



WORTHWHILE VENTURES
'INVESTMENT READY' GUIDE

MUDANG NANGAMAY

LIVE THE DREAM

“Tells the story of the varying pathways to success. And depicts just how important having a strong sense of community behind you is when it comes to turning dreams into reality. It is the journey... And at the very core of it all is community, your people... and the pathways always lead back to that”.

ABOUT THE ARTIST

Chloe Webb is an emerging Darug illustrative artist living on the shores of Darkinjung country. Implementing art as part of her spiritual practice, here she “connects the dots” in exploring and learning her connection to culture, country, spirit and the self.

ACKNOWLEDGEMENT OF COUNTRY

Worthwhile Ventures acknowledges Aboriginal and Torres Strait Islander peoples as the Traditional Custodians of the lands we are all meeting on today. We recognise their continuing connection to land, water and community. We pay our respects to Elders past, present and emerging.



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INTRODUCTION

'Investment Ready' means being able to quickly present the enterprise in the most favourable light to maximise its value, independently of whether an investment is being sought in the near-term.

Adopting an 'investment ready' approach encourages focussed discipline in daily operations which, in turn, assists meeting strategic objectives as measured by profit, growth, social impact etc. It will demonstrate that the business is being professionally managed.

It also means that if capital is needed quickly, as is often the case, the enterprise can act on short notice without appearing desperate.

This is a guide on how to prepare the enterprise to be 'investment ready', assuming this involves the sale of a stake in the business. The documentation generated will be equally useful when applying for other forms of capital, such as government grants, loans and donations or even joint venture arrangements.

An understanding of the possible motives of an investor will shape the enterprise's response and this is discussed in Section 2.

In general, the investor will follow an evaluation process in deciding whether to invest and an overview of the criteria they might use is provided below.

Conversely, the enterprise will evaluate the suitability of the investor. The choice of the wrong partner can be disastrous and careful evaluation against the criteria in Section 4 is recommended.

This leads on to the documentation that will be required to ensure that the business is ready to enter a negotiation.

Finally, the actions needed to generate this documentation are described.

This guide does not cover the process of finding and engaging an investor which is a whole new topic.

INVESTORS' EVALUATION CRITERIA

At an early stage, it will be important to understand what process the investor intends to follow. This can be rigorous and, consequently, very demanding on the time and resources of the enterprise. Based on this, the enterprise may consider whether the cost justifies the return.

This is a list of potential evaluation criteria:



GENERAL

Quality of the management team/board of directors;
Commitment of the owners;
Strength of the governance model, including management reporting disciplines; and
Quality of references.



MARKET

Market size;
Growth potential;
Competitiveness;
Marketing and sales plans; and
Product/service quality.



FINANCIAL/LEGAL

Business valuation
Size of investment/projected investment value;
Value and security of Intellectual Property;
Historical financial track record;
Level of indebtedness;
Plausibility of the business plan, including forecasts; and
Legal exposure regarding matters such as regulatory compliance, employment, supplier and client contracts.



SOCIAL IMPACT

Nature and measurability of impact; and
Credibility of Impact Plan.

NOTES

ENTERPRISE EVALUATION CRITERIA

ENTERPRISE NAME: _____

POTENTIAL INVESTOR: _____

CRITERIA	NOTES
GENERAL	
Cultural sensitivity	
Compatibility of motivation/business strategy	
Quality of the engagement team	
Understanding of the market	
Experience dealing with Aboriginal enterprises	
Value added (other than purely financial)	
Quality of references	
FINANCIAL/LEGAL	
Historical financial record	
Acceptability of the offer in terms of value and terms and conditions	

'INVESTMENT READY' DOCUMENTATION

As stated previously, the process of taking on an investor can be a time-consuming diversion which can be costly in terms of lost opportunities, therefore it is wise to prepare in advance. The objective is to anticipate the evaluation needs of the investor and have the information collected in advance to the extent possible.

Most of the information should be generated by good business practice. That which isn't can be assigned a lower priority and put together in the background or when an investment opportunity is imminent.

It is suggested that, over time, the following documentation be created/assembled and kept updated.



INFORMATION MEMORANDUM/BUSINESS FLYER

- This is a brief summary of the business, its financial performance and prospects which is usually provided to potential investors at the start of the process.



REGISTRATION

- It would be advisable to register with the Australian Securities and Investments Commission (ASIC) and get an Australian Business Number (ABN);
- Shareholder Agreement.



STRATEGY

- This should set out the overall aspirations for the business and define what external investment is needed, why and when. This includes an exit plan, if appropriate.



GENERAL

- Business Plan;
- Key staff biographies;
- Governance model;
- Management reports including management accounts; and
- Management meeting minutes.



MARKET

- Marketing/sales plans including
 - Market analysis;
 - Competitor analysis;
 - Product/service definitions;
 - Customer references;

'INVESTMENT READY' CHECKLIST

ENTERPRISE NAME: _____

POTENTIAL INVESTOR: _____

INFORMATION MEMORANDUM/BUSINESS FLYER

Business flyer - including a brief summary of the business, financial performance and prospects.

REGISTRATION

Register with ASIC and receive an ABN.

Shareholder Agreement.

STRATEGY

Overall aspirations for the business and define what external investment is needed, why and when. Includes an exit plan, if appropriate.

GENERAL

Business Plan.

Key staff biographies.

Governance model.

Management reports including management accounts.

Management meeting minutes.

MARKET

Marketing/sales plans including:

Market analysis.

Competitor analysis.

Product/service definitions.

Customer references.

'INVESTMENT READY' CHECKLIST Continued

FINANCIAL/LEGAL

Intellectual Property evidence.

Annual accounts.

Historical financial record.

Records of all debts.

Up-to-date insurance policies.

All ATO returns (income tax & BAS) and any correspondence with the ATO.

Evidence of regulatory compliance.

Employment, supplier; distribution and client contracts.

