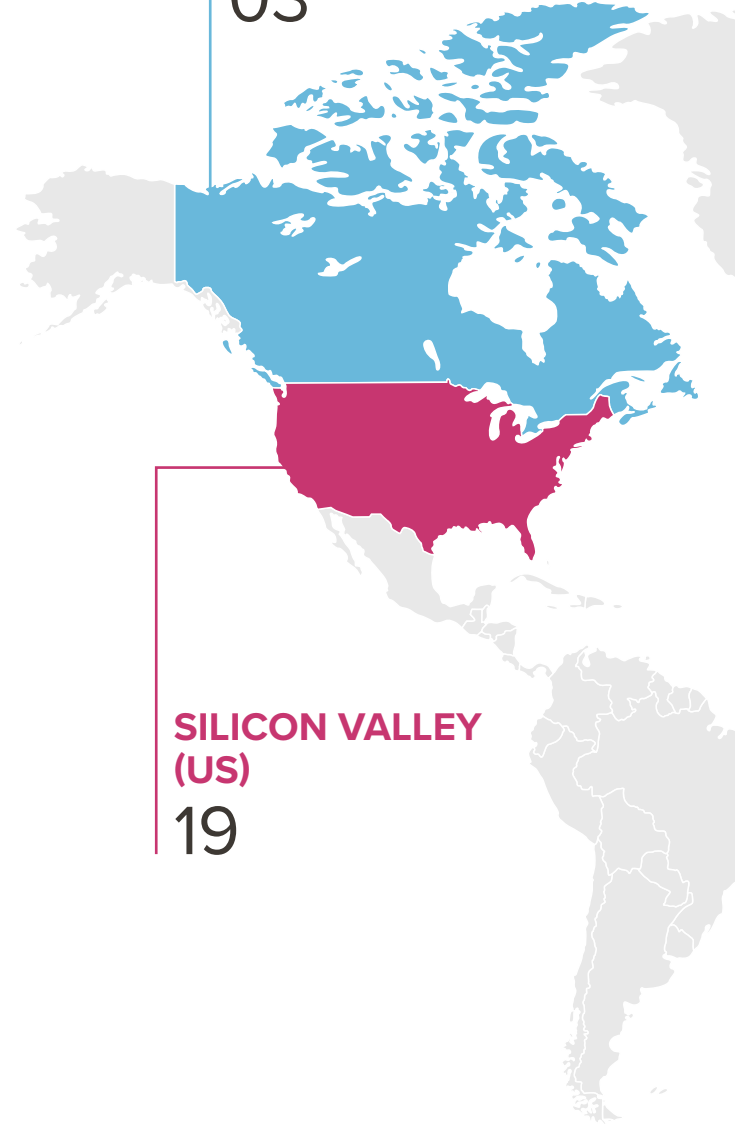
We hope this ebook provides you with useful and unique insight into the future of the world's technological developments. Thank you for reading.

CANADA

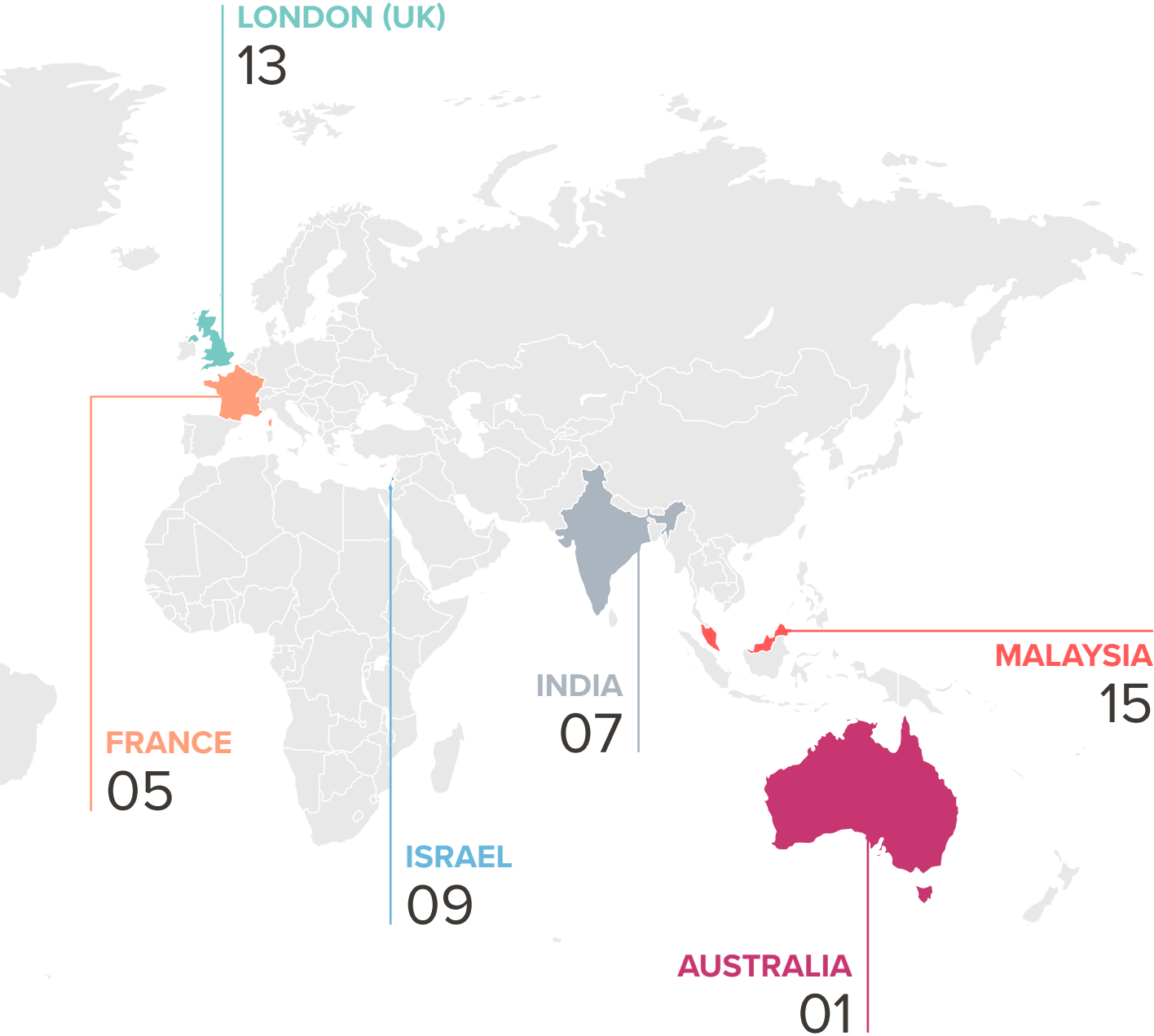
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AUSTRALIA



With expert input from Sebastian Stevens, National Leader - Private Equity and Partner in Charge - Corporate Finance, BDO Sydney. Sebastian has 25 years of experience providing international and cross-border services growing private and publicly-listed companies with a focus on Technology, Media and Telecommunications.

