

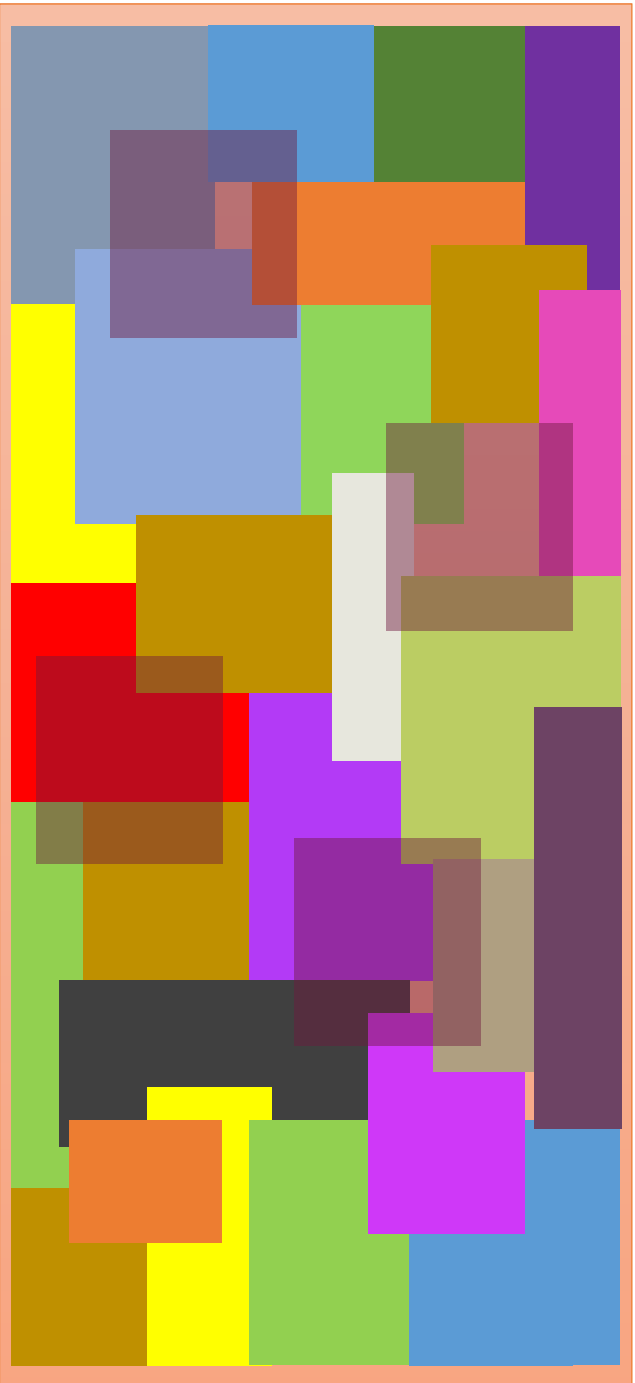


THE TONY ELUMELU
FOUNDATION

SEED TO SCALE
SOURCING FINANCE

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Partner & Africa Head,
Deal Advisory & Private Equity,
KPMG

Contents



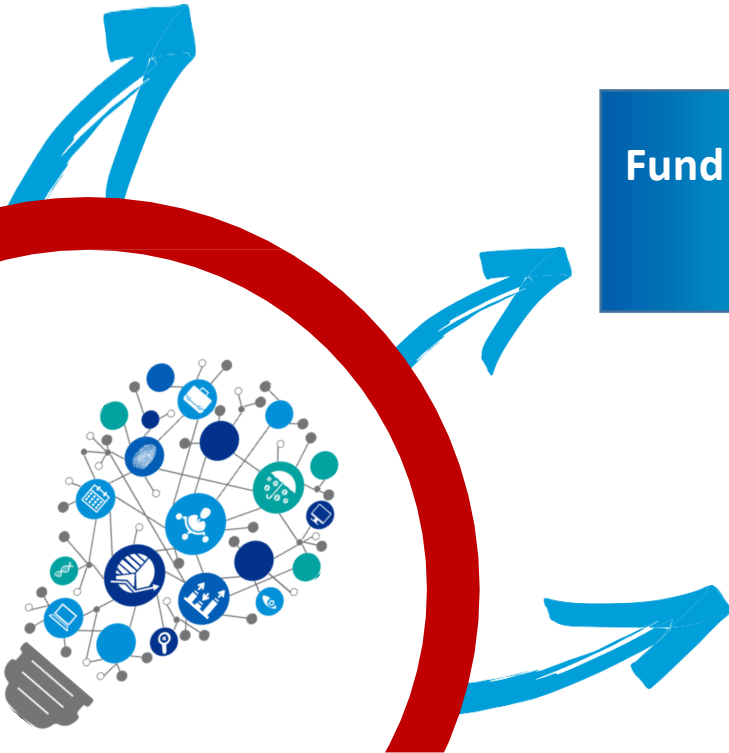
- ▶ **Session objectives**
- ▶ **Sources of finance**
- ▶ **Key factors/questions**
- ▶ **Matching finance to business life cycle**
- ▶ **Overview of fund raising process**
- ▶ **Expectations of potential investors**
- ▶ **Finding potential investors**
- ▶ **Case studies of notable startups**

