UK South Africa Tech HUB

British High Commission Pretoria

LAUNCH League

A HUB'S GUIDE TO THE

LET'S TALK FINANCING! TOOLKIT

DESIGNED & DELIVERED BY

VIRIDIAN

OUR PARTNERS

Thanks to our partners, who helped us to playtest the first iterations of the Let's Talk Financing programme!

The following hubs pioneered the playtesting of the Let's Talk Financing programme beyond South Africa, with support from the Southern African Innovation Support (SAIS 2) programme, funded by the Ministry for Foreign Affairs (MFA) of Finland.

If you use this material, we invite you to contact Viridian and let us know at launchleague@viridian.africa.

DISCLAIMER

This toolkit does not give financial advice. Instead, it shows an entrepreneur what financing sources might be available to them. Decisions about which type of financial products to use and when, are entirely at the discretion of the business owner. It's important that they are aware of the risks, benefits and costs of each type of financing that exists.

About this guide

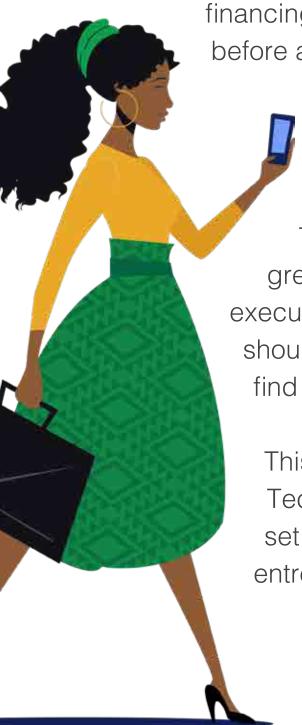
Entrepreneurs are the lifeblood of Southern Africa's economy. According to the World Bank, SMMEs account for the majority of businesses worldwide and are important contributors to job creation and global economic development. They represent about 90% of businesses and more than 50% of employment worldwide.

Small businesses have huge potential to create significant positive change in their communities by creating jobs, stimulating economic activity, and providing better and cheaper services.

Economies need entrepreneurs to succeed.

But it's tough out there!

Let's Talk Financing aims to equip participating entrepreneurs with the tools and self-knowledge they need to develop a realistic understanding of the types of financing that might be available to their business. Many have applied for financing before and been rejected. Some may have given up trying to get funding for their business, while others might not even know where to start. That's where this programme – hosted by your hub – comes in, providing structured, relevant training and guidance.



This Playbook is your guide to the logistics and value-add of running a great Let's Talk Financing workshop. It covers every aspect, from planning to execution. It's packed with practical information, checklists and examples, and should be used alongside the Launch League bank of templates, which you'll find at www.launchleague.co.za.

This Playbook was created by Viridian, and funded by the UK-South Africa Tech Hub as part of the Launch League programme, which aims to create a set of relevant and replicable resources that hubs can use to train early-stage entrepreneurs and workseekers.

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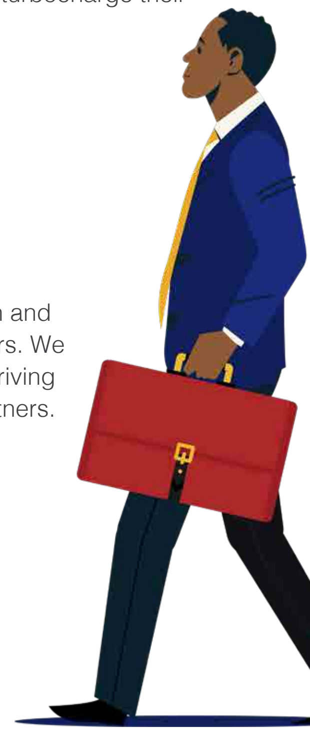
ABOUT THE UK-SOUTH AFRICA TECH HUB

The UK-South Africa Tech Hub forms part of the International Tech Hub network delivered by DCMS (Department for Digital, Culture, Media & Sport), under the Digital Access Programme – a UK government initiative designed to build inclusive prosperity through capitalising on digital services and opportunities in partner countries.

