

How to become finance-ready for investors

Between 70-80% of small to medium-sized (SME) enterprises in South Africa fail within five years. The key to reducing this figure lies with coaching entrepreneurs on how to develop solid business models to become finance ready for that much-needed capital injection, boost their bottom-line, and fast-track overall growth.



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“SMEs contribute significantly to our country’s GDP; it’s also one of our main job creators. Therefore, we need to ensure that all of them get the support they need in order to flourish,” said Louw Barnardt, managing director of Outsourced CFO, a financial management company that offers CFO and cloud accounting services to SMEs.

SMEs represent around 40% of South African businesses and according to the National Development Plan, by 2030, 90% of all new jobs will come from SMEs. It’s further said to be one of the key economic drivers, and currently contributes around 36% to the country’s gross domestic product (GDP).

Barnardt said introducing capital into a company can play a huge role in the execution of its growth strategy, but stresses that businesses need to be funding-ready before approaching investors for capital.

The need-to-knows for business owners beforehand:

- A clear understanding of the value proposition and the ability to articulate it well
- The cost to acquire a client
- The gross and net profit margins
- The amount of leads the business generates per month and the sales translation
- Type of investors to contact – different investors have different investment mandates

What investors look for:

- A solid business value proposition with a high barrier to entry
- A strong cohesive team
- Good cash flow and financial management
- A clear growth strategy
- The right business fit

“Getting that capital injection is high on the list for all SMEs, but being funding-ready is a fundamental requirement, and getting there takes hard work and dedication, as well as a unique product or service with enough traction to prove market validation, only then can the business take the next step,” he said.

Outsourced CFO is currently running a Funding Readiness Program with a leading financial institution in SA that will see over a dozen companies prepare for the critical task of capital raising.

“We have outstanding SMEs in South Africa with unique service offerings and thriving businesses. Our primary aim is to ensure these successful businesses remain sustainable and one way to ensure this is through a capital injection from a potential investor. It all starts with coaching entrepreneurs to learn the skills they need to lock in that capital injection and in-turn increase the organisation’s growth rate and success,” said Barnardt.

For more information, visit: www.outsourcedcfo.co.za

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