

The Investment Proposal

Once the need to raise finance (equity, debt or trade finance) has been identified it is necessary to prepare the collateral needed to support the application for funding. Just about the most important document that you will produce as part of this process is an Investment Proposal (or Business Plan). The Investment Proposal document must secure the attention of the prospective investor, it must make a good first impression and it must persuade the investor to take the funding application to the next stage.

Remember most prospective investors (equity, debt or trade finance) will receive many Investment Proposals and only a small proportion of these will make it through to the next phase of the investment process (typically a meeting with the management team). In short you may only get one chance to grab the prospective investor's attention, only one chance to make an initial good impression and often that one chance takes the form of the Investment Proposal.

What is an Investment Proposal?

The Investment Proposal typically comprises two sections; a descriptive section and a set of financial information.

- **The Descriptive Section** – This section sets out in words the history of the company/business proposition, details of the product/services, details of the market sector, the management team, the competitive landscape and the plan/reasons for which the funds are being sought.
- **The Financial Information** – This section will set out the historic and current trading position of the company, detail its current balance sheet and financial forecasts (typically 3 years) showing why the funds being sought are required, how they will be used and what they will produce (in terms of profit/cash).

Having made the point that you may only get one chance to grab the attention of prospective investors it follows that at Blue Sky we are not fans of the standard template Investment Proposal documents that can be downloaded from the Internet. You would not sell your products or services by producing a brochure that looks like all of your competitors, so don't try to sell your company to investors with an Investment Proposal that looks like all the others!

The most important aspect of your Investment Proposal document is to set out what is unique or different about your business and to do so succinctly, clearly and early in the document. This differential might be your people, your product, your service, your intellectual property, your competitive position in the market, your geographic location, your marketing approach, your range of offerings, your customers, your partners, your suppliers or even your pricing model or many of these factors but it is nothing less than essential that you know how/why your business is different and that you get this message across clearly and early in the Investment Proposal document.

What should be in an Investment Proposal?

Each Investment Proposal should be unique to the business that is making the application for funding and the level of detail expected by prospective investors will differ depending upon the type of investment (equity, debt or trade finance) that you are seeking. That said, there will be an expectation on the part of prospective investors that certain information will be included (within the body of the document or its appendices).

The broad headings that are likely to be included in most Investment Proposals include:-

- Executive summary including (amongst other things) a clear explanation of the amount of funding that is being sought, the purpose for which the funds are being sought, an explanation of how the funds sought will be used and summary of the planned outcome/consequences of this investment
- The history of the company, its products/services and its founders
- Details of the products/services offered, how these differ from others in the market, the roadmap for the development of the products/services and details of any intellectual property
- Details of the target market(s), the routes to market, the sales/marketing plan and the competitive landscape

- Profiles of company founders, directors and other key managers
- Details of the historic, current and forecast financial data typically at a profit/loss, balance sheet and cash flow level
- Some sort of risk or SWOT analysis for the business
- Where appropriate, information on key customers/suppliers
- Where appropriate, information on any key regulatory or compliance framework within which the business must operate
- The Exit strategy and likely routes

How can Blue Sky Corporate Finance help you?

Blue Sky offers a service to assist its clients in the preparation of the Investment Proposal document. Our experienced corporate finance professionals have the advantage of working with many of the prospective investors (equity, debt and trade finance) in the market and as such, we have an insight into the sort of investment proposals that they are looking for, the information that they will expect to see and the way that they prefer to see the information presented. Additionally we have considerable experience of preparing financial forecast models for the purpose of funding applications.

In short, we can help you to create an Investment Proposal that is designed to make that all important first impression.



To find out how **Blue Sky Corporate Finance** can help you
please call **0845 BLUE SKY** (0845 2583759)
www.blueskycf.com