

Investment Readiness

PAUL JENKINSON, Regional Manager at Connect Midlands explains where a business should focus when preparing for investment

Wanting investment and being ready for it in the eyes of potential backers are two different things. This is being “investment ready” and is a key part of our Understanding Finance for Business programme - part of Solutions for Business, the government’s package of publicly funded business support designed to help companies start and grow.

To access any type of finance requires a sound business proposition, a quality business plan and often a presentation to investors. Connect Midlands has a model for “investability” which identifies four key areas that a business wishing to raise finance needs to focus on. These are summarised below:

VISION

A company should make explicit where it would like to be in three or five years, against a number of metrics.

MANAGEMENT TEAM

A strong management team and those with a successful and relevant track record will generally raise finance easier than those without. The management team is particularly important since they are charged with the responsibility to exploit the market opportunity and drive product to market to generate sales and value.

ROUTE TO MARKET

The business plan should define and size a target market of customers and make explicit through which channels these will be accessed. Investors are always looking for progress with

customers such as sales, trials or orders to demonstrate pull from the market place and to de-risk the proposition.

ACCESS TO FINANCE

A start up or early stage company needs a good understanding of finance options, of investor requirements and of the fundraising process itself. Knowing how to make a pitch based on the investment opportunity rather than on the technicalities of the product or process is essential.

Finance comes in three basic forms: grants, debt and equity which I’ll focus on. Typical sources of equity are the founders and owners, friends and family, business angels and venture capitalists. Friends and family typically offer up to £20K; business angels £20K to £1m, often in syndicates for the larger amounts and venture capitalists from £100K to the sums seen at Connect Midlands’ Investment Conferences which can reach up to £5m.

With all finance, the funding providers are looking for a credible management team with the drive to make it happen; a good differentiated market opportunity with defensible USPs; a scale-able business model; clear routes to market; a good understanding of the finance required and an indication of when breakeven will occur.

HOW TO BECOME INVESTMENT READY

As a not-for-profit organisation, we can help provide science, engineering, technology and high-growth companies with the tools they need to develop and raise investment through our Understanding Finance for Business programme.


Companies can access different levels of support from Understanding Finance for Business depending on



their needs. The Amber stream of the programmes is for entrepreneurs at an early stage seeking their first round of company funding and includes workshops offering an intensive two day examination of what investors are looking for as well as workshops introducing the world of investment finance.

The Green stream is aimed at more experienced entrepreneurs or businesses and offers one-on-one mentoring from industry experts who work with the company to prepare them to make investment finance deals. Connect can also provide assistance with transaction fees in some instances including legal, due diligence or other corporate finance fees.

Through Understanding Finance For Business, companies developing strong, investment ready propositions may be selected to present at our exclusive investment raising platforms, such as the annual Connect Midlands Investment Conference.

If you believe you could benefit from investment, get in touch via www.connectmidlands.org or call us on 01509 228 702. 

Fund Spotlight Enterprise Ventures 'EV'

THE FACTS

Enterprise Ventures "EV" is a regionally-based venture and growth capital manager with circa £70m of funds under management. EV is focussed on providing equity funding solutions of up to £2m to SMEs located throughout the UK.

EV manages funds on behalf of a number of private and public sector clients and has recently opened a dedicated Midlands office led by locally-based investment director, Simon Ward.

EV invests at all stages of business maturity, including management buy-outs, management buy-ins, development capital and high growth early-stage technology opportunities. EV will also invest in high quality start-ups with genuine commercial prospects.

THE PROCESS

Businesses, entrepreneurs, management teams and intermediaries should initially contact Midlands-based investment director, Simon Ward, with their

proposals. Following an initial telephone call, they should then submit a high level funding proposal outlining the opportunity and providing outline financial details.

The process then moves quickly through meetings, site visits and agreement of outline terms. This is followed by a period of external due diligence and legal documentation before final investment approval and completion.



Simon Ward, Investment Director at EV

EV is an active, engaged partner with its investee companies. Post-investment, EV will contribute at a strategic board level in helping management teams drive value creation across a range of areas.

THE COMMENT

Simon Ward of EV said "We are looking for special businesses with real potential across the East Midlands. Our range of funding solutions makes us ideally positioned to help entrepreneurs achieve their goals. We recognise that funding for SMEs has never been more challenging and we are firmly committed to deploying our funds to partner with businesses in the East Midlands".

