Understand which funding options will help you with your cash flow needs

CASH IS KING

Before you look for a funding solution, you need to make sure your foundations are strong. In this regard, cash is king. **BY NADIA RAWJEE**

BEFORE you can focus on long-term strategic finance solutions to assist your business growth, the basics have to be in place. For many businesses, that means getting your cash flow right. There are also funding solutions that can support your cash flow needs. When I analyse a business and what funding solutions may apply, I always look at two fundamentals. We call them the Us: Usage and aUdience.

USAGE: What is the money you are raising going to be used for? This could include:

» **Bridging and contract finance to execute tenders and contracts**

» **Short term cash flow for:** Stock, equipment, renovations, marketing, staff training, VAT.

AUDIENCE: Who will finance you, what are they looking for and what do they want from you in return?

» **Who will finance you?** This could be anyone from corporate banks to bespoke financiers. Their willingness to fund is based on a range of elements that include:

- Your needs
- The state of your company from a profitability, compliance and collateral perspective
- The sector you operate in
- The customers you serve.

» **What are they looking for when raising cash flow?**

DID YOU KNOW? THERE ARE FUNDING OPTIONS THAT SUPPORT BUSINESS CASH FLOW.

Some considerations that will help your case include:

- A minimum track record of one year. It gets trickier when considering a pure start-up, and the funder will look at the team and market very critically
- Formalised entity
- A minimum of R500 000 in turnover per annum

» **What do they want in return?**

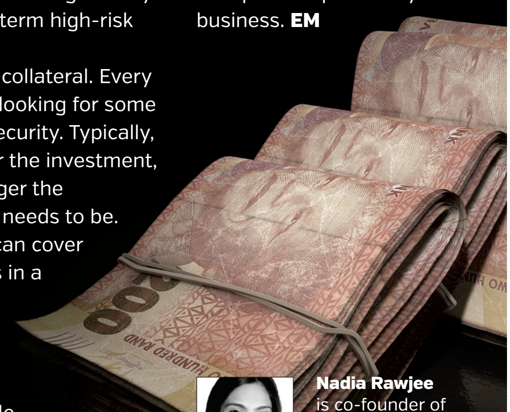
- Prime linked interest rates. Company, client and director risk profiles could mean money costs you as much as 36%, but don't despair – this is generally for short-term high-risk finance.
- Surety or collateral. Every funder is looking for some form of security. Typically, the riskier the investment, the stronger the collateral needs to be. Funders can cover their risks in a number of ways, some include:

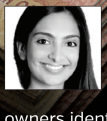
» Immovable assets (e.g. property) or liquid investments.

» Most institutions that provide bridging or contract finance will require you to cede the payments you are to receive from your corporate or governmental client, to a bank account that the lender has control over. This is to allow for visibility and repayment based on the agreement between the lender and borrower – it is referred to as 'cession of debt'.

» Retailers may be required to have a percentage deducted from payments received from a card POS system.

It's important to remember that no two businesses or financing agencies are the same. Knowing your two Us will help you to navigate the landscape of funders that can lead you to a more cash flow positive phase in your business. **EM**





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