

Looking to raise finance? Here's what SME owners need to know

By Lar Burke, *CompanyMoney.ie*

There are four elements that all providers of finance look at. As a small business owner, you will have to be able to deal with each of them if you are going to convince them to finance your business.

Here the three core elements that everyone looks at:

- Who are the people and what is their capability?
- What is the business activity? Is it of interest? Has it growth potential?
- The financing and money needed – how much, from who, for what?

And there is a fourth element – the expected Return or Security – depending on whether you are dealing with investors or lenders.

If you want to successfully raise money for your business then you need to be able to deal with each of these four elements.



People

On the people side, you need to show that you, and your team, have the skills, competencies, knowledge and expertise needed.

Ideally, you'll have a proven background in the area or sector – if you don't you will need to be able to show achievements and leadership qualities in other activities.

Business

On the business side, a common mistake is to assume that people know more than they do. Take your time and don't rush through this.

Explain what you are doing in simple language. Make sure people are clear about the product, the service, the level of demand expected and whether you are solving a particular issue for customers. Encourage questions – they are an opportunity for you to explain.

Financial

On the financial side, show you understand the key financial detail and that you can deal with questions that are raised.

Typical questions you can expect:

- How much is the company looking to raise?
- What is the money to be used for?
- How much are you looking for me to provide?
- Where is the rest of the money coming from?
- What evidence is there that other money is approved and available?

- What pre-conditions/terms and conditions are attached?
- What level of sales and profits are likely?
- What re-assurances or proof can you provide that these are achievable?

Remember the financial details you put forward are likely to become milestones for you to achieve. Your projections need to be attractive enough to generate interest but achievable – it is a difficult balancing act.

The fourth element – well, who are you dealing with?

Look at it from their perspective

Take investors through how you've valued the business, what ownership stake you are offering and how much they should expect to get when they exit.

Be ready to debate, discuss and have to justify and stand over your claims and be ready to negotiate. If dealing with state bodies and agencies, put time and effort into your estimates for jobs created in Ireland and supplies and services bought from Ireland. These figures are important and could be the difference between you qualifying for certain supports or not.

Show lenders that your business is low risk. The key thing they want to know is that they will get their money back even if the business can't repay.

In other words, is there another asset or some other repayment option available for them? It helps if you are clear what you need the money for because lenders have different products for different purposes.

You will be successful if you look at it from the point of view of the people you are approaching. If you do this, you'll stand out from the crowd.

More about Lar

Lar Burke has been connecting businesses and financiers since 1986. He has 30 years of experience in dealing with bank lenders, state agencies and investors interested in providing finance to companies. Lar has worked with many Local Enterprise Offices and Enterprise Ireland.

He helps business owners and organisation leaders improve their business operations including: improving overall business planning; the development of practical business and strategic plans; enhancing sales effectiveness; improving operating performance and introducing effective performance management. Lar's website is www.companymoney.ie