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PREPARING SMES FOR INVESTMENT LINKAGES

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At The Radical Leap Company we pride ourselves in being a trusted partner to SMEs seeking accelerated growth and expansion. Whether they reach out to us at idea stage or when ready for investment, we are well-placed to provide advisory services and linkages to potential funders and investors. By virtue of our global networks, we have successfully created investment linkages to opportunities in emerging markets.

SECTORS OF INTEREST


AGRICULTURE	LOGISTICS
BEAUTY (HAIR & SKIN)	MANUFACTURING
CONSTRUCTION	MINING
EDUCATION	RENEWABLE ENERGY
FISHING	REAL ESTATE
FINANCIAL SERVICES	TECHNOLOGY
FOOD PRODUCTION	TELECOMMUNICATIONS
HEALTHCARE	TEXTILE
INFRASTRUCTURE	WATER PURIFICATION
LEATHER GOODS	+ MORE

CRITERIA FOR PARTICIPATION

- Must have a legally registered business with proof documents
- Should have been operational for a minimum of 1 year and in profit
- Must have audited accounts if in business more than a year
- A business plan and a pitch-deck are desirable

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INVESTMENT READINESS PREPARATION

We are committed to supporting project owners in preparing to present their opportunities to investors and negotiating for investment. We review all projects submitted for viability, profitability and sustainability. We provide support with preparations for:

01

DOCUMENTATION

We can assist with business plans, executive summaries and pitch decks. We can also assist with the preparation of necessary legal documentation on a case-by-case basis. Please note that costs would apply for all the above.

02

PITCHING

Investors seek clarity and confidence in the presentations of founders and CEOs that receive their investment. We provide coaching in the area of pitching for investment to help project owners who need help.

03

NEGOTIATION


Negotiating with investors can appear daunting but it's not impossible. We are always on-hand to provide support through the negotiation process whether that means accompanying you to the meetings or attending conference calls.

04

TRAINING

For SMEs that are not yet investment ready, we have interventions that are tailored to specific needs. We can provide support. Please note that costs will apply.

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3 STAGES OF INVESTOR ENGAGEMENT

There are three stages in the investor engagement process. All three involve different activities and require different types of documentation. It's important to understand what each stage entails so you are adequately prepared.

01

INTRODUCTION OF THE BUSINESS TO THE INVESTOR(S)

This stage is aimed at introducing your business to interested investors through our [Executive Summary](#) template provided for guidance. To protect the interests of all parties involved, relevant agreements will be signed before your document is shared with potential investors.

02

PITCHING THE BUSINESS AND CLOSING THE DEAL


This stage happens after an investor has expressed interest in your project. It's important to have a [Business Plan](#) and [Pitch Deck](#) ready for presentation. Pitch deck templates are available online at no cost should you need help creating one. Just ensure your design fits with your brand and you check it for typos. We review all pitch decks and provide feedback to help strengthen your chances.

03

FOSTERING INVESTOR RELATIONS

At this stage, the deal is closed and agreements will have been signed to do business. You will be required to share more in-depth information about your business in line with the agreed involvement of the investor(s). At this stage, our involvement ceases and you continue to work directly with the investor(s), unless you retain our advisory or consulting services.

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QUESTIONS TO CONSIDER 1/3

Preparation is key when engaging with investors. Below are some questions for you to consider about your business. Being able to answer them will be useful not only for investor engagement but for your business in general.

LOCATION, INDUSTRY & STAGE OF DEVELOPMENT

- How long has your business been in operation?
- Is your venture profitable?
- What is the major problem you are addressing in the market?
- How large and how stable is your customer base?

GROWTH POTENTIAL


- Plans to issue shares as business grows
- Borrowing money to stimulate growth. How much do you need and what for?
- What is your debt repayment plan?
- Proof that current assets can cover short-term liabilities
- Can your company handle high growth scale?
- Can you generate sizeable profits beyond the initial product offering?
- Does your brand have multiple sources of revenue?
- How is your financial performance?

