Blue Sky Corporate Finance

Top Ten Tips For Raising Finance

If you want to grow your business, chances are, you are going to need to raise finance to help you reach your goals. National statistics indicate that less than 1 in 20 would-be entrepreneurs secure the finance that they need to get their business up and running. So why not consider taking professional help and advice during the fund raising process?

Better still, why not talk to the experts in raising finance?

Blue Sky's Top Ten Tips for Raising Finance are as follows:

Your Investment Proposal (Business Plan) – Get help and guidance when preparing your Investment Proposal. Remember, your understanding of the Profit & Loss account, Balance Sheet and Cash Flows.

Know your route to market – You may have a great idea, but will anybody buy it? Do your research to be able to prove to funders/investors you have identified an exploitable opportunity and that you know your channels to market. Don't ignore your competition – understand them, analyse them and make sure that you know how you are going to compete with them. Remember that all good business ideas will have competition sooner or later.

Be committed – Funders/investors do not like backing part-timers and if you have not invested, or you are not planning to invest your own money, why should they invest their money?

Your management team – Investors back management teams rather than products/services and your team should be able to demonstrate skills in certain core competencies ie Sales & Marketing, Finance, Operations, Technical – an experienced individual acting as Chairman may also help.

Aim to raise more money than you think you need – You often only have one chance of raising finance, so be sure to ask for enough. If your figures are too conservative it could make your business proposition unviable or force you to seek additional funding at a later stage.

Personal guarantees – Accept that Personal Guarantees, supported or otherwise, are likely to be asked for.

Be honest – Your past can come back to haunt you, therefore it is essential that you are honest and explain any previous insolvencies or CCJ's.

Blended funding – Don't expect one person to provide all the funding that you need. These days finance often comes from a combination of funders eg equity investors, asset finance (factoring/invoice discounting), payroll finance, inventory/trade finance houses etc. Each of these prospective funders will look at your businesses differently and will undertake their own due diligence.

Plans for exit – Equity funders (VC's and Business Angels) will expect you to have given thought to your exit strategy. They will want to know that you have thought about who might want to buy your business in the future, when and why?

Raising finance takes time – The process of raising finance takes time and the more risky the venture or the type of finance that you are looking to raise (with equity finance being the most risky) the longer it takes. Plan for the fact that this process is going to take time and make sure that you know how your business can survive during the fund raising process.

Remember ……. Preparation, preparation, preparation is the key!



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