

ACCESS TO FUNDING:

HOW TO PREPARE TO ACCESS FUNDING

Part of the Big Up Small Business, Jamaica programme



In partnership with



Rules for the Session:

- No Multi-tasking!
- Ask Questions in the Q&A panel as we cover topics, don't wait for the end
- Take Notes

What We Will Achieve Today!



Overcoming Mental Blocks
About Financing



Understanding How to
Prepare for Financing



Learning Common Types of
Financing



Strong views, loosely held

This is a learning process

Philosophy of Financing

- It's easiest to attract funding when you don't need it
- You're in the business of making money, financiers are in the business of protecting their money
- Simplicity is best - the easier the business is to understand, the easier it is to understand the benefit
- You're the expert - all transactions are based on trust, demonstrate why you should be trusted



Steps to Success



Read each section



Complete the activities, paying special attention to the PRO TIPS



Make sure everything for that section is documented then proceed to next section

If you take on everything at once, you will become overwhelmed

Target Outcomes:

1. Understanding your cash flow
2. Categorising your use of funds
3. Understanding total value of financing needed
4. Understanding types of financing needed
5. Understanding when you will need financing
6. Analysing how finance payments will be managed
7. Business Plan
8. Financial Projections

Managing Your Time



Dedicate at least an hour when using the guide



Try to minimise external distractions



If you don't have all the info, contact the stakeholders who do and provide a deadline.



Research - You may need to look up other examples or explanations online.

This is a guide

There will be variances

- Pay attention to requirements from financiers and adapt as necessary
- Seek professional advice from legal and accounting professionals to review agreements
- Make sure you understand all terms before signing
- Have a backup plan in case suitable financing isn't available