International Tech Hubs are expert teams which work to stimulate local digital economies, build high-end digital skills, and forge innovation partnerships between local tech sectors and international businesses. Through the Hubs' activities, entrepreneurs and founders acquire the skills, resources and support needed to turbocharge their entrepreneurial journey.



VIRIDIAN

ABOUT VIRIDIAN

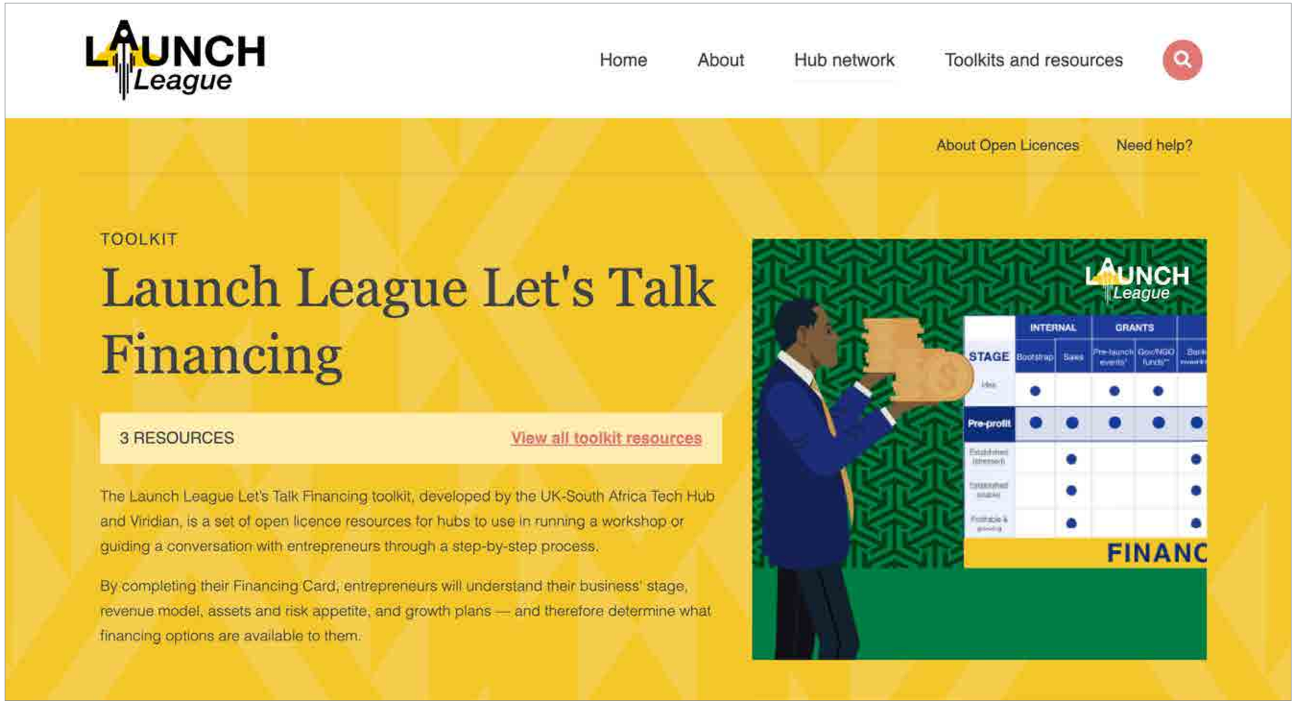
Viridian designs and delivers programmes, research and strategy for entrepreneurs and small business owners. We care deeply about achieving impact and creating thriving entrepreneurial ecosystems with our clients and partners.

ABOUT THE
LET'S TALK FINANCING TOOLKIT

The Launch League Let's Talk Financing toolkit, developed by the UK-South Africa Tech Hub and Viridian, is a set of open licence resources for hubs to use in running a workshop or guiding a conversation with entrepreneurs through a step-by-step process.

