

Article: How to be Investor Ready

By Len McDowall, Integral Capital Group Pty Ltd

As corporate advisors, we meet with many companies who seek investment capital to help with the growth of their business. But attracting investor capital depends greatly on whether they are “investor ready” or not.

Recently, a company in the building industry approached us to raise A\$5m capital for them. They were well established and profitable and had the opportunity to expand overseas and required the funding to finance their expansion.

After a short period of due diligence, it was apparent to us that they were far from being ‘investor ready’. We prepared the following check list for them and are now working with them to implement it before we approach any investors.

The check list covers the major issues that an experienced investor will look for (and expect) in an investee company:-

- Experienced and stable management team not only knowledgeable as regards to the industry and product, but capable of successfully implementing the business plan and managing the company’s operations. Investors invest in management who are committed long term to the business
- Sound understanding of the industry the business is in,
- Realistic investor ready business plan (featuring a detailed and realistic business strategy of current and future plans).
- Realistic achievable financial forecasts and potential for high returns on investment (ROI).
- Excellent business growth potential with rapidly growing markets.
- A willingness to include, if required, the Investor in the management of the business
- A comprehensive understanding of the customer (target market), including market size, demographics, trends , pricing strategies, accessibility, growth potential, demand for products and services ,and commitment to business development.
- A clear idea of the valuation of the business, the equity available for the investor and a strategy for the exit of the investor.
- Efficient internal accounting and financial systems and signed off Accountants reports are a must.
- An easy to follow and manageable growth product/business strategy, combined with planned financial manageability over the period.
- Ability to explain how the investment capital will be used.

- Point of difference - in product, distribution, profit, returns, management, location, contacts, technology, barriers to entry, patents or other unique competitive advantages.
- An understanding that attracting the right investor can take time - usually up to six months.

Approaching investors unprepared is probably the single most common reason why entrepreneurs fail to attract capital. Some investors see 10 or 20 deals a week. If your proposal does not include all of the above, chances are you won't get past first base and they are immediately onto the next deal.

However once you learn how to make your business 'investor ready' and you succeed in attracting an investor the first time, going for subsequent rounds of funding, or funding a new venture becomes much easier. Hence if you want to become a successful entrepreneur, it's worth spending the time and effort to learn how to make your company 'investor ready'.

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About Len McDowall - Managing Director, Integral Capital Group Pty Ltd

Len McDowall was previously inaugural Chairman and Managing Partner of Bird Cameron Chartered Accountants (now known as RMS Bird Cameron), which employed 1000 people in 50 offices in Australia and Hong Kong. Len, who established Bird Cameron's mergers and acquisitions division, has extensive experience in all facets of financial management with a particular emphasis on structuring and negotiating joint ventures and capital raisings. Following his retirement from the accounting profession Len and his partners established the [Integral Capital Group](http://www.integralcapital.com.au) which specialises in mergers and acquisitions, public floatation's and capital raisings.