EXPERTISE AND EXPERIENCE IN INDUSTRY

- Extensive experience
- Strong executive team with a track record of high performance (A must)
- Strong leadership in the company and in prior ventures
- Is there chemistry between you and investor? (Especially angel investors)

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QUESTIONS TO CONSIDER 2/3

COMPANY UNIQUENESS

- How do you stand out in the local, regional, continental & international market?
- Do you have solid market research with evidence of consumer engagement?
- Did you innovate the business you are working on?
- What sets you apart from competitors - what's your edge?
- Do you have a trademark, patent, exclusive license, exclusive distribution rights?

WHAT'S YOUR BUSINESS' STRATEGIC VALUE / BUSINESS MODEL?


- How are you making money?
- Is it scalable?
- Is it profitable?
- What are the finance issues you may face?
- What are the market issues you may face?

LARGE MARKET SIZE

- How many competitors are in the market? (Limited competition preferable)
- How do you compare to your competition?
- Are you looking to expand locally, nationally or globally?
- Can your current market generate sizeable profits?
- How many ways can you serve your current market with your offering?

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QUESTIONS TO CONSIDER 3/3

SOCIAL PROOF

- Who knows you, likes you and trusts you enough to do business with you?
- Do you have a team of advisors? Who are they?
- Have you hosted or attended forums and received feedback on your product(s)?
- What is your social media engagement like?
- Do you have valid testimonials from clients or users of your product(s)?
- Who has expressed interest in your product or investing in your project?

TRACTION

- What have you done with the little you have?
- How many customers have you signed up so far?
- What key talent have you hired?
- How far have you build your product on your budget?
- How effective are you with a little money?

EXIT STRATEGY

- How long do you want an investor involved in your business?
- Do you have a timeline and strategy to repay the investor and exit the relationship?
- Do you plan to sell your business and exit your industry?

GLOSSARY OF TYPES OF FUNDING

SOURCE: CRUNCHBASE.COM



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- **ANGEL:** An angel round is typically a small round designed to get a new company off the ground. Investors in an angel round include individual angel investors, angel investor groups, friends, and family.
- **PRE-SEED:** A Pre-Seed round is a pre-institutional seed round that either has no institutional investors or is a very low amount, often below \$150k.
- **SEED:** Seed rounds are among the first rounds of funding a company will receive, generally while the company is young and working to gain traction. Round sizes range between \$10k-\$2M, though larger seed rounds have become more common in recent years. A seed round typically comes after an angel round (if applicable) and before a company's Series A round.
- **VENTURE:** Series Unknown: Venture funding refers to an investment that comes from a venture capital firm and describes Series A, Series B, and later rounds. This funding type is used for any funding round that is clearly a venture round but where the series has not been specified.
- **SERIES A** and **SERIES B** rounds are funding rounds for earlier stage companies and range on average between \$1M-\$30M.
- **SERIES C** rounds and onwards are for later stage and more established companies. These rounds are usually \$10M+ and are often much larger.
- **EQUITY CROWDFUNDING:** Equity crowdfunding platforms allow individual users to invest in companies in exchange for equity. Typically on these platforms the investors invest small amounts of money, though syndicates are formed to allow an individual to take a lead on evaluating an investment and pooling funding from a group of individual investors.
- **PRODUCT CROWDFUNDING:** In a product crowdfunding round, a company will provide its product, which is often still in development, in exchange for capital. This kind of round is also typically completed on a funding platform.
- **PRIVATE EQUITY:** A private equity round is led by a private equity firm or a hedge fund and is a late stage round. It is a less risky investment because the company is more firmly established, and the rounds are typically upwards of \$50M.
- **CONVERTIBLE NOTE:** A convertible note is an 'in-between' round funding to help companies hold over until they want to raise their next round of funding. When they raise the next round, this note 'converts' with a discount at the price of the new round. You will typically see convertible notes after a company raises, for example, a Series A round but does not yet want to raise a Series B round.