By completing their Financing Card, entrepreneurs will understand their business' stage, revenue model, assets and risk appetite, and growth plans – and therefore determine what financing options are available to them.

Launch League has developed this guide, as well as an explainer video and one-page toolkit map, to help hubs understand how to use the resources when running a workshop.



Please visit the **Launch League Let's Talk Financing toolkit page** to access all the resources in this toolkit.

Launch League continues to gather other useful resources on this topic that hubs can leverage, and these can be found in the **SMME financing resource collection** on the website.

If you know of a useful facilitation or learning resource related to financing that you'd like to share with the hub community, please email **launchleague@viridian.africa** to let us know.

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SECTION 01

Concepts and processes introduction

Chapter 1

Why Let's Talk Financing?

As the saying goes, you need money to make money. In South Africa, most small businesses are funded by the owner – but that's not sustainable if you want your business to grow. In this chapter, we explore why financing is so important, how entrepreneurs can get access to it, and why a viable financing plan is central to its success.

BEFORE WE BEGIN...

Many participants will come into this workshop with the same burning question: "Where and how can I get funding for my business?" A key part of your role as workshop facilitator will be to change that line of thinking, and to encourage participants to rather ask: "Why do I want funding, and what will I do when/if I get it?"

Let's Talk Financing is intended to be a conversation in which the entrepreneur actively participates. As a facilitator, you're central to guiding that conversation, helping participants to ask the right questions and find the answers for themselves.

The Launch League Let's Talk Financing toolkit is a set of open licence resources and a step-by-step methodology that you can use to run a half-day workshop or guide a conversation with SMMEs in your community.

HOW TO TALK TO ENTREPRENEURS ABOUT FINANCING

Ask any gardener and they will tell you that you need to water the grass before it can grow. Small businesses are the same. You need to invest some money into your going concern to help it along its growth journey.

Maybe you're looking for bigger premises, maybe you need a new piece of equipment, maybe you need to hire more staff… Whatever it is, you'll need to pay for it upfront. That's where financing comes into the picture.

But here's the problem: According to the South African Reserve Bank, small businesses had borrowed R617 billion by the end of 2017, accounting for 28% of all banks' business loans. That's a low percentage, especially when you consider that SMMEs make up more than 98% of all local business!

If SMMEs struggle to get financing from banks, then where else does it come from? And what options do entrepreneurs have outside of bank loans?

Many funding avenues are available, but each comes with its pros and cons, and it's vital that entrepreneurs know whether they need to access those options and what the benefits to their business would be.

WHY IS FINANCING IMPORTANT?

If used correctly and at the right time, financing can be the spark a small business needs to push it to the next level. The question is: what exactly is that "next level"?

To answer that, here's a look at some reasons why a business might need finance.

- **Startup capital:** This covers initial costs such as the purchase of assets or stock, the development of technology, and other costs.
- **Working capital:** This pays for day-to-day expenses or covers production or operational costs.
- **Growth financing:** This helps the business expand or grow its operations, product line, footprint, etc.
- **Asset purchase:** This is used to buy new assets (equipment, etc) for the business.

In each case, it's important that the entrepreneur understands the risks/costs and benefits of each type of finance, before they take it on.

NOTE

The more established and stable a business is, the less risky it is to give it access to finance and the more financing options will be available to it.

4 KEY COMPONENTS OF BUSINESS FINANCING

To understand what financial options are available, entrepreneurs need to understand four things about their business.

Stage of business: Where are they on their business growth journey?

Revenue and business Model: How is their business structured for growth?

Assets and risk: What collateral do they have? Which of these would reduce the financier/funder's risk?

Growth plan: How do they plan to take their business to the next level?

These form the basis of the Entrepreneur Financing Card, which we use in the Let's Talk Financing toolkit.

WHAT MATTERS TO ENTREPRENEURS?

