
WHAT WILL INVESTORS LOOK FOR IN YOUR BUSINESS?
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What will investors look for in your business?

If you are looking into financing you company, one of the options to consider is using equity. Equity gives a long term injection of capital into your business by business investors or Private Equity Groups. When taking out a loan, it is necessary to make repayments over a set amount of time, or, if you are unable to, the loan will be secured by collateral in the form of tangible assets. This can be a burden on the company because payments can come at times when the business isn't doing so well. However, if you are raising money through equity, the investors are given a percentage of the company. Their return comes as the company grows. They will own part of the company, so their success is dependent on your success. In some ways this puts them on your side.

Although private equity can mean that you have lost some of your control and own less of your business, it can provide the capital needed to grow your company, so that the part you end up with is much bigger than the original whole. It may be the funding is just the thing that brings your business up to a higher level. It isn't all negative either when the management of the business is shared, as some investors can give added value to the company.

Private equity is a good way of funding your business, when you are looking to expand, if you want to recapitalize, exit the company or transition to new management. It is probably the best route to go down when the business has a potential for a high growth rate with the increased funding, it doesn't have assets to take out a loan or it has an erratic cash flow.

So what is it that investors will be looking for in your company if they are considering investing in it? These investors will need to be convinced that the company will grow. Some may get heavily involved in the management of the company, but, in general, they will invest in the company on the basis of how proficient the company is being run and the plans and potential for fulfilling those plans. It is a high risk investment, so if the value of the company does not look like it will have some kind of significant growth in around 5 years, then there is unlikely to be any interest in investing in it.

Here are some of the areas that an investor will look into before putting their money into your business :

• **Management.** Management is important in any business, so unless private equity is part of a management transition plan, then an investor will look carefully at the way the business is managed and the quality of the management team. The management team needs to be positive and determined as well as having the skills to manage the company well. A good idea doesn't go very far without good people to get it there.

• **Growth potential.** To work out the potential for growth of the business, an investor will consider several factors.
✓ What potential does the business have to grow in its particular market and how well is the business positioned in that market
✓ Is there a realistic plan for growth? Has it been well thought through? Has the budgeting been comprehensive?
✓ What sort of reputation has the business got and what is its credit rating

• **Exit path.** Business investors are in for the long haul, but they will want to know the plan for getting return on their money. There are a variety of routes this could take, such as selling the business, a management buy-out or going public. Whatever the chosen path, it needs to be clear and well thought through

• **Emergency Plans.** More than likely there will be different problems as the business grows. An investor will understand this, but you will gain much more trust if the management has thought through the things that could go wrong and made strategies for these situations

If an investor is happy with the business and comes out with a positive view after considering all the areas above, it then comes down to what terms you are willing to give. When you have a good deal on the table then there will be plenty of competition trying to get it.

In summary, an investor will want to invest in your business if they can see that they will get a good return on their money. You can show them that by having a good potential for growth, a good management team and careful plans that show you have thought through how you can use the investment to take the business up a higher level

Our M&A Process

TARGET APPRAISAL	APPROACH	DUE DILIGENCE	NEGOTIATION & CLOSE	POST MERGER INTEGRATION (PMI)
Key Areas				
▪ Target & market analysis; ▪ Initial assessment of synergies & value drivers; ▪ Indicative valuation; ▪ Go or No-Go decision; ▪ Preparation of transaction documents (NDA – Non-disclosure Agreement/LOI-Letter of Intent); ▪ Select Transaction team; ▪ Appoint advisors; ▪ Consider funding ability.	▪ Initial approach letter; ▪ Signing of NDA; ▪ Prepare & share initial information requests; ▪ Formulation of LOI (Letter of Intent) & possible negotiations; ▪ Initial meeting and Q&A; ▪ Circulate information on the Target to the Transaction team.	▪ Set scope of due diligence; ▪ Set up VDR (virtual data room); ▪ Coordinating of due diligence, further meetings and Q&A sessions; ▪ Consider points relevant to the Post-Merger (PMI) phase;	▪ Revisit indicative valuation & prepare detailed valuation based on due diligence findings; ▪ SPA negotiations with the seller; ▪ Development of final structure (share/asset deal) and final valuation; ▪ Approvals; ▪ Signing of SPA & Close.	▪ Consider the extent of integration; ▪ Development of 100 Day PMI Plan; ▪ Consider short & long term objectives; ▪ Estimate requirements to capture synergies; ▪ Determine resource needs & optimal allocation.
Parties Involved				
▪ CFO; ▪ Head of M&A; ▪ Accountants; ▪ Corporate finance advisors; ▪ Consultants.	▪ Senior management; ▪ CEO, CFO, CTO; ▪ Strategy director; ▪ Head of M&A; ▪ Head of Business Development; ▪ Consultants.		▪ Company general counsel; ▪ Lawyers; ▪ Senior management.	▪ Company general counsel; ▪ Lawyers; ▪ Senior management/HR.

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