

show me the money!

A Guide to The Funding Options Available to New Businesses



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funding options

Bank loan or overdraft

Other loans: crowd funding

Other loans: Government Start Up Loans

Equity investors and private funders (Dragons!)

Asset finance

Cash flow funding: Factoring / Invoice discounting

Bridging finance

Grant funding



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overdraft

Good for occasional use

No more than a few days

DON'T live in your overdraft – get a loan



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term loan

Bank Loan

- Maximum unsecured: £25,000. Interest rate 15-20%
- Low appetite for start ups
- Cheaper with security

Crowd Funding

- Maximum £50,000. Interest rate 10-12%
- Almost no appetite for start ups

Coronavirus Loans

- BBL (up to £50K) and CBILS (over £50K)
- Government provide security
- Designed for established businesses



term loan

Government Start Up Loan

- Maximum £25,000. Interest rate 6% (subsidised)
- All about start ups

Bank Loan

- Maximum unsecured: £25,000. Interest rate 15-20%
- Low appetite for start ups
- Cheaper with security



equity investment

Longer timescale to secure funding

Higher risk means richer rewards

Exit strategy

Need more than an idea

- Proof of concept and market

Fewer available investors

- Dragons and Angels!
- Northern Powerhouse



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asset finance

Specific borrowing to buy a piece of kit

- Vehicles
- Machinery
- Furniture



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invoice finance

Factoring

- Funds the delay between invoice and payment
- Companies who deal business to business



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grants

Local Enterprise Partnership (LEP)

- Ad:Venture Grants – Capital Expenditure

Coronavirus Support Programmes

University Knowledge Transfer Projects (KTP)



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start up loan

National Scheme

- Yorkshire Regional Delivery Partner – Business Enterprise Fund

No Fees and Low Rates

- Zero set up fee
- 6% interest rate
- Zero early repayment fee

Availability

- Lend to people that the banks won't lend to
- Credit search required
- Previous experience preferred but not necessary
- Need a proposal and cashflow forecast



what is the lender looking for?

Serviceability

Security

Stake

Secondary Source of Income



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serviceability

Are the repayments affordable?

Forecasting

- How much money will you take in?
- What are your cost of sales?
- What are your fixed costs?

Use a Cashflow Forecast Template

Profits > Repayments

Credibility



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cash flow forecast

Company Name

	Prestart	1 June	2 July	3 August	4 September	5 October	6 November	7 December	8 January	9 February	10 March	11 April	12 May	Total
Sales Revenue		0	0	0	0	0	0	0	0	0	0	0	0	0
Loan Funding		0	0	0	0	0	0	0	0	0	0	0	0	0
Personal Investment		0	0	0	0	0	0	0	0	0	0	0	0	0
Total Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Stock and Materials		0	0	0	0	0	0	0	0	0	0	0	0	0
Casual Labour		0	0	0	0	0	0	0	0	0	0	0	0	0
Variable Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Margin (Receipts - Variable Costs)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital Purchases		0	0	0	0	0	0	0	0	0	0	0	0	0
Directors' Drawings		0	0	0	0	0	0	0	0	0	0	0	0	0
Employee Wages and National Insurance		0	0	0	0	0	0	0	0	0	0	0	0	0
Pension Contributions		0	0	0	0	0	0	0	0	0	0	0	0	0
Rent		0	0	0	0	0	0	0	0	0	0	0	0	0
Rates		0	0	0	0	0	0	0	0	0	0	0	0	0
Utilities		0	0	0	0	0	0	0	0	0	0	0	0	0
Telephone		0	0	0	0	0	0	0	0	0	0	0	0	0
Internet		0	0	0	0	0	0	0	0	0	0	0	0	0
Marketing and Advertising		0	0	0	0	0	0	0	0	0	0	0	0	0
Motoring Costs		0	0	0	0	0	0	0	0	0	0	0	0	0
Print and Stationery		0	0	0	0	0	0	0	0	0	0	0	0	0
Professional Fees		0	0	0	0	0	0	0	0	0	0	0	0	0
Insurance		0	0	0	0	0	0	0	0	0	0	0	0	0
Repairs and Renewals		0	0	0	0	0	0	0	0	0	0	0	0	0
Bank Charges and Interest		0	0	0	0	0	0	0	0	0	0	0	0	0
Loan Repayments		0	0	0	0	0	0	0	0	0	0	0	0	0
Fixed Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Surplus (Margin - Fixed Costs)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Opening Bank Balance	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Closing Bank Balance	0	0	0	0	0	0	0	0	0	0	0	0	0	0



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security

Worst case scenario

Personal guarantee

- Limited companies = limited liability
- What is your personal guarantee worth?

Tangible security

- Property



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stake

What is your “skin in the game”?

How much have you put in?

- Cash
- Personal Investment
- Not borrowed funds



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secondary source of income

Is there a Plan B?

- If the business does not go as forecast, then what?
- Alternative income streams



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what is the lender looking for?

Serviceability

Security

Stake

Secondary Source of Income



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funding and forecasting

Several Funding Options

- Find the right option or options for you
- Take advice before you commit
- Ensure you have serviceability in place

Serviceability, Security, Stake, Secondary Source of Income

- Answer these questions
- Not just to the lender's satisfaction, but to your own
- Credibility is key



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