Small businesses are the lifeblood of the South African economy, and they're absolutely vital to a thriving economy. But hardly any small business owner sees it like that. For most of the entrepreneurs you'll meet in the Let's Talk Financing programme, the priority is to keep their business going and growing, with a long-term view to either passing it over to their children or selling it as a retirement investment.

Keep that in mind as you work through the programme. The entrepreneurs' focus is on their needs and their challenges.

GETTING OFF THE “INVESTMENT” TRACK

There’s not an entrepreneur alive who hasn’t dreamed of a wealthy benefactor sweeping in to invest in their amazing business idea. But is that realistic? As you facilitate the Let’s Talk Financing conversation, you’ll need to help the participating entrepreneurs understand five key things:

- whether their business is a startup or an SMME (and why that matters!)
- that attracting finance at an early stage is difficult, especially if they don’t have a proven business model or any kind of traction in the market
- what their risk appetite is, particularly when it comes to debt financing
- how customers and sales can be a powerful and sustainable source of finance
- what funders and financiers are looking for.

TIP

As a facilitator, do you really understand the difference between an SMME and a startup? It's common for hubs to use the term "startup" broadly (and incorrectly) when referring to early-stage businesses, but SMMEs and startups are different and have different financing options available to them. Jump to chapter 9 (page 52) to make sure you understand the difference.

RECAP

We've looked at why financing is so important to small businesses and we've unpacked some of the reasons why entrepreneurs might want access to it. We now also know why a business growth plan is so central to a successful financing application. Next, we'll take a closer look at the Let's Talk Financing toolkit and how it's used.

The toolkit

The business financing landscape is complex and it can be challenging to guide entrepreneurs in the right direction. This chapter will introduce the three tools in the Let's Talk Financing toolkit and explain how to use them.

INSIDE THE TOOLKIT

The toolkit includes four elements that the facilitator will work through with the participating entrepreneurs.

Entrepreneur Financing Card

This sheet is given to the entrepreneurs during their training for them to fill in during the programme and take home.

Financing Database

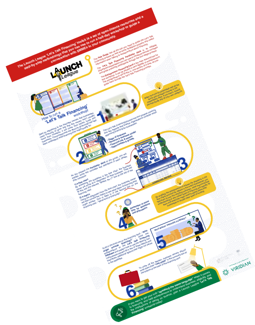
This database provides hubs and entrepreneurs with specific examples of financing organisations.

Facilitator Training Deck

The hub uses this presentation deck to take the participating entrepreneurs through the programme.

A Hub's Guide to Let's Talk Financing

You're looking at it! This PDF (which can also be printed) equips the facilitator with detailed information and resources to supplement and deepen the in-person training.



Toolkit Map

This is a one-page infographic that summarises how to use the toolkit to run a workshop.

WHO CAN USE THE TOOLKIT?

The primary audience of the Let's Talk Financing workshop is, of course, entrepreneurs – small business owners who are seeking financing to grow their business. But they're not the only role players here.

The workshop is typically run by (and at) small business hubs. The workshop content should be approved (and trusted) by the hub's leader, and the workshop itself is facilitated by the programme manager (appointed by the hub), for a group of entrepreneurs.

This toolkit equips the hub to assist these entrepreneurs in understanding the financing available to them, based on the nature and stage of their business, their assets and their risk appetite.

WHAT ENTREPRENEURS WILL LEARN

The workshop is designed to facilitate a discussion with the participating entrepreneurs about the types of finance that might be available to them. It aims to help them understand:

- how to identify if their business needs finance
- how to get going without finance
- the differences between an SMME and a startup
- the key components of a business that are relevant for finance
- the types of finance these components can attract (we'll use the matrices for this)
- what financiers want
- the documentation needed to apply for financing.

TIP!

Let's Talk Financing is set out in four parts:

1. **Stage of Business (blue)**
2. **Revenue and Business Model (red)**
3. **Financial Risk and Assets (yellow)**
4. **Opportunities and Growth (green)**

Each part is colour-coded to help you keep track of where you are in the process.