THE CONTACTS

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Angel Spotlight Beer and Partners

THE FACTS

Beer and Partners is the largest business angel network in the UK with over 1600 registered investors. Unlike many angel groups, membership is free for investors; they simply have to fill in the appropriate registration form and provide identification.

Beer and Partners has a number of Associates working for its FSA registered network around the UK and there are three based in the East Midlands. The Associates seek out promising companies that want to raise finance, selecting and signing up those that are investment ready and reckoned to be attractive prospects. Details on the companies are then circulated to all investors by email, and presentation events are held where the propositions may be reviewed in more detail. The company pays a success fee on funds raised through the Beer network and there is no charge to investors.

TRACK RECORD

Over £12m was raised by Beer for small companies in 2008 and about the same amount in 2009. A typical deal raises about £300,000 from three or four investors, though over £1m has been raised on occasions, and others are smaller. Recent deals in the East Midlands have been deSciner Ltd (a web infomatics business in Leicester, £240k), In 'n' Out Services (providing rapid car servicing in Northampton, £350k) and Ellmath (a compressor sales and service business in Ilkeston, £75k).

THE COMMENT

One feature of such a large network is that it contains investors with expertise or knowledge of specific industries which can be of great help to companies raising finance in those sectors. Beer is a founder member of the GI network and is working actively with it to promote more angel investment in the East Midlands.

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Lawrence Fenelon, associate at Beer and Partners

Workshop Firm Presses Play on Sound Financial Planning

Over the course of 2009, call recording specialists Intelligent Recording experienced significant growth in international sales. As a result, the company began experiencing working capital issues, and turned to Bibby Financial Services and EV, for support.



Julian Featherstone, business development manager at Bibby Financial Services

Workshop-based Intelligent Recording specialises in the design, development and marketing of high technology digital call recording products for customer service, compliance, telephone transaction and security purposes. CEO Philip Hill started life supplying voice-over-IP solutions to telephone manufacturers in America. However, the business diversified into the 'call recording' market in 2004.

Intelligent Recording required a finance solution to ease the working capital demands placed on the business by not being able to fund US debtors - who account for over 60 percent of their business. The company had an existing invoice finance arrangement in place, yet found that the restrictive terms - its factoring provider would only offer funding on one US debtor - meant that it had to look at alternative providers, as well as seeking additional equity investment.

Hill contacted Business Link East Midlands in order to explore the range of finance options available to him and it suggested he contact Bibby Financial Services to discuss the alternative invoice financing options available, and to EV to explore the possibility of securing

the equity investment the company needed.

The firm chose to use Bibby Financial Services' specialist international trade finance service as the bulk of its business is invoiced internationally. The facility improves business cash flow by releasing funds in unpaid invoices as soon as they are issued, as well as providing support in overcoming barriers such as language and currency exchange by chasing and collecting outstanding invoice payments on a client's behalf.

Julian Featherstone, business development manager for Bibby Financial Services in the East Midlands, commented: "Intelligent Recording fitted our international factoring client profile perfectly. We always look to add value to a client's export funding and this was delivered with ease. This was one of twelve international facilities provided through our Leicester office during 2009.

Hill added: "The facility has allowed us to finance our business much more efficiently, freeing up our cash flow which has enabled us to invest in other areas of the business, such as business development. It also means we can pay our suppliers upfront and

improve our profit margins."

The equity investment required by the company was provided by EV through its funds under management which offer investment of up to £2m to new and existing SMEs located throughout the UK. Hill approached the investment team at EV to discuss his requirements and the company secured the required equity funding, which was provided by EV a part of a package alongside the company's bank and contributions from its management team. The funding provided was put in place to meet the company's ongoing working capital requirements and to support the company's growth plans and further development of its product range.

Simon Ward, Investment Director at EV, who heads up EV's Midlands operations, commented: "Over the last few years, Intelligent Recording has developed market leading products, with 75 percent of sales exported. The demand for call recording equipment will continue to grow and we believe Intelligent Recording is well positioned to capitalise on this.

"The company has all the attributes EV looks for in an investment - it has a strong and committed management team with ambition, it develops leading-edge products and operates in a developing market, having already achieved substantial growth in the UK and abroad."

Hill added: "We are obviously delighted to be taking on this development capital round from EV. Despite the recession, we've seen good sales and margin growth and we're excited at the business prospects and new portfolio additions we can introduce as a direct result of this investment and the ongoing support of the EV investment team."