Session objectives

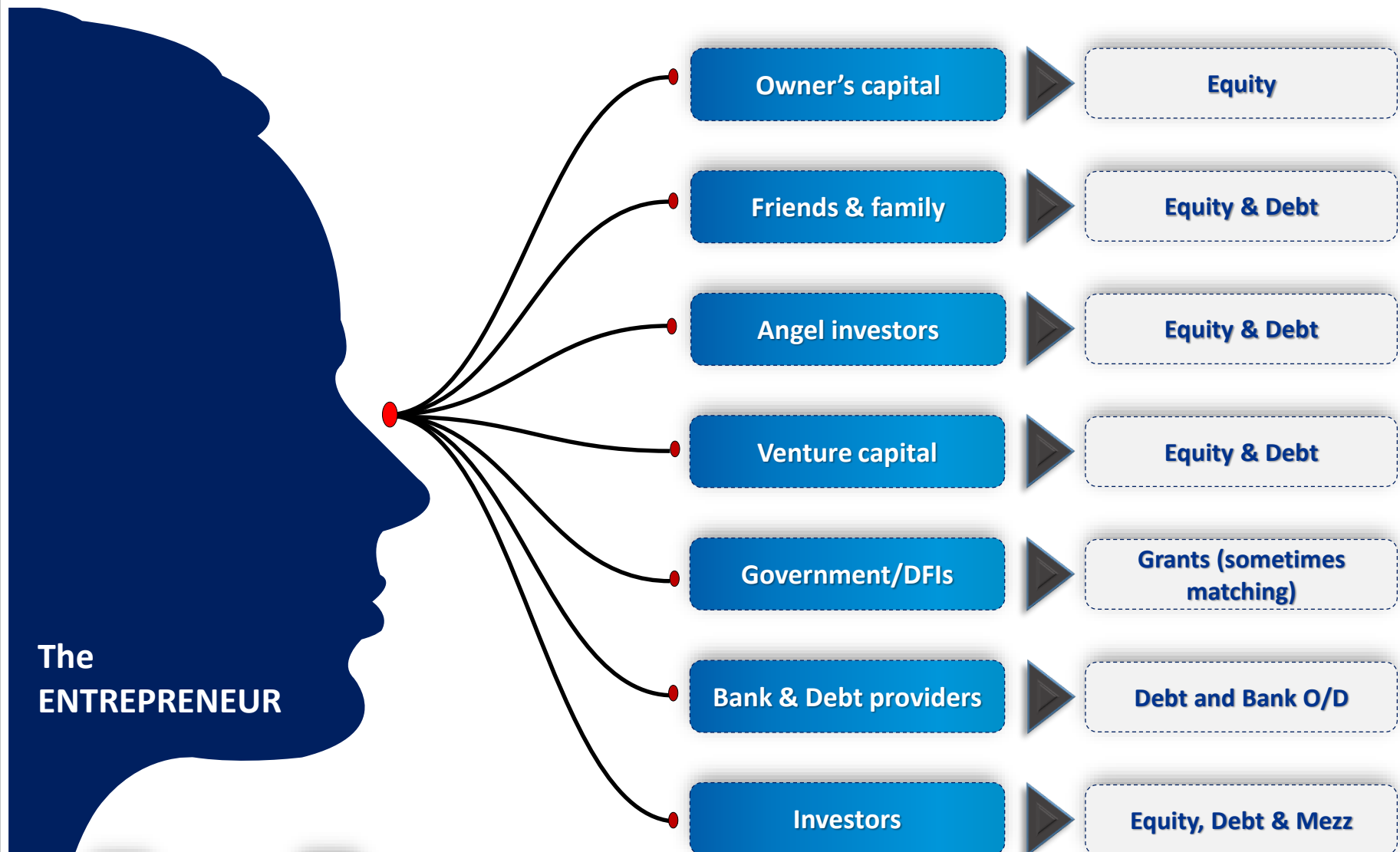
Key sources of finance and factors affecting type of finance

