Manufacturing Africa

A GUIDE TO THE INVESTMENT PROCESS
FOR COMPANIES SEEKING CAPITAL

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from the British people

Manufacturing Africa

This paper has been funded by UK aid from the UK Government; however, the views expressed do not necessarily reflect the UK government's official policies

Contents

01

Introduction

Introduction to the Document

Notes to this guide to the investment process for companies seeking capital

This is a guide to the deals investment process intended for companies seeking investment. Whilst Manufacturing Africa is a programme focused on the manufacturing sector, the concepts, guidance, and process presented in the document is applicable across sectors and countries.

Please note that the document has been tailored for the African deals context, and to FDI investors therewith (particularly non Venture Capital financial investors) leveraging experience of the programme and the advisors within it.

This document is structured across four areas of the deal cycle; after a general overview the document moves into preparation, investor engagement, negotiation and offers, and finally execution.

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This document has been prepared by BDO for the Manufacturing Africa programme and expresses views and experiences of individual advisors within the programme.

It is intended as informational only to provide a basic overview of the investment and transaction landscape. No reliance is to be placed on this document and we advise all beneficiaries of this output to seek their own advice and verification before proceeding.

Whilst the production of the document is funded by FCDO, the views expressed in this document do not necessarily reflect the UK governments views.

For any further queries or interest in the programme, please reach us at **info@manufacturingafrica.org**

Manufacturing Africa programme overview

A programme to drive FDI investment and job creation into manufacturing in Africa

Programme goal

Reduce poverty by attracting £1.2 billion
of foreign direct investment and create 90,000 jobs

Funding

UK Government, Foreign, Commonwealth
and Development Office (FCDO)

Duration

7 years (2019-2026)

Focus sector

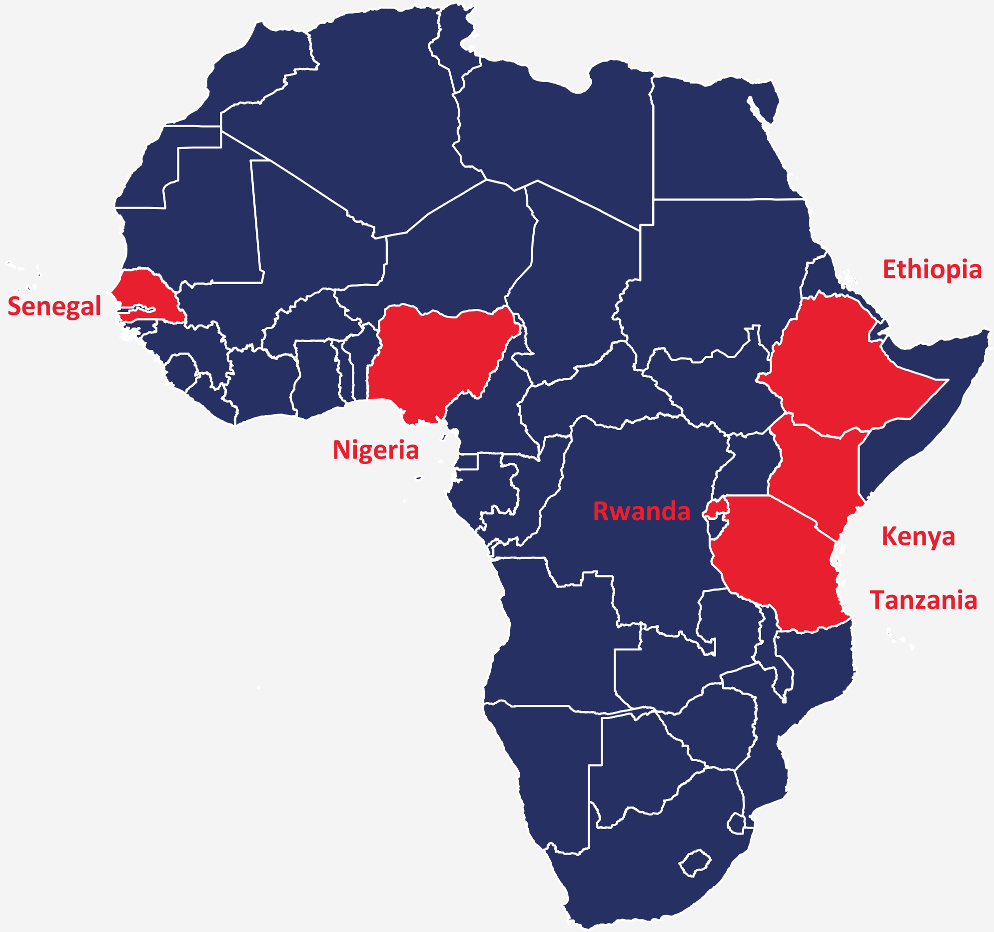
Manufacturing

Implementing consortium

McKinsey & Company, BDO, TechnoServe,
Reformatics, Steward Redqueen

Support provided

Transaction facilitation for investors and companies Technical
assistance to governments and investment promotion agencies



Useful Resources

Some online resources and templates which companies may find useful as an investment process is undertaken

Financial Models

- Corporate Finance Institute: Financial Modeling Templates (12) I Finance Training I CFI (corporatefinanceinstitute.com)
- Eloquens: Mergers & Acquisitions (M&A) Excel Models - Downloads - Eloquens

NDAs

- Harvard template (USA based): Nondisclosure Agreement.docx (live.com)
- UK government (UK based): An Example of a One-way Non-Disclosure Agreement (publishing.service.gov.uk)

Teasers and Pitch Decks

- Corporate Finance Institute: Investment Teaser Template - Download Free PPT Template (corporatefinanceinstitute.com)
- Slide Geeks: Investment Teaser Investment Highlights Financial Customer Ppt PowerPoint Presentation Complete Deck - PowerPoint Templates (slidegeeks.com)
- Pitch: 20+ Free Pitch Deck Templates [Fully-Customizable] | Pitch

Investor Identification

- CASA programme database: https://www.casaprogramme.com/investors-database/

Offer Letters, SPAs and Term Sheets

- Corporate Finance Institute (Letter of Intent): Investment Teaser Template - Download Free PPT Template (corporatefinanceinstitute.com)
- Priori Legal (Term Sheet): Term Sheet – Form Template - Priori (priorilegal.com)
- Business in a Box: Purchase & Sale Agreements - Download Templates | Business-in-a-Box™
- Eloquens: Sales & Purchase Agreement SPA Templates - Instant Downloads – Eloquens

Shareholders agreement

- UNIDO: https://www.unido.org/sites/default/files/2008-07/Annex_2_Example_of_a_Shareholders__Agreement_0.pdf

Please note the Manufacturing Africa Programme and the delivery consortia are not endorsing any of these links but providing them for guidance purposes; external professional advice in all aspects of the deal is still recommended.

02

General overview of the process

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What is an Investment Process?

The route and steps to getting finance from an external source into a business or project

An investment process is made up of the organised steps which take place when seeking external capital. This starts from planning, progressing to creating sales materials, engaging investors and negotiating, to achieving 'financial close' (where money is legally committed to a business, SPV or project account).

The exact nature of the process depends on the type and source of funding sought, the timelines, and the stage and track record of a company

- A start-up 'fundraise' will focus more on market potential and team background i.e. the potential and the key available information
- An asset or trade finance focuses on contracts or underlying assets, often to raise debt against. The value and risks around these will determine rates and tenors
- An M&A process would involve another company (often called a 'strategic' investor) investing and taking full or part ownership of the business. This will often focus on the synergies and long term added value the two companies together can attain
- A financial investor process involves the steps to secure investment from institutional investors in the market. These generally look for established companies (though sometimes greenfield deals from established promoters) and can often entail deeper due diligence and a focus on the financial returns. This document focuses on this type of investment process

The key process steps (planning, investor engagement, negotiation, execution) remain the same through different investment types but the nature of the documentation, timelines, and requirements will/may differ.

Example Investment Process

There are four overall stages in going through the process to get investment

Preparation

- Planning and aligning strategy
- Financial Modelling
- Deal Structuring
- Data Room

Investor Engagement

- Teaser and IM Preparation
- Investor Mapping
- Presentations and Initial Discussions

Negotiation

- Due Diligence
- Indicative Offers
- Initial Meetings
- Site Visits
- Term Sheets

Execution and Close

- Final Offers
- Sale and Purchase Agreement (SPA) or Loan Agreement
- Closing of Transaction

Please note that this process can vary from transaction to transaction and between instruments e.g. pure equity vs pure debt raises

Different Financing Needs Across a Business Lifecycle

A company needs different financing, suited to different investors, at different times of its lifecycle – this dictates the type of process

Improving deal structures

- Insurances
- Guarantees

Trade finance

- Asset backed lending
- Financing trade

Operational Capital

- Working Capital
- Refinance
- Restructure

Grants

Types of Instruments Funders Provide

A number of different investors with different offerings exist in the African market and also influence what approach to take in an investment process

Equity

- Shareholders Equity
- Private Equity Funds
- Venture Capital
- DFI
- M&A and strategic acquirers
- Issuance of other classes of shares + Share Swaps
- Capital Markets (Main Board and alternate Board listing), Initial Coin Offering

Mezzanine

- Warrants/Options/ Mezz Debt with a right to convert
- Convertibles (with defined liquidity event) or SAFE notes
- Quasi debt or Quasi Equity instruments
- Profit participation rights

Debt

- Bank
- Corporate Bonds
- Convertibles
- Specialist lending
- Shareholder loans

Structured Finance

- Sale and Lease Backs
- Factoring
- Inventory Backed Finance (Warehouse Receipts)
- Securitisation of Collateralised Debt Obligations
- PPP/BOT/HAM/ SPV financing (Project Finance)

Other

- Concessional funding e.g. grants
- Crowdfunding

In addition we note that Guarantee Funds can provide guarantees to funders in certain situations to unlock the above sources of capital and can be important to some FDI deals.

