

THE THREE “R’S” FOR FUNDING SUCCESS

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As fundamental as the original three “R’s” – Reading, ‘Riting and ‘Rithmetic, addressing these three keys can spell the difference between failure and success for any Leadership Team’s efforts to acquire funding for an investment proposal.

REASON TO INVEST - PAINT A COMPELLING PICTURE OF WHAT YOU WILL CREATE

It is incumbent on the leadership team to first and foremost paint a compelling vision accompanied by a realistic strategy for its achievement; ideally exuding the passion and commitment of Michelangelo. Included in your strategy must be the key *contributing factors* that minimize risk and assure success, such as:

- Potential Markets
- External events
- Competition
- Entry barriers
- Leadership Team
- Intellectual Property
- Differentiators
- Opportunities

The challenge here is to cover all your core advantages in clear and concise fashion. Investor time comes at a premium. They review hundreds of proposals concurrent with conducting diligence for deals in process. To increase the probability for a face-to-face meeting, we suggest that you expend the effort to refine your summary. As in the case of a hastily written note to a friend, Mark Twain is reputed to have apologized for the length of his message because he lacked the time to make it short. Take the time. Cover all the key points. Make it short.

RESOURCES AND USES – HOW MUCH MONEY IS NEEDED AND HOW WILL IT BE USED?

Outline the total amount of funds necessary to make your vision a reality along with an investment schedule showing when funds will be needed. Follow this with a summary of how the funds will be employed. A simple outline of the stages for your implementation strategy that lists the flow of funds at each stage will suffice. Typical format is a balance sheet type summary with no more than a few paragraphs of narrative.

RETURNS – SHOW HOW AND WHEN THE INVESTOR WILL BENEFIT

This is where you illustrate in clear simple terms how this investment will be transformed into attractive returns to the investor in a five-year period. A typical format is a simple cash flow table plus a few paragraphs of narrative. The table should include at least revenue and EBITDA. You can add cost of materials, cost of manufacturing and SG&A expenses if known. Again, cover all key points but keep it brief.

Mitch Davidson, Managing Director at Post Capital, reflects the investment community’s desire for brevity. “Keep it simple and high level. Showing revenue and EBITDA is enough as long as it is accompanied with a reasonable explanation as to why it makes sense.” The final touch will be specific practical suggestions for exit pathways that relate directly to your proposal.

A FINAL NOTE

It goes without saying that even though your newly created proposal is truly a “promotional” tool, accuracy is paramount. Credibility is the pathway for building trust with your investor.