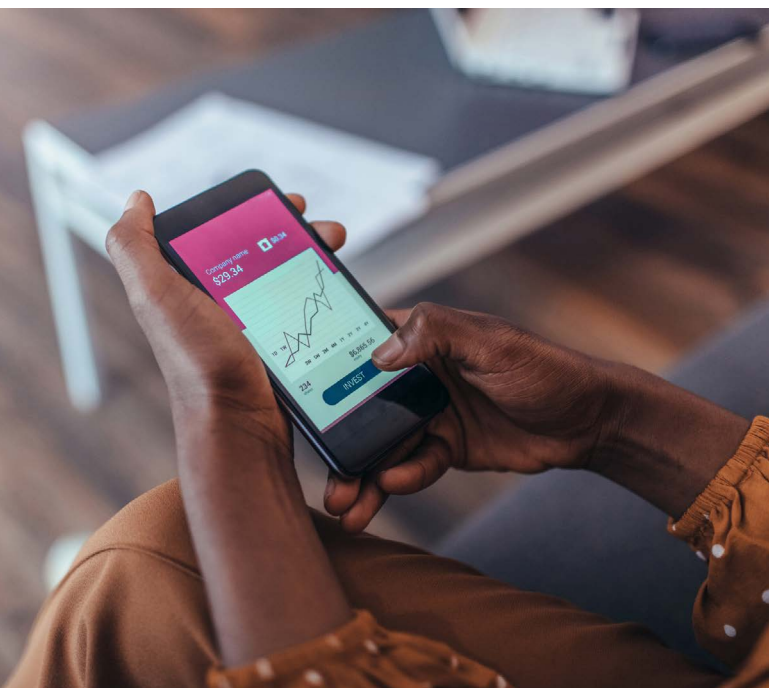


OVERVIEW: A BRIDGE MARKET WITH DEEP CAPITAL POTENTIAL

The perception of Australia as remote has led to significant untapped capital in a location with unrivalled access to both the Asian and Western markets. Though the population may be small in comparison to its Western competition, Australia's support for technology companies and its stable stock exchange make it an appealing prospect for tech businesses and investors alike.



AUSTRALIA HAS THE FOURTH MOST TRADED STOCK EXCHANGE IN THE WORLD



THE TECH LANDSCAPE

Australia benefits from straddling both the Asian and Western markets. It is effectively the Western landing point for businesses looking to set up in Asia and particularly appeals to tech companies not confident enough to immediately establish themselves in Asian hubs such as Singapore, Hong Kong or Japan due to cultural challenges and differences in the way business is done. Australia acts as a launching pad into the Asian market and, as a result, Sydney has become the financial capital of Australia where large multinationals congregate.

Australia has become a testing ground for companies looking for safe landing points, where they can take advantage of Australia's English-language operations but also proximity to the Asian market. Likewise, for Asian companies, it is easier to connect with the West by using Australia as a conduit.

The stock exchange is also appealing. Australia has one of the most active and vibrant stock exchanges in the world. This has led many companies to expand out of the US to be listed on the Australian stock exchange, particularly tech companies. It gives them a profile on a listed exchange, but also gives them access to Australian, Asian and Western investors. That, along with deep capital pockets, has led tech to become one of the leading sectors in Australia.

THE TECH BUSINESS ECOSYSTEM

Like in other global cities, all the significant tech players are already established in the Australian market. Where Australia differs to other nations is that there tends to be greater specificity in the tech businesses that congregate in each city, largely depending on the type of sectors that are prominent in that region. Brisbane, for example, is very strong in the agriculture and mining sectors; Perth attracts mining tech in particular. Melbourne is home to retail technology. As Sydney houses the majority of financial institutions fintech companies can often find their natural home there.

Australian cities operate almost as entirely different markets, because of the enormous distances (1,000km+) between each locale. The tech businesses that do well in each location depend on what works generally in the area. However, Sydney due to its financial focus, is usually the first landing point for businesses expanding into Australia. There are successful software, proptech, retail technology, manufacturing technology firms and more, though the main type of tech is still financial in nature.

However, there is a growing focus on manufacturing technology across Australia as a whole. Given world events, companies want greater control over their supply chain, and to make costs comparable with China, technology is necessary.



AUSTRALIA HAS BECOME A TESTING GROUND FOR COMPANIES LOOKING FOR SAFE LANDING POINTS

THE TALENT POOL

As with any other location, finding the right talent can be difficult. Australia's relatively small population means that the pool is less expansive. However, that scarcity of talent is meted by the skilled workers that come in from the Asian market, from the UK and the U.S. Australia provides a great English-speaking location for these people to come and work, and the remuneration is strong, which attracts talent.

GOVERNMENT SUPPORT

Australia doesn't have any particular surprises in terms of accounting standards or reporting, making it easy for businesses in the U.S. and other locations to transition into this market. There is also the appeal of the economic benefit of tax incentives for start-up tech businesses in Australia. Preferred treatment is given by the tax office if a technology is started in Australia, which encourages innovation.

THE AVAILABLE CAPITAL

There is no shortage of capital in the market. Innovative start-ups seeking angel investors or government grants will find the market very supportive. Businesses that are moving into their next stage can find global players in venture capital willing to invest. Established businesses find ample private equity investment, or list on the stock exchange. There's plenty of opportunity for raising capital in Australia.

There's also the compulsory superannuation system, which sees every single employee paying 11% of their salary to superannuation that is then invested. That generates approximately \$3 trillion of capital that has to find a home, and given the appeal of backing the next tech unicorn, tech businesses are often the recipients of that financial support.

THE INVESTOR ANGLE

Virtually every country is investing in Australia in some shape or form. The two main regions investing in Australia are the U.S. and UK – representing about 60% of interest - followed by Japan, China and Europe as a whole.

Investors here often believe that if a tech business makes it work in Australia, with its small population of 25 million and extensive land mass, it has a product or service that can work very well in a larger population country. Investors are happy to back companies that can transplant easily into markets such as the U.S., which has a much larger populace. As a result, however, the Australian market is seen as a gateway, rather than a place to settle a business.

THE COMMON MISCONCEPTION

The perception of the Australian market is one of beaches and the outback and therefore that it isn't a place where anything is happening. Once it becomes clearer that it has one of the most appealing exchanges in the world and is a leading location globally for investable capital, businesses are much more willing to establish themselves here. There have been 27 years of continuous economic growth in Australia – something that no other country globally has been able to achieve. Its robust economy, globally recognised banking system with deep capital markets are almost undiscovered because of this perception.



CANADA



Peter Matutat, National Leader for Technology and Life Sciences at BDO Canada LLP, works with his team to best serve clients in the technology space, many of them from overseas.



Harry Chana is National Tax Technology leader for BDO Canada, and International Tax Services Leader. His main practice area is with tech companies expanding either into Canada or expanding outside of Canada, and looking at tax efficient structuring on companies that are expanding globally.

WHAT ARE THE ADVANTAGES OF CANADA AS A PLACE FOR A TECH SCALE-UP TO CONSIDER EXPANDING INTO?

We have a number of clients who move into Canada from other countries, and I'm always amazed by the ease with which they can get set up in Canada. It's a very business-friendly environment, and with good advice, companies can be guided through the necessary process of ground-floor operational items – such as incorporation, tax registration, establishing the right legal structure, workers' compensation board registrations and so on – in a remarkably painless way. And then they're basically good to go!

Another big incentive for firms looking to move into Canada is the R&D programme, which is invaluable for tech companies because there's almost always IP involved. If you have people carrying out some type of design, development or coding activity, then there's every likelihood that IP is being generated, which raises the possibility of tax credits and incentives. A lot of those credits have cash value even though you're not taxable, so Canada is very lucrative for businesses from that perspective.

Over recent years, the Canadian federal and provincial authorities have worked hard to create a positive business environment that is very open to overseas companies. A range of incentives and investments have been introduced to encourage companies into Canada, not just via tax incentives but also in immigration policy and encouraging large tech companies to come to Canada, around which a rich ecosystems of partners and suppliers has developed. All of this has really helped to ensure that we have the right bench strength in Canada to really increase our tech presence.



CANADA OFFERS A RICH POOL OF TECH TALENT

As with any business moving into any new country, Canada of course has its nuances in terms of tax regime, regulatory framework and so on. If you go into the process blindly, thinking you can just test the waters and attend a few trade shows and sign up some customers, you could easily come unstuck. But with some reliable professional advice, you could easily be set up and running within days. With the right advice from the outset, it's really just a one-stop-shop, and you'll be able to avoid all sorts of issues before they develop into anything more serious.

WHERE ARE THE KEY TECH HUBS LOCATED?

Today there are good tech companies right across the country. While there are still some specialised concentrations, in the past 20 years the requirement to be in a particular geographic area in order to develop a good software company in Canada has significantly reduced. In some cases, it can be a positive advantage to be in a geography that's outside of the main centres.

