

# Attracting growth capital

## Deloitte Fiduciaire supports and guides business owners seeking growth capital from professional investors

Today's ideas can become a driving force in tomorrow's economy. But many business owners starting in the technology sector stumble over the classic barriers to growth: money, staff and effective reporting. Deloitte Fiduciaire understands these barriers better than anyone. Thanks to its expertise, Deloitte Fiduciaire guides and supports innovative entrepreneurs in their development and quest for growth.

Jean-Michel Noé and Philippe Van Vaerenbergh, both members of the M&A team at Deloitte Fiduciaire, which combines the various areas of expertise needed to secure growth capital, explain how it works.



Philippe Van Vaerenbergh

### How does Deloitte Fiduciaire help innovative entrepreneurs find growth capital?

**Jean-Michel Noé:** Deloitte Fiduciaire has a dedicated team that helps these young businesses to evolve into strong local SMEs – potentially, even to become the economic crown jewels of tomorrow. Our team coaches innovative business owners through in-depth feedback on their development plans. We seek to steer them toward the optimal path by providing advice on their organisational structure and route to market, while helping them get access to the capital they need. This approach is tailored to the needs of the business and ranges from seed-funding to financing acquisitions.

As part of this process, Deloitte Fiduciaire helps identify and approach the most appropriate Venture Capitalists or Corporate Venture Capitalists with experience of the relevant technology. In recent years, Corporate Venture Capitalists have become increasingly important. Together with entrepreneurs who generate innovative ideas, they are able to make a difference in what are often considered 'mature markets' and their specific knowledge of these markets is a real strength.

---

“You never get a second chance to make a first impression.”

Philippe Van Vaerenbergh, Project Manager Fast50, Deloitte Fiduciaire

### How does raising capital like this work?

**Philippe Van Vaerenbergh:** Finding the right type of investor depends on the phase the business is in (seed stage, start-up stage, second stage, etc.). It is extremely important to prepare thoroughly before entering into discussions with a potential investor. Presentations must include an executive summary that is backed by the appropriate support material. It is often said: 'You never get a second chance to

make a first impression'. Once that good first impression has been made, the business plan will be discussed and challenged. Negotiations can then begin on the valuation, the amount of capital injection required and the importance of keeping everything under control. Experience has taught us that this is where our in-house knowledge of the process brings the most added value. Subsequently, it is vital to have everything formally documented in binding contracts that foresee exit mechanisms and other crucial agreements for a successful cooperation between partners.

#### Does the arrival of an investor change the way the business operates?

**Philippe Van Vaerenbergh:** To protect all parties involved, bodies are often created in which the shareholders and investors are represented. Here, detailed financial and operating reports are presented and the main lines of the company's operation and strategy are discussed. For many entrepreneurs, this 'structuring' is in strong contrast to the creative inspiration that drives them in their day-to-day approach to doing business. However, this disciplined reporting and structured way of working creates an important point of reference for the entrepreneur when it comes to taking crucial and strategic decisions.

#### What are your views about the current commercial environment?

**Jean-Michel Noé:** Today, innovation is very much at the forefront. There are many young business owners who have found their way into commercial operations thanks to their innovative ideas. In the current climate, these young entrepreneurs are finding it extremely difficult to raise the money they need. It may be that they are unable to provide sufficient guarantees to the banks, while their concept is not advanced enough to catch the interest of investors. Deloitte Fiduciaire makes a difference by using its in-house expertise, and furthermore, a network of over 5,000 clients and a wealth of professional contacts that can provide an inestimable source of inspiration and can make attractive collaborative arrangements possible.

#### Are there any disadvantages associated with using external capital?

**Philippe Van Vaerenbergh:** You must realise that for some young people in business, this method of financing really is the only possibility; there is little choice. As in every healthy relationship, some give and take is required. The entrepreneur relinquishes some of his or her shares, allowing an external party into the business in exchange for having the means to bring the project to maturity and/ or roll-out. This relationship must be based on trust from the outset, with the funding itself acting as a gesture of faith and the entrepreneur knowing that the new shareholder will assist him or her with the best possible support and advice.



#### What are the main points to look out for?

**Jean-Michel Noé:** There are a number of possible pitfalls in negotiating with potential investors. In particular, there are two important elements that you need to be aware of. Firstly, in some cases negotiations can take up to a year. As you do not want to be faced with a need for cash during the negotiation process, good cash flow planning is required. A lack of resources can result in very tough negotiations. Secondly, the requested amount should be realistic and accurately represent your needs. If you raise a larger amount than you actually require due to inaccurate, unrealistic or overly cautious calculations, your shareholding position will be diluted more than necessary.