Investor Types

A number of different investors with different needs exist in the African market each requiring slightly different things from a process

Debt Lenders

Providers of secured or unsecured loans for a specific time period and interest rate

International Lenders – Banks providing debt that operate across multiple jurisdictions e.g. Standard Chartered

Specialist lenders and Guarantee Funds – funds providing specific types of finance (e.g. invoice factoring) or guarantees e.g. MIGA

Mezzanine

Financial instrument in between debt and equity with higher risk appetite than pure debt but less risk appetite and involvement than equity

Mezzanine funds – funds specialising in providing mezzanine type financing instruments e.g. Ethos Capital

Strategic

Corporate investors with longer term synergistic perspectives
Financial instrument in between debt and equity with higher risk appetite than pure debt but less risk appetite and involvement than equity

Strategic Investors – Multi national or other international companies who invest through Mergers and Acquisitions e.g. Proctor and Gamble

Financial Equity & Debt Investors

Investors focused on financial returns with a medium term investment horizon (e.g. 5-7 years)

Development Finance Institutions – donor funded state affiliated investors e.g. BII, Proparco

Regional Development Banks – regionally focused multilateral investors e.g. AfDB, TDB

Private Equity – equity investors seeking more mature high growth opportunities e.g. Acumen, Catalyst

Impact Investors – investors with their specific impact goals as front and centre e.g. Novastar

Venture Capital – earlier stage investors into high growth (often technology/disruptive products) opportunities e.g. Antler

Concessional Financing

Smaller scale investment not seeking a return

Foundation and donor grant providers – providers of concessional financing that meets specific criteria e.g. Mastercard Foundation

Stakeholders in the Investment Process

The many actors involved in a transaction

Transactions are complex and involve a range of actors and potentially multiple investors. In general we understand that:

- The investor side provides the funding and expertise to help the company grow
- The seller side (i.e. the company seeking investment) works to negotiate a deal that meets their needs and maximise their value
- Other stakeholders, provide specialised services to ensure that the transaction is legal, compliant, and financially sound

Example stakeholders

Investee ('Sell') side

Company

- Founders & Management Team
- Board of Directors
- Other shareholders

Advisors

- Transaction Advisors/ Investment Bankers
- Lawyers
- Accountants
- Data room providers

Investor ('Buy') side

Investor

- Investment teams
- Investment Committee

Advisors

- Transaction Advisors/ Investment Bankers
- Lawyers
- Due Diligence Consultants (technical, commercial, legal etc.

Other stakeholders

- Regulatory Bodies
- Banks
- Guarantors
- Related parties and Parent companies

Differing Priorities

It is worth considering the different preferences and priorities of the company and the investor when going through a process; advisors often help bridge the gap

Investors and the companies looking to raise money will each have their own concerns, preferences and priorities – when these can be aligned a deal can close, when these are not resolved a deal fails.

Typical Investee Concerns

Core Structure

- Cheap financing
- Long Tenors
- Easy Terms/Covenants

Rights

- No Loss of Control – silent partner
- Earn Out Kickers
- Freedom of governance and able to dictate strategic direction and M&A

Downside Risk Management

- No Personal Guarantee
- Benign terms for restructuring

Strategic Intent

- Technology/ Expertise
- Brand/ Products

Typical Investors (including debt) Concerns

Core Structure

- Higher Returns
- Shorter Tenors
- Clear Covenants and consequences

Rights

- Transparency & control on Cash Flows
- Good governance to reduce unsupervised risks
- Step-in Clauses/ Receivership/ Covenants/ Contractual rights

Downside Risk Management

- Collateral/ Security
- Guarantees, Insurances

Strategic Intent

- Access to local markets, stocking, distribution, after sales service
- Management of local conditions/ regulators

Management Considerations for the Process

Stage	Management considerations	Typical Timeline (if a short process)
Preparation	• Preparation/build up of historical performance and tidying up financial statements where required • Putting in place governance structures or plans for the business and setting corporate structure and transaction perimeter – governance work upfront can improve valuations and chance of success • Considering and preparing impact and other ESG issues especially mitigating sector red flags • Marketing materials preparation which highlights company operations, past performance and key drivers of growth • Preparing detailed and organized dataroom for easy investor access to all relevant company, project, legal and financial information	**~4-8 weeks** Can be over a 12-18 months if financial restructure/corporate changes required
Financial Modelling	• Deep dive review of financials to highlight drivers of growth and cost base and granularity of underlying assumption (detail around specific contracts/markets if possible) • Consider upside and downside scenarios • Outline company shareholding (current and post funding) and returns	**~4 weeks** Dependent on firmness of strategy and availability of information
Deal Structuring	• Identify preferred and acceptable financing mix across debt, equity and other (can be optimized in model) • Consider valuation based on cashflows, assets , and market approach (ideally a mix)	**~2 weeks** Process often involves iteration and changes depending on offers
Engagement with Potential Investors	• Conducting exercise to measure lender/investor appetite (market testing) • NDA sharing and agreement • Sharing marketing materials and management presentation to investors • Managing due diligence process and requests of information from potential investors (can be intensive) • Consider long term working relationship – how can they add value and fit with your strategy/culture?	**6 months+** Due diligence in Africa is intense and can take years in some instances
Terms Negotiation	• Priorities with term sheet/facility agreement/SPA negotiations are overall investment amount, shareholding percentages, interest rates, fees, length of agreement, rights and future exit point expectations • Agree binding term sheets	**~8-12 weeks** De-risking and reducing areas of contention through preparation speeds this up
Execution and Close	• Finalise legal documentation • Organise operational changes and handover/handholding with investment/investors • Consider first 100 days plan for post investment	**~4-6 weeks** Legal aspects and agreements require detail orientation

Basics for First Time Companies to External Investment

Prior to embarking on an investment process it's worth having in place some key elements that can help maximise the chance of successfully raising finance

Put in place a strong business plan

A strong business plan outlines the key objective and opportunity with verifiable financial projections and a detailed growth strategy.

Have a strong team in place

Investors look for companies with strong management teams across board; and not only the CEO but also CFOs and COOs amongst other positions. Having teams with deep, relevant experience, a demonstrated ability to work together, and with full commitment (time and energy) into growing the business is a key ask.

Consider the right investors

Thinking ahead in terms of the type of investors who would be the best fit in terms of value add they bring, how deeply they work alongside companies, and the type of financing and terms they offer is helpful to tailor the business plan and outreach accordingly.

Be prepared for thorough due diligence

Due diligence can be lengthy, invasive and requires serious levels of detail and understanding. Being as organised as possible and mentally prepared for this is important.

Be transparent and open

Investors value transparency and honesty around a company's strengths, weaknesses, and challenges (though the timing of when to say what is important). Providing regular updates to investors during the fundraising process is highly valued by counterparties.

Negotiate but be realistic

Negotiating the deal to maximise value while trying to be fair and equitable to the various stakeholders is important. It is worth being realistic about valuations as overly high valuations are a failure point for many deals.

Investment Process Pitfalls

Closing investment is a lengthy and exhaustive process that requires determination from promoters and investors.

We typically see these processes lasting 12-48 months and require lots of attention and work from all parties to engage.

Strong preparation, reasonable valuation expectations and aligned strategy can speed this up.

Furthermore ensuring enough time is available from management and financial managers in the business is critical to moving deals forward and addressing issues/risks.

03

Preparation Phase

Preparing Thoroughly for the investment process

The importance of being ready and organised

Thorough work upfront ensures a deal can succeed – many deals don't succeed, even with a great concept and opportunity, because of the lack of detail and lack of organised information.

Due Diligence is speeded up with all documentation in place and preparation also demonstrates to investors the readiness and competence of the company.

A considered strategy and business narrative, alongside thorough financial analysis, is critical in getting a deal over the line – it ensures a coherent and consistent message backed up by justifiable financial analysis that an investor can put their money against.

Key Preparation Areas

Four priority areas

1

The exact level of funding needed

Considering the capex, opex, and working capital to get the project off the ground, balanced against the future cashflows and existing performance of the business – this is often best mapped out in a detailed financial model.