That's not to say that there aren't clusters, and they do tend to be in the bigger cities. Toronto has the biggest concentration of tech companies, followed by Vancouver and Montreal. And then you have Waterloo, which has always had a historical focus on technology through the world renowned University of Waterloo.

Vancouver has long been known for gaming and electronic media, while Montreal has some very significant players in the AI space. Toronto has always been strong on mobile and software development. All the major banks and finance institutions have a strong presence in Toronto, so it's no surprise that there is a strong fintech sector here too.

HOW EASY IS IT TO ACCESS TALENT?

Canada offers a rich pool of tech talent. A key reason for this is the country's immigration system. Recent federal budgets have offered some administrative relief that's geared to getting tech-type employees into Canada and streamlining the whole visa process. The other key factor is that the US has tightened up some of its entry requirements. This means that you have a lot of highly skilled coders and developers and skills – just the sort of people that emerging tech companies need – who might once have headed to Silicon Valley and other tech hubs stateside but are now drawn to Canada instead.

In addition, we're seeing job traction in the tech market from some of the big tech companies that are looking to move into Canada and setting up in key geographies like Toronto, Vancouver and Waterloo. This can be a double-edged sword, of course, because the big players have the power to pay bigger salaries and attract some of the high-value talent away from the start-ups and emerging scale-ups. But on the other hand, their very presence adds to the influx of highly skilled workers, increases demand and helps to expand the whole tech ecosystem in each area.

In terms of geography, we can't overlook the importance of Canada's proximity to the United States, which has always had a big impact on how our business world operates here and how we see our relationship with other countries. Because we have access to such a huge trading partner, we are naturally an export focused country, with the US always the first choice.

WHAT'S THE AVAILABILITY OF CAPITAL AND INVESTMENT?

Emerging tech companies are especially hungry for capital as a rule, and in Canada there is a corresponding appetite to invest in technology. In particular, we are seeing more and more foreign investment. Primarily, there is a lot of private equity coming from the US to invest in technology, whether that's a tack-on acquisition to add to a company portfolio or a brand-new acquisition.

Canada currently stands at #6 in Forbes' annual look at the Best Countries for Business (2019), which measures countries that are most hospitable to capital investment. That's 11 spots above the US.

For emerging companies, there is a good range of angel investors at the early stage and the pool of venture capital continues to develop and is becoming more available to draw on as they start to scale.

WHICH COUNTRIES ARE INVESTING IN CANADA?

Along with the US, other key countries that are investing in tech in Canada would include China (Hong Kong enjoys long-standing links with the West Coast and Toronto) and the UK, followed by a selection of some of the other bigger European economies.

WHAT ABOUT RESEARCH FUNDING?

Canada offers in excess of 200 types of incentive credit for businesses engaged in what we call SR&ED, or scientific research and experimental development. Most are available to companies regardless of whether they are Canadian-owned, foreign or foreign-owned. Often, they are aimed at different categories, such as clean tech, pure tech or the manufacturing sector. In addition, each province has its own set of incentives to offer as well.

The thrust behind all of these benefits is to incentivise businesses to conduct R&D in Canada. It's a more robust incentive system than many other countries, including the US, and often very lucrative. In some cases, depending on the province you're operating in, you could end up recovering at least half of your spend on R&D activity, whether that's developing IP, or developing the next generation of some type of a service offering that you have. And a lot of that is actual cash in hand, with no tax payable on it in Canada. Some countries take a more retrospective approach to R&D credits, but in Canada the approach is very much around incentivising the development of ideas from the outset, with the aim of encouraging more great tech companies to want to do business in this jurisdiction.



WHAT ARE THE SOFTER BENEFITS OF DOING BUSINESS IN CANADA?

With its progressive politics and famously relaxed, welcoming culture, Canada is one of the world's most admired countries. History, geography and culture all come together to offer a quality of life that is among the best in the world, making it a country that's very agreeable to live and work in.

Canada has a stable economy, with minimal red tape and corruption, which withstood the 2008 financial crisis better than many other countries because of early intervention and strong governance.

For decades, Canada has been consciously working to make itself more attractive to foreign investors, and – just as it takes years to shape an outward-facing economic and business environment – so many other aspects of its appeal have been hard-won over generations: low crime rates, high literacy, a high standard of living, a diverse culture that is very accepting of overseas cultures.

Canada has a very open stance towards immigration, as a result of which there are populations from countries and ethnic groups the world over. It's wonderful during the football World Cup, for example – whichever team wins a game, there's always a celebration somewhere!

ARE THERE ANY SPECIFIC TAX OR ACCOUNTING PARTICULARITIES TO BE AWARE OF?

One point to make here – and which often comes as a surprise to European countries – is that we have no statutory audit requirements in Canada. So you don't need to file your financial statements with any organisation and you don't need to have a statutory audit, all of which is very similar to the regime in the US. Canada's corporate tax rate is also one of the lowest among international business destinations.

From an accounting perspective, you can use local GAAP if you're a private company, but everyone here is also very familiar with US GAAP and IFRS as well.

If you're looking to move business into Canada, the conversation always needs to start with a clear understanding of your goals, and then the focus of advice and regulatory efforts follows from that. Some tech companies just want to set up an R&D centre, for example, so the area of incentives becomes really important. In other cases, you might have SaaS-based operation, with people on the ground floor who are helping to sell the service, so tax on profits is more in play. We may also need to look at the structure of the entity, with a view to scaling the structure in line with the business' growth and perhaps a planned path to exit. As always, it's a matter of seeking bespoke advice in light of your plans for the future operations of the entity.



FRANCE



With expert input from Eric Picarle, Partner, BDO France. Eric has over 15 years' auditing and accounting experience for a range of businesses, with strong expertise in the life sciences sector.



OVERVIEW: A STABLE REGION WITH APPEAL FOR THE TENACIOUS

France offers stability for international businesses looking for solid capital opportunities. With strong governmental support for research and development, tech businesses can thrive if they have the tenacity to navigate each French region's geographical idiosyncrasies.

THE TECH LANDSCAPE

In 2018, 58 countries invested in France – with the United States, Germany, UK, Netherlands and Italy the highest contributors. Following a significant increase in investor interest, France is now considered the second European marketplace for foreign investment after Germany.

With its well-oiled market, stable economy and impressive infrastructure and talent pool, France offers appealing opportunities for businesses and investors alike.

THE TECH BUSINESS ECOSYSTEM

There's a healthy level of competition in France between various chambers of commerce, cities, departments and regions – which is both an advantage and a disadvantage. With each looking for recognition as the "hub" of a particular kind of tech, opportunities are particularly concentrated.

For example, biotech or medtech is largely focused in the east of France, close to Belgium and Germany. Paris is naturally another hotspot – if businesses are looking to connect with scientists, entrepreneurs or incubators, the capital offers unrivalled access.

In the west, gaming companies abound, while Lille in the north is also attractive for tech businesses due to its proximity to London and other European hotspots.

There's some fairly recognisable companies coming out of these areas, including life sciences firm Doctolib, an online platform for medical appointments; Kyriba, a French/US company specialising in cash management. There's also Ledger, a cryptocurrency storage company, and cloud gaming firm Shadow.

THE TALENT POOL

Reflecting the wider global challenge, it's also tough for medium-to-large tech companies in France to hire the right people. Competition is fierce, particularly for younger graduates with coding qualifications and more senior candidates with engineering backgrounds.

However, tech companies are well-positioned to deal with this competition. Their business models are different to traditional companies, and they appeal to the younger generation who want freedom, autonomy and a challenge in their workplace.

The main benefit of moving or expanding a business into France is its large talent pool for engineers. And crucially, companies won't need to pay the exorbitant prices of Silicon Valley to land top talent.

THE GOVERNMENT SUPPORT

France has a great deal of public and private assistance for businesses, both from large corporations and the government itself. There are over 5,000 specific regimes for fast-growing companies starting out in the tech space. Because there are so many different criteria depending on location, regulation, business size and more, it can sometimes be tricky for newer companies to navigate.