Fund raising process and key expectations of investors

Finding potential investors



Traditional sources of financing



The ENTREPRENEUR

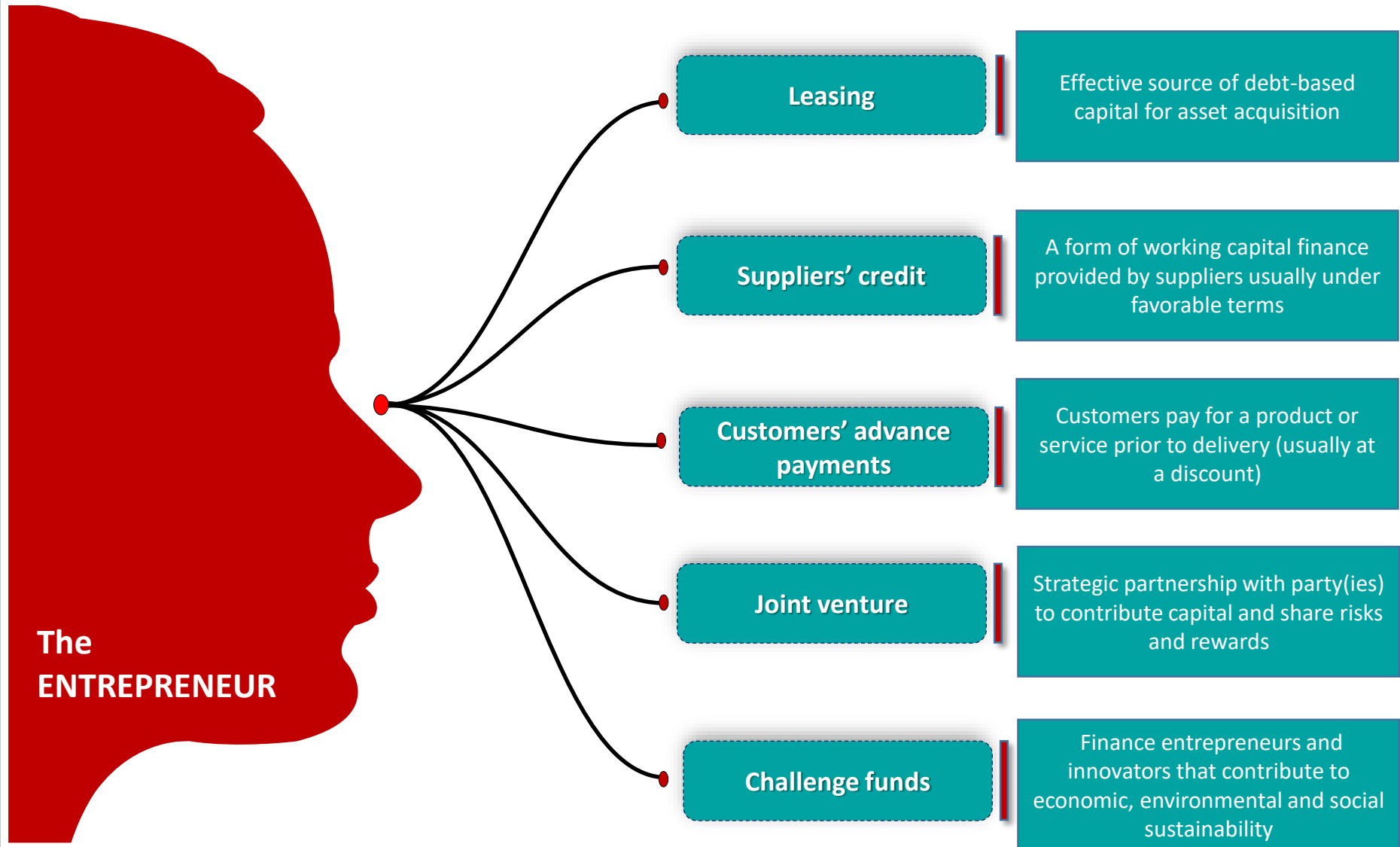


Sources



Instruments

Alternative sources of financing



Key factors to consider

INVESTMENT SIZE

Properly validated finance requirement...

EQUITY vs OPERATIONAL CONTROL

Equity Shares, Debt, Preference Shares, Mezzanine, Classes of Shares...

AVAILABILITY OF COLLATERAL

Owners capital available...

TIMING, TERMS AND TENURE OF FINANCING

Interest Rates, Tenor, Stake required...

PURPOSE OF FUND

Expansion, Restructuring, Working Capital Finance, Debt Refinancing...

ORGANISATION AND LEGAL STATUS

Partnership, Limited Liability company, Corporation...

THE STATE OF THE ECONOMY

Boom/Growth, Recession, High/Low Interest Rates...

BUSINESS LIFE CYCLE

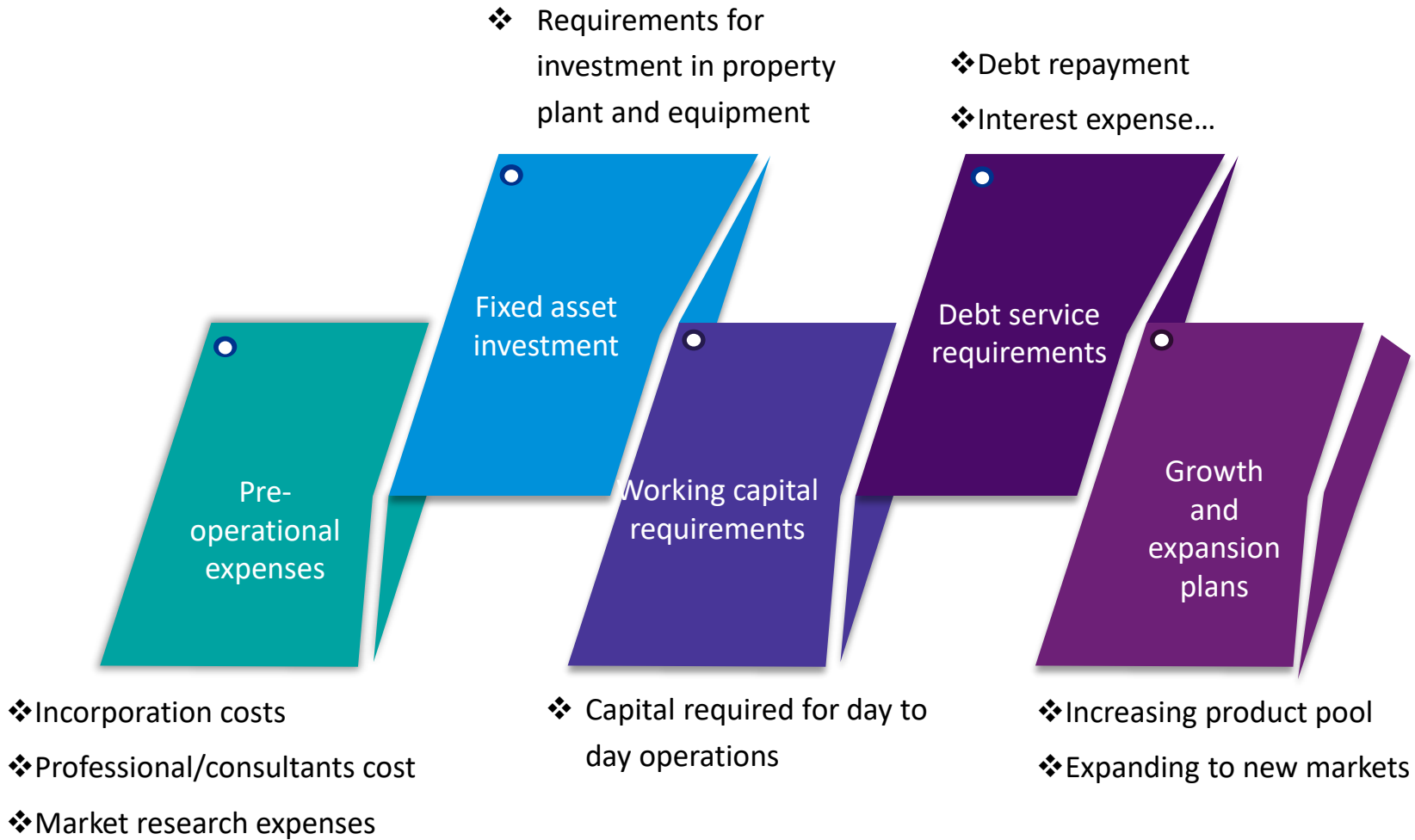
Startup, Growth, Maturity, Decline...