2

Preparation of all internal documents for a diligence process

Have clear and organised documents ready on all legal, corporate, and financial information of the company. This may require consolidation of financials, corporate structures, streamlining of shareholding structures etc. prior to starting the investment process.

3

Creation of marketing materials

To efficiently engage investors and capture their attention, having a brief slide deck of the company and opportunity that clearly explains its business model, market opportunity, and growth strategy is important. This often takes the form of Teasers, Pitch Decks, or Information Memorandums (described later).

4

Identification of suitable investors and type of capital

Consider what mix of funding is best fit (e.g. across debt or equity) and consider/research types and names of investors that may be interested in investing. This often includes support from a Transaction Advisor on the deal who may have greater networks and experience in the types of funders sought.

Having Dedicated Resource and Time

The management team will have a lot to deal with so ensuring enough time and resource is set aside is critical

It is recommended to ensure there is a dedicated resource embedded with the team to run the investment process

- The investment process is intense with lots of analysis and data requests, in addition project managing many different stakeholders is important – therefore having a dedicated person internally can make all the difference
- While the CEO will be key and needs to develop and manage lots of stakeholder interactions, having committed resource beyond this is important to free up time for day to day running of the business
- A financially literate person who knows the business well is the best candidate for this role
- Ideally this is somebody senior enough to represent the company already working in the business
- If this person is not in place, hiring somebody should be a priority

In addition being mentally prepared for a time intensive 18+ month process in advance can really help. Even with a dedicated person significant time will need to be provided for investors and advisors.

ESG in Preparing the Business for Investment

Strong Environmental, Social and Governance (ESG) practices can directly improve company valuations and significantly increase chances of procuring investment

Environmental

Strong environmental risk management is a top priority for many financial investors, especially those linked to donors and impact. Therefore, deals are considered across two aspects:

- **Current climate and environmental impacts** – what are the environmental risks and benefits of the project? This could be considered across:
  - Products and services
  - Production processes
  - Buyers, end users and partners
  - Supply chains and raw materials
  - Waste management and circularity
  - Energy sources and efficiency
  - Transport and logistics
  - Natural resource and ecosystem management
- **Opportunities for improvement** – opportunities to improve the carbon footprint and other green aspects of the new project aligned with company priorities across energy efficiency, reduction or recycling of waste, greater local supply, greener inputs (e.g. avoid plastics), etc.

Social

Strong social performance is an important aspect to risk management across workforce commitment and training, avoidance of conflict with surrounding communities, mitigating legal and reputational issues:

- **Employee wellbeing and livelihoods –** are staff able to work in a safe environment with decent standards and pay and a grievance mechanism? If not, how can these be put in place?
- **Community and stakeholders –** Are measures in place to ensure that people within the supply chain are treated fairly? Are surrounding communities impacted, for example by displacing people from the land or impacting their livelihoods? If so, how can this be mitigated or compensated?
- **Gender and inclusion –** Is inclusiveness applied through hiring, employment, or targeted programmes for different genders, ethnicities and social groups? If not, what are the opportunities for this?
- **Impact –** are there any wider social benefits to the employment, products or Corporate Social Responsibility (CSR) initiatives the company undertakes? How can these be evidenced and quantified to inform an investor?

Governance

Preparation of internal governance and reporting frameworks is critical in providing confidence in sufficient risk management for investors. This includes areas such as:

- **Audited financial statements** that align with internal management accounts and bank balances etc
- **Risk management** processes in place including across key contractual, supplier, buyer, IT and data security, HR, operational and fiduciary risks – these should involve clear policies, mitigations and lines of responsibility
- **Board of Directors** in place that provides independent oversight of the business with clear roles, qualified personnel, and independence from management
- **Shareholder alignment** in order to avoid conflicting decision making and project rejection; cleaning the cap table (ownership list of the company) to have fewer stakeholders can also be beneficial
- **Regulatory compliance** – evidence of compliance required by legal and regularity authorities

Business Planning and Strategy

Having an investible plan for growth

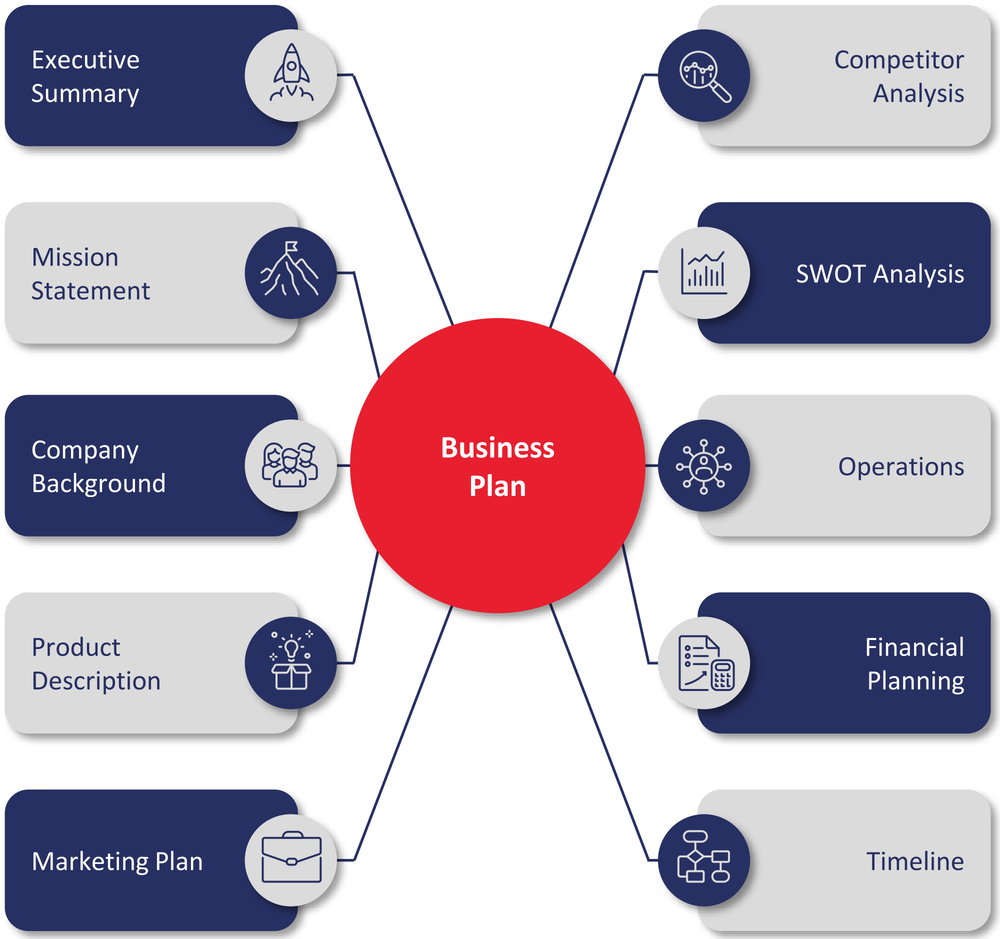
For the purposes of investment, a business plan is a way in which the opportunity can be articulated.

Business plans tend to have five basic pieces of information

- They include a description of the business and opportunity
- An analysis of your competitive environment and the underlying market
- A marketing plan including the go to market elements
- A section on HR (people requirements)
- Key financial information

Having full internal buy in across stakeholders to a plan/strategy, and each having a consistent message to investors, is important to success and co-developing and agreeing a business plan can achieve this.

This information can then be used for more targeted investor outreach materials (i.e. marketing materials like teasers, pitch decks, Information Memorandums).



Developing a Financial Model

A solid financial model can be the basis for investment decisions

A financial model is a quantitative representation (often in excel) of a company's financial projections – this gives investors the detail and ammunition to fully assess the potential of a deal.

What does a financial model do?

- Provides investors with detail of company's current financial position and future growth potential including the underlying assumptions for these
- Allows investors to assess the risks and returns of investing providing a basis for calculations of their own
- Provides key financial details that are used to negotiate the terms of the investment including valuation, funding structure, and exit strategy

What makes a good financial model?

- An effective financial model shows a thorough understanding of the company's business model, revenue streams, and costs with enough thoroughness
- It is essential to ensure that the financial model is accurate, transparent, and easy to understand. It should be accompanied by detailed explanations of the assumptions and calculations used in the model. This will help to build trust and confidence with potential investors
- The financial model should be based on realistic assumptions backed up by data wherever possible
- Ideally the model would include sensitivity analysis to model how changes in key assumptions affect returns (though an investor will also run their own analysis)

Valuation

Approaches to valuing a business

The valuation of a company sets out a potential price/value for the underlying business from which investors can make a basis for their bidding – this is often amalgamated into financial models.

We note many deals failing due to unrealistic valuation assumptions of the promoters which investors are unwilling to meet so upfront calculation and alignment within shareholders is important.