GLOSSARY OF TYPES OF FUNDING

SOURCE: CRUNCHBASE.COM



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- **DEBT FINANCING:** In a debt round, an investor lends money to a company, and the company promises to repay the debt with added interest.
- **SECONDARY MARKET:** A secondary market transaction is a fundraising event in which one investor purchases shares of stock in a company from other, existing shareholders rather than from the company directly. These transactions often occur when a private company becomes highly valuable and early stage investors or employees want to earn a profit on their investment, and these transactions are rarely announced or publicized.
- **GRANT:** A grant is when a company, investor, or government agency provides capital to a company without taking an equity stake in the company.
- **CORPORATE ROUND:** A corporate round occurs when a company, rather than a venture capital firm, makes an investment in another company. These are often, though not necessarily, done for the purpose of forming a strategic partnership.
- **INITIAL COIN OFFERING (ICO):** An initial coin offering (ICO) is a means of raising money via crowdfunding using cryptocurrency as capital. A company raising money through an ICO holds a fundraising campaign, and during this campaign, backers will purchase a percentage of a new cryptocurrency (called a "token" or "coin"), often using another cryptocurrency like bitcoin to make the purchase, in the hopes that the new cryptocurrency grows in value.
- **POST-IPO EQUITY:** A post-IPO equity round takes place when firms invest in a company after the company has already gone public.
- **POST-IPO DEBT:** A post-IPO debt round takes place when firms loan a company money after the company has already gone public. Similar to debt financing, a company will promise to repay the principal as well as added interest on the debt.
- **POST-IPO SECONDARY:** A post-IPO secondary round takes place when an investor purchases shares of stock in a company from other, existing shareholders rather than from the company directly, and it occurs after the company has already gone public.
- **NON-EQUITY ASSISTANCE:** A non-equity assistance round occurs when a company or investor provides office space or mentorship and does not get equity in return.
- **FUNDING ROUND:** "Funding round" is the general term used for a round when information regarding a more specific designation of the funding type is unavailable.

GLOSSARY OF TYPES OF FUNDING

SOURCE: UPCOUNSEL.COM



- **SEED ROUND:** The seed round is the first round of funding and typically occurs at the idea stage, or upon the development of a proof of concept or prototype. There should also be promising signs that demand exists for the type of product or service offered. Usually, seed funding rounds are minimal and the funds are used for research and development, market research, or expansion of the team. There are even seed accelerators like Y Combinator (e.g. Y Combinator) that accept startup applicants, offer seed capital, and provide an opportunity for the company to demo its services or products to larger investors.
- **ANGEL ROUND:** The angel round typically occurs when a business is initially launching, if not earlier. Businesses in this stage will often need an investment to cover the costs needed to run daily operations before a significant cash flow enters the picture.
Sometimes, the seed round and angel round are not actually distinct rounds, but a hybrid of the two. Seed and angel rounds often include a significant amount of funding from family members and friends, as well as investments from angel investors who are involved with companies in their early stages of development. In many cases, investors will contribute small amounts of capital in exchange for equity. As the business will have a very limited track record, the risk is higher as compared to a more established business. The startup company's value will be determined based on the quality of the executive team, proof of concept, progress achieved with initial capital, market size, and the inherent risk of the endeavour.
- **SERIES A ROUND:** As the company is most likely in the startup stage during this round, investing is still considered high risk. A Series A round of shares is typically offered (usually to company founders and employees) in exchange for funding.
- **SERIES B ROUND:** During this stage, the company will likely have a higher valuation. As the company's track record grows, the financial risk decreases. As a result, the cost to invest is also higher. The valuation of the company is based on its performance in comparison to the overall industry, assets (such as intellectual property), and revenue predictions. Signs of growth during this stage should include an expanding customer base, increased revenue, and success of products and services. This round of funding is usually provided by private equity investors and venture capitalists.
- **SERIES C ROUND:** When a business is preparing for rapid growth, a Series C round of funding may be required. Generally, this occurs when the company has proved its success within its market, increased its market share, scaled up or developed new services or products, and wants to make acquisitions of competing companies.
- **BRIDGE/MEZZANINE/PRE-PUBLIC ROUND:** A company might decide to go public once its services and products have gained sufficient traction. Funds may be raised for mergers and acquisitions, financing the process of preparing for an initial public offering, or price reductions and other steps to reduce competition.