RISK PROFILE/GEARING LEVEL

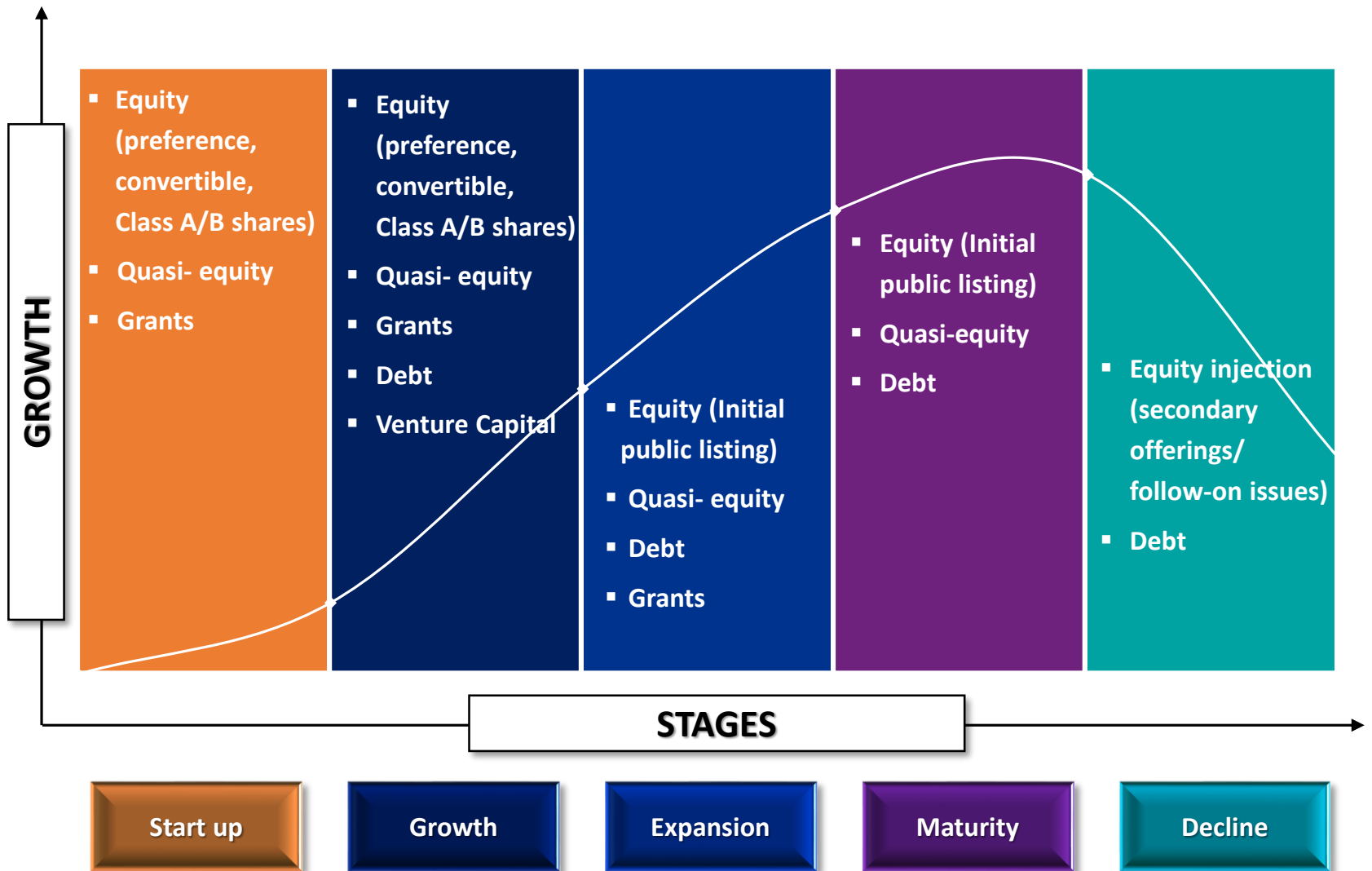
The potential risks of each source of finance should be considered...