Tax is another area which causes newer businesses to France some trepidation. The digital services tax, recently implemented by President Macron, is an indication that the French government is looking to tax tech businesses more in future.

Despite this, the area's stability and proximity to major European infrastructure still makes it appealing to businesses looking to establish themselves. France has excellent credentials for research and development, which appeals to businesses working in that area.

THE INVESTOR ANGLE

Venture capital firms in France have invested amounts of up to €3.6 billion – quite competitive when compared to other European states. French tech businesses tend to stay in the country for three to four years before expanding abroad, largely because the initial support is favourable here.

Several unicorns and large tech companies have benefited from the investment here. For French companies, raising capital without plans to go international can be difficult, but foreign businesses seeking to get a foothold in France may have more success.

Another aspect to consider when thinking of expanding into France is that – while it remains a problem worldwide – female entrepreneurs tend to encounter a more favourable climate in France. Women still raise 20% less than men when pursuing capital for their businesses, but this is improving constantly, where other nations are failing.

 **FRANCE OFFERS APPEALING OPPORTUNITIES FOR BUSINESSES AND INVESTORS ALIKE**



INDIA



With expert input from Yogesh Sharma, Deputy Managing Partner, BDO India. Yogesh leads the assurance practice and has over 20 years of experience, providing financial statement assurance, accounting advisory and cross-border offering services in India and the United States. His extensive experience crosses many industry sectors, with a specialism in Technology and Technology-enabled services.



OVERVIEW: A TRANSFORMED MARKET WITH UNTAPPED POTENTIAL

India appeals to investors because of its growing consumer power, increasingly youthful and skilled workforce, and low operation costs. Its projection to have the largest talent surplus in the world by 2030, as well as its reputation as a provider of IT and tech infrastructure services, have attracted many leading tech firms.

THE TECH LANDSCAPE

Subject to the impact of the current COVID-19 crisis, India's economy has been fast growing. It's expected to be the one of the largest consumer market by 2025, with a population of more than 1.3 billion. Over the last five or six decades, a large and aspirational consumer base has enjoyed ever-increasing purchasing power. An extensive middle-income group with a significant migration to urbanisation has created an appealing market for business.

Another of its pulls as an international expansion base are its low operating costs. Work that might cost large sums in the UK can potentially be done at a fifth of the price in India, to the same standard.

THE TECH BUSINESS ECOSYSTEM

It's little wonder so many international tech corporations house their "back office" manpower in India, given its low costs. HP, Cisco, Microsoft, SAP Concur and many others all have a presence in the Indian tech market – with Indian workforces providing services, developing products, and innovating in the tech and digital space. The scope is incredible, particularly for IT and the service technology sector, with over 15 million Indian workers already involved.

Areas previously perceived as agricultural or manufacturing hubs are fast becoming a home for quick-growth start-up ecosystems. Within the country there are changes in hotspots on this side, Bangalore, for example, has overtaken Mumbai and New Delhi to

be recognised as one of the top 14 advanced manufacturing and robotics ecosystems in the world.

The blistering pace of technology gives India a huge opportunity in the offshore revolution.

THE TALENT POOL

Despite the low cost of labour, India harbours one of the most talented workforces in the world, with a high number of graduates. India's population accounts for almost a sixth of the entire world, and over four million graduates join its largely English-speaking workforce every year.

Organisational consulting firm Korn Ferry believes India will actually have a talent surplus by 2030 - with 245 million more individuals joining the workforce. In a country with a youthful median age of 31, business in India is well-placed to thrive.

THE GOVERNMENT SUPPORT

From a fiscal policies perspective, the Indian landscape is quite stable when compared to the larger Asian region. An aligned political ideology helps to welcome larger multinationals and smaller businesses from overseas.

The business tax rate is now close to 22% for companies in India – down from a one-time 40% - which, combined with income tax of 20% makes the country a relatively tax-friendly location. Special "economic zones" have also been created to reduce the cost of operation.

Since 2015, smaller businesses have had support from the government's Startup India initiative, which provides access to tax benefits, easier compliance and IPR fast-tracking.

THE INVESTOR ANGLE

India has a vibrant primary stock market with over 4,000 listed companies, but high capital costs restrict the raising of funds and business listings in the country. Debt capital averages over 9%, whereas in the UK or US loans are available at rates as low as 2%. With equity capital this steep, businesses often try and raise capital from AIM, LSC, NYSC or Singapore instead. The central government and bank is working hard to expand opportunities in this area.

THE COMMON MISCONCEPTIONS

Far more than a back office support hub with low labour costs, India is changing. The third largest consumption economy, Indians have moved from being savers to consumers, with purchasing power rocketing.

Educated and highly-skilled Indian workforces can now deliver digital services to as high a quality as anywhere in the world. Not only that, but India has one of the cheapest global rates for data – at just 25 cents for 1GB. For an eCommerce company, that's a lot of money saved.

THE ADDITIONAL BENEFITS

With an approachable investment climate, clarity on foreign direct investment policies and focus on establishing infrastructure, India has a lot to offer potential investors.

INDIA HAS A VIBRANT PRIMARY STOCK MARKET WITH OVER 4,000 LISTED COMPANIES





ISRAEL



Tomer Nitzan, Presiding Officer, US-Israel Desk, MBA

Tomer has worked extensively with international companies, and is an expert in resolving cross-border business challenges around culture, set-up and access to funds and markets. The US-Israel desk he runs is a joint venture between BDO Israel and BDO USA.



Yaniv Cohen, Partner, Head of the Technology & Global Cluster, CPA

Yaniv specialises in providing consulting and accounting services to a broad range of high-tech industries, from start-up companies to mature international and publicly quoted companies

OVERVIEW

Israel offers tech investors and internationalising businesses a thriving culture of entrepreneurial innovation, serviced by a uniquely talented pool of homegrown specialists.

WHAT ARE THE BENEFITS OF ISRAEL AS A PLACE TO EXPAND INTO?

Israel is sometimes called ‘Startup Nation’ and it’s not hard to see why. With a population of around 8.5million, it boasts the highest number of startups per capita, at around startup for every 1400 people.

In such a concentrated, entrepreneurial culture, it’s very easy to make connections and find help because the networks are very strong and there’s a high degree of connection between businesses and communities.

With few natural resources, limited agriculture and a relatively small labour force, tech is of overwhelming importance to the Jewish economy. Some 40% of GDP and a similar percentage of exports flow from tech. As a result, the state is highly focused on developing Israel’s capabilities still further, and attracting investment from international companies.

These companies, in their turn, benefit from the extraordinary pool of home-grown tech talent (strengthened by its links to the military) and the vibrantly innovative culture. Many global players come here to develop their next innovation: you could see Israel as the sandbox of the international tech scene.

WHERE ARE THE KEY TECH HUBS LOCATED?

While other countries that offer strong benefits for international tech companies have clusters and hubs widely dispersed around their territory, in Israel everything is very concentrated and condensed. The country is no more than about three hour’s drive, end to end. While there are indeed specific areas focused on tech, it’s worth remembering that all these are within a hour or two’s drive of each other, so from a global perspective the whole country could be seen as one big tech hub.

The main tech activity takes place in two sites, each about 50 km from Tel Aviv – one to the north, and one to the south. Tel Aviv and its suburbs have historically always been the centre of Israel’s tech activity, and it all happens here within an area of about a couple of dozen square kilometres.

Because of the country’s limited footprint and the critical importance of tech and startup culture to the country, the state has also in the last couple of years begun developing some new areas, such as in Jerusalem, Haifa, Kiryat Gat and the Yokneam area. The government is keen to encourage investment and expansion into these areas, and there are tax incentives and grants available for businesses that move into and employ people in these areas.



“**ISRAEL OFFERS TECH INVESTORS AND INTERNATIONALISING BUSINESSES A THRIVING CULTURE OF ENTREPRENEURIAL INNOVATION**”



TALENT POOL

A striking development in the last 10-15 years or so is that the salaries of tech professionals – coders, developers, UX, IU and so on – have risen by as much as 300%, in recognition of the quality of talent here. Where once US companies might have swept in from Silicon Valley or Boston to swoop up top talent at relatively cheap rates, now they find that the salaries of skilled Israeli tech practitioners are on a par with US salaries.

