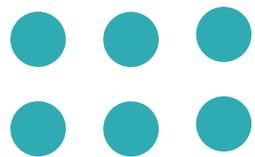




Accessing Capital for Growth

- **Presented by Jo Tomlinson**
- Owner and MD of Business Works UK
- Certified Quickbooks Trainer



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After 20 years in Industry analysing company data to support commercial business decisions, I founded Business Works with a vision to offer real-world solutions to businesses.

We have grown into a trusted partner for companies seeking a better understanding of their numbers, great customer service, and business growth.

With a team of 12, we are large enough to provide all the finance support SME business owners need, plus the value-added services that help them to flourish and grow.

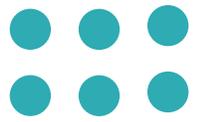


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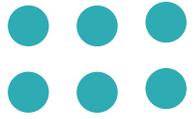
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Who are you?

- Investors are choosy
- Investments are risky
- Who you are and what your business is about is hugely important



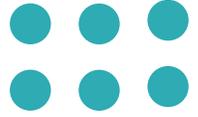
Your Business Plan

- Who you are
- Why you are doing this
- What you are doing
- How you propose to do it
- Financial projections



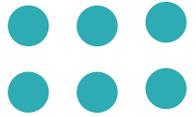
Trading History

- How has it gone to date?
- What have you learned?
- Why will the future be different to the past?



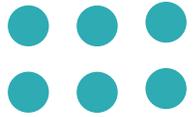
Contracts and Orders

- Any signed contracts in place?
- Any firm orders signed?
- Any orders not formally signed but being delivered against?
- Any discussions ongoing?



Financial Projections - Forecasts

- Monthly
- Two years minimum
- How much cash do you need and for how long?



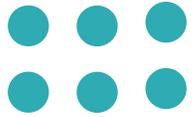
Forecasting

Start with **Revenue**

What were your high level aspirations in your Business Plan?

Can you break this down by Products/Services?

How will the months build up to the annual numbers



Forecasting

Direct Costs

- Things you buy to sell
- Things you buy to convert into things you sell
 - Materials
 - Labour
 - Utilities
 - Packaging
- Other things directly relate to sales



Forecasting

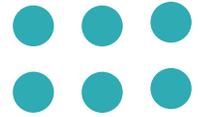
- Costs that can be relatively “sticky”
- May change as you grow, but not directly in line with revenue



Forecasting

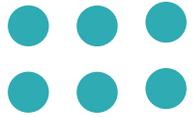
Finance and Interest

- Any current commitments – interest on loans etc
- Any possible future commitments – new funding with interest



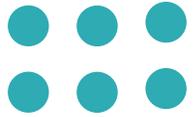
Forecasting Cash Flow

- VAT
- Payment terms
- Repayment of any loans or buy back of equity
- Stock purchases
- Resources lags



What will the funds be used for?

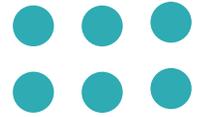
- Plant and machinery
- Vehicles
- Stock
- Working capital
- Marketing
- People
- Premises



What will the funds be used for?

Red Flags and spend not liked by lenders or equity investors

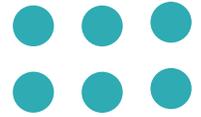
- Overdue taxes (even if they are on time to pay arrangements)
- Repaying Directors for monies already put in
- Paying high levels of directors' loans to Directors generally
- Paying off other loans
- Poor company credit history
- Your length of time in business
- Bankruptcy
- Debt to income ratio
- The market is deemed to be too high a risk



Knowing your Investor

What do you want from your investor?

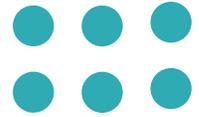
- Silent investor – buys shares and leaves you to do the rest
- Useful contact
- Useful knowledge
- Useful skills



Knowing your Investor

What will your investor want from you?

- Grow Value
- Be involved in decisions



Knowing your Investor

Timescale?

- Sell the whole business
- Find the funds to buy the shares back from the investor
- Find another investor to take the original investors shares



Do you just need cash?

- If you don't need:
 - Expertise
 - Contacts
 - Other support
- Maybe you should consider more traditional lending



Traditional Lending

1) A Loan

You describe an amount you are looking for, and a term (the amount of time you will pay it back over), then make repayments each month, along with interest on the amount loaned.



Traditional Lending

2) Asset Finance

A loan is secured against a specific asset.

The most common form of this is a mortgage. The loan is secured against your house.

In a business situation, this could be commercial premises, or plant and machinery or vehicles. A valuation of the asset is done, before a rate and term is agreed in the same way as the loan above



Traditional Lending

3) Invoice Financing (confidential)

- Invoice raised and loaded onto the lender's platform
- Can drawdown against this invoice, up to around 80%
- When the invoice is paid, the remaining 20% becomes available
- Do your own credit control

- Pay a rate to load the invoices (around 1%)
- Pay interest on the amount you draw down



Traditional Lending

4) Factoring

- Invoice raised and loaded onto the lender's platform
- Can drawdown against this invoice, up to around 80%
- When the invoice is paid, the remaining 20% becomes available
- **Factoring company does the credit control**
- Pay a rate to load the invoices (around 1%)
- Pay interest on the amount you draw down
- Pay more than invoice financing

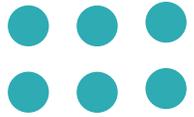


Traditional Lending

5) An overdraft

A flexible arrangement, where you have a maximum available amount and only pay interest on the amount and time you use it.

Has an arrangement fee



Terminology

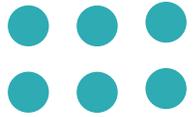
- Annual Percentage Rate – APR

Refers to the cost of your borrowing for a year

Includes standard fees and interest

- Representative APR

One available to at least 51% of customers – but not necessarily the rate you will get



Terminology

- Flat rate

Does not take account of any reduction in the capital amount

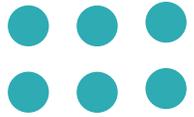
The quoted rate can look lower and more appealing, but the overall amount you pay is likely to be higher



Terminology

- Fixed rate

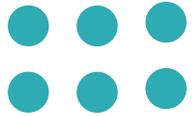
The rate won't change over the life of the loan



Terminology

- Annual Equivalent Rate

Unlike APR, it doesn't take into account any fees



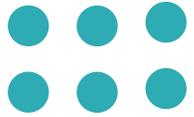
Terminology

Compare using the same metrics

Example: £10k over 2 years at 6%

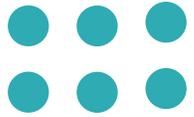
APR - £637 interest

Flat Rate - £1,200 interest



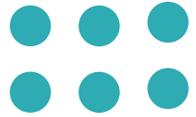
Personal Guarantees

Most commercial lenders will want some form of security on a loan. This could be the asset, in the case of asset finance, or a personal guarantee for many of the other loan products. It is unusual to be offered unsecured finance of any size. Although start up loans are a good example of where you may not need to provide a personal guarantee.



Timescales

- Finding an investor that is a good fit for you and for them can take time.
- More traditional finance options are generally much quicker



Management Information

- Monthly Profit and Loss v forecast
- YTD Profit and Loss v forecast
- Monthly Balance Sheet
- Monthly cash flow forecast
- Some KPI's (key performance indicators)



Resources



1. MTD
2. Accessing Capital for Growth
3. Forecasting
4. How much is your business worth
5. Selling some or all of your shares
6. Shared Business Ownership
7. Profitability
8. Project Evaluation
9. Directors Loans v Dividends
10. Cash flow v Profit

Thank

You



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