THE TOOLS

Entrepreneurs will work directly into the Entrepreneur Financing Card, which is the core of the Let's Talk Financing toolkit.

THE ENTREPRENEUR FINANCING CARD

This is a profile of the business and contains the key information relevant to the types of finance that it would be able to qualify for. The entrepreneurs fill it in as they go through the programme, with each section involving an approximate diagnosis or classification of the business, which is then matched to various financing options.

1 THE FLOW CHARTS

WHERE AM I?

These use guiding questions to help the entrepreneurs fill out the components of the Entrepreneur Financing Card. There are four flow charts, one for each section of the programme: Stage of Business, Revenue and Business Model, Financial Risk and Assets, and Opportunities and Growth.

2 THE FINANCING MATRICES

WHAT KIND OF FINANCING?

Based on the entrepreneurs' answers to the flow chart questions, they'll use the financing matrices to match the various components to the types of financing available. There are four matrices, one for each section of the programme: Stage of Business, Revenue and Business Model, Financial Risk and Assets, and Opportunities and Growth.

3 THE FINANCING DATABASE

WHO MIGHT PROVIDE THE FINANCING?

This searchable database allows entrepreneurs to match what they've discovered in the matrices with possible sources of financing. It gives some more info on these sources so that entrepreneurs can prioritise their next steps in who to approach. (This database is currently only relevant to South African hubs.)

USING THE CASE STUDY

It's useful to have an example on how to use the toolkit that you can refer back to. We've included a case study of BX Logistics (BXL), a logistics company based in Gqeberha, Eastern Cape, to help fill in the gaps. When rolling out the training, use the entrepreneurs' businesses as the talking point to increase engagement.

TIP!

When running the Let's Talk Financing process, complete all the flow charts and matrices first, before introducing the database.

Let's Talk FINANCING! Entrepreneur Financing Card

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HOW TO USE THIS CARD: The Entrepreneur Financing Card is designed to help you expand your understanding of the finance that might be available for your business. It's set out in four sections: stage of business, business model, assets and risk, and growth plans. Start each section by going through the **flow charts** on the next page and filling in your response in the top block. Use that response to see the types of finance available in the **financing matrix,** and fill in the corresponding block. Lastly, use the **financing database** at https://cutt.ly/letstalkfinance to find funds that match the types of financing that are available to you.

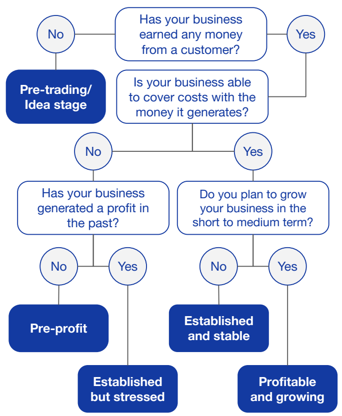
COMPANY DETAILS

COMPANY NAME:		FOUNDER/ OWNER:		DESCRIPTION OF BUSINESS:	