The strength of Israel's tech talent is the ultimate source of its success. Where once every Jewish mother might have been proud to see their daughter or son become a doctor or lawyer, those traditional aspirational roles have given way to things like coding or software. And such sophisticated, well-trained and experienced people are always in very high demand here too: Israel always needs more.

The Israel market offers a very high level of talented young people who will go on to become some of the world's finest future technology leaders. There are good reasons for this, such as a sophisticated education system which continues to pump out new talent, and the maturity of a marketplace where all the world's major tech players are represented and new ideas and businesses are vying for primacy every day. On top of that, however, is a unique factor to Israel: the role of military service in developing tech talent.

Every 18-year-old in Israel must do a year's military service. The Israeli military has dedicated specialist technology units, backed by virtually unlimited resources, where young talents can hone and develop their skills in critical real-world situations such as cyber-security and counter-intelligence. While an American or European 18-year-old is practising coding in their bedroom, an equivalent Israeli could be engaged in real-life covert military scenarios that to their counterparts around the world would be familiar only from the movies. As a result, when they leave military service, their skills are extremely advanced in terms of experience and expertise, and just a step away from becoming highly paid professional specialists who are attractive to the best global tech firms.

A key reason why so many of the world's global tech players and Fortune500 companies have established operations in Israel is to have direct access to this cutting-edge talent and the vibrant culture of innovation that goes with it. Companies want to reach these people at the source, not wait till they've travelled aboard and become even more expensive. It's very common for big global players to set up an R&D centre in Israel and recruit local talent to help them develop their next innovation.

Global tech companies are looking for dynamic, experienced people with a positive attitude, and a proactive mindset operating in innovative areas. In Israel there are about 220 R&D centres owned and operated by international technology players – not just the real tech giants, who are of course also present here, but also the second-tier players, who all have a footprint in Israel, where they're driving future innovations. Every Fortune 500 company is here, whether it's a pure tech player or just tech-enabled, from Ford to Cisco. Typically they come to Israel, take over a local entity, transform it into their R&D centre, and look to develop a new technology or create a relationship with other players.



The tight-knit nature of the tech community is another asset. Most of the local talent comes from just a handful of institutions and universities, and with that shared military experience, there is a strong sense in the tech community that everyone knows everyone. These powerful relationships and networks naturally support the sort of sophisticated collaboration and ideation that drives a true culture of innovation.

TAX BREAKS, R&D GRANTS

Because of the limited geographical footprint of the country, the state is keen to expand the scope of tech activity, and so offers a range of incentives to reward startups and tech companies, either homegrown or international, that establish themselves in areas beyond the traditional Tel Aviv area. There are a lot of tax advantages and government grants for businesses taking on new employees outside of the Tel Aviv area.

The Israeli government has a very positive attitude to encouraging international investment and companies from overseas to expand in the tech space, and there are a range of tax breaks and R&D grants to incentivise that movement. For example, an overseas company that invests in an Israeli entity will pay zero tax on gains made in Israel. Once that entity starts to make money, it will only be liable for corporation tax. This arrangement, which has been in place now for over 15 years, really kickstarted the boom in international investment into Israel that continues to this day.

In addition, there are numerous benefits for any business that sets up as an Israeli legal entity, whether homegrown or from overseas. Thanks to a generous Capital Grant, the state will match between 40-85% of any R&D investment made by a creative or tech business on a 1:1 basis. In other words, for every dollar you invest, you can claim a further dollar as an incentive. The grant does not have to be repaid either – the only condition is that the state will be entitled to 3.5-4.5% of any eventual revenues. The range of variance relates to where your entity or R&D centre is located – there is greater reward for businesses that look to extend beyond Tel Aviv and its environs. So if you set up in the north of the country, for example, your percentage will be higher. Also, if you join a specific incubator or increase your workforce for at least 7%, or if you employ people from a specific background, such as religious people or Arabs, the percentage of the benefit will be higher too. Support can also be available to help fund marketing and promotional activities too.

In addition, every Israeli entity with at least 25% of revenues coming from overseas – and this will be a very significant proportion of them – pays a maximum 16% corporate tax instead of 23%, and that figure can go as low as 6% depending on various criteria such as the makeup of the shareholders. External shareholders and the right location can bring the percentage down. This makes Israel a very attractive proposition for overseas companies who are eyeing up international expansion.

INVESTMENT CAPITAL AND EQUITY

All the big PE players from Europe and North America have a presence in Israel. If you have a good product or idea, you will be able to find a way to fund it. It's still the case that Israeli companies tend to be under-valued compared to, say, the US. This can be a good advantage to investors because it's often possible to find strong IP to invest in that you might have had to pay much more for elsewhere. Of course there is some nuance to the landscape, as with any unfamiliar terrain, but there are many strong sources of professional advice on hand to steer investors to the right fit for them.

Investors are sometimes too easily put off Israel because of the perceived complexity or risk, but the presence of all the big payers looking to invest in the next big thing here shows that this is a market not to be overlooked. But the professional consulting firms are very adept at helping investors find their way through the market, and can save you a lot of time and effort in terms of research. Long before you consider taking the steps of establishing an operation on the ground, they can direct you to strong possible investments and opportunities that would not be easy to access otherwise. It's just a question of finding the right partner.

Most of the local investment resources come from angels and private equity. Over the last two decades there have been a significant number of exits, and entrepreneurs have channelled some of the significant money released by these into small funds that have provided seed capital and startup resources for a new generation of entrepreneurs.

International investors have a strong presence in Israel too – especially the US, China, Indian and Japan. There is of course a natural affinity between Israel and Jewish investors, wherever they live in the world. Where non-Jewish investors may have concerns about the stability of the country because of negative media images, more knowledgeable investors are aware of Israel as a territory that offers great judicial, democratic and financial stability. Israel was one of the countries least affected by the global financial crisis of 2008, for example. A lot of international investors choose to build businesses in the Israeli market, and a lot of international companies perform IPOs on the Israeli Stock Exchange, because there's a strong sense that their money will be safe here.

ISRAEL AS A PLACE TO LIVE AND WORK

Newcomers to Israel are often surprised to discover a highly developed economy with all the amenities and resources of European and North American countries. The cost of living could not be described as cheap, but the education system is very strong, crime levels are low, the nightlife is vibrant – Tel Aviv is known as 'the city that never sleeps' – and of course the country's historical and cultural heritage is richly fascinating.



LONDON (UK)



OUR EXPERT

Tony Spillett, National Head of Technology and Media, BDO UK



OVERVIEW

London is the biggest city in Europe and one of the most significant tech hubs in the global ecosystem. It boasts the accumulation of hundreds of years' worth of infrastructure, access to some of the world's best universities, and an unparalleled heritage of science, culture, research and development. It's one of the world's foremost financial centres too, and just about every major global business company and major bank has a significant presence here. It's set up for tech businesses of all sizes to set up and thrive.

Being such an international city, London brings together a deep and diverse pool of technical and creative talent that adds significantly to its appeal, and consolidates Britain's long-standing reputation as a centre of entrepreneurship and innovation. It's very much a melting pot, with a resolutely international outlook and makeup. The fact that English – with whatever accent you speak it – remains the lingua franca of business is another obvious advantage.

Geographically, the connectivity with major international airports and infrastructure across the whole southern region – all of which could easily be mistaken as 'Greater London' – has helped with the development of such as the Thames Valley, long established now as a European home-from-home for US tech giants. The likes of Oxford, Reading and other universities add academic substance to this appeal. As you move out of the south east, there are very significant government grants available for locating in a number of other regions which are still pretty well connected to the capital and globally.



LONDON BRINGS TOGETHER A DEEP AND DIVERSE POOL OF TECHNICAL AND CREATIVE TALENT

EASE OF ENTRY

London is a place that understands start-ups, whether that's a big global player moving into this country for the first time or a bunch of people getting together and inventing something from scratch. Founders are often amazed at just how easy it is to get started here. You can literally set up a company overnight, open a bank account, and hire some freelance or payroll talent very quickly.