Determinants of funding

requirements



Financing Instruments and business life cycle



Fund raising process (1/2)

PREPARE AND PLAN



- Develop idea and problem you are trying to solve
- Market research and feasibility study

1

DOCUMENT BUSINESS PLAN



- Document idea and unique value proposition
- Business plan and financial projections

2

PREPARE MARKETING DOCUMENTS



- Teasers, investment memorandum, financial projections etc

3

APPROACH POTENTIAL FUNDERS



- Pitch business idea
- Share marketing documents

4

Fund raising process (2/2)

RECEIVE FUNDING OFFERS



- Assess funding terms from different sources
- Choose preferred source

5

DUE DILIGENCE



- Ensure business is professionally valued
- Investors perform due diligence

6

LEGAL DOCUMENTATI ON



- Review and agree investment terms

7

Key expectations from potential

investors



CORPORATE GOVERNANCE STRUCTURE

- Separation of business and personal finances
- Promotes investors confidence



INDUSTRY POTENTIAL

- Attractive industry
- Positive industry outlook and growth potential



MARKET POSITION

- Unique product/ service
- Significant market need
- Problem being solved



BUSINESS MODEL

- How scalable is the business?
- Competitive position
- Potential for growth



MANAGEMENT / TEAM

- Industry experience
- Management commitment and focus



FINANCIAL INFORMATION

- Sound historical performance and potential for higher returns

Basic contents of a business plan

1

Macro economic overview

- PESTLE analysis
- Implications for proposed project

2

Market & industry analysis

- Market / Sector overview
- Market segments
- Opportunity assessment
- Industry players
- Trends and developments
- SWOT etc.

3

Business model

- Strategic intent and objectives
- Vision and mission
- Target customer analysis
- Go-to-market strategy
- Distribution/ roll-out strategy

- Branding and marketing

4

Operating model

- Key personnel
- HR/ Manning
- IT
- Organisational structure
- Corporate governance

5

Risk analysis

- Risk register including:
 - Business risk
 - Market risk
 - Financial risk
- Mitigating strategies

6

Financial feasibility

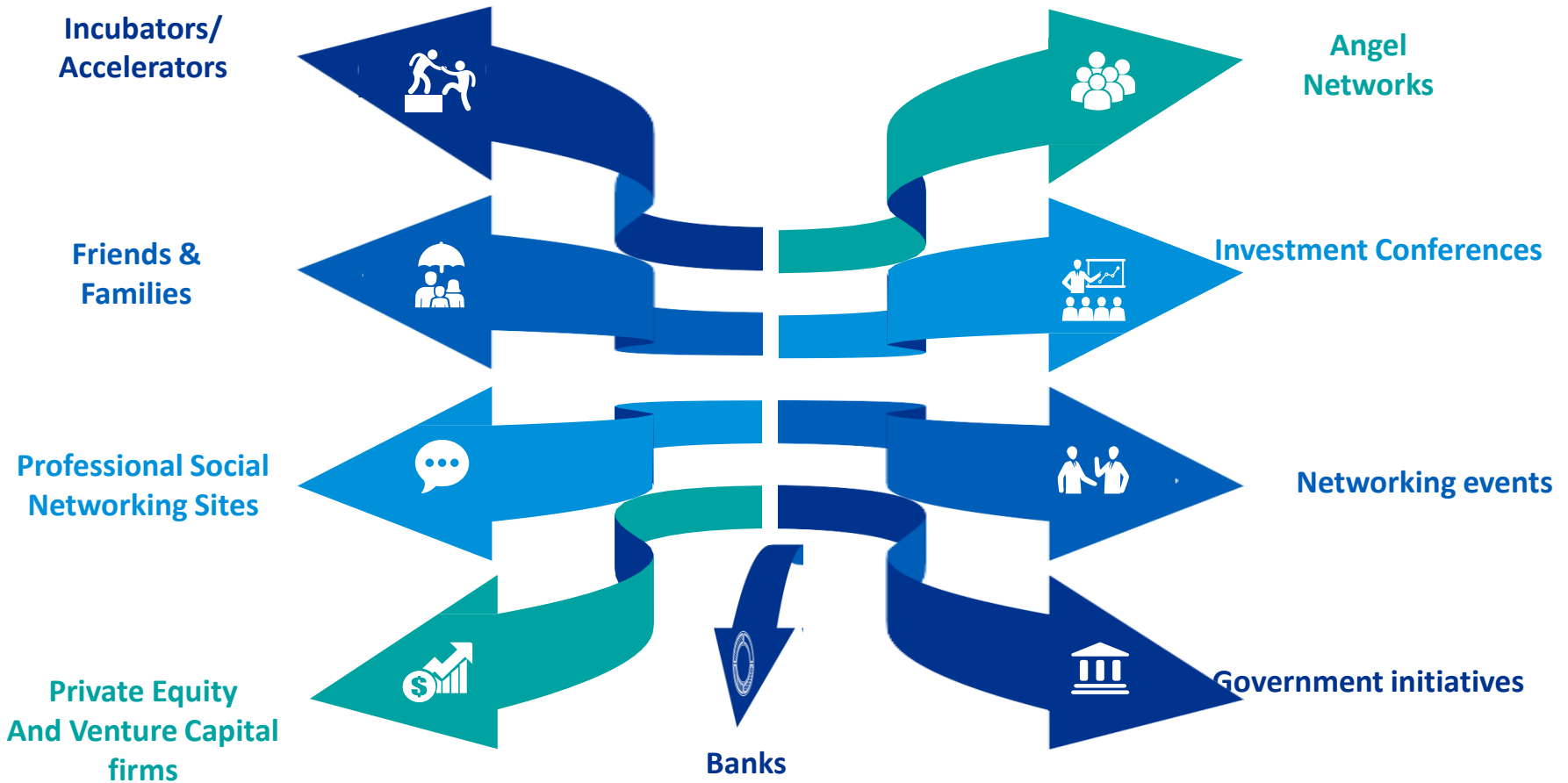
- Financial model including
 - Key assumptions
 - Forecast financials and KPIs
 - Sensitivity and scenario analysis