Below we outline some of the common valuation approaches used:

Discounted cash flow (intrinsic value) approach	Market approach	Cost approach
Forecast future cash flows	**Public company comparables**	**Public Value of current and fixed assets comparables**
	Precedent transactions	**Cost to build or replacement cost**
Most common valuation methodology for African companies and requires modelling of the deal.	Relies on volume of data and historic transactions – less applicable in most manufacturing sectors and data not frequently available for Africa.	Undervalues future potential and goodwill (e.g. brand, operational and reputation value). Approach often used in insolvency.

Deal Structuring

Optimising the deal across funding types and timelines

Deal structuring is the process of getting to the overall investment structure across:

- Instruments (e.g. combinations across debt and equity)
- Valuation of the business
- Use of funds
- Transaction perimeter (the corporate entities within the deal)
- Timing across phasing of investment and exit strategies
- Legal agreements

Each element of the deal structure impacts the terms of the investment, the returns for investors, and the potential risks involved.

Overall, deal structuring is complex and requires careful consideration of various elements and interests so:

- Aligning the goals and interests of all parties involved (including investors, management, other shareholders) through negotiation and discussion.
- Seeking legal and financial advice to ensure that the terms of the deal are legally sound and financially viable/investible can have a big impact in successfully agreeing a deal.

Marketing Materials – Types of Documents

Generating interest and giving enough detail: Leveraging a Teaser, IM or Pitch Deck in fundraising

Having documents that succinctly outline an investment opportunity, whilst providing enough detail to understand if it is a good fit for investors is important. As such we typically see two types of document:

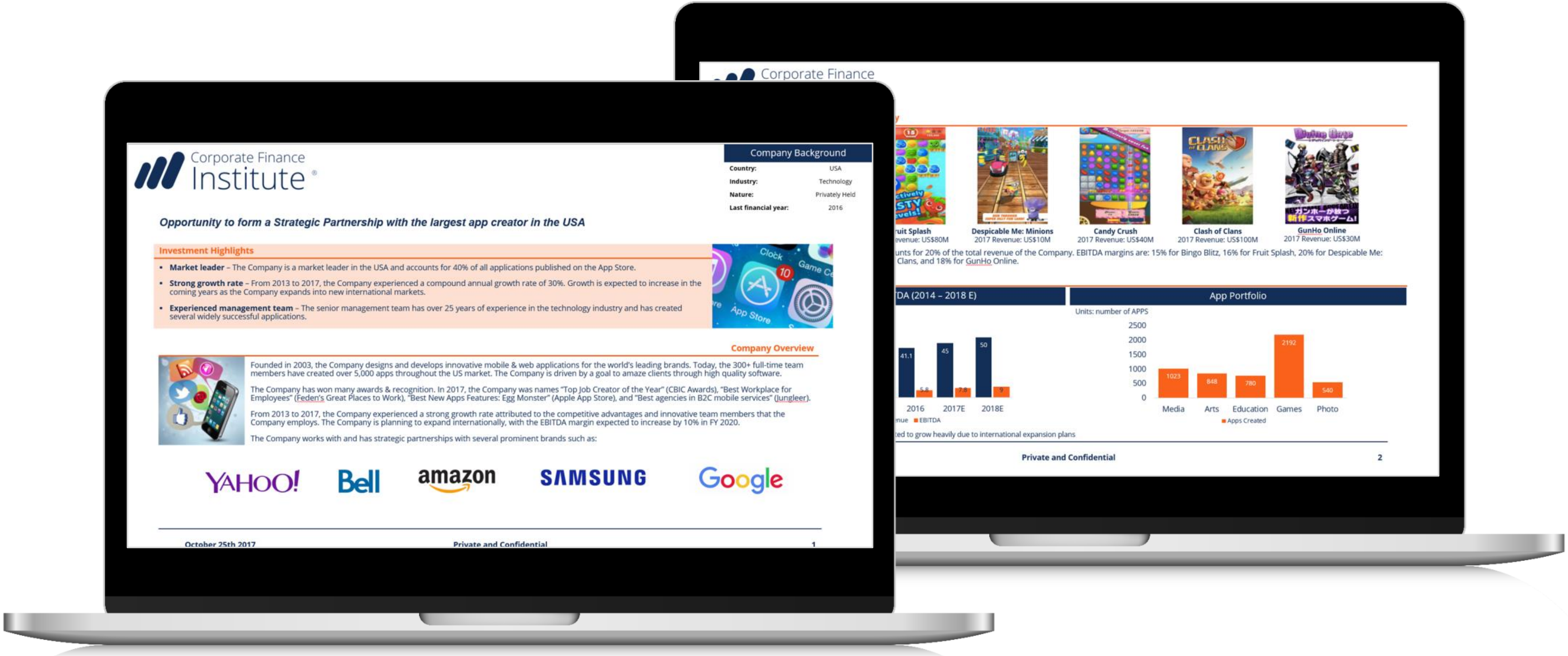
A Teaser generates initial interest from potential investors within a very brief overview:

- Teasers are not always required but generally provide a one or two page summary of the key details and metrics of the opportunity to generate initial interest from potential investors without disclosing too much
- These can be shared without an NDA (discussed later) being in place and do not generally disclose the company name (or details that could make the company obviously known)
- Teasers typically include high-level descriptions, key financial metrics, and notable achievements

An Information Memorandum (IM) provides thorough analysis of the opportunity:

- An IM is a comprehensive document providing detailed analysis of the opportunity and serves as a tool for due diligence, risk assessment, negotiation, and aligning expectations
- It generally includes financial and operational data, market analysis, management team profiles, and other relevant information
- A Pitch Deck is a shorter version of an IM covering the key areas with slightly less depth (i.e. 20-30 slides rather than 100+)

Marketing Materials – Example Teaser



Source: https://corporatefinanceinstitute.com/resources/valuation/investment-teaser-template/

Marketing Materials – Example IM/Pitch Deck Contents

Example Information Memorandum/Pitch Deck content

1. Summary: Investment Thesis

- Answer to why should somebody invest in this and how can I be sure investor will make a return within a 7–9-year timeframe?
- Highlights of the opportunity (key strengths) and key messages
- Mention the ask and timeline (i.e. how much and when)

2. Who: Management Team Overview

- The team leading the project and their relevant backgrounds (typically 2-5 people)
- Outline of corporate structure, consortia (if applicable) and transaction perimeter

3. Problem: The Problem and Vision

- Highlights of the challenge being solved, and the vision to solve it

4. Solution: Products and Services

- Current and future products that are being sold to the market and branding
- Any certifications/details of standards
- Production process
- Unique technologies/processes/IP

5. How: Overview of Project/Company

- History & achievements so far (especially concept proved, clients onboarded)
- Future timeline/milestones (2yrs, 5yrs, 7yrs, 10yrs)
- Facilities & geography
- Organisation structure and employee profiles
- Existing business model (e.g. pricing/strategy) and sustainability of business model

6. Opportunity: Overview of the Market

- The market size and potential in aggregate
- The specific niches being targets and customer archetypes
- Competitive analysis (i.e. company USPs and comparison to competitors)

7. Execution: Growth Strategy and Implementation

- Strategy for commercial growth (and why its realistic)
- Customer acquisition strategy (detailing by each customer archetype and geography)
- Route to break even and returns for investors i.e. business model establishment

8. Upside: Future Growth Opportunities

- Future areas of revenue/growth (if not in base case of revenue growth and costs) with requirements (strategy, cost, expertise) to develop these

9. Impact: Social Impact & ESG of the Project

- Details of the development impact (if relevant) e.g. jobs created, training, climate impact, livelihoods gender outcomes

10. Numbers: Financials Backing the Story

- Historical and Projections with specific slides on revenue, variable costs, fixed costs, items below EBITDA (in P&L), cash flows, balance sheet. These evidence the story told in the growth strategy
- Highlights of break even, overall growth
- Customer Profile covering key types of existing customers and customer concentration (ideally quotes/positive feedback from clients) – keep actual contracts and company names anonymised

11. Ask: Investment Requirement

- The amount asked for and timing/phasing of this
- Breakdown of uses of investment

Investor Shortlisting

Considering the investor universe and selecting those most appropriate

Investor selection involves researching potential investors who may be interested in funding a business and aligning those who would be a best fit and are active at the present time.

In creating an investor list it is worth considering:

- Whether the fund is still actively investing, and if so if it is doing so into the country and sector of the project
- What the investment criteria are for the fund (e.g. ticket size, business history requirements)
- What are their value adds in terms of industry experience, access to networks, personnel/expertise for a company seeking investment
- The investors' strategy and culture and whether this aligns

Using this information a long list and later short list (of priority investors) can be ascertained (or developed?):

- This assessment is based on their fit with the business and their level of interest (which can be tested)
- Identifying the characteristics of each investor can also help tailor the approach and messaging when reaching out to them

It can be advisable to have as long a list as is possible, and keeping this diverse amongst investor types, to increase the chance of end investment.

Preparing for Due Diligence (DD)

Buyers conduct a comprehensive review of the business before making an investment

Due diligence (DD) is a comprehensive and time-consuming process to verify assumptions and information about a business and to gain a deeper understanding of the context, risks, and potential.