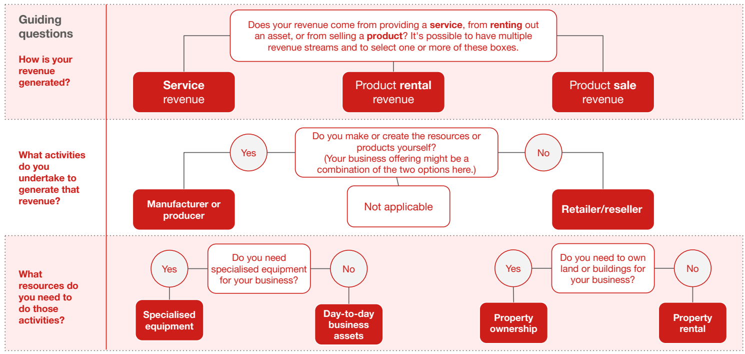
	STAGE OF BUSINESS	REVENUE & BUSINESS MODEL	FINANCIAL RISK & ASSETS	OPPORTUNITIES & GROWTH
	Businesses share certain characteristics based on whether they're consistently earning a profit and whether there are opportunities for growth in their sector.	A business model is a design of a company's activities and operations that identifies its key revenue-generation activities and resources, and how the business will become profitable.	An asset is a resource with economic value, and financial risk refers to an entrepreneur's willingness to lose the benefits that the asset might give them in the future.	Growth plans are strategies for expanding a business: an entrepreneur prepares the business to take opportunities that arise as their business model is validated.
Use flow charts on reverse to understand which one applies to the business	WHERE AM I?	WHERE AM I?	WHERE AM I?	WHERE AM I?
Use matrix on reverse to identify possible types of financing	WHAT KIND OF FINANCING?	WHAT KIND OF FINANCING?	WHAT KIND OF FINANCING?	WHAT KIND OF FINANCING?
Search database for organisations that provide the types of financing identified	WHO MIGHT PROVIDE FINANCING?	WHO MIGHT PROVIDE FINANCING?	WHO MIGHT PROVIDE FINANCING?	WHO MIGHT PROVIDE FINANCING?

Visit https://cutt.ly/flowchartmatrix for larger images of these flowcharts and matrices.

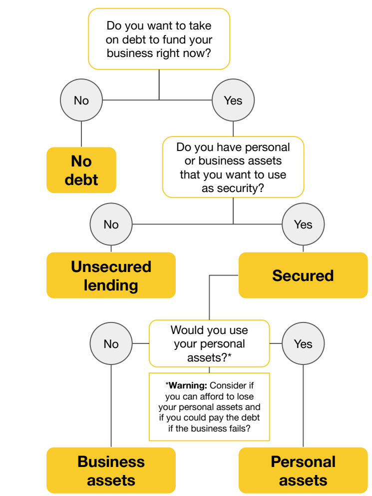
FLOW CHART 1: STAGE OF BUSINESS



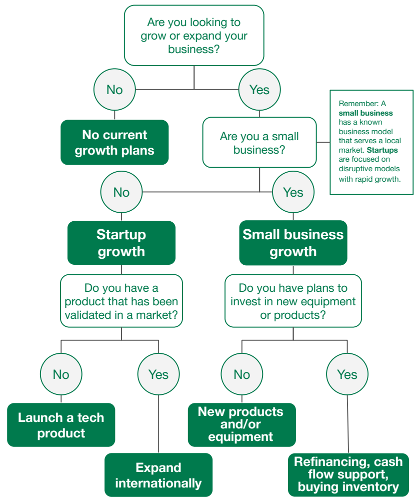
FLOW CHART 2: REVENUE & BUSINESS MODEL



FLOW CHART 3: FINANCIAL RISK & ASSETS



FLOW CHART 4: OPPORTUNITIES & GROWTH



FINANCING MATRIX 1: STAGE OF BUSINESS

STAGE	INTERNAL		GRANTS		DEBT					INVESTMENT			
	Bootstrap	Sales	Pre-launch events*	Gov/NGO funds**	Bank overdraft	Bank loan	SMME finance	Secured loan	Gov loan	Family/ friends	Incubator/ accelerator	Angel investor	Venture capital
Idea	●		●	●						●	●		
Pre-profit	●	●	●	●	●					●	●	●	●
Established (stressed)		●			●		●	●	●		●	●	
Established (stable)		●			●	●	●	●	●			●	●
Profitable & growing		●			●	●	●	●	●		●	●	●

* Startup competitions and pitching events may provide some early funding to help kick off an idea, but they are often highly competitive.
** Government or NGO grants exist but often involve a complex application process and can sometimes be restrictive in nature.