Dating site Lovestruck raises £285,000 for continued expansion



Brett Harding, MD of Lovestruck

Leicestershire based dating site Lovestruck.com, which matches city singles who work near to each other, has successfully raised £285,000 in funding

from several business angels and the East Midlands Early Growth Fund.

The investment will enable Lovestruck, which is based in Quorn, with an office in London, to consolidate its position as the dominant player on the London dating scene and to expand its offering in major cities around the world.

“This financing will provide the capital to grow Lovestruck rapidly” says managing director, Brett Harding.

“2010 is a pivotal year for our industry, as mobile dating is still uncharted territory. Lovestruck’s USP is proximity to other singles that work close by, so we are uniquely placed to capitalise on the latest location-based features of the Apple iPhone and Google’s Android platform. We are absolutely delighted to have secured such an experienced group of investors.”

Nick Wright of the East Midlands Early Growth Fund added: “The Lovestruck



team impressed us with their commercial acumen, technological understanding and their success to date. The company is already profitable and the model is readily scalable. We expect to make Lovestruck.com a truly global brand very shortly.”

In preparation for this round of investment, Lovestruck was involved with Connect Midlands, who provided the company with investment readiness training as well as opportunities to pitch for finance before both Midlands and London-based investors.



EMDA 2010 PHOTOGRAPHY AT SALVATORE INNOVATION CENTRE BY DAVID GREEN ©EMDA 2010

Supporting business in the East Midlands

East Midlands Development Agency (emda) is working to provide support to businesses during these tough times.

Companies that are unable to gain credit through banks can apply for loans of up to £250k through the Transition Loan Fund. For smaller businesses, Enterprise Loans East Midlands offers loans of up to £20k for existing and start-up businesses.

That’s why we’re the catalyst for change www.emda.org.uk



Solutions for Business

Funded by government

Does your business need investment? Do you have high-growth potential?

Connect Midlands are the providers of Understanding Finance for Business across the East Midlands.

Your company could benefit from the expertise and assistance of our network of investment professionals.

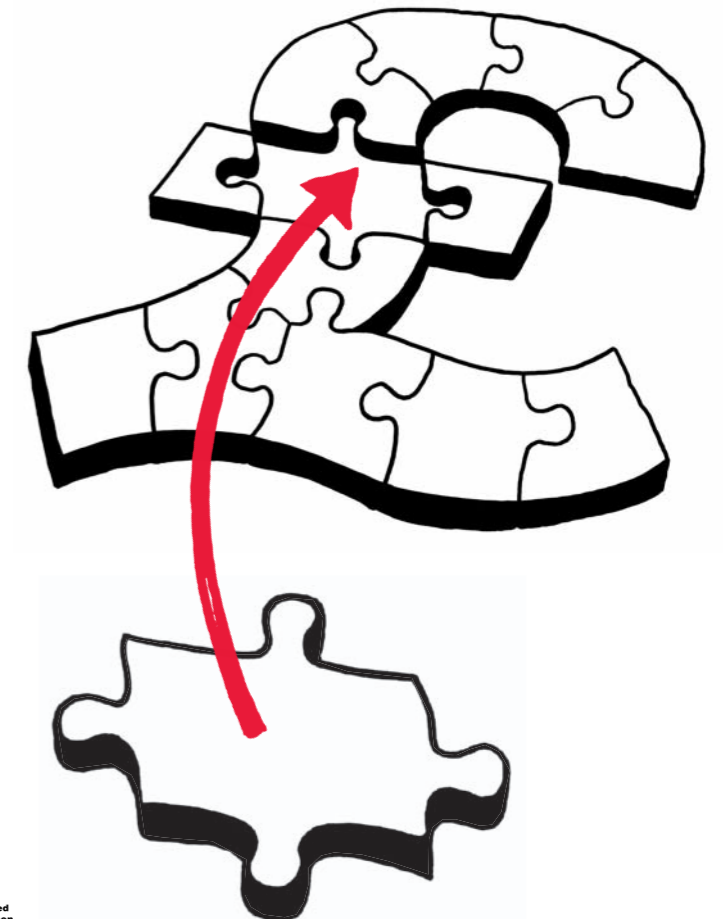
Since 2001 we have assisted around 250 companies in the region to raise over £160m in investment. Get in touch now to find out how we can help you.

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Coming Events

11th February,
Right Funds for You, Daventry
16th - 17th March,
Amber Workshop, Northants

To find out more call **01509 228702**
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