Creative UK

Preparing for Investment

Your guide to raising finance in 2023

Be Prepared

Raising investment is a journey and like all journeys it is better navigated with the right preparation. This resource is intended to help you pack for your trip and make sure that you have the right tools and knowledge to reach your goal.

When seeking investment, you are going to be asked a lot of questions by investors about you and your business and you will need to be well-equipped to deal with the process confidently. It can feel pretty invasive, but it can also be an opportunity to reflect upon your business, your business plan and how you intend to successfully future-proof it.

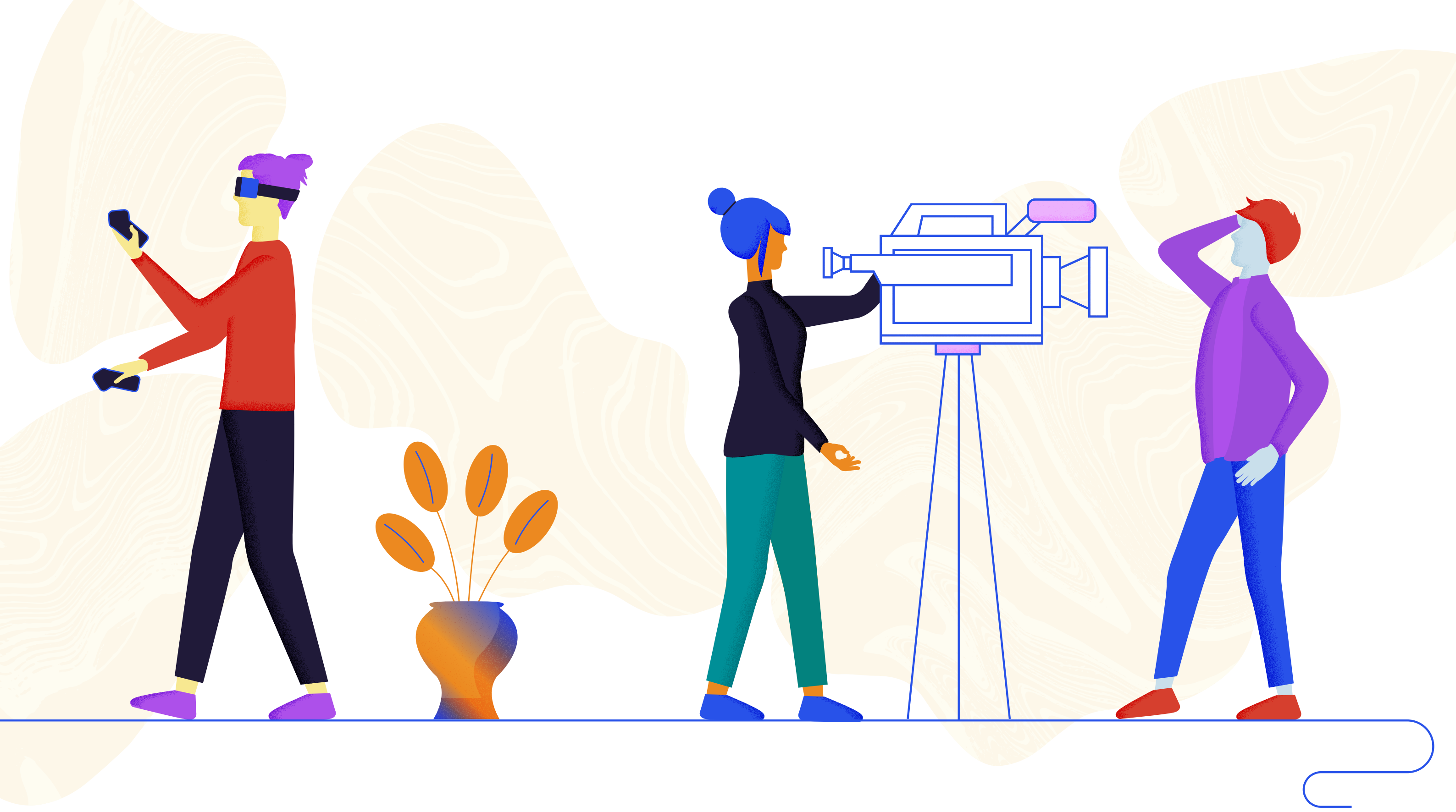
So, what do you need to think about?

Show your Resilience

If you are looking to raise funding in 2023, you may find investors are a lot more cautious than in previous years. Many believe the UK and global economy will continue to struggle in the coming year and further down the line, creating a new set of commercial challenges for new businesses. But with the right preparation there is no reason you can't overcome these obstacles. You can do this by ensuring investors are confident that regardless of economic uncertainty, your business has:

- a product that is essential rather than a 'nice to have'
- a product or service that supports its customers in difficult times (such as virtual content during the pandemic)
- robust financial planning expertise and processes
- a Plan B and a Plan C. Challenge your own assumptions and ensure you have alternative strategies in place.