- Types of due diligence include financial, legal, commercial, operational, and technical
- Due diligence is crucial in identifying potential issues, assessing risks, and making informed investment decisions to avoid financial loss or missed opportunities
- Specialist advisors are often hired for quick turnaround analysis for due diligence
- Due to a smaller pool of advisors in some regions, investors may need to take on a greater element of due diligence themselves
- Investors generally prefer not to invest if they have doubts or uncertainty raised through due diligence (they are generally seen as risk averse)

Preparing thoroughly for this process (including having documentation in place and clear answers quickly provided) is therefore important.

Consideration should be given for **tax due diligence** with clear positions and strategies for various tax issues in a newly invested company – MA notes a number of deals not succeeding due to tax issues not being prepared for (or resolved after investor diligence)

Data Room – Setup

A one-stop organised place to find all required information to complete a deal

Having well organised and easily accessible information is important in closing a deal with an investor - creating a thorough 'Data Room' is a way of achieving this. A Data Room provides a secure online location where a company can store and share sensitive documents with its potential investors.

Key Components of a Data Room

- Financial statements and projections
- Legal documents such as deeds, leases, articles of incorporation and contracts
- Customer and market analysis
- Organisational structures and team information

Preparing Your Data Room

- Put together all relevant documents for the company and deal and organise them in a logical and easily accessible manner
- Ensure that all documents are up-to-date and accurate
- Review and if needed edit documents so they are easy to understand

Managing Access to Your Data Room

- Determine who will have access to the data room and setup access accordingly
- It is worth tracking access to the data room and document downloads

It is worth considering using a virtual data room provider to ensure security, management of users, solid folder structures, and ease of use (rather than folders in an unsecure location such as DropBox). This also allows different levels information/detail to be shared with different investors/stakeholders and monitoring of access.

Data Room – Example (1)

Secure and organised space for investors

A sample folder structure is shown to the right, within this it is worth ensuring:

- Documents are thoroughly checked before uploading – this is what investors will use
- The latest versions of documents are uploaded
- Restricting sharing to specific members of the investor team conducting due diligence only
- Disabling print/download options for sensitive documents (e.g. contractual agreements) and consider redacting these if there are risks
- Including watermarks in documents so they cannot be copied/used elsewhere
- Having a time limit on access so these are only accessed in the specific due diligence period
- Keeping track of who is viewing or downloading documents

Folder	Example documents	Priority for inclusion
Business operations	Investor memorandum	High
	Investor teaser	High
	Management team resumes/CVs	High
	Management reports	High
	Organization chart with employees	High
	Key human resources documents (e.g. employee contracts)	Medium
	Operations process map	Medium
	Internal systems/policies documents	Medium
	Product portfolio summary (inclusive of inventory listings on finished goods)	Medium
	Sales portfolio summary (sales data by product, channel, geography)	Medium
	Customer portfolio summary (customer data by private vs public sector)	Medium
	Supplier portfolio summary (supplier info by country of origin - local vs import suppliers)	Medium
	Details of new products/services	Medium
	Plans for factory/production lines	Medium
	Details of capex need (including types of new machinery)	Medium
	Go to market strategy/reference materials	Medium
	Feasibility studies (if available)	Medium
	Other business plan/pitch/strategic plans	Medium
Corporate governance (as available)	Board Resolutions	Medium
	Board minutes	Medium
	Shareholder minutes	Low
Continued…		

Data Room – Example (2)

Secure and organised space for investors

A sample folder structure is shown to the right, within this it is worth ensuring:

- Documents are thoroughly checked before uploading – this is what investors will use
- The latest versions of documents are uploaded
- Restricting sharing to specific members of the investor team conducting due diligence only
- Disabling print/download options for sensitive documents (e.g. contractual agreements) and consider redacting these if there are risks
- Including watermarks in documents so they cannot be copied/used elsewhere
- Having a time limit on access so these are only accessed in the specific due diligence period
- Keeping track of who is viewing or downloading documents

Folder	Example documents	Priority for inclusion
Financials	Three-year audited financial statements/annual reports	High
	Management accounts	High
	Financial model (seven year financial model)	High
	Accounts receivables & payables ageing reports and inventory reports (in USD and local currency)	Medium
	Assets register	Medium
	Annual budgets	Medium
	Tax filings	Medium
	Off-balance sheet reports (if applicable)	Medium
Legal	Certificate of Incorporation	Medium
	Memorandum of Association	Medium
	Articles of Association	Medium
	Business license/permit	Medium
	Tax compliance certificate	Medium
	Company by-laws	Medium
	Compliance certificates	Medium
	Leases and land ownership deeds	Medium
	Documentation on legal cases (e.g., settlements)	High
	Intellectual Property information - Patent, Trademarks, Copyrights (if applicable)	Medium
Contractual agreements	Debt/lease agreements	High
	Equity and Captable (includes Shareholder Agreements, Stock Purchase or Options Agreements)	High
	Partnership agreements	Medium
	Commercial contracts and Letters of Intent	Medium
	Supplier Agreements	Medium
	Insurance Policies	Low
Impact	Impact assessment reports (e.g. ESIA)	Low
Market research	Market reports (e.g. industry studies, internal competitive analyses, sector reports)	Medium
	Legal framework documents (e.g. local market regulations and regulatory analyses)	Low

04

Engaging with investors

The Investor’s Perspective

Understanding what an investor is looking for and their concerns when engaging

Before engaging with investors it can be useful to consider the investor’s perspective and their priorities:

Investors are often risk averse

The reputation of the deal teams is at stake when they put a deal forward and they need full confidence and trust in a deal to champion it for their investment committees

Thorough details and rigour are needed to close the deal

Investment Committees require deep levels of analysis and depth of information to sign off a deal and feel comfortable with the risks, they are often made up of highly experienced individuals from different backgrounds (like a Board of Directors).

Technical analysis is important

Investment teams will need to thoroughly analyse all aspects of the deal including running their own calculations and analysis on the financials, market, and risks – the better the data to do this the easier it is to succeed

Each investor is different

Worth considering specific needs and differences (e.g. the funding criteria, interest in the product, and impact priorities) of each individual investor.

Engaging Investors

Things to think about when reaching out to investors

As a process it maybe optimum to reach out to investors in phases to reduce the amount of work at one time, and to test the market with a few investors to get feedback and further refine the message/approach thereafter.

During the engagement stage a company:

01
Reach out to potential investors

This normally involves sending introductory emails, meeting at events or via networks, or making phone calls to introduce the opportunity.

02
Present the deal

These are formal meetings (video calls or in person) where the company presents its investment opportunity using its marketing materials (i.e. IM or Pitch Deck). The presentation should provide a clear and concise narrative of the opportunity focusing on how it aligns to the investor's priorities.

03
Q&A with investor

Potential investors are likely to have questions about the opportunity, and the company should be prepared to address these in a clear and transparent manner.

Rehearsal (ideally with trusted experienced business people/advisors) prior to formal engagement can really help put the best foot forward with investors.

Key Considerations in Investor Engagement

Effective communication and trust building

It's important to engage effectively with potential investors with the aim of building relationships and trust, and to communicate the opportunities value:

Prepare and practice so that the flow and consistency of the messages are strong and potential questions/concerns have been prepared for.

Tailor the messaging to the needs and preferences of the individual investor being approached - understanding the investor's background and preferences through research and questions can help achieve this.

Have a clear and concise pitch that highlights the unique value of the opportunity and provide evidence for the potential growth and profitability without going in tangents.

Actively listen to feedback and questions as this feedback can be invaluable to both the process of fundraising and identifying risks in operation. It is worth not taking feedback personally and endeavouring to keep a good relationship.

Timely follow up and regular updates after meetings, calls, or questions shows professionalism and effectiveness of the company and management.

Initial & Introductory Meetings

Establishing contact and building relationships with investors

Initial meetings help build a relationship and determine whether there is interest from the investor in progressing with the opportunity.

01

These meetings should be brief, giving an **overview of the opportunity and a background of the company's promoters.**

02

The goal of the initial meeting is to **create a connection** and to **assess whether there is mutual interest.**

03

It is important to **be well-prepared** and provide a high-level overview of the opportunity and to answer initial questions from investors.

04

It is an **opportunity to better understand investors investment criteria** and the current priorities/intricacies of their investment strategy as well.

05

Key questions and concerns for follow-up can also be identified.

06

It is worth **not reading too much into interest expressed during initial meetings** – investors parting with capital require several steps and due diligence even if they express interest at an early stage.

Following initial meetings an NDA can be agreed on and a full IM or Pitch Deck shared to explore deeper interest with follow-up meetings could be scheduled if interest.

Confidentiality Agreements/NDAs

Ensuring commercial confidentiality and building trust

A confidentiality agreement, often through a Non-Disclosure Agreement (NDA), is a legally binding document that outlines the terms and conditions of keeping sensitive information confidential between two or more parties.

Why is a Confidentiality Agreement important?

