

Funding Strategies

What are the most important questions that investors ask when reviewing an investment?

At [Funding Strategies](#), for almost a decade, we have helped companies to build funding strategies to grow their businesses. Via our [investor platform](#), we offer investors a range of business investment opportunities. From our experience we have identified the key questions investors ask:

- **What does the company do?** A simple summary should tell a potential investor the problem the company is solving and the industry the company operates in. Chances are that if a potential investor is involved or interested in the industry, the probability of proceeding with the investment is higher. More often than not, investors commit their funds to industries they understand, have experience in and feel affinity with. Investors are also interested in the competition in the industry sector and barriers to entry.
- **How does the company make money?** Potential investors want to know about the company's revenue model. Is this model sustainable? Is this model scalable? Has the business model been proven? Are the projected revenues and profits achievable or realistic?
- **Who are the people running the company?** People are another key factor when making an investment decision. If a potential investor trusts the company's board and management, they are generally more comfortable with committing the funds to a company. Of course, this is not a personality contest. Potential investors look for directors and management who have experience in the industry or in running a similar business and who have a successful track record.
- **How do I 'get in'?** Potential investors want to know what investment process is. The simpler and more streamlined the process and structure is for them, the more likely they will be comfortable with the investment. However, having a straight forward process does not mean taking short cuts. The company needs to have clear (and compliant) investment documents (answering these questions in this article) and needs to promptly supply all required information to support the investment due diligence phase.
- **How do I get out?** Logically, investors' main goal is to make their money work and obtain a meaningful return and exit. Therefore, when choosing among options, investors require an exit strategy. They look forward to a clear outline of how and when they will be able to realise their return (including the original capital). In our experience, this is an aspect that businesses don't spend enough time on in terms of their strategic initiatives.
- **Is the company fair value?** A potential investor has to decide if the company valuation is reasonable. Investors normally choose between several investment opportunities and are generally looking for the "best value". If the investor pays too much for the investment and / or the projected returns don't materialise then the investor may not realise their expected returns. The investment should be a win-win for both the investor and the company. Valuation is one of the biggest issues we come across in the private markets.

In our experience, businesses raising capital tend to focus more on their products and services rather than the investment offer or proposition ie. answering the questions above.

If you are thinking of raising capital or finance, have a chat with us. We can discuss the various options with you and make sure you are investor ready!

If you are looking to invest, we can assist you with screening of opportunities to suit your investment criteria and goals.

By Eugenia Arrarte, Investor Relations, Funding Strategies, 24th August 2022.