Demonstrate Sustainability



**Financial Strengths
and Opportunities**



**Strong Leadership
Team**



**Good corporate
governance or strategy to
implement governance**

Assessing Your Financing Needs

Create a growth strategy

Create financial projections for 3 years

Calculate the cash flow trough created

Identify capital expenditure contributing to the trough

Identify operating expenditure contributing to the trough



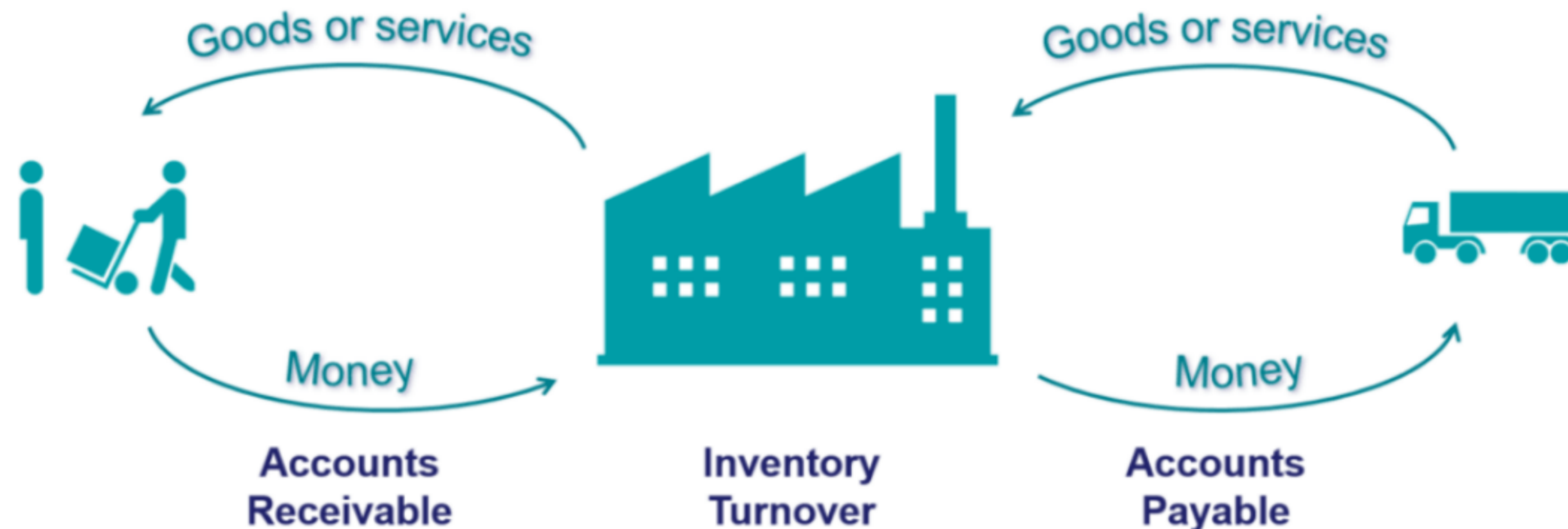


“ Revenue is vanity, profit is sanity, but cash is king

Unknown

Understanding Your Cash Flow Cycle

The Cash Conversion Cycle

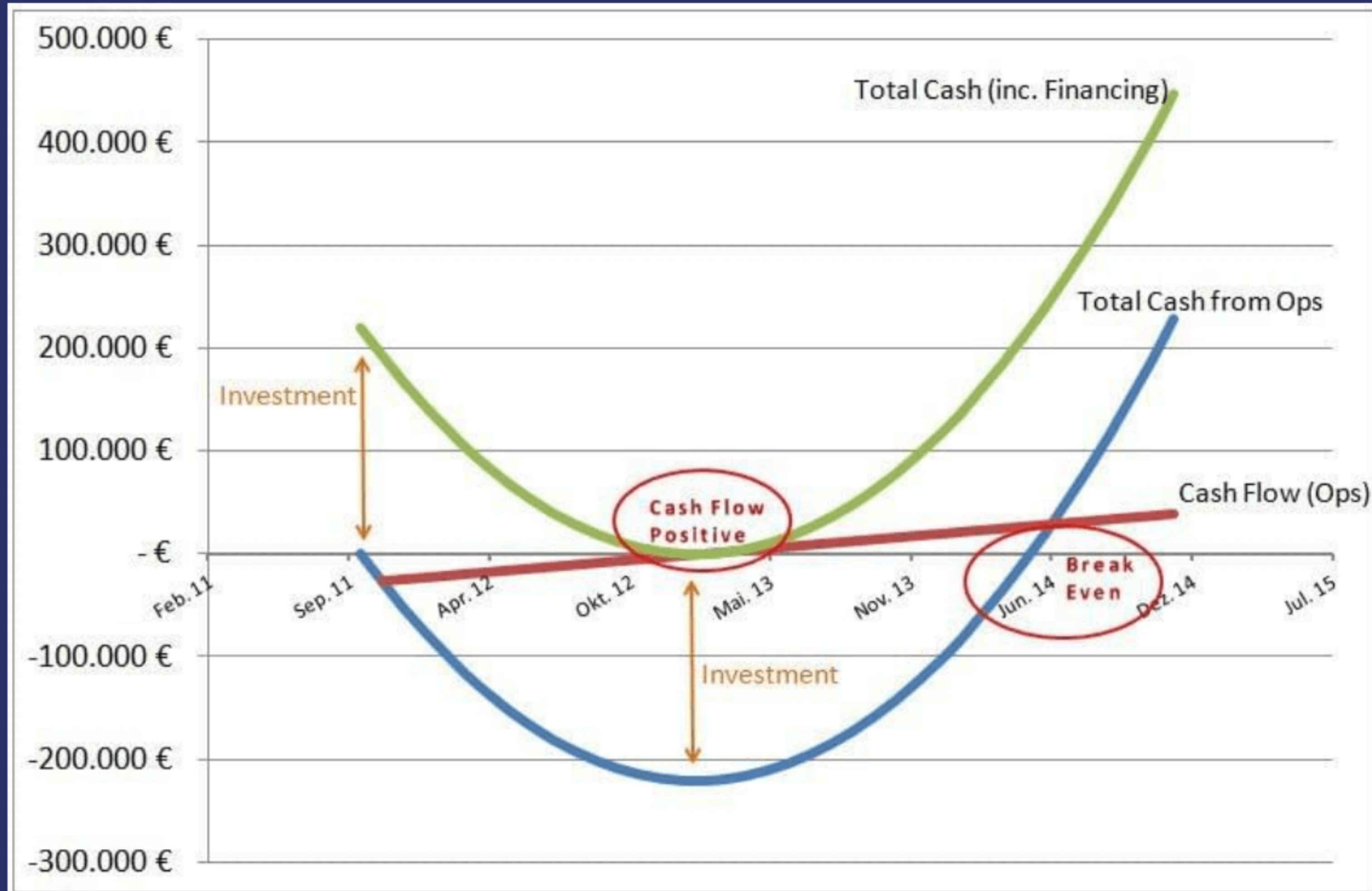


Simple Calculation

Cycle length =

total days it takes to sell and satisfy agreement + days it takes to get paid - Days until payment to suppliers due.

Calculating Cash Flow Troughs



What is Capital Expenditure?

Capital expenditures (CapEx) are funds used by a company to acquire, upgrade, and maintain physical assets such as property, plants, buildings, technology, or equipment.



What is Operating Expenditure?

An operating expense is an expense a business incurs through its normal business operations. Often abbreviated as OPEX, operating expenses include rent, equipment, inventory costs, marketing, payroll, insurance, step costs, and funds allocated for research and development.