FINANCING MATRIX 2: REVENUE & BUSINESS MODEL

MODEL	DEBT					SPECIALIST FUND TYPES		
	Inventory finance	Equipment finance	Trade finance	Credit purchase	Bank loan or bond	Industrial gov funds	Redress finance	Innovation funds
Service revenue			●	●				
Product sales revenue	●		●	●	●			
Product rental revenue		●			●	●		
Manufacturer or producer	●	●		●	●	●	●	●
Retailer or reseller	●		●	●				
Specialised equipment		●			●	●	●	●
Day-to-day business assets				●				
Property ownership					●	●	●	
Property rental						●		●

FINANCING MATRIX 3: FINANCIAL RISK & ASSETS

	Unsecured	Secured				
Asset type	None	Personal assets	Inventory	Outstanding invoices	Equipment	Commercial property
Debt type	• Credit card* • Online small business loan • Unsecured term loan • Unsecured overdraft* • Merchant cash advance	• Bank loan • Bank overdraft • Bond	• Trade finance	• Invoice (debtor) finance • Export finance	• Equipment finance/ leasing	• Bank loan

* Banks require you to sign surety as a director for credit card and overdraft facilities, so these are not strictly unsecured. However, the banks will not ask for assets as surety, and they'll look at the trading history of the business before approving the facilities.

FINANCING MATRIX 4: OPPORTUNITIES & GROWTH

GROWTH POSSIBILITIES	DEBT					INVESTMENT		
	Bank overdraft	Bank loan	SMME financier*	Secured loan	Gov loan	Family/friends	Angel investor	Venture cap
STARTUP GROWTH								
Launch a tech product					●	●	●	●
International expansion					●			●
SMALL BUSINESS GROWTH								
Launch a new product				●		●	●	
Buy stock	●		●			●	●	
Invest in equipment		●		●	●		●	
Improve cash flow	●		●	●				
Refinance a loan		●	●	●				

*SMME financiers are non-bank lending organisations that specialise in short- to medium-term debt.

Summarise your understanding and next steps for exploring financing:

HOW THE LET'S TALK FINANCING TOOLKIT WAS DEVELOPED

Launch League used a design thinking approach to playtest and debug the toolkit, ensuring that the programme speaks to those entrepreneurs in a language they understand.

Playtesting was conducted at these South African business hubs:

Durban University of Technology's Centre for Social Entrepreneurship

mLab

Propella

DESIGN THINKING

Design thinking is a human-centred process for creative problem-solving, which encourages organisations to focus on the people they're creating for. This leads to better products, services and processes.

RECAP

In this chapter, we unpacked the toolkit and looked at its various components. We saw how the flow charts provide the questions that guide the entrepreneurs to fill in the financing matrices, which in turn determine how they complete the Entrepreneur Financing Card. Next, we'll provide guidance on how facilitators can present the programme.

How to Run a Let's Talk Financing session

In this chapter, we'll go through the recruitment process and suggest ways of setting up the workshop space.

WHO'S THE TARGET MARKET?

The Let's Talk Financing workshop is aimed at established SMME owners who have identified that they need financing in order to grow. While the principles and process will be interesting to very early-stage entrepreneurs, they will not be able to complete a Financing Card if they don't have a revenue-generating business with an established business model. The Let's Talk Financing workshop is a great session to offer alumni or past participants, or to incorporate into one of your existing incubation programmes.

RECRUITMENT

The Let's Talk Financing workshop is a powerful tool for SMME owners, and you'll get a lot of satisfaction as a facilitator when you see those "lightbulbs light up" as they start to understand their financing options. However, for it to be a valuable experience for participants, and for you to achieve your intended workshop outcomes, you need to get the right people in the room. Selecting the right participants will also promote more engagement with the workshop and encourage peer learning as they share their findings and experiences.

Narrow down your audience (and filter out the rest) by asking a few questions. For example, would it help to focus on a particular area? Think of filtering participants by:

- business stage
- geographic area
- industry sector
- age or demographic group.

TIP!

Don't know where to start when it comes to recruiting entrepreneurs for your programme? Start at home, with businesses that are already part of your hub! Internal recruiting can be a powerful tool for getting engaged entrepreneurs on board.

MARKETING

Tap into all your networks and use multiple communications channels to attract the entrepreneurs you're looking for.