Although the British tax system is intricate, it's not actually that hard for a small business to navigate. There are pitfalls to watch out for (and incentives to harvest) but with some good independent advice these are actually quite easy to prepare for and address. It's even more straightforward in the case of small, high-growth tech businesses, because these tend not to have a lot of fixed assets such as premises and real estate, but operate instead in a pretty agile way.

ACCESSING LOCAL TALENT

The employment market is not difficult to navigate, especially compared with many continental European markets, and employee social security costs are not prohibitive either. While there are temporary shortages in some areas, these tend to be in the most high-profile areas, and generally the constant inflow of new talent allows the job market to keep replenishing itself.

THE TECH LANDSCAPE

Within central London, one tech area could be seen as occupying a rough sweep of the city which runs from central areas like Clerkenwell and Farringdon, stretches east through Old Street, Shoreditch and Whitechapel, and then extends southwards to take in London Bridge and Southwark. This London area is associated with digital media, software, edtech and more traditional tech players.

Then there's the Heathrow Airport effect, which has seen the development of another tech belt that goes out from west London, through Reading – home to the likes of Oracle, Microsoft and Dell – all the way now to Bristol. Then, between the M3 and the M4, you have a series of towns which are host to a lot of the big US tech companies, such as Basingstoke and Bracknell. There's some activity on the south coast too, around towns like Brighton and Southampton. Finally, there's the "brain belt" of tech activity running from Oxford to Milton Keynes and on to, which is also heavily associated with life sciences.

Most of these hubs operate on the typical tech model, with synergy from universities and the big tech giants creating an ecosystem of specialist talent, supply chains and spinoffs. In London, for example, we often see people who leave Google and go on to build their own business as part of Google's supply chain or in partnership. Similarly, in the Thames Valley, you see a number of start-ups formed by people peeling off from the European HQs of the big US tech giants. When we look at the Tech Track 100 every year, we always see a great deal of high-growth tech in the Thames Valley area.

WHAT KINDS OF RESEARCH AND FUNDING INCENTIVES ARE AVAILABLE FOR INTERNATIONAL BUSINESSES IN LONDON?

London and the UK in general have a good record for encouraging tech innovation, and the Enterprise Investment Schemes are good examples of this. Under this scheme, investors in smaller businesses can get back 30% or 50% of their investment from the government. They can potentially also roll gains from previous disposals into the cost of the shares, and so defer the tax on those gains. This would not necessarily apply in the case of someone investing in a spin-out from their own business but if they were, for example, to sell that company and then get involved in something new (although perhaps in similar sector), then some of their gains could be rolled into investing in shares in that new company.

For SMEs, there is a very generous R&D tax credit regime, which can either be delivered in the form of cashback, or as a reduction to your taxable profit. If you're part of a large group, then it's a less generous scheme but it's still internationally very competitive. There are also lots of research grants available too, along with a range of other corporation tax incentives.

Another scheme to mention here is the Patent Box, which can deliver a 10 percent tax break on profits arising from patented technology. All tech businesses should be investigating what they could patent and how it would influence their tax profile.



LONDON HAS A GOOD RECORD FOR ENCOURAGING TECH INNOVATION



INVESTOR LANDSCAPE

As you'd expect for such a mature and sophisticated market, the investor landscape is similarly rich and diverse. At the lower end of the scale, the sub-£1million bracket, there's a complex network of crowdfunding options, angel investors, family offices, investor clubs and so on.

At the larger VC and the PE end of the spectrum, there's a wide range of highly expert and experienced professionals backed by well-regarded houses with no shortage of funds – and pretty much all of them are interested in high-growth tech – some exclusively so. According to a 2019 FT estimate, London boasted some \$2.5tn of private equity cash available to be invested in new deals (though this figure would need to be adjusted in light of recent events). Businesses with an idea, a plan and a team that are robust enough to qualify for some of this funding will benefit from some of the most experienced growth professionals in the global market, with a proven track record of delivering targeted returns and exits.

The sheer wealth of available VC and PE options in London can be daunting to founders, it can be tough to ascertain the house that's the right fit for your business, and to sift through the many suitors that may approach you. But it's also worth saying that, as you'd expect given the maturity and sophistication of the whole ecosystem here, the quality of professional advice available to businesses here is similarly both extensive and highly experienced. At BDO, for example, we have a range of advisors who specialise in working with private equity houses and their investments and can help you assess your options and draw up a shortlist. And the biggest industry group within our private equity practice is of course technology and media.

WHAT OTHER COUNTRIES ARE INVESTING IN LONDON? WHERE'S THE MONEY COMING FROM?

The US is far and away the most common investor that I see in the London market. Other key investors would include Greater China, Middle East, and some of the larger European economies, including from Scandinavia and other northern European countries. But the reality – and this is perhaps the best measure of the tech scene here – is that London is basically being invested in by everyone.

MALAYSIA



With expert input from Hari Iyer, Executive Director, Advisory BDO Kuala Lumpur. Hari heads up the technology practice for Malaysia and five other Asian countries: Vietnam, Cambodia, Myanmar, Laos, and Brunei. He works with a wide spread of technology companies, which are especially prevalent in Malaysia, including large, global companies like Microsoft, Google and Dell, medium-sized companies and startups.



OVERVIEW: AN ATTRACTIVE PACKAGE TO LURE FOREIGN BUSINESSES

Malaysia is very attractive to tech businesses for a number of strong reasons: its highly skilled workforce, its strategic location within the south-east Asian region, competitive tax rates, business-friendly legislation, and the wealth of very generous incentives that the Government offers to attract investment and business activity from overseas.

In the most recent World Bank rating, Malaysia was ranked 12th out of the 190 economies. Malaysia was also ranked 12th globally in terms of ease of doing business. In addition, foreign companies can own 100% of their business; you don't need to have local owners. So all in all, it's a very attractive place for technology companies to base themselves.



THE TECH LANDSCAPE

There are quite a few hubs in Malaysia for technology companies. For example, in the capital Kuala Lumpur, there is a tech hub called Cyber City. It's an industrial freezone where businesses enjoy a lot of tax incentives.

Another key area is Penang Island, off the south-eastern strip of mainland Malaysia, which also has a very well-established industrial freezone that's predominantly for high-technology companies. Along with startups and scale-ups, you've got the likes of Bosch, Dell, HP, Intel, Motorola and Osram all based here. Established in 1972, it's one of the oldest such zones in the whole South-East Asia region, and is often referred to as 'the Silicon Valley of the East'.

As well as being a hotspot for tech companies, a lot of R&D work is done in Penang because it offers very strong intellectual property protection. This is a very valuable factor for international companies with IP to defend and a strong R&D tradition because in some Asian countries, there is a risk that you may not be able to establish or enforce legal protection for your intellectual property. But in the industrial freezones, companies can rely on the same level of IP protection as in developed economies.

Another point to add here is that business flows very freely between Singapore and Malaysia –which were, of course, a single country, Malaya, until 1965. Singapore is Malaysia's nearest neighbour, and while it's a cosmopolitan business centre in its own right, space is at a premium and the cost of doing business is far higher. So a lot of businesses may choose to have a sales office or corporate office in Singapore, but have their back office, processing, manufacturing or other operations in Malaysia. Equally, if you're setting up operations for your tech business in Malaysia, tapping into the Singapore market is a very real possibility.

THE ECOSYSTEM OF TECH BUSINESS

Along with the big players, Malaysia also has a vibrant ecosystem of smaller, specialist startups and scale-ups. Local companies are predominantly small to medium enterprises, while the larger companies are mostly international companies with a base in Malaysia.

One distinctive factor of SMEs in Malaysia is that almost all of them are family owned, often over generations, and they tend to be aligned in ethnic groups. Malaysia has three distinct ethnic groups. Along with the Malays, who are predominantly Muslim and account for about 70% of the population, there are the Chinese (c20%) and the Indian community (c10%). While the communities co-exist happily, it's a fact of business life here that each community will support and enlist its own when it comes to funding, suppliers, investment and so on.

