

Effective Business Plan for Raising Capital

A Prerequisite in Today's Market

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If you are trying to raise capital to expand your business or purchase capital assets then you better have a written business plan. An effective business plan is a document that conveys the growth potential and objectives of your company. It should be viewed as a marketing or promotional piece that can successfully sell your business model to providers of capital by emphasizing the strengths of your company but, at the same time, not hiding any of the obstacles.

When you prepare a business plan, special attention should be given to the following areas:

Executive Summary

This is the most important section of any business plan. Providers of capital typically read this part first in order to help them determine whether or not your company is creditworthy and if management appears to be realistic about where the company wants to be in the future.

One of the goals in writing an executive summary is to capture the reader's attention. The information in this section should provide a clear summation of the business plan. If your business tends to be complex, then more detailed information can be included in later sections of your business plan.

Your executive summary should be two to three pages long and should include the following information:

- A discussion of your company's strategy for reaching designated goals
- A description of your market environment and why your company is unique
- Your management team's qualifications
- A list of the products or services offered by your company
- Key historical and forecasted financial data (generally five years into the future)
- The amount of funds you are seeking, for what you'll be using it and how providers of capital will get their money back

Company Analysis

This section expands on the executive summary by describing your business in greater detail. In this section, you will include your mission statement and information about the past, present, and future of your company.

Management and Organization

Your business plan should describe how your company is organized and the responsibilities of each key manager. One of the first questions that providers of capital ask is: Who are the people that are running this company? The information in this section should include:

- Your company's organization chart
- A biographical summary for each of the key managers
- The compensation package for your key managers

Providers of capital will want assurance that the incentives for management are consistent with their own investment goals

and are tied to increasing the long-term value of your company.

Market Strategies

Define your market—its size, structure, growth prospects, trends, and sales potential. Providers of capital want assurance that the market is large enough to support your business now and in the future. The information in this section should include:

- Your marketing plan
- Product/service positioning
- Data for product/service pricing
- Market research

Competitive Analysis

How does your business compare to the competition? Provide the strategies that give you a distinct advantage, any barriers you can develop to prevent new competitors from entering the market and

any weaknesses in your competitor's service or product development cycle that gives you the edge. Remember, an honest appraisal of your competition will lend credibility to your business plan.

Financial Documents

For a company seeking financing, providers of capital will want to see the balance sheets, income statements, and cash-flow statements for the previous three years along with five year cash-flow, income statements, and balance sheet forecasts. For new companies seeking start-up capital, sales forecasts along with information on cost of operations, selling and administrative costs, and cash-flow are appropriate. If significant funds are intended to be invested in capital assets, you should provide a list of your anticipated purchases.

Your forecasts should be prepared by using industry accounting practices and

assumptions that are widely accepted as standard. Do not be creative; providers of capital look at forecasts to determine whether or not the stated assumptions are reasonable. Your assumptions should be consistent with the results of your market analysis and other sections for your business plan.

Corporate Finance Associates is often engaged to write or edit a business plan on behalf of a client and we have the expertise to source capital for business expansion. Please contact one of our offices near your location if you would like to explore this service. Raising capital can be a time consuming endeavor, however, you can increase your chances of obtaining the capital you need by writing an effective business plan.

Download a Business Plan Outline
<http://www.cfaw.com/library/200/business-plan.pdf>

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