

Looking for investment? Better have a good team

There's no doubt that *Dragons' Den* makes good television. But how difficult is it to get investment from a business angel and where do businesses usually go wrong?

Investors has been bringing investors and businesses together since 2004. Partner Bob Taylor is proud of the firm's no-nonsense approach, which has led to more than 60 companies raising in excess of £22 million of equity investment over the past three years.

"Investors are really looking to back the management team," says Bob. "They'll walk away from a ground-beating, world-dominating product if it's not being led by the right people because it's not going to get to the right place.

"Some companies feel the product is just so fantastic it'll just sell itself – but every single company that a business angel looks at has got this fantastic sales growth! You've got to recognise that everybody's saying that, so how else do you communicate yourself to an investor which makes your deal stand out?

It's not about sales

"One of the problems companies have is the first thing they do when they think about attracting investment is they reach for their sales slides! But actually investors aren't wanting a sales pitch on the product, they're wanting the investment opportunity pitch, and that's a very different type of pitch.

"It's a bit of a cliché but they don't back the product, they back the execution. I would say the product is possibly only 20% or 30% of the overall deal, but the rest of it is the team and the execution, the financing structure – it's not the product. Only about 2% of business plans successfully raise money, so the vast majority fail.

"Our success rate is more like 50%. We select them carefully and we put them into what we think is the best shape for our investors.

"We are a corporate finance company, and that's about taking companies that are trying to raise money and making sure

Whether they be angels or dragons, getting investors to buy into your business can propel you into the big time. Bob Taylor gives some inside tips to Bonnie Yuill.

'Investors aren't wanting a sales pitch on the product. They don't back the product, they back the execution'

they are good enough to present to our investors. So we knock them into a certain shape first, and we also get the skeletons out of the cupboard early on and try to make sure their valuations are realistic."

The Investors network now includes just over 400 registered investors. "Two-thirds of them are probably sold-out entrepreneurs who want to help and nurture small companies because entrepreneurship's been good for them," says Bob. "They want to put something back – and they want to make a good return."

So how does Investors go about matching up that investment cash with aspiring young firms?

To begin with, the team looks at between 60 and 100 business plans per month. "We meet about 20 of those a month with a view to understanding more about them, because we find them interesting and we think they've got a chance to raise the finance. During that free session we talk a lot about what investors are looking for.

"We pride ourselves very much on telling it as it is – if you've got no chance of raising money it's much better that you know that right now; it'll save a lot of time.

"When we take a company on and we've worked with them and done some

corporate finance with them, then we need to get interest in them from investors and from funds, so we market them through a number of different channels. The website is used for that and we do investment bulletins – basically a listing of companies we're working with."

The main marketing route for clients, however, is through Investors' Events, held every two months, where six companies pitch to a roomful of 70-100 investors. Since the early days, Investors has used a lime in its branding to communicate a 'fresh' approach to raising finance, and this has become one of the fun features of the events.

Eight-minute presentation

"Each company has eight minutes on stage to make a presentation," says Bob. "It's strictly timed and we do it in a slightly joking way. We've got a 'time lime', which is a clock, basically, and it cuts off slices of the lime over eight minutes – so every minute another slice disappears, and when you've got one minute left there's a gong.

"When you've had your eight minutes there's three gongs, and then you really need to be off the stage at that point or we'll interrupt you.

"The reason we do that is if you give a software engineer a stage to talk about his product he could go on for hours!"

Bob and the team are on hand to guide their businesses at every stage and always make them do a rehearsal (in front of the Investors team) a week before their presentation to investors.

"It's very hard to describe your business objectively, to stand back and make it clear – this is what the problem is, this is what our product does and this is why it solves the problem, this is how big the market is, this is where we've got to, this is how much money we need and this is how much of the business we're prepared to give away in return.



"That's the sort of storyline you want to have. But very often, companies forget to talk about what the product is or what the problem is, or they ramble on about the background to the business and setting it up."

He stresses that however well-practised firms think they are, they really do need to take his advice. "The number of people who've come to us and said, 'Yes, yes, I'm very experienced, I've presented to thousands of people at a time...' Usually they tend to be the complete horror stories when they get on stage – they're dull, they talk in a monotone way, it's not engaging, the storyline's very dull.

"Investors are looking for certain things in a deal, and to be honest, most investors have more deals than they can handle, so in effect you've got a situation where most business angels are trying to

find reasons to reject business proposals.

"You've got to dangle a carrot and communicate the message really, really quickly so that it captures the investor's imagination and interest, and there aren't any deal breakers that come to light in the first two minutes – that's when you're at greatest peril of losing the interest of an investor.

"It has to be a short, crisp and succinct summary which highlights the angle, because every business has got an angle as to why they can do something better, or why the consumer's going to love it. It's a long road to actually getting a cheque off an investor, but at least you've got their interest."

The essential thing is to "tell it with passion and excitement," Bob says. "We insist that our entrepreneurs don't just read off notes because it sounds awful. You want to stand up on stage and tell it

with passion and excitement and energy. You're going to get much more interest if you can do that, but it's very easy when you're standing in front of an audience of 100 people to forget to talk about how you've got B&Q as a customer, or that you're turning over £1.5 million.

"When you're in the headlines you can forget parts of the story, so most of our companies use some kind of prompts like a PowerPoint presentation."

Investors doesn't give up on anyone, however, and if nerves threaten to get the better of a would-be presenter, the format changes to an active Q&A session.

"One of us at Investors will stand up on stage and just ask them the questions which they then answer and we can shape the conversation to make sure that everything else is covered and that they answer all the questions.

"People ask, 'How long does it take to raise money?' and we'll say on average it's maybe three months, but actually in general we never give up."

Wide range of experience

Bob and the other three founding partners of Investors have a wide range of business experience behind them. Having already sold successful businesses or having invested in early stage young businesses, the partners realised that there was a lot of poor advice out there.

So they all put money into the new venture and began by using the Institute of Directors' business meeting facilities in London as a base until they took on their own offices.

"We met companies there, but we probably only stayed there for six to nine months and then quickly realised that we needed to secure offices, and that's when we moved into our offices just off The Strand," Bob explains.

"We took on the risk of the rent there, not really sure whether we could afford it. That's one of the things you learn quite quickly – you think the initial risk is setting up the business and maybe putting some money into the business when it starts up, but actually the entrepreneurship journey is about continually taking risks and taking your business to the next level."

The website was created as a key touchpoint for both investors and businesses, so it had to be relatively straightforward but well constructed. With a good website and a little bit of deal flow coming in, it was time to build up the team of investors.

"There's a number of government-driven initiatives to try and match entrepreneurs with investors, so we attended some of those and met a few