It should also be added that the Indian and Chinese communities are the most dominant in business, while the native Malays tend to take up more of the public-sector and employment roles rather than become entrepreneurs. Chinese businesses tend to dominate the private sector – except in the technology space, where the majority of businesses are owned and run by Indians.

THE TALENT POOL

In global terms, Malaysians rank very highly in terms of their pay-to-productivity ratio, not least because you have a youthful, educated and very focused workforce here who almost all speak English. Most Malaysians, regardless of their ethnic group, are at the very least bilingual, speaking their mother tongue but almost always also English, the lingua franca of the business community here. They learn English intensively from a very young age.

The talent here tends to be very well-trained and tech-savvy, which is one reason why many of them go abroad for some or all of their careers. There is a very strong affinity with Britain and British culture, and Malaysians will often go to the UK for education, training and work. Other countries that they frequently go to include the US, Australia and New Zealand. And when they do return, they bring fantastic skills and experience, ready to boost the local workforce.

SUCCESS RATE

Usually international businesses do very well here, especially if they are properly guided, take good advice, and go through a dedicated government body such as Invest KL or Invest Penang. These bodies provide a package of services to steer firms through the necessary process, including architectural and buildings advice. On top of that, however, many will also seek independent assistance with tax and audit. So long as they seek such advice and guidance and make use of the available support, the chances of success are very good for international businesses launching in Malaysia – as high as 80%.



WHAT SUPPORT IS THERE FROM GOVERNMENT FOR NEW BUSINESSES MOVING INTO THE TERRITORY?

Historically, Malaysia has always campaigned aggressively to get foreign companies to set up here, whether that's large multinationals or small start-up businesses. That trend continues, and there's a wide range of generous incentive programmes for different size and sectors.

Most significantly, the Government-sponsored Malaysian Investment Development Authority (MIDA) offers various tax incentives – including anything between five and ten years' corporation and income tax-free holiday – for any new business fulfilling certain criteria, such as setting up in a particular location, performing a certain type of work, employing a certain number of people, and so on.

Another key feature is Labuan, an autonomous region and offshore tax jurisdiction that lies on a small island off the coast of Borneo near Brunei and is home to several thousand international corporations. It's easy to set up a company here as a foreigner, and you have access to Malaysia's 70-odd dual taxation agreements with other countries. Tax rates are low, and you can choose between paying just 3% on profits or a modest flat fee. As a company incorporated in Labuan, your company will fall under Malaysian legislation and regulations, which means you can not only trade anywhere in Malaysia, but also enjoy frictionless access to the other nine Asian countries that make up the ASEAN Free Trade Area (AFTA). Setting up as a Labuan company is a very attractive option for international businesses, as the profits and even the wages that the directors draw from such a company would be completely exempt from Malaysian tax.

Another unique programme the country offers is the Malaysia My Second Home Programme. Under this scheme, a qualifying foreigner can benefit straight away from a 10-year visa to stay in Malaysia. They can set up a business and enjoy pretty much all the rights and freedoms of a Malaysian-born citizen. Applicants have to show they have sufficient resources to live in Malaysia without seeking employment or government assistance; people under 50, for example, need to show liquid assets above RM500,000 (\$115,000) and a monthly income of >RM10,000 (c\$2500).

Malaysia is keen to support R&D and to encourage local companies to embrace digital technologies too. It was recently announced that companies will be reimbursed 150% for any expenditure or investment applied to their digital transformation programmes. In other words, for every \$1 a company spends on R&D and digital transformation, it can claim back \$1.50 – a generous grant scheme indeed.

WHAT'S THE INVESTOR COMMUNITY LIKE IN MALAYSIA?

As well as boasting 30-40 private equity and venture capital firms in the country, the biggest advantage in investment terms here is the proximity to Singapore, which is one of the largest capital markets in the whole region. Accessing capital from Singapore is very straightforward, and we get a lot of approaches from fintech and other companies coming via either country. Most Singapore PE firms are set up to cover Malaysia and a number of other countries in the region too.

WHICH COUNTRIES ARE PRIMARILY INVESTING IN THE REGION?

China is one of the biggest investors in Malaysia. Along with its Belt and Road initiative, a worldwide programme which is predominantly focused in Malaysia on investment in infrastructure, direct foreign investment from the People's Republic for the last quarter of 2019 alone came to around \$1billion.

Other key investors include Singapore, the Netherlands, Japan and the US. The money primarily goes into the manufacturing sector, construction and services, which includes technology, fintech and consulting. Manufacturing too has a strong high-tech flavour here too; Bosch, for example, manufactures a lot of high-end tech product here for shipping back to Europe.

One interesting and perhaps unexpected fact about Malaysia is the central role it plays in Islamic finance and economics. You might have expected the Middle East to dominate this area, but actually Malaysia is the highest-ranked country among 73 Islamic countries and is widely regarded as the financial capital of the Islamic world. It's also the leader in a wide range of other areas, such as halal food, Islamic travel, Islamic fashion, Islamic clothing, Islamic pharmaceuticals and cosmetic products.

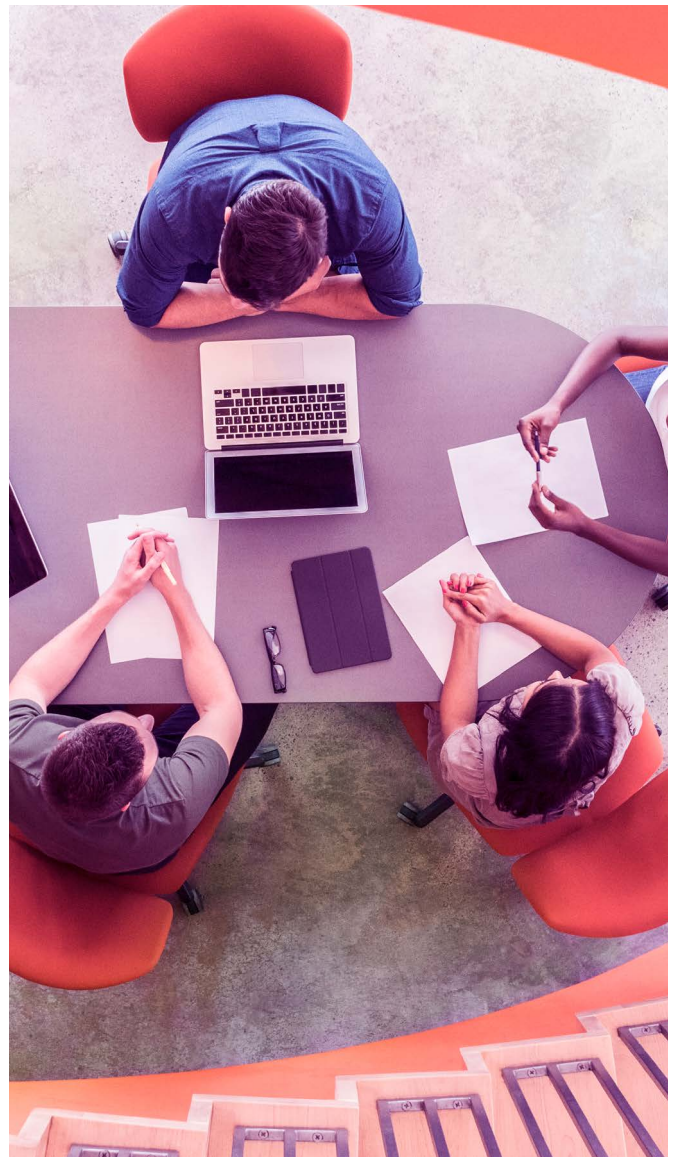
Many Moslems are attracted to Malaysia for work and leisure, because they know they will feel at home here and be able to buy things that are under strict Islamic rule, such as Halal cosmetics. The Halal standards for products all originate in Malaysia. So too with electronic payment systems. There is a separate Islamic electronic payment system that is fully compliant with Islamic codes, and a fintech company here is delivering the technology to make this possible.

