

PRACTICAL TIPS FOR RAISING FINANCE



- Valuations
- Acquisitions
- Disposals
- MBOs/MBIs
- Divestments
- Equity investment
- Restructuring
- Business plans
- Financial projections
- Strategic development
- Commercial analysis
- Market intelligence

JDC – THE ART OF CORPORATE FINANCE

In our discussions with clients over the years, we have often been asked what our top tips are for raising finance. We thought it would be helpful to summarise them here.

Before seeking external investors, make sure that you have optimised the debt structure of the business. Leasing, factoring, invoice discounting, asset based lending and structured bank debt can often be helpful sources of non-equity based funding.

Before committing to private equity, focus on what you wish to achieve. The mix of the cost of funding, repayment profile, security requirements, access to skills, contacts and experience, future financial flexibility and disciplined reporting environment must work for you and your business to make the cost (dilution of ownership, ultimate cost of capital, dilution of control) worthwhile.

Develop a clear view of what you want to achieve personally. Is the funding purely for expansion? For acquisition? For partial exit? An ill thought out personal agenda can waste your own time and quickly put off interested parties.

Particular funders will have preferences for either seed capital, start ups, early stage development, expansion or secondary buy-outs, will have sector preferences and will have minimum/maximum investment levels. Make sure you are targeting the right backer.

Get the timing of your approach right. Approaches for funds that were needed yesterday are unimpressive and will inevitably weaken your negotiation position.

Obtain experienced advice on structuring the deal. Exhibiting a knowledge of the investor's usual concerns (over tax relief, supportable valuations, simple shareholder structures, organised due diligence packs and anti-dilution and other shareholders agreement provisions) can increase your chances of success.

A robust business plan is fundamentally important. Seek advice on its preparation. Obtain a copy of our "Practical Tips for an Effective Business Plan" as a helpful starting point.

Remember that any investor will want to carry out due diligence. Treat this as your chance to impress through faultless presentation of information and informed anticipation of the key due diligence questions.

Be aware of the most common reasons investors reject proposals (examples include concerns over: the management team, track record, complexity of the business model, lack of scalability, exit route, financial returns) and ensure your proposals address these concerns up front.

Remember private equity investment is a two way process. Be happy that the "chemistry" with the investor works, understand their primary motivations, obtain evidence of their ability to provide funds now and their appetite for next stage funding and ask about their track record.

Familiarise yourself with the jargon you will encounter through the process. The "JDC Glossary of Corporate Finance Terms" is a good place to start.

You will need good legal advice from lawyers experienced in the terms of investment agreements. Use a specialist – it is likely to be cheaper in the end.

Don't forget that raising finance can be a regulated activity. There are restrictions on what you can say and to whom you can promote the opportunity. Make sure you know where you stand in relation to the relevant legislation and take advice.

Call **01603 703177**

for further information

CONTACT DETAILS

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ABOUT JDC CORPORATE FINANCE

JDC Corporate Finance specialises in providing transaction and related corporate advisory and tax planning services to owner managed businesses.

Our team is led by Jon Dodge, who has over 15 years corporate finance experience and has acted as lead advisor in over 40 successfully completed sale or purchase transactions in the last five years ranging in value from less than £75,000 to in excess of £50 million. In addition, we have extensive valuation, due diligence and general transaction "hand holding" experience.

Alongside our transaction work, we also provide a range of corporate advisory services.

Our general practice arm is the perfect partner for developing and enterprising businesses that require a bit more from their accountants.

We are a service-led business run by experienced hands. We pride ourselves on understanding our clients' objectives and on having the necessary experience to deliver the results they require.

Find out more about JDC at www.jdccorporatefinance.co.uk or

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