Financing pitfalls



Finding potential investors

Where are the investors?



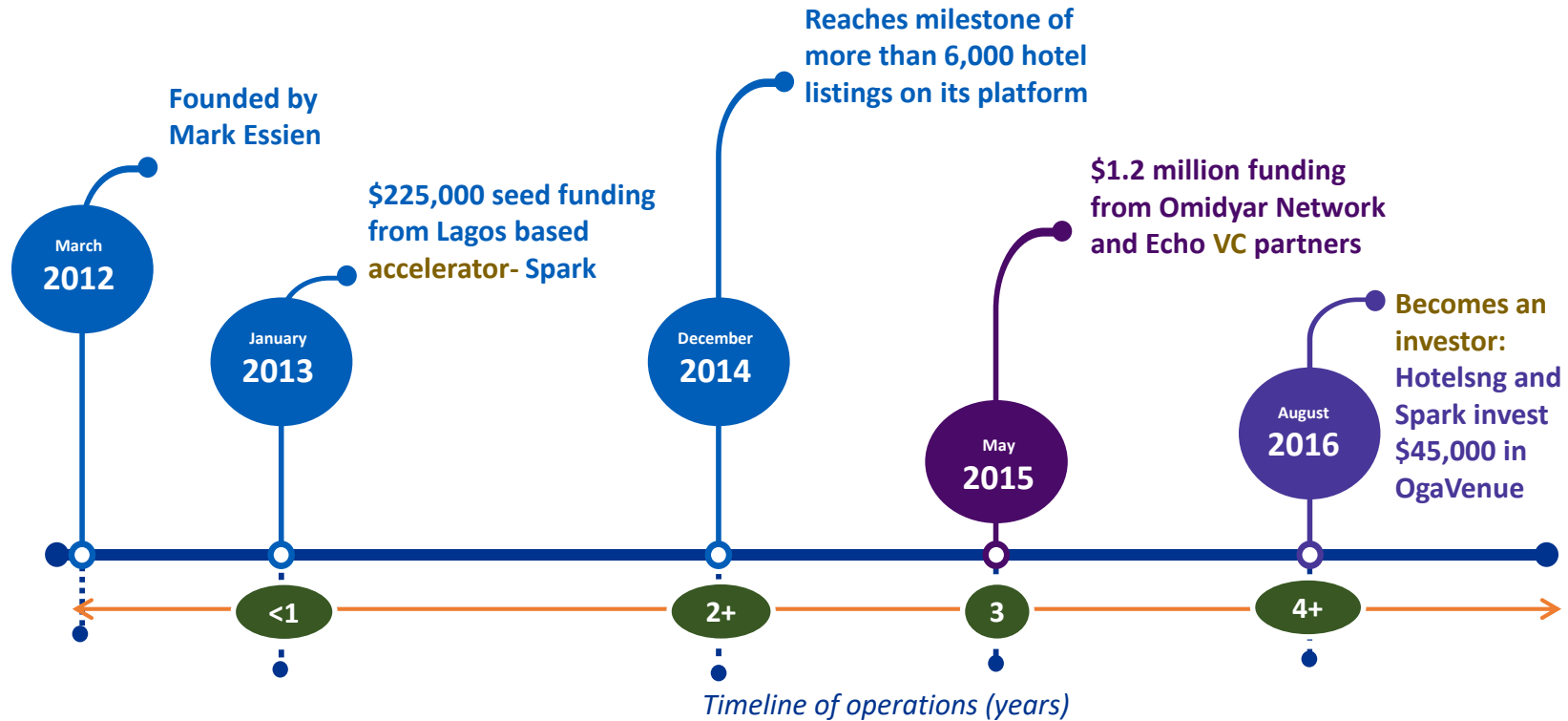
Start up stories of notable

Hotel

companies (1/4)

