



ems e-news

Key issue

When raising growth capital in the post Global Financial Crisis market there are a number of **Essentials** that will be required for success. These will include:

- > A Finished Product
- > Revenue Growth
- > Strong Management

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Getting Ready To Raise Growth Capital

In Need of Capital to Expand Your Business?

As organisations look beyond the Global Financial Crisis and commence work on Strategic Growth Plans for their business we are finding that many clients who have begun to look for growth capital are finding the market is “unfriendly” and new equity and debt capital remains hard to find, particularly if you are a Small Medium Enterprise (SME).



There are a number of considerations that a Board and management team must review when beginning to search out new sources of capital. These include:

1. ensuring you only work with business advisors that have a good track record in raising capital for growth companies. Any advisor that has not worked in the SME market is likely to find the going tough. We have seen advisors with impressive credential records being part of an international bank raising \$500m or more for a multinational business but this is not a good measure of the chances of success in the SME market.
2. checking to see if the business advisor is tied to a single source of growth capital. The growth capital environment is no longer a “friendly place” and you may find the choices open to you may be too restrictive and will possibly lead to your existing shareholders losing a substantial part of the business ownership to new investors.
3. examining the need for debt or equity capital taking into account the risk profile of the planned expansion project as well as the longer term exit strategy for existing shareholders.

We have been working with our clients who are looking for growth capital for their business and have developed a checklist of **ESSENTIALS** required to successfully raise capital for expansion.



Getting Ready for Growth Capital Continued

The Basic Essentials

- 1. IS YOUR PRODUCT OR SERVICE READY WITH PAYING CUSTOMERS?**
By this we mean does the product or service need further development before it will generate revenue.
- 2. DOES THE BUSINESS HAVE OTHER PRODUCTS EARNING REVENUE?**
The business may have other products earning revenue. If you have an existing revenue stream from your business for longer than six (6) months will give confidence to potential investors.
- 3. IS THE MANAGEMENT TEAM EXPERIENCED WITH PROVEN SUCCESS IN YOUR INDUSTRY?** Raising growth capital in today's environment will require a strong management team with plenty of experience.
- 4. DOES YOUR ORGANISATION HAVE A TRADING HISTORY OF TWO (2) YEARS OR MORE?** Unless you can demonstrate a trading history of two (2) years or more asking for growth capital will have a higher risk profile than many investors are willing to take. In some instances the trading history experience can be in a similar business you have operated so there is some latitude on this **Essential**.
- 5. DO YOU HAVE A MINIMUM OF THREE (3) MONTHS OPERATING CAPITAL?** To raise expansion capital your existing business must be properly funded and for most organisations the minimum trade cycle is ninety (90) days. If you can demonstrate a different trade cycle this **Essential** can also be negotiated.

If you would like to know more about our Raising Growth Capital program for the SME market we would be pleased to assist.

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