

Top 10 Tips for Equity Capital Raising in Australia

By Dan Liszka

Given the turmoil of listed markets at present, smart investors are returning to fundamentals and investing in companies whose products they use and management they know.

With the credit squeeze continuing, there will be a larger role for private equity as a means of funding business growth as debt funding will be much harder to obtain. Investment capital is out there, looking for new opportunities, though perhaps not in the places where the media is focused.

Entrepreneurs should consider utilising the current downturn to position their companies for the market upswing. In doing that - what are the top 10 tips that entrepreneurs should consider when raising equity capital in Australia?

Top 10 Tips

1. Write a good business plan- with realistic financial projections.
2. Establish a Public Limited Company - it is illegal for Pty Ltd companies to offer shares to the public without a disclosure document. Equity capital raisings are governed by the specific sections of the corporation's act that need to be strictly complied with.
3. Appoint a minimum of 3 knowledgeable, well-networked and experienced board of directors. People invest in teams and the better networked your directors the greater your chances of building confidence and momentum in the investment offer.
4. Explore all avenues of capital raising - VC and Angel Investors are not the only way to raise capital in Australia. Believing that all you need is one large investor is a fallacy, when many smaller ones will often achieve the same outcome. If managed properly, it can be easier to sell 20 x \$50K parcels than finding and converting one investor for \$1M!!!
5. Create an investor-friendly environment. Use facilities such as trust accounts, cooling off periods, minimum subscription amounts, professionally prepared offer documents and share certificates, all of which give investors confidence.
6. Structure the offer correctly to make it attractive to early and later-stage investors. Don't get greedy, but at the same time don't give away too much equity in your business.
7. Articulate your offer to investors correctly. They want to see the potential for the investment. They may be interested in the product/service or technology, but are more interested in what realistic returns they might see in the future.
8. Set clear milestones for your business over the next 3 years and provide an exit strategy. Investors want to be able to track and access your progress towards an exit strategy in the foreseeable future.
9. Create and practice a professional 10 minute pitch presentation. This will be an essential tool in presenting and selling your opportunity to potential investors. Remember – what's in it for them.
10. Correctly market the offer and ensure that you are compliant with ASIC's rules and regulations. Most entrepreneurs don't realise the legal mine-field and potential issues associated with capital raising. Get it wrong and you could receive a \$20,000 fine, a 5 years jail and eventually have the company wound up and all of your hard work wasted.

Dan Liszka is the founder and CEO of Alchemy Innovation Development www.alchemyequities.com.au. Alchemy's capital raising clients have a current capitalised value of \$56.5 million dollars. Through utilising the Australian Small Scale Offerings Board platform, more than \$43.25 million of this value has been unlocked after the companies became clients of Alchemy Innovation and accessed our effective, affordable and compliant capital raising services.

Alchemy Innovation Development are currently conducting a Stepping Up business mentoring program focusing on the Capital Raising process in conjunction with the NSW Department of State and Regional Development. For further information contact steppingup@alchemyequities.com.au or +61 2 8233 6199.