Research Your Financing Options

- **Micro financing**
- **Commercial Debt**
- **Alternative financing - E.g. Mezzanine financing, receivables financing.**
- **Private Equity**
- **Public Equity**
- **Venture Capital**

Typical Financing Applications

Instrument	Short Term Capex	Short Term Opex	Long Term Capex	Long Term Opex	Low Risk	High Risk
Micro-Financing	Yes	Yes	No	No	No	Yes
Commercial Debt - Unsecured	Yes	Yes	No	Maybe	No	Yes
Commercial Debt - Secured	No	Maybe	Yes	No	Yes	No
Mezzanine Financing	Maybe	Maybe	Maybe	Maybe	Maybe	
Private Equity	No	No	Yes	Yes	Maybe	Maybe
Venture Capital	No	No	Yes	Yes	No	Yes
Public Equity	No	No	Yes	Yes	No	Yes

Finding the Right Financier

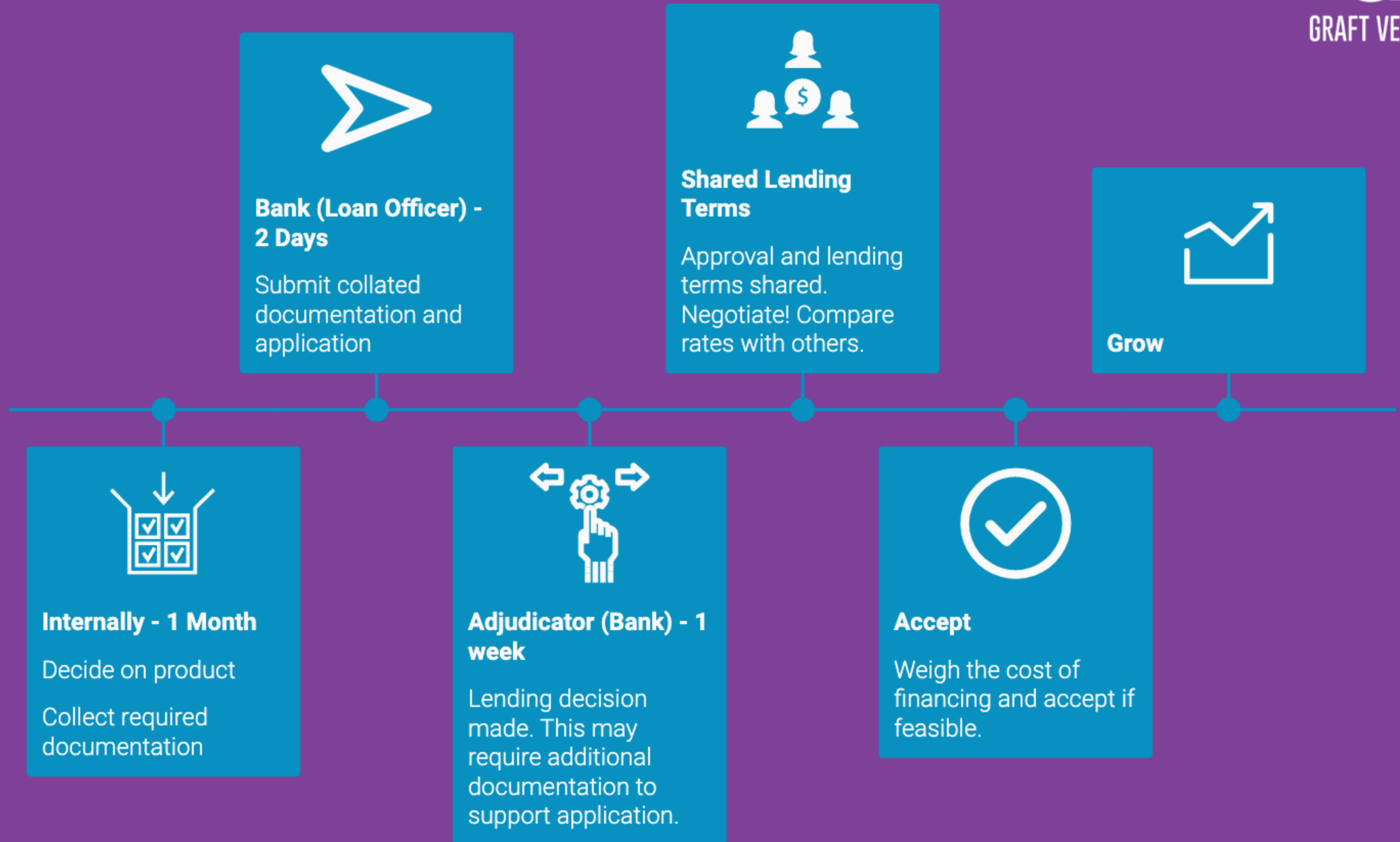
- **Research deals completed in your industry**
- **Look for negative outcomes of deals**
- **Use your network - find finance contacts that can be referred**
- **Take a look at their website, strategy and annual report to understand them better**
- **Reach out professionally**

Documentation Required For Financing

- Company overview and growth strategy
- Management team overview and CVs
- Financial Projections
- Historical Financials (audited if possible)
- Category or blend of financing required
- Use of funds
- Compliance records - TCC etc.
- Governance documents - Articles of incorporation, shareholder agreements etc.



Debt Funding Process





Questions?

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