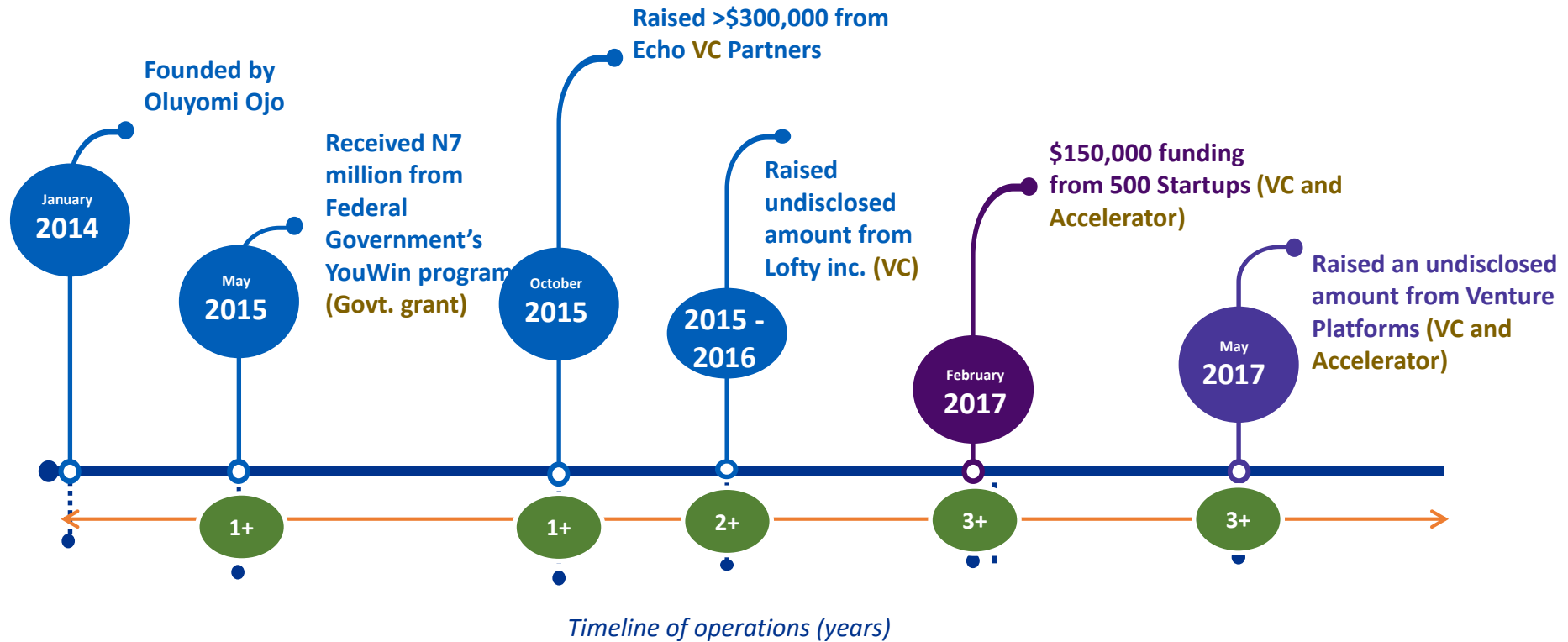
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hotels.ng



companies (2/4)

