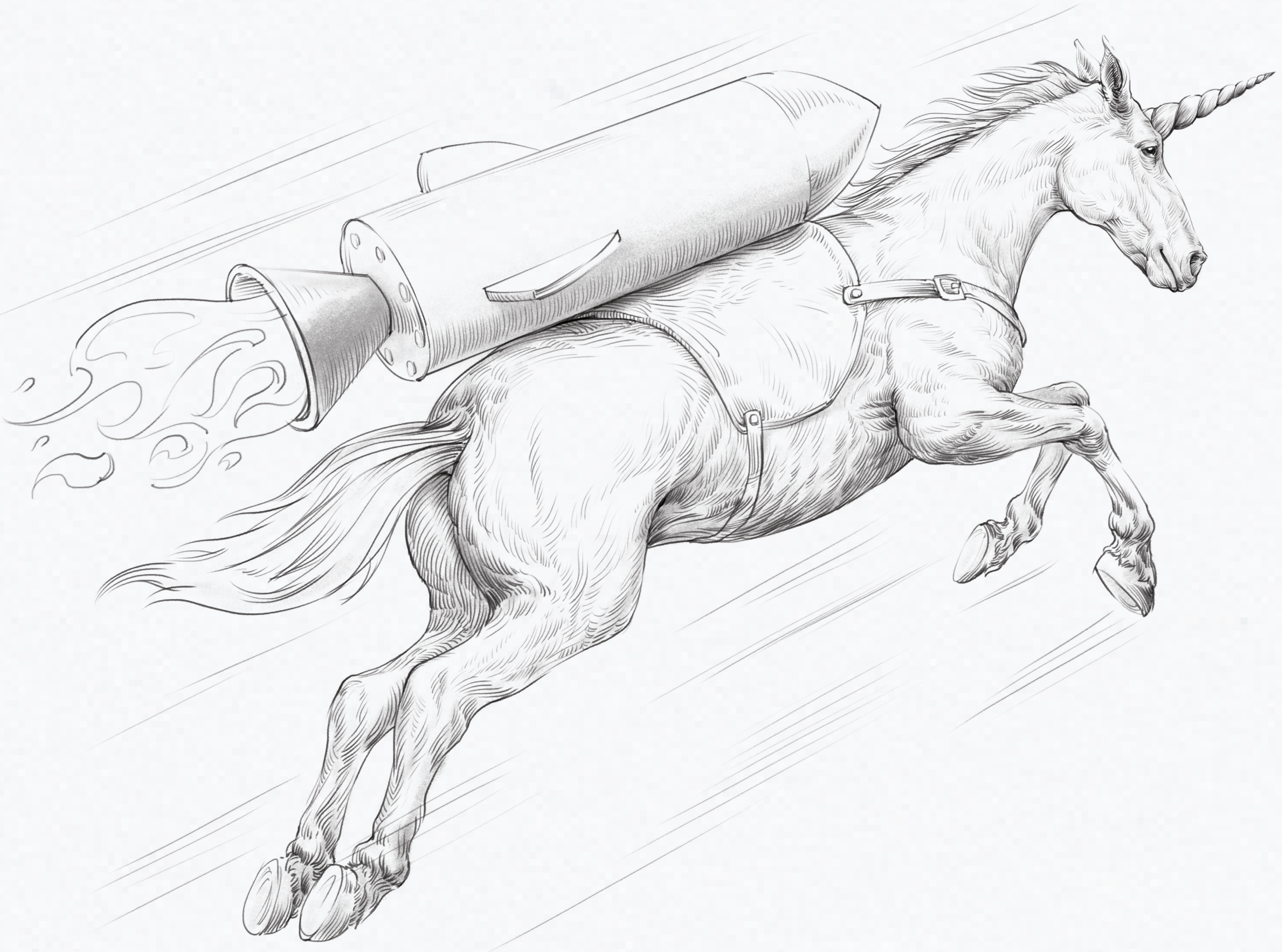
CAPITAL FUNDRAISING

HOW TO GET STARTED



1 WHERE DO I BEGIN

1.1 What do you really want from your business? is it a steady income with a sound customer base in a family run business you can manage and oversee yourself, or do you want to spread to the corners of the world? If the answer is the latter, then looking for a suitable venture capital partner could be the right choice for you, but you must be comfortable with what you are willing to sell and for how much.

