

Article Part 1: How to write an Information Memorandum or Business Plan to Raise Capital

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Investors are extremely busy people and see hundreds of business plans each year. It is most unlikely that they will find the time to read a plan from cover to cover unless it is captured within the first two or three pages. Venture capitalists prefer, therefore, to read a short summary of a business plan which highlights the most important aspects and opportunities an investment offers and which contains enough information to enable them to determine quickly whether the proposal is of interest.

This short summary is therefore of critical importance. It is referred to as an "Executive Summary" and should be written last and contain only the most relevant and significant points made in the plan. Allow plenty of time to write a succinct, appealing and convincing summary. Remember that it is the first thing which will be read and unless it does appeal and convince, it will be the last.

The summary should cover as a minimum the following:-

1. **Purpose of the plan:** Outline the reason for presenting the plan (ie. to attract investment), the goals the company is seeking to achieve and the distinguishing features which will allow them to be realized.
2. **The company and its founders:** Who formed the company and when, what it does or will do, what is special or unique about it and, in particular, the opportunities available to it. A brief resume of the backgrounds of the entrepreneurs may be relevant, highlighting the particular experience or qualifications which make them suited to pursue the business opportunities available.
3. **Market opportunity:** Outline what the opportunities are, indicating the size and growth prospects for the product or services offered and the way in which projected market share is to be achieved.
4. **Products/services/technology:** Describe briefly the products or services sold as well as any unique features and/or advantages they have. Indicate any proprietary technology, trade marks, intellectual property rights or skills which give the company an edge in the market place. Outline future product development and plans for extending the product range.
5. **Past trading record:** If the business has an established track record (be it several years or months) provide a brief summary of sales, gross profits and pre-tax results explaining significant trends. Highlight the achievements to date and milestones reached.
6. **Summary of the financial projections:** provide information on sales gross profit and pre-tax profit for at least three years, briefly explaining trends and any divergence from the historic performance.

7. **Funding requirement:** State the size of the investment needed, how the finance will be used as well as what equity the funding will represent.

NB: The content of Business Plans will be covered in subsequent articles by Len McDowall.

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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](#) which specialises in mergers and acquisitions, public floatation's and capital raisings.