**Funding Profile Analysis**

Is a Financial Assessment that examines how a project, company, or investment is financed over time.

We look at sources like (like debt, equity, grants) their timing, cost, risks and suitability to the needs of the project or business.

Term: **Funding Profile Analysis** shows where the money is coming from, how it's structured, and whether it's appropriate and sustainable for the long-term goals.

**General Metrics Associated with this type of Analysis**

**Capital Structure Metrics**

**Dent-to-equity ratio**: Measures leverage and financial risk.

**Equity Ratio / Debt Ratio**: Shows the proportion of equity vs. debt in funding.

**Gearing Ratio**: Assesses how much of the business is funded by debt.

**Cost Related Metrics**

**Weight Average Cost of Capital (WACC):** Overall cost of capital based on proportion and cost of each source.

**Cost Of Debt:** Effective interest rate on borrowings.

**Cost Of Equity:** Expected return required by equity investors.

**Cash Flow and Liquidity Metrics**

**Funding Gap**: Difference between available funding and required capital.

**Cash Flow Coverage Ratio**: Ability to meet funding obligations with operating cash flows

**Liquidity Ratio**: Measures short-term financial health (Current Ratio, Quick Ratio)

**Timing and Maturity Metrics**

**Funding Timeline:** When funds are required vs. when they’re available

**Maturity profile**: Schedule of when debts or obligations need to be repaid.

**Risk Metrics**

**Interest Rate Sensitivity**: Exposure to rate changes, especially for debt.

**Current Risk Exposure**: If funding sources or liabilities are in foreign currencies.

**Refinancing Needs**: Likelihood of needing to replace funding under unfavorable terms.

**Return On Capital Metrics**

**Return on Capital Invested (ROIC):** Measures return generated from funding used.

**Internal Rate of Return (IRR):** Especially in project finance, to assess the return on capital invested.

**Relevant Metrics for Funding Profile Analysis especially for Funds**

**Capital Commission Metrics**

**Committed Capital vs Deployed Capital**: How much investors have pledged vs. how much the fund has invested.

**Capital Call Schedule**: Timeline of drawing down investor commitments.

**AUM (Assets Under Management):** Total market value of the fund’s investments.

**Cost Of Capital Metrics**

**Management Fee & Performance Fee (Carry):** Key cost metrics in fund structure.

**Hurdle Rate**: Minimum return that must be earned before performance fees are taken (common in private equity).

**WACC (if leveraged):** Relevant for leveraged funds or those investing in infrastructure/projects.

**Maturity and Liquidity Metrics**

**Fund Duration / Life**: Especially for closed-end funds (private equity, …..)

**Redemption Terms**: For open-end funds, frequency and notice period of redemptions.

**Liquidity Coverage Ratio**: Can the fund meet redemption requests?

**Risk Metrics**

**Drawdown Risk**: Maximum observed loss from a peak to a trough.

**Leverage Ratio**: Degree of borrowing used to amplify returns.

**Interest Rate or FX Exposure**: If the fund uses foreign capital or invests globally.

**Funding Concentration Risk**: Dependence on a few key investors or sources.

**Return and Performance Metrics**

**IRR (Internal Rate of Return)**: Common in private equity and infrastructure funds.

**MOIC (Multiple on Invested Capital)**: How much money was made relative to what was invested.

**Time-Weighted Return (TWR)** and **Money-Weighted Return (MWR)**: Used in mutual and hedge fund performance.

**Alpha / Beta / Sharpe Ratio**: Risk-adjusted return and benchmark comparison.

**Percentage of Total Funding**

Determining what **portion (percentage)** a specific investment, contribution, or funding round represents **relative to the total amount of funding the fund has received or committed**.

**For a Company – Start Up Receiving Funding:**

Calculate what percentage each round contributes to the **total funds raised.**

**Percentage Of Total Funding = (Funding From a Specific Round / Total Funding) \* 100**

Example

| **Round** | **Amount Raised** |
| --- | --- |
| Seed | $500,000 |
| Series A | $2,000,000 |
| Series B | $5,000,000 |

Total Funding = 7.5 millions

Calculate from Series A funding

(2m / 7.5m) \* 100 = 26.67%

**For a Fund or Venture Capital**

It can refer to what **percentage a specific investment** (into a company or asset) represents **of the fund’s total capital**.

Example

If a venture fund has $100 million and invests $5 million in Startup X:

(5m/100m) \* 100 = 5%

This tells stakeholders how the fund allocates its capital across various investments and helps in assessing **exposure, diversification, and risk**.

**Why this metrics matters**

**For investors**: Shows how much weight a particular investment carries.

**For startups**: Shows the significance of a funding round relative to all capital raised.

**For analysts**: Useful in evaluating portfolio distribution, risk exposure, and capital efficiency.