2 VALUING THE COMPANY

2.1 This is a critical question, and you need a clear view as to value before opening discussions with any investor. Valuation will determine the level of equity that an investor takes in exchange for their investment. Naturally this is open to negotiation and there are many ways to value a company but being clear on what you are willing to sell and for how much (and being able to back that up) is critical. You should consider what your minimum value and maximum equity sale are so you can set boundaries.

2.2 You also need to understand exactly how much money you need to achieve your goals but also have a plan B in case you raise less than you hoped.

3 MY PRODUCT SELLS ITSELF, ANYONE CAN SEE THAT

3.1 No, people can't see that. People don't know your market, the gaps and competitors and the opportunities to be exploited. You must tell them. ***You*** can have the best phone in the world but no chance of getting ahead of Apple. You need to sell your product to an investor and explain to them why it will make money in a way competing products can't. At the end of the day, if you can't sell it to an investor you are going to struggle to sell it to anyone else.

3.2 You need a snappy elevator pitch which can grab people's attention and a clear pitch deck which gives enough for potential investors to want to explore more. It sounds a bit cliché but it's all true and if this sort of thing is not your strong point, then get someone on board who is good at it.

4 I DON'T KNOW WHO TO APPROACH, ALL THE VCS LOOK THE SAME SO WHAT DOES IT MATTER ANYWAY

4.1 The investment houses are not all the same. They focus on:

(a) different industry sectors e.g. software, biotech, consumer goods etc.

(b) geography, be mindful of your location and that of potential investor(s) so that you can easily connect with them in person

(c) geography, try and keep it local and make sure they have a presence in your part of the country so they can easily connect in person

(d) investment stage – are you looking for £50,000 or £5,000,000? Do you have a viable product to take to market or are you still in research and development? Different houses specialise at different stages of development and as to the size of cheque they will write.

So, make sure you do your research and draw up a list of suitable partners first.

4.2 Remember investment houses are busy and see thousands of businesses so you need to stand out and you won't get a look in by cold calling. You really want a warm introduction so speak to your existing advisers and colleagues first and see who they know. If you can't get an introduction from them then it is time to up your networking and public profile so that you can get yourself in front of investors in a way that gets you noticed.

4.3 Once you have had a few introductions, do think about who is a good fit for you and who you can work with going forward. Get contacts in other companies in which the investor has funded and speak to them about their experience. It isn't all about the value on the table but who can create best value with you going forward, and who is going to be there to support you if things hit difficulties such as a pandemic.

5 GETTING BEST VALUE

5.1 A key way to create and protect value is to make sure that your core IP is protected whether through trademarks, patents or good confidentiality provisions. So, get your house in order before you go to market.

5.2 It is not just your IP, you need to make sure every aspect of your business is ready for a full due diligence exercise. Speak to your advisers, legal and financial, and get ready by pulling together the documentation that the investor is going to need. Start to put a data room together. From making sure your contracts are signed and dated, to ensuring your financial information and record keeping is in top order, how you present your business can have a direct influence on the value you get for it.

5.3 Your financial and legal advisers will be able to help you on this process and facilitate introductions to investors but do have a think if you still have the right advisers for your business now, where you want it to be and to get you through the process of investment. Do they know who to contact and can they negotiate the process to get the best deal for you? Addleshaw Goddard, for example, has been rated the private equity adviser of the year for two of the last five years so we know what we are talking about.

5.4 Be prepared to negotiate and don't necessarily accept the standard investor approach. Good advisers will help you here and if you can bring some competitive tension through an auction process then all the better.

6 TIME MANAGEMENT

6.1 Seeking and closing on an equity finance deal is not easy and will take up a huge amount of your time and that of the key individuals in your business. It will intrude on every aspect of your working life and often your private life too. The best way to make it easier is to be prepared in advance and have good advisers and management around you. In particular, you need good people to keep the business running while you are busy meeting countless investment houses, answering queries and reviewing documents.

6.2 Get it right though and it will be more than worth it in the end.