



Equal-Invest Guide

4 Financial case

Financial case: clear assessment of finance needed and sources

This is part four of a series of five guides for social enterprises seeking to get investment-ready. The content was developed through the Equal-Invest programme.

It may seem obvious that your financial case will be important to an investor, but it helps to understand exactly what they will be looking for and why.

A strong financial case is vital to all types of enterprise because it is the energy that pumps blood through the veins. This enables survival, but it also brings strength of heart, since a strong financial case brings courage when it comes to execution of the vision.

It is therefore very important to find ways to manage the power and potential of finance and to demonstrate to an investor that you can do so.

Once you have developed a good understanding of your business, a plan based on its dynamics and a demonstration of your recent performance, you need to be able to relate this to your financial case to make it relevant and interesting to potential investors.

How does your market research relate to your pricing model? Are there patterns in the performance of your sales that require special attention in your cashflow forecasts? Are you able to demonstrate your understanding of managing risk by identifying the need for specific accounts knowledge?

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Things to consider when examining your financial case

- Prospective funders
- Business plan update
- Turnover
- Cashflow forecasts and financial projections
- Pricing model
- Risk management
- Tracking of stock turnover
- Breakdown of finance required
- Budgeting
- Testing of income assumptions

An investor is looking for potential, and even if there are risks, they will be more willing to take the risks on board if you are as well.

Make sure that your funding requirements are supported by the evidence of your research into your needs, backed up by your financial case. The picture does not have to be perfect, but it does have to be clear.

Benefit from the fact that there are many well-established tools to help you to communicate to potential investors in a common language. Get to know their language and speak it loud and clear.

What does your organisation need when it comes to finance?

- Financial training?
- Accounts knowledge?
- More market research?

Emmaus Bristol

Emmaus Bristol provides work and home in a community setting to destitute people. Through shared experience, those who join them, called companions, move towards interdependency and self-reliance.

The organisation's business is recycling and reusing donated goods for resale, alleviating poverty further by making items more accessible.

In addition there is an environmental contribution.

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As a result of steady growth, with turnover increasing from £0 to £150,000 over four years, the employees needed an expanded workshop and better marketing of their services.

They decided to request an investment of £750,000 to purchase a property – this would be an asset on the balance sheet that would directly affect their capacity and create security for an investor.

Their strong cash flow, with income from the statutory sector, donations and trading, put them in a strong position, but they wanted to decrease reliance on funding and increase trading revenue to reflect the organisation's ideals of earning rather than begging to survive.

They based cashflow forecasts on recent surveys, demonstrating an increased customer base, and they measured their top selling items. But they also wanted to develop measurement of sales further, to analyse price and efficiency in the market. And they wanted to increase their social impact by using income generated to support projects within other Emmaus communities and abroad. Such partnerships would add strength to the organisation, allowing them to tap into established trading models for longer term development.

Being able to support their business plan with a clear assessment of the finance needed, the Emmaus Bristol team were deemed ready for investment.