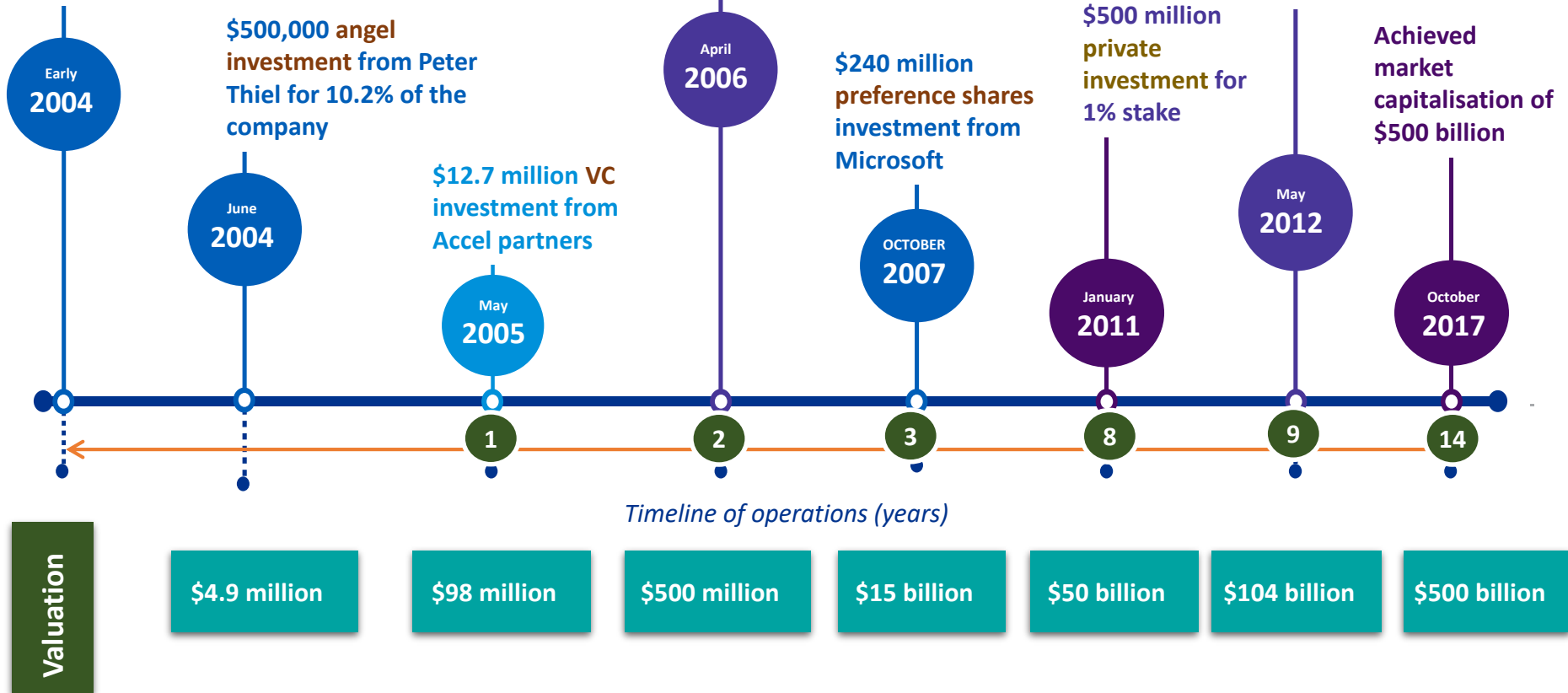
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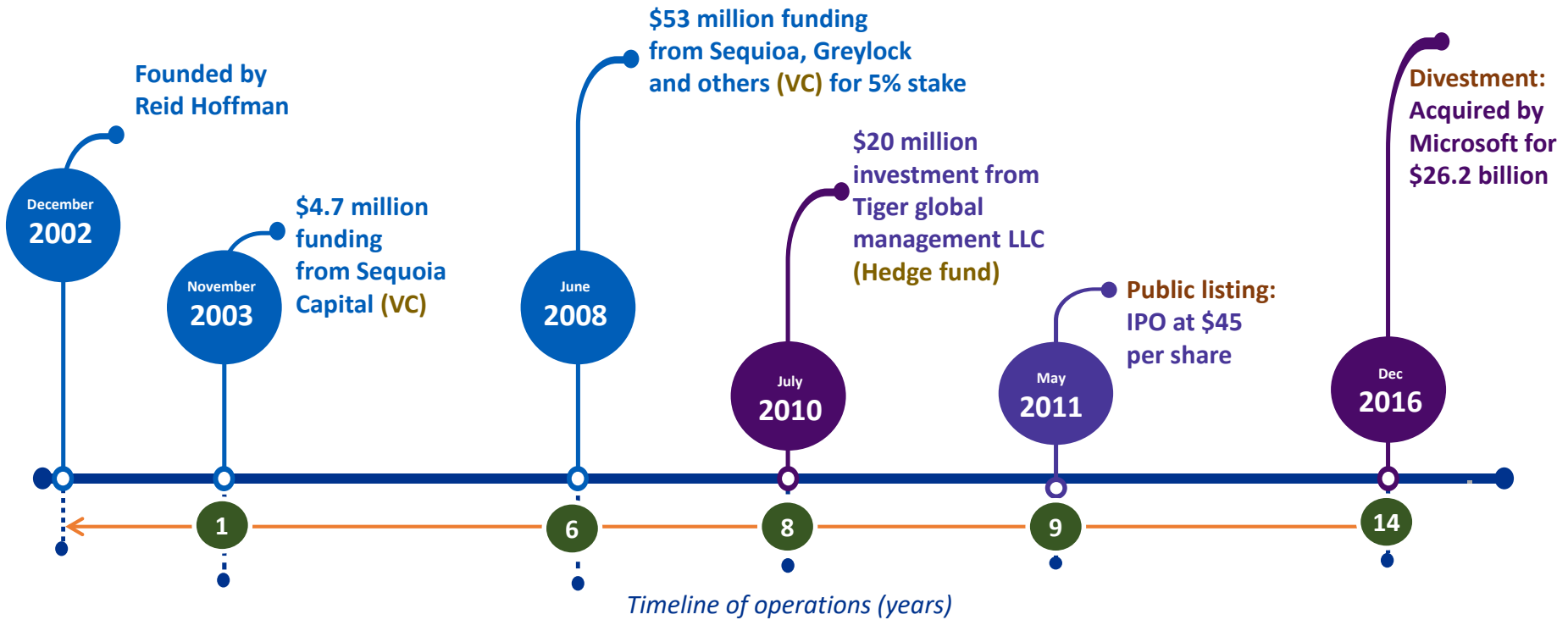
companies (3/4)



Launched and funded by Co-founders Mark Zuckerberg and Eduardo Saverin



companies (4/4)



Other notable startups



Love life! Feel great!



THE ART OF BEAUTY



FASHPA



Words of advice

Always be ready to pitch your business

Keep proper business records

Be open to sharing control

Put in the hard work



Some organisations that can be of benefit

Sourcing finance

Angel Investors/VCs



Grants



Debt



Some organisations that can be of benefit

Capacity building

Government & Development Financial Institutions



CENTRAL BANK OF NIGERIA



Non-profit organisations



Incubators and accelerators



A word cloud featuring the word "Questions" in a large, dark blue font, oriented vertically on the right side. Other words are scattered around it in various sizes and orientations, including "Question", "Answers", "Ask", "Answer", "Apply", "Who", "Why", "Understand", "Query", "Where", "What", "How", and "When". The words "Question" and "Answers" are in a dark blue color, while the others are in a lighter grey-blue color.

Ask
Answer
Who
Why
Where
What
When
How
Question
Answers
Apply
Understand
Query