

**Access to growth finance is crucial to business success and yet many smaller firms are unaware of the full range of funding options that are available, says Mark Crossfield of Bristol-based M3 Corporate Finance.**

When it comes to raising growth finance, what smaller firms think they want is not always what they need.

Many growing companies fail to raise the necessary capital simply because they chase after the wrong type of funding, or they don't have a proper business plan or financial strategy in place.

Understanding the full range of financing options that are available - and selecting the most appropriate solution - is therefore crucial when trying to secure growth finance.

A business owner may think, for example, that raising private equity by selling a stake in the business is the best way forward. But why give away part of the company if the money can be raised by other means?

We recently helped a building management firm that had insufficient cash flow to support its rapid expansion and needed to raise working capital. The company had no tangible business assets and had lined up several private equity deals, but these would have diluted the business by 16 per cent. The firm had also spoken to its bank and a number of factoring houses – all to no avail.

We presented a business plan against a strict remit where personal security was not on offer. Following negotiations with another bank, a sum of £200,000 was agreed against an unsupported guarantee.

We also persuaded a factoring house to agree to advance 65 per cent of all debtors and a payroll line of £50,000 was introduced. Payroll finance is a new finance option which provides firms with nine weeks' credit to pay staff and is unsecured.

The firm's equity remained intact and it now enjoys a proactive and positive relationship with a new bank. It was all about approaching the right people and in the right way, but also anticipating the issues a funder might have and preparing to address them. This is down to the skill of the financial advisor and their relevant experience in a particular field.

Firms that are unable to secure conventional forms of funding should certainly consider alternatives such as payroll finance. Another possible option is invoice finance: in this kind of borrowing, a factoring house will forward up to 90 per cent of an outstanding invoice, and then chase the customer for payment.

There are also working capital products such as stock and cash flow finance whereby specialists fund the purchase of stock, or cash flow. New businesses, particularly those based in inner city areas, can also check to see if they qualify for European grant aid through the Objective One programme.

In addition, firms should examine the new eligibility criteria for the Small Firms Loan Guarantee (SFLG) to see if they qualify for a loan. Recent changes to the scheme offer a solution to start-ups and young businesses that have tried and failed to get a conventional loan because of lack of security.

The changes limit availability of the SFLG to SMEs that have been trading for less than five years and raises the turnover limit for all eligible businesses from up to £3 million - depending on what sector the business operated in - to £5.6 million for all qualifying business sectors. The maximum loan available has also been increased to £250,000 for new and existing businesses.

These are just some of the alternative financing solutions that are available to start-ups and growing businesses. Firms looking to secure growth capital should, however, seek independent, expert advice on the full range of financing options open to them.

For more information about raising growth or acquisition finance please contact M3 Corporate Finance on 01454 877687 or email [info@m3cf.co.uk](mailto:info@m3cf.co.uk)

### **About M3 Corporate Finance**

Bristol-based M3 Corporate Finance was launched to help small and medium-sized businesses secure growth capital and to provide transaction support in acquisition, sales or buy out situations.

M3 brings together a team of experienced finance professionals from banking as well as accountancy backgrounds, and offers access to a variety of equity and debt-based funding solutions through its network of providers.

The company works closely with clients to help prepare applications for all types of business finance, from £100,000 upwards. M3's goal is to ensure maximum opportunity for smaller businesses by securing funding from a number of different sources, quickly and at minimum cost.

For more information visit [www.m3cf.co.uk](http://www.m3cf.co.uk)