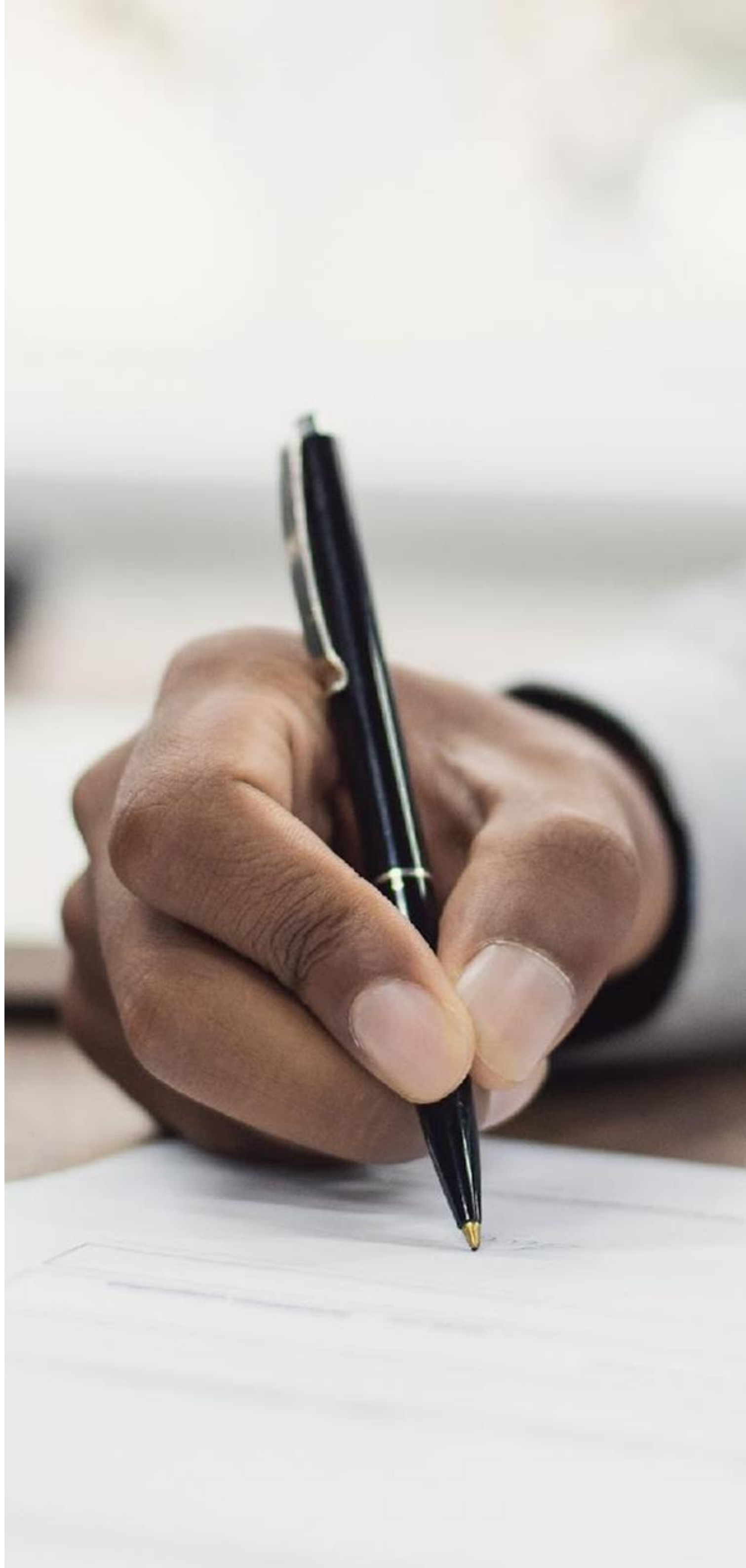
- It is a mutual agreement that is intended to stop the sharing of confidential information without the prior written consent
- For companies looking to raise funds they allow sharing of information with potential investors without the risk of that information being used against them (e.g. being shared with competitors)
- Confidentiality agreements also help to maintain trust and help enter into investment discussions in good faith

Key Elements of a Confidentiality Agreement:

- **Definition of Confidential Information:** Define what information is to be considered confidential
- **Permitted Use:** Outline the specific purposes for which the information can be used
- **Term:** Specify the duration of the confidentiality
- **Exclusions:** Identify information that is not considered confidential
- **Remedies:** Outline the 'remedies' that will be available/enforceable in case of a breach of the agreement

It is worth agreeing on NDAs prior to sharing detailed information (i.e. a Model, IM or Pitch Deck).

Whilst we share some templates in the 'Useful Resources' section (slide 6), we suggest getting legal advice on drafting and agreeing these in each instance.



Management Presentations

Effectively presenting the opportunity to potential investors

Management Presentations are a formal pitch to investors on the opportunity.

The management presentation generally covers:

- Presenting briefly a coherent story of the opportunity highlighting specific areas of the IM across the team, the company, products, growth strategy, and financials
- Demonstrating the competence and cohesion of the management team through strong preparation, articulation, and answering of questions
- Considering the priorities of the investor and the company and assessing the potential for a partnership
- Sharing mitigations for perceived risks of the deal and addressing concerns and questions

Although the presentation material may be straightforward the way in which the opportunity is conveyed, the level of capability demonstrated, and the ability to answer questions competently are important in creating a good impression

Due Diligence (DD) – Considerations

An investor will undertake Due Diligence if there is formal interest

Some key steps to help prepare for due diligence

Review the financials:

Organise financial records including financial statements, tax returns, and bank statements ensuring they are up-to-date, accurate, and complete. It is worth identifying inconsistencies and issues preemptively and to *be prepared to explain any negative trends or fluctuations in revenue, expenses, or margins.*

Review legal documents:

Make sure the company legal documents are valid and up-to-date. These include articles of incorporation, bylaws, contracts, licenses, permits, and regulatory filings. *Identify any potential legal issues, such as pending lawsuits, and be prepared to explain how you plan to address them.*

Organise operations:

Ensure the company's operations are organised and documented. This includes standard operating procedures, employee contracts, and human resource policies. It is also worth reviewing intellectual property (including patents, trademarks, and copyrights) documentation if applicable.

Conduct a risk assessment:

Identify risks that the company may face, such as competition, changes in market demand, or changes in government policy. To mitigate these identified risks, a risk management plan can be put together and explained to investors.

A comprehensive business plan:

Document outlining the company's products, services, target market, competition, marketing strategies, and growth plans in more detail than the IM/Pitch Deck. This could also be a series of detailed documents or references that the IM is built from.

It is crucial to anticipate and be prepared to answer any questions that investors may have across these and other areas with clear and concise answers

Due Diligence (DD) – Site Visits

Site visits provide a deeper understanding and context to the opportunity

Site visits are a common part of the Due Diligence process in deals and involve physically visiting and inspecting the property/facility.

This is to consider the condition, identify any potential risks or opportunities, and get further information that are difficult to ascertain otherwise.

From the point of view of a company seeking investment it is worth allowing enough time and attention for these visits, ensuring key personnel are available, and preparing the site so they are presented in the best light

05

Offers & negotiation

Negotiation considerations

Some areas to consider when going into or planning a negotiation

Though getting to the negotiation phase of a deal does mean the deal is reasonably advanced, there are still many key details to agree for the deal to close. It is therefore worth considering the following when going into a negotiation:

01

Preparation

Research the investor to understand their objectives and limits and looking how to align these needs.

02

Align internal stakeholders

Ensure that internal shareholders and management are aligned at each step so that decisions and progress can be made collectively.

03

Effective communication

clear, consistent, and concise in communicating with the investor and ensure feedback is taken onboard and an open relationship is developed.

04

Confirm understandings in writing

Put key areas of agreement and next steps into writing (i.e. via email after a discussion) and consult on legal/financial implications of these areas where needed.

05

Building rapport

Try to find commonality and connection with the investor to build trust.

06

Managing emotions

Try to maintain a positive and collaborative relationship to reach a mutual position.

Negotiation in a Deals Context

The key areas to consider in an investment process negotiation

Where possible it is worth having 'competitive tension' i.e. leveraging interest from multiple interested parties (and offers) to have a stronger negotiating position.

Furthermore a few deal elements of negotiation to focus on include:

Technical

- Determining the level and structure of equity/debt – may be worth being open to different funding structures, valuations, and different level of equity/interest rates to get a deal over the line
- The phasing and timing of investment
- Agreeing on the transaction perimeter i.e. what corporate entities/assets are included and excluded in the deal

Strategic

- The post investment working relationship between the company and investor including reporting requirements
- The influence of investors and their voting rights vs the freedom of management
- Agreeing on the strategic vision and direction of the business and the role of the investor in achieving mutual goals

Negotiation

Agreement | Skills | Communication | Strategy | Contract | Goal

Evaluating Offers

Making informed decisions and fully understanding the differences of bids

Where there are multiple offers it is not always straightforward to compare these given different structures and conditions - even if the headline price offered seems clear. The devil is in the detail.

Some of the important areas to consider when evaluating offers:

Value/Price offered:

The total amount of investment offered for debt or equity is key, however it should not be the only factor considered. *Other terms and conditions can significantly impact the overall value of the offer.*

Payment terms and structure:

The terms of how money will be paid and what conditions need to be fulfilled, as well as the different instruments and modes of financing.