Ultimately investors still have money to deploy. You will just have to work harder to get it.



You and the Team

It’s people who make and sell the services, products and content we consume, so any investor will want to know about you, your leadership team and the key people involved in your business.

Give them a good idea of your track record and don’t be scared to talk about your achievements. You should also acknowledge any gaps in expertise and clarify what you are going to do to fill these gaps (don’t forget to account for these costs)

Do you have skin in the game?

All investors will want to see that the businesses they are funding are committed to success, so demonstrating how and where you are invested in the company is important. This is especially important in a talent industry like games, TV or film so demonstrating how key staff are being incentivised should also be considered.

Your Company

You need to have a SIMPLE explanation of what you do and your business plan.

- Do you make or sell content?
- Do you provide a service?
- Who are your customers?
- What’s different about you?
- What’s your Unique Selling Proposition (USP)?

Think about how you ARTICULATE your vision and purpose - why do you exist and what do you want to achieve?

Take time to think about how you explain your goals to stakeholders outside of your business? What’s your business model and how do you make money? Sounds simple but take nothing for granted. Succinctly explain your business model and your marketing and sales engine. Explain your assumptions and what you’ve based these on.

Your Products or Services

Whether you make products or content, sell them or provide a service that other businesses use, investors will want more detail. Consider:

The Market and Competitors

Who are you selling to? What's the market? Provide a sense of the scale, then drill down to show the market segment for your product. Use any competitor comparisons to help them picture the size of the opportunity. Don't assume that your investors will know the market.

The Content

If you make content and/ or sell content give some information about the genre. Or if you produce games, the gameplay (and how the games play) - What is it similar to? How is it different?

IP

Give an understanding as to the current value of any IP that you own, whether that's content or technology. Outlining how this is assessed is also useful.

Why do you need Investment?

This starts with clarity on the goal you want to achieve with the investment. Are you clear about the purpose and impact on your business? You should think about what kind of investor you are looking to attract. What expertise might they bring and what are you prepared to offer your investors in return?

For example, equity funding could bring you expertise that can fill the gaps in knowledge and a wider network. A loan repayment might allow you to remain more independent. A revenue share with a publisher will provide you with expert routes to market. Show clearly what the money you are raising will enable you to do and how this will unlock growth or create resilience within your business.

Investor returns – weigh up what you are prepared to offer investors in return. For example, how much equity would you be prepared to offer and how have you valued your business? If you want to borrow some money, how will you repay this? What revenue share split are you comfortable with if you work with a publisher? Once you're fixed on an investment route, give some narrative that explains the business model, your delivery plan and when investors might expect to see a return.

Finance

You'll of course need to provide some numbers. The type of financial information you provide is specific to the type of investment you're looking to access.
But for higher value investments and equity, you should pull together the following:

- Summary Page
- Assumptions Page – for content this needs to be informed by the marketing plan and the knowledge and data that underpins the strategy
- P&L Cashflow (Informed by assumptions. Ideally 1 year of actual costs and actual income, with 3 years of sales and cost projections. Maybe more if development period is longer)
- Balance Sheet Cashflow (Brings across information from P&L, ideally 1 year of actuals and 3 year of forecasting)
- Cashflow (1 year of actuals with 3-year forecast)

Tips

1. Commerciality and the ability to provide return on investment is the priority. Make sure this is clearly demonstrated.

2. Keep the business plan to the point but cover all bases. Instinct isn't enough! Calculate all possible costs in order to ensure that your financial modelling is appropriate. Figures need substance and justification otherwise they won't stand up to scrutiny.

3. Ensure your USP (Unique Selling Point) is clear and articulates **why you and why now**.

4. Be clear on how scale/growth is achieved. A + B = Growth

5. Have good advisors, ideally as a board, but if not as an advisory team. It is useful to surround yourself with people who can fill the gaps in knowledge. Let us know who they are and what they bring to the team.

6. Strong and reliable market data can be really compelling, especially where it talks about opportunities and trends.

7. Accuracy of information is also important. Get someone to double-check your work. Simple errors can give a bad impression of the business.

8. Don't assume the reader knows as much as you, especially when it comes to sector and market information or technical information.

9. Many investors don't get past the Summary page so make sure your business plan has a strong and compelling executive summary.

The Creative Growth Finance Debt Fund, in partnership with Triodos Bank UK, is a £24 million fund providing vital scale up finance to the UK's most promising creative businesses.

wearecreative.uk/support/creative-enterprise/investment/creativegrowthfinance

linkedin.com/company/creative-growth-finance