What these facts also demonstrate is how attractive Malaysia will be to international companies that have a strong Muslim customer base. If you have any exposure to Middle East customers, you'd want to base yourself here because the economy is set up for Islamic finance and offers the strongest regulatory framework within the whole Islamic economy.

WHAT'S MALAYSIA LIKE AS A PLACE TO LIVE AND WORK?

Malaysia is a fantastic place to live as well as to work. The cost of living is low, the weather is consistently between about 28 and 32 degrees year round, and the crime rate is relatively low. Medical facilities are excellent here; there are no waiting lists, treatment is relatively cheap, and you can buy insurance to cover all your eventual needs. Malaysia ranks in the top five countries in the world for medical tourism.

Because Malaysia is so open to foreign investment and already hosts so many international businesses and workers, there are very well-developed expatriate communities here too, with a wealth of international schools. History, culture and natural beauty are all big draws too. Penang Island in particular is a beautiful location and a very agreeable part of the world to live and work. Send your staff to set up a base there and you may never see them again!





SILICON VALLEY (US)



With expert input from Aftab Jamil, Partner, National Leader, Technology Industry, BDO San Jose. Aftab has over 28 years' experience in public accounting for the medical, life sciences and technology sectors. He has experience with public and private companies, ranging from start-up, to scale-up, to established multinational businesses.



OVERVIEW: A MATURE TECH MARKET WITH OPPORTUNITIES FOR BIG IDEAS

Silicon Valley and San Francisco Bay Area has star tech business pulling power, but investment continues to favour the new and the bold. Its well-established private equity and venture capital availability attracts innovators, entrepreneurs and talent alike, offering fertile ground for tech companies with high ambitions.

THE TECH LANDSCAPE

The Silicon Valley is the innovation capital of the world. Companies based here have been the growth engine for the US economy for a number of years, generating a significant contribution to the global economy as well. Given the types of companies based in the area – with new business models following the breakneck speed of innovation – Silicon Valley is a huge draw for any tech company looking to expand.

THE TECH BUSINESS ECOSYSTEM

The type of tech that made Silicon Valley famous is now a well-established market. Investors are looking at where the money is going next, rather than where it is now. Venture capital and private equity firms are hunting for the technologies of tomorrow so that they are associated with tomorrow's tech leaders. The computer chip-led industry of old is a mature sector now, and a lot of manufacturing has moved out of the Silicon Valley area and out of US as a whole. Though these companies retain headquarters and product design functions in the Valley, the ecosystem now encompasses new types of tech business.

From a capital investment standpoint, there's movement towards companies going into areas such as artificial intelligence (AI), Internet of Things (IoT), 5G, Robotic Process Automation (RPA) and Augmented Reality / Virtual Reality (AR/VR). Cloud technology, for example, has been on a fantastic trajectory. This type of growth and support pattern has led to an influx of businesses in such new sectors, because that is where many believe the future lies. With 5G on the horizon, there are plenty of opportunities for companies dealing in bandwidth and infrastructure for connected devices.

The real beauty of Silicon Valley is that the local market is always at the cutting edge of where technology is headed. That creates a very healthy dynamic shift based on where people perceive the future to be, creating an interesting space for newer companies.

THE SUCCESS RATE

Although regulatory and geopolitical issues often make the headlines, many companies still enter the US market. Many maturing tech companies also look to transfer entirely to the Silicon Valley area or at least have a substantial presence to have a footprint in the innovation capital of the world, as the opportunity is boundless.

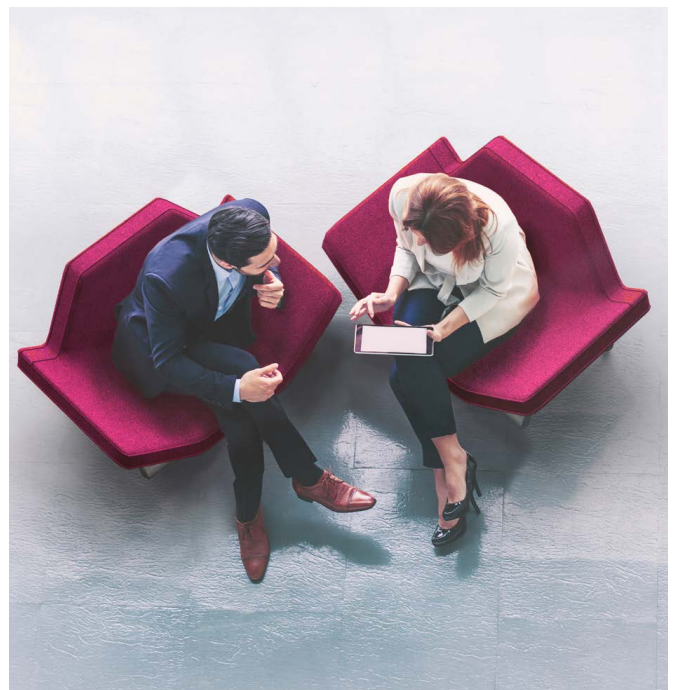
Here, the environment is very conducive to new things; new and bold ideas. This makes for an incredibly exciting, but also risky proposition, and many companies get started, get funding, but fail to make the cut.

The unique aspect of Silicon Valley culture is that failure is treated as a learning opportunity. Company founders are not ashamed or embarrassed of having failed once or twice because markets see this failure as evidence of courage to pursue bold ideas and also as an experience that will teach those individuals how not to fail in future.

This bold thinking extends from the entrepreneurs to the venture capitalists willing to play in the tech space. The overall success rate of venture capital has been good, but that has come from a willingness to invest in portfolios knowing that while many might fail, some will flourish and provide overall portfolio returns. It's a unique part of Silicon Valley culture perhaps not found so widespread elsewhere.



SAN FRANCISCO BAY AREA'S SILICON VALLEY IS THE INNOVATION CAPITAL OF THE WORLD



THE TALENT POOL

As one of several technology hubs in the US, there is a perceived issue of scarcity of human capital. Finding the right talent can always be an issue, but if there's any place in the world where you can find tech-focused talent, it's here. It is super competitive, but the talent pool remains a huge draw for all types of companies.

Companies moving to the area must prepare for an intense talent acquisition war between businesses big and small. The existing big-name tech companies – Apple, Twitter, Facebook, Google, Oracle and Intel – fight fiercely for talent. While a challenge, this is also an opportunity, as the talent comes to the Valley to become embedded in the tech sector and will go where the best offers lie. This inspires other tech firms to remain competitive choices.

Given some of the cost implications, such as the high cost of living in the area, talent that is attracted to Silicon Valley is looking for more than the nitty-gritty of manufacturing operations - they'd rather focus on being part of the next big thing.

THE GOVERNMENT SUPPORT

The general perception of Silicon Valley, and the US market in general, is that there are fairly significant regulatory burdens. US corporate governance infrastructure, expectations and rules are tighter than in many other regions, but these factors support the confidence in the US capital markets and public companies. There's a need for accountability and transparency. Still, US-based and listed companies enjoy a valuation premium, as well as a very competitive corporate tax rate.

THE INVESTOR ANGLE

There's no shortage of available capital. A decade ago, venture capital firms would look at setting up a hundred million dollar fund - now that sum is much larger. Influx of Private Equity into Tech sector has significantly enhanced the availability of capital. Despite this ample funding, the market is highly competitive and always has been. Companies that manage to overcome initial investor scrutiny are able to attract adequate growth capital from both venture capital and private equity firms. Investors are looking for ROI, meaning that even companies with a solid business model, great growth prospects and innovative technology need to really articulate their value proposition.

Another appeal for investors is the standard setting body and the Securities and Exchange Commission offering a great deal of transparency. These organisations really look out for investors' interests, and make sure the investing community has clarity about the types of businesses they support.

 **SAN FRANCISCO HAS STAR TECH BUSINESS PULLING POWER**



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