Contingencies:

Payments and terms that come into effect if certain conditions are met or conditions breached e.g. EBITDA targets hit for earn outs.

Timing:

The timeline of the deal including when closing can be achieved e.g. one bidder may offer a higher price but take significantly longer to release funds.

The Investor:

The strategic fit of the investor with the company and the reputation and value add they bring.

It may be advisable to seek input from legal and financial advisors in evaluating offers as there maybe technical terms and modelling required to fully understand the implications of offers

Offer Letters and Indicative Offers

Formal offers are made through offer letters

Offer letters are documents that provide a full overview of the essential components of a potential investment. This includes technical details, funding timelines, and release methods.

Indicative offers or 'non-binding offers' are the first expressions of serious interest from potential buyers or investors in a deal.

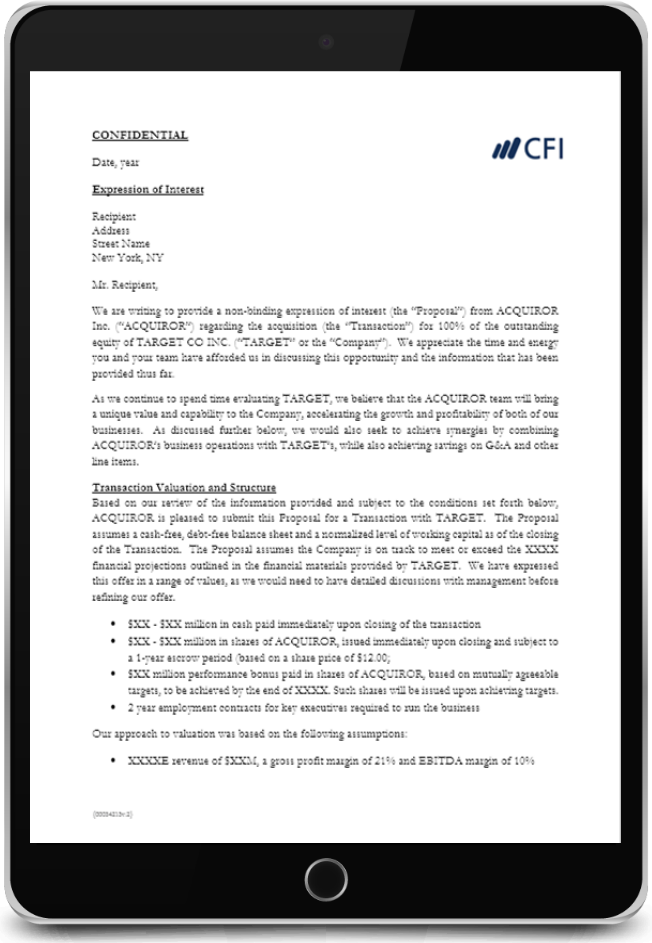
These offers are normally made after a first round of due diligence and give an **indication of the offer value** (i.e. amount of investment and terms/equity share) and initial structure proposed

Indicative offers are **non-binding** (i.e. no obligation to make the investment nor a commitment on the price provided)

The indicative offers do however provide valuable information to the company in the level of interest and valuation expectations of investors. In an ideal scenario these can be compared across multiple investor options to create a shortlist

Since offer letters cover numerous technical areas they may be challenging to interpret and compare fully without technical advice - Corporate finance and transaction advisors often are able to add a lot of value in these processes if hired as advisors given this.

Source: https://corporatefinanceinstitute.com/resources/valuation/letter-of-intent-loi-template//



CONFIDENTIAL

CFI

Date, year

Expression of Interest

Recipient
Address
Street Name
New York, NY

Mr. Recipient,

We are writing to provide a non-binding expression of interest (the "Proposal") from ACQUIROR Inc. ("ACQUIROR") regarding the acquisition (the "Transaction") for 100% of the outstanding equity of TARGET CO INC. ("TARGET" or the "Company"). We appreciate the time and energy you and your team have afforded us in discussing this opportunity and the information that has been provided thus far.

As we continue to spend time evaluating TARGET, we believe that the ACQUIROR team will bring a unique value and capability to the Company, accelerating the growth and profitability of both of our businesses. As discussed further below, we would also seek to achieve synergies by combining ACQUIROR's business operations with TARGET's, while also achieving savings on G&A and other line items.

Transaction Valuation and Structure

Based on our review of the information provided and subject to the conditions set forth below, ACQUIROR is pleased to submit this Proposal for a Transaction with TARGET. The Proposal assumes a cash-free, debt-free balance sheet and a normalized level of working capital as of the closing of the Transaction. The Proposal assumes the Company is on track to meet or exceed the XXXX financial projections outlined in the financial materials provided by TARGET. We have expressed this offer in a range of values, as we would need to have detailed discussions with management before refining our offer.

- $XX - $XX million in cash paid immediately upon closing of the transaction
- $XX - $XX million in shares of ACQUIROR, issued immediately upon closing and subject to a 1-year escrow period (based on a share price of $12.00;
- $XX million performance bonus paid in shares of ACQUIROR, based on mutually agreeable targets, to be achieved by the end of XXXX. Such shares will be issued upon achieving targets.
- 2 year employment contracts for key executives required to run the business

Our approach to valuation was based on the following assumptions:

- XXXXE revenue of $XXM, a gross profit margin of 21% and EBITDA margin of 10%

Term Sheets

An outline of the key elements of the proposed deal

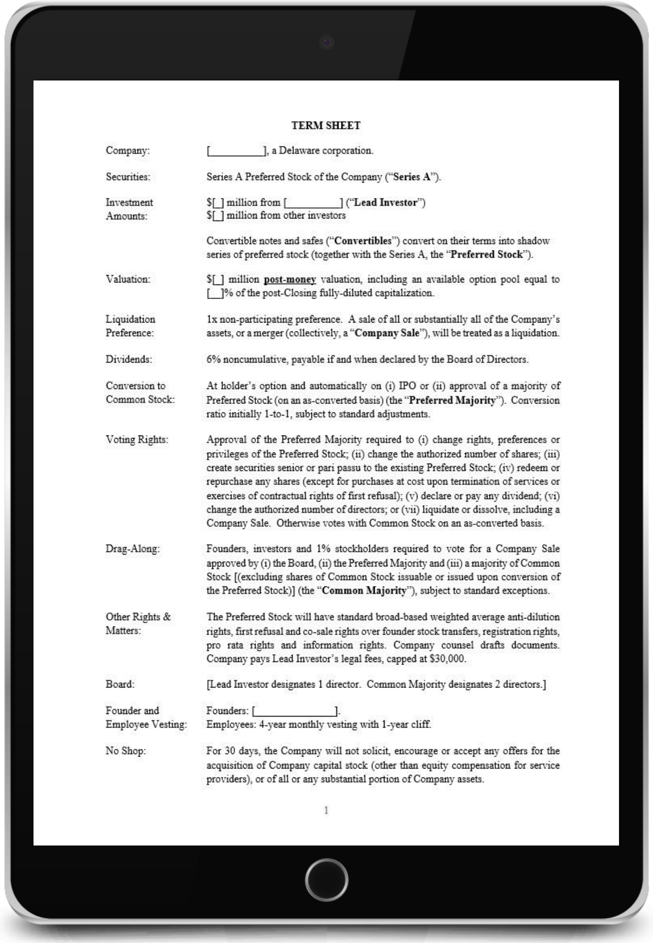
Term sheets are agreements between the investor and company that outline the essential legal and financial components of a given deal:

- They often have a time limit for completing a transaction or renegotiating it
- They involve various technical areas and structures that may require advice from legal advisors or other advisors

While term sheets establish serious intent, they are generally not legally binding although some may include certain provisions such as confidentiality or exclusivity that are themselves binding.

Despite the finalisation of a term sheet, a substantial amount of negotiation and agreement remains between the parties to finalise a deal.

