

# FINANCE OPTIONS SUMMARY

*The following presentation was delivered by Paul Heaven of Blue Sky Corporate Finance Ltd at one of our LEP events. Blue Sky are one of the LEP's partners for delivering business support. The presentation provides a good introduction to the types of finance available to businesses of various scales.*

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# Other Options

**Paul Heaven**  
**Blue Sky Corporate Finance Ltd**

# Blue Sky Corporate Finance

- Since 1998
- Start Up's & Early Stage Finance
- Specialist Advisors up to £5 Million
- Disposals/Buy-Outs/Buy-Ins and Growth Capital
- Members of the Regional Finance Forum
- Chair of GBSLEP Access to Finance Sub-Group
- Chair of the LEP Growing Places Fund
- Member of AMSCI Board

# Summary of the Options

 Grants

 Debt

 Equity

# Grants

- **Best Type of Funding**
- **Typically Non-Repayable**
- **No Ownership of Business**
- **Rarely Covers the Whole Cost (25% to 33% at best)**
- **Frequently a Geographic Focus**
- **Often Related to External & Capital Spend Only**
- **Some Business Sector Exceptions**
- **Requires Patience/Dedication and Persistence**

# Example of a National Programme

## R&D Grants

- The Technology Strategy Board (TSB)
- Proof of Market Grant (Max 60%)
- Proof of Concept Grant (Max 60%)
- Development of Prototype Grant (35% to 45%)
- Circa 20% Success Rate
- 2 to 3 Month Process

# Examples of Regional Grants

## ■ SSLEP Small Business Grant

- £5,000
- 33% (Min) Match
- Capital + Revenue Costs
- Job Creation + Growth Focus
- Managed by Business Innovation Centre

## ■ SSLEP High Growth Investment Programme

- £10,000 to £50,000
- 25% (Min) Match
- Capital + Revenue Costs
- Job Creation + High Growth Focus
- Managed by Blue Sky Corporate Finance

# Debt

- No Share of Ownership
- Always Repayable – Maybe a Holiday
- Viability
- Serviceability
- Security; Security; Security!!!
- Lots of Types of Debt
  - Factoring/CID/Payroll/Inventory/Asset
  - Loans/Overdrafts/Import
- Blended Solutions



# National Backed Debt Schemes

- Enterprise Finance Guarantee Scheme
  - Up to £1 million/75% Govt Guarantee
  - Invoice Guarantee Top Up/Overdraft Top Up Extensions
  - Export EFG Scheme (60% Govt Guarantee)
- ECGD – Bond Support Scheme (50% Govt Guarantee)
- Business Growth Fund (£2 to £10 Million) – Debt/Equity/Mezzanine
- Big Society Capital (Social Enterprise) – through SIFI's
- Community Development Financial Institutions (CDFI's) – BCFS

# Peer-to- Peer Debt

- Most offer Business Loans but some (ZOPA) offer Loans to Individuals
- Most seek Trading Track Record
- Most seek Security of some description
- Internet Based Reverse Auctions set Loan Interest Rates
- Interest Rates in Range 8% to 12%
- [www.fundingcircle.com](http://www.fundingcircle.com) is the Largest
- [www.thincats.com](http://www.thincats.com) is the Local Network
- Blue Sky is a Registered Sponsor of Both

The Business Loan Network

ThinCats.com



# Growing Places Debt Fund

- **Shovel Ready Infrastructure Projects**
- **Commercial Development Focus but Residential Considered**
- **No Lower Limit but typically - Loans from £100k+**
- **Will Lend at the Margin (Bridge/Mezzanine)**
- **In Exceptional circumstances will consider Equity/Grant**
- **Commercial Rates of Interest**

# Equity

- **Ownership/Participation = Interference**
- **High Growth & Exit Plans**
- **Like IP Based Business**
- **High Risk – High Return Expectations**
- **Expensive to Arrange**
- **Modest Service Costs**
- **Investment Agreement**
- **Non-Executive Director**
- **£50k to £Gazillions**

# Types of Equity Investment

- Seed/Start-Up (F, F & F)
- Business Angels “Dragons” (£50k+)
- SEIS Funds (up to £125k)
- EIS Funds (Typically £50k - £500k)
- Regional Govt Backed Equity Funds (£50k to £2m)
- National Govt Backed Equity Funds (£250k to £2m)
- Business Growth Fund (£2m+)
- VCT Funds (£2m+)
- Venture Capital (£5m+)
- AIM (£5m+)

# Regional Equity Funds

## ■ Early Advantage Fund

- £18 Million Fund
- Up to £250k Matched Investments (£750k Total)
- Fund managed by Midven



## ■ Exceed Midlands Advantage Fund

- £18 Million
- Up to £250 to £750
- Fund managed by Midven



## ■ BCC Creative Fund

- Up to £500k
- Creative Industry Focus



## ■ Mercia Technology Fund

- £50k to £1 Million
- High Technology Focus
- In the process of raising a new fund



# Summary

- Traditional (Bank) Funding remains challenging
- In the market for Finance of £2m or less the market is fragmented
- Rarely a single/simple answer – A blend is more likely
- Government/EU recognise this challenge
- Growth Hubs designed to help you find the right solution
- National and Regional Programmes designed to fill the ‘Gaps’
- There a Lots of Options – most looking for jobs + growth
- Don’t despair and Don’t give up
- Be prepared to be flexible and open to alternatives
- Sound Business Propositions will always secure the finance they need

# Thank You

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