Preparing for outside investment checklist

If you have a new business with the potential for high growth and need funding, you may want to consider equity finance.

An external investor, for example a venture capitalist or business angel, will provide equity finance in exchange for a share (also known as an equity stake) of your business. Our tutorial **Gaining outside investment - step by step** can help you to understand this process.

To help decide whether equity finance is right for your business, you need to know what investors are looking for and what they can provide.

The checklists below will help you prepare for and find the right kind of outside investment to help your business.

Your business

Tick the box as you complete each task.

- ☐ Research and decide whether your business idea needs to be protected before approaching any outside investor. Do you need a patent or other form of intellectual property protection? You may need to consult an expert for advice on this issue.
- ☐ Identify what your business needs investment for.
- ☐ Calculate how much investment your business needs and for how long.
- ☐ Examine your existing finances - are you making the most of the resources you already have? Have you considered whether there are other sources of finance available, such as a bank loan or personal savings?
- ☐ Detail what finances you already have in place or can provide.
- ☐ Identify why your business is a good investment. For example, why your business is better than the competition. You should also outline the growth potential of your market.
- ☐ Identify your 'value proposition'. What value does your business add for customers and investors to make them buy or invest?
- ☐ Identify the skills and experience within your business - how will you and any employees work with an investor to make the business grow?
- ☐ Decide how much equity you are willing to offer - an investor will expect a share of your business.
- ☐ Decide on the level of control you are willing to give up - an investor may also want to be involved with business decisions.

- ☐ Obtain independent advice from a professional - accountant, lawyer or business adviser - on the benefits and risks of equity finance.
- ☐ Check that your business plan clearly states what the benefits of the proposal will be for the investor and how your business will benefit from equity finance, what the investment will be used for, and what it will achieve. Also include details of the level of involvement you expect from the investor and when you would like them to exit from the investment.

Finding and approaching investors

Tick the box as you complete each task.

- ☐ Research the different types of equity finance available - business angels, venture capitalists - and possible government-backed sources too.
- ☐ Identify the skills and experience that your business needs from an investor. For example, their marketing experience, access to their network of business contacts , or experience with similar businesses.
- ☐ Select investors who are a good match - consider what stage your business is at, your market sector, how much you need and where your business is located.
- ☐ Contact the most suitable investors - you should complete an investor's official application form or forward the executive summary of your business plan if it is requested . Do not send unsolicited material to an investor.

Negotiations

Tick the box as you complete each task.

- ☐ Calculate how much your business is worth, or will be worth, including future valuations to cover potential growth. Be realistic and base the figures on facts - don't exaggerate forecasts or overvalue your business. Independent advice from an accountant may assist you.
- ☐ Prepare a business presentation or 'pitch' that can be used for face-to-face meetings with investors.
- ☐ Send your full business plan to the investor - but only if it is requested. Before you send your plan consider asking the investor to sign a non-disclosure agreement or confidentiality letter to protect your business idea.
- ☐ Prepare for final negotiations - these will settle the terms and conditions of the investment and will only be carried out if your business has successfully passed a detailed analysis.