

## Entrepreneurs

### Catching the eye of an investor

A young growing company looking to raise equity finance will understand the need to attract the attention of a potential investor.

A private investor group told us a while ago that they receive over 500 business plans a year from hopeful companies. On average, they make 4 or 5 investments each year. This conversion rate may vary from investor to investor, but is not untypical. It demonstrates the need to make a business plan as attractive as possible to a potential investor in order to enhance the chances of securing investment.

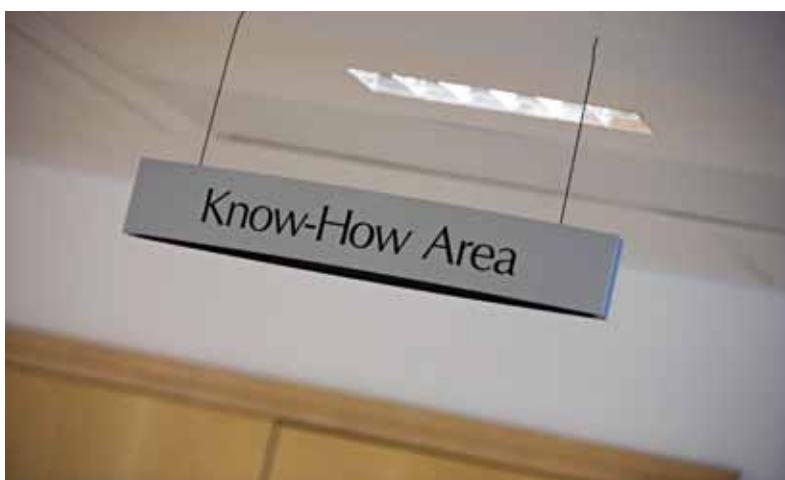
#### **WHAT TO PUT IN A BUSINESS PLAN**

A professional business plan is essential. "Home-made" business plans are easily spotted and are often immediately put aside. Many entrepreneurs' and business angel organisations publish guides on what

to put in a business plan. We have our own, which is part of our "Venture Capital Starter Pack" and is free to our clients. Following this guidance will greatly enhance your prospects of attracting an investor.

#### **MARKETING A BUSINESS PLAN**

The law only allows business plans to be marketed to investors that are deemed sufficiently expert to receive them. The politicians do not want vulnerable people receiving investment proposals they will not understand. The business plan will also need to incorporate various legal health warnings and disclaimers, particularly where you are marketing to business angel investors. It is a criminal offence to disobey these rules.



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#### **WHAT INVESTORS LOOK FOR**

Much is talked about what investors look for when deciding to invest in a company. Our guide on preparing a business plan goes into some detail on this. Very often, it can come down to compatibility with the people involved and an understanding of the company's proposition. It is this last point that is frequently the key to securing investment.

#### **CATCHING THE EYE OF THE INVESTOR**

People often joke that an investor will only read the executive summary of a business plan when deciding whether to take it further or reject it. In our view, it is worse than this. You need to grab the attention of the investor in the first few paragraphs of the introduction to the executive summary of the business plan. If you are presenting orally, you need to get your points across in the first few minutes. This may seem incredibly daunting, but it is the best advice we can give you.

This is not to say that a full business plan is irrelevant. It will become very relevant if the investor decides he likes your company and wants to read on. It will become crucial if he decides he wants to make an investment.

What then should you include in the introduction to the executive summary of your business plan?

In short, your company's core proposition: the product or service being offered (jargon free); who will use it (examples will help); why they will use it (quicker, cheaper, no other solution, fashionable, desirable etc); how you will make your money (product, services, support, revenue sharing etc); your competitive edge or unique selling point; the barriers to entry to your competitors; your stage of development (pre-revenue, revenue-generating, break-even, profitable) and when you expect to get to profitability (if you are not already there); the nature and growth potential of your market; your key customers and target customers; the experience and track record of the founders and management; how much money you want to raise and for what percentage of the equity; what you will use the money for; any key weaknesses or threats you want



to address; your intellectual property (if any); your own financial commitment to the company; when you see an exit for the investor and how.

Keep in mind that you are enticing the investor to read on or get in touch with you. Use short sentences. Summarise your key points; the detail can be left for later. Don't waste words, waffle, use jargon or exaggerate. It is a real skill to write briefly and it takes time.

Most business plans we see don't follow this guidance. It will make yours stand out from the crowd. The investor will immediately get a feel for whether he likes and understands your company.

It will also enable the investor quickly to explain the proposition internally to his colleagues or to other investors. Much time can be spent by the recipient of a business plan distilling down the essence of the proposition. If you can do that for him, you will be sincerely thanked.

#### **THINK 18 YEAR OLD STUDENT**

Finally, frame your introduction as if you were presenting to an 18 year old student learning a new subject at university. It is not that investors are inexperienced or naive; they are not.

However, like learning a new subject, the student will more readily absorb the complexity if he can first understand the basics and context of the subject. It is the same with external investors. They don't know you or your company and are themselves on a steep learning curve.

In essence a successful business plan is not about the company, it is about the investor.

Good luck!

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## CONTACT

Please talk to your usual Nabarro contact or

Graham Stedman, Partner

T +44 (0)20 7524 6449 [g.stedman@nabarro.com](mailto:g.stedman@nabarro.com)

For further information visit:  
[www.nabarro.com](http://www.nabarro.com)

### London

Lacon House 84 Theobald's Road  
London WC1X 8RW

T +44 (0)20 7524 6000

### Sheffield

1 South Quay Victoria Quays  
Sheffield S2 5SY

T +44 (0)114 279 4000

### Brussels

209A Avenue Louise 1050 Brussels  
Belgium

T +32 2 626 0740

### Singapore

50 Raffles Place  
22-01 Singapore Land Tower  
Singapore 048623

T +65 6645 3280

Alliance firms:

**France** August & Debouzy

**Gilles August**

T +33 (0)1 45 61 51 80

[www.august-debouzy.com](http://www.august-debouzy.com)

**Germany** GSK Stockmann + Kollegen

**Rainer Stockmann**

T +49 (30) 20 39 07 - 0

[www.gsk.de](http://www.gsk.de)

**Italy** Nunziante Magrone

**Gianmatteo Nunziante**

T +39 06 695181

[www.nunziantemagrone.it](http://www.nunziantemagrone.it)

Nabarro LLP

Registered office: Lacon House, 84 Theobald's Road, London, WC1X 8RW.

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