Source: https://khatabook.com/blog/term-sheet/



TERM SHEET

Company:	[__________], a Delaware corporation.
Securities:	Series A Preferred Stock of the Company ("**Series A**").
Investment Amounts:	$[_] million from [__________] ("**Lead Investor**") $[_] million from other investors Convertible notes and safes ("**Convertibles**") convert on their terms into shadow series of preferred stock (together with the Series A, the "**Preferred Stock**").
Valuation:	$[_] million **post-money** valuation, including an available option pool equal to [__]% of the post-Closing fully-diluted capitalization.
Liquidation Preference:	1x non-participating preference. A sale of all or substantially all of the Company's assets, or a merger (collectively, a "**Company Sale**"), will be treated as a liquidation.
Dividends:	6% noncumulative, payable if and when declared by the Board of Directors.
Conversion to Common Stock:	At holder's option and automatically on (i) IPO or (ii) approval of a majority of Preferred Stock (on an as-converted basis) (the "**Preferred Majority**"). Conversion ratio initially 1-to-1, subject to standard adjustments.
Voting Rights:	Approval of the Preferred Majority required to (i) change rights, preferences or privileges of the Preferred Stock; (ii) change the authorized number of shares; (iii) create securities senior or pari passu to the existing Preferred Stock; (iv) redeem or repurchase any shares (except for purchases at cost upon termination of services or exercises of contractual rights of first refusal); (v) declare or pay any dividend; (vi) change the authorized number of directors; or (vii) liquidate or dissolve, including a Company Sale. Otherwise votes with Common Stock on an as-converted basis.
Drag-Along:	Founders, investors and 1% stockholders required to vote for a Company Sale approved by (i) the Board, (ii) the Preferred Majority and (iii) a majority of Common Stock [(excluding shares of Common Stock issuable or issued upon conversion of the Preferred Stock)] (the "**Common Majority**"), subject to standard exceptions.
Other Rights & Matters:	The Preferred Stock will have standard broad-based weighted average anti-dilution rights, first refusal and co-sale rights over founder stock transfers, registration rights, pro rata rights and information rights. Company counsel drafts documents. Company pays Lead Investor's legal fees, capped at $30,000.
Board:	[Lead Investor designates 1 director. Common Majority designates 2 directors.]
Founder and Employee Vesting:	Founders: [______________]. Employees: 4-year monthly vesting with 1-year cliff.
No Shop:	For 30 days, the Company will not solicit, encourage or accept any offers for the acquisition of Company capital stock (other than equity compensation for service providers), or of all or any substantial portion of Company assets.

1

Final Offers

Final proposals from an investor

Final offers are the ultimate proposals made by an investor presenting the best and final position they are willing to offer:

- The final offer letter facilitates the finalisation of a deal post negotiation by bringing together the final and closest position of an investor outlining clearly the details of the terms and conditions of the offer
- To reach a final offer it involves a back-and-forth exchange between the investor and company until a mutually acceptable agreement is reached and a final offer letter can be submitted
- Once parties have accepted final offers and agreed to the terms, the final offer becomes a binding agreement and the deal can then progress to closing

It is important to fully understand the terms and conditions of the offer and consultation with a legal team is integral to this as it becomes a binding and committed set of terms once agreed

06

Finalising and closing a transaction

Execution and Close

While completing negotiation and agreeing a final offer can be a lengthy process, it is not the final step of the transaction

The final mile of the deal may often need strong legal advice - legal steps (including drawing of contracts), shareholding changes, regulatory approvals, and new legal/corporate structures could be needed which take additional time to complete.

In addition this period is an opportunity to agree/outline long-term working relationship and expectations with the investor, including meeting and aligning with new board members.

Shareholder Agreements (SHA)

Agreeing an SHA in order to finalise a deal

A shareholders' agreement is a legally binding contract which forms an agreement between shareholders to outline operational guidelines for a company and specify the rights and responsibilities of its shareholders. It encompasses details regarding company management, as well as the privileges and protections granted to shareholders.

The principal purpose of the document is to ensure **fair treatment and protection of shareholders' rights** and typically includes:

- **Shareholders list** through a **capitalisation table** that outlines shareholders and their respective ownership percentages
- Share summary that addresses the proper **valuation and pricing of shares** and the **number of shares issued** as well as the **dividend policy and provisions for payment** in the event of a company sale
- **Governance** across mechanisms for shareholders on **voting and rights**, to decide on the **admission of new shareholders,** provisions to **safeguard minority positions** (i.e. smaller stake shareholders), restrictions on share transfers, and **pre-emptive rights** (rights to allow current shareholders to purchase shares to maintain their ownership percentages where new shares are issued)
- **Legal aspects** such as the agreement's **effective date, pre-amble** identifying the various parties, **confidentiality,** and mechanisms for resolving **disputes**

These go beyond any existing corporate bylaws a company may have and is a separate legal contract. Many details around areas such as rights, dilution, and obligations can be critical areas for negotiation within an investment process.

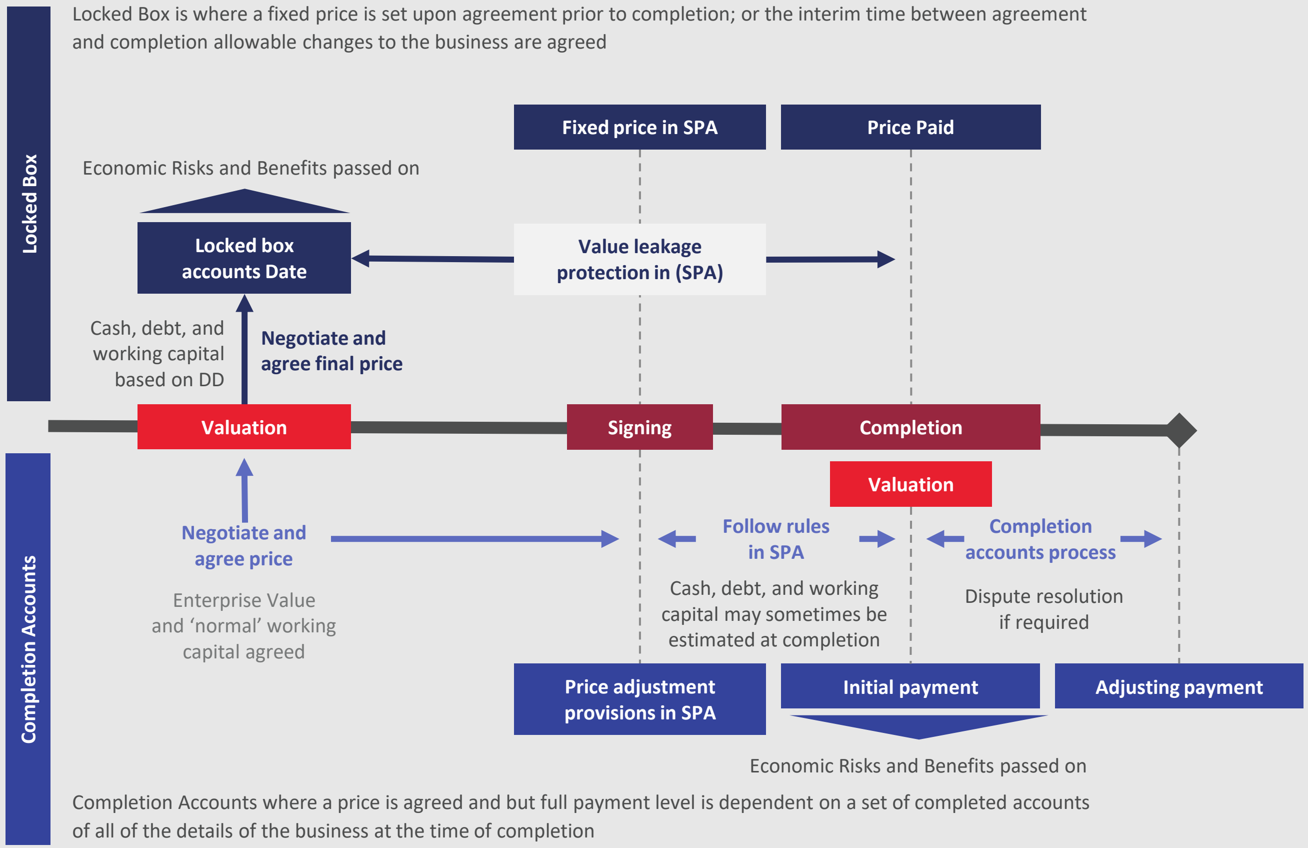
Sale and Purchase Agreement (SPA)

Understanding an SPA and its use in certain transactions

A Sales and Purchase Agreement (SPA) is a legally binding contract that details the terms and process of a deal between a buyer and seller.

- An SPA is intended to create a formal agreement and have safeguards around the running of the business in the time between agreement and final handover
- For example in the case of a purchase of 100% shares in a retail store an SPA would be agreed to detail how specifics of the deal will be handled in the interim e.g. keeping change in the tills, making sure required stock levels are maintained, ensuring the condition and upkeep of the shop is to an acceptable level. These ensure the business is run smoothly prior to the sale and that on day one of the new ownership everything is in place for the entity to run at 100% operations
- SPAs typically include:
  - A description of the transaction
  - Investment/sale agreement terms
  - Representations and warranties
  - Limitations on responsibility
  - Conditions of the deal

SPAs Approaches: Locked Box vs Completion Accounts



100 Day Plans

Having a plan ready for when capital is released

100 day plans outline in detail the exact steps and actions to take the moment investment is gained. Developing these plans ensures a project can hit the ground running from day one of financial close, and help hit required milestones.

Elements of 100 day plans to consider are:

- Prioritising work streams/actions after investment
- Planning the management of new investment within existing structures, time and resource
- Establishing working relationships and reporting with investors
- Setting the right Key Performance Indicators (KPI) to track success
- Implementing hiring, personnel changes across teams and board constituents and onboarding new people
- Readying capex for immediate investments and purchases of machinery and working capital/stock purchases
- Implementing any legal and financial reporting changes

07

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