Social media will be an important channel for your recruitment. Here are some tips for using its platforms effectively:

- **Facebook:** You can make your Facebook posts a bit longer and more emotive. Think about what you'll share that will get the community engaged and commenting on your post.
- **LinkedIn:** Keep it professional and positive!
- **Twitter:** Keep info short and punchy, include images (maybe even gifs) and hashtags.
- **Instagram:** Choose your most striking images or make a short video. Think of a way to get people to tag friends when responding to your posts. Images of entrepreneurs from your ecosystem or from past programmes will work well, but ask their permission.
- **TikTok:** As with Instagram, this is a great way to get video content out. The TikTok audience does tend to be young, so keep that in mind.
- **WhatsApp:** Perhaps the most effective way of spreading the word these days is through WhatsApp. You may have existing WhatsApp groups from past programmes and workshops, or be plugged into other local entrepreneur WhatsApp communities. Remember to ask people to "opt in" for WhatsApp communication, and share content that's easy for people to forward on to other entrepreneurs and groups.

You're going to want to send out a steady stream of information and buzz in the lead-up to your programme to recruit enough good quality candidates. For this, you need a communications plan. Create a calendar to plot out what messages you're sending out on what channels and when.

You'll find an adaptable comms plan at the Launch League Resource Hub: **launchleague.co.za/hub-resources/**

TIP!

Think of a hashtag that you can use in your recruitment and that participants can use throughout the programme. Something like #letstalkfinancing could work nicely!

TIP!

You don't need to hire a design studio to create your marketing collateral or social media posts. Use the free design templates on Canva (canva.com), and royalty-free photographs from platforms such as Pexels (pexels.com) or Unsplash (unsplash.com) for a sleek, professional look.

PREPPING FOR THE SESSION

On the day, you'll want to create an environment that's conducive to learning, sharing and networking. Focus on three key areas:

THE ROOM

Social distancing is here to stay, so make sure participants have plenty of space to move in and room to breathe. Set the tables and chairs up so that participants can comfortably and clearly see the projector screen, and keep a small table aside for yourself, your co-facilitator (if you have one) and your materials. Have a welcome slide ready on the projector, with your programme name and hub branding on it. **Remember to print the worksheets out, preferably on A3, double-sized and in colour.**

THE CATERING

Your participating entrepreneurs will be learning, thinking, brainstorming and workshopping all day long, so give them the fuel they need to keep them going.

You could either take care of catering yourself (or assign a member of your team to do so), or hire a catering service – particularly for the lunch. Either way, remember to check ahead of time if any of the participants have food allergies (e.g. nuts, gluten), religious requirements (kosher, halal), or meal preferences (e.g. vegetarian or vegan).

THE WIFI

All your participants will ask for it, so make sure it's running and that the WiFi password is clearly visible. Put it on your welcome slide, and stick a couple of posters around the room so that people can refer to the network name and WiFi password easily throughout the day. (Use the same posters to promote your hub and the programme's hashtags!)

RECRUITING TIMELINE

The moment you start recruitment, you've pressed 'Go' on your programme. From now on, you'll have to pay close attention to your communications, managing your applications, and prepping for the big day. That's why it's so important that you give yourself enough time to find the right participants.

Start early by distributing your marketing material about six to eight weeks before your workshop is scheduled to run. Applications should open at the same time.

Entrepreneurs should then be offered a place on the programme two weeks before the first session begins.

Remember, recruitment is a process that only ends when you have the "bums on seats"!

ONLINE SESSIONS

If you're running an online programme, here are a few things to be aware of:

- **You won't be able to hand out physical materials, so you'll need to share PDFs of the course material with participating entrepreneurs ahead of time via email.**
- Set the rules of engagement and etiquette early on, especially around when mics and cameras should be on or off, and participants' expectations of each other's engagement levels.
- Connections can be unreliable, so you might have participants dropping in and out of the call. Don't let it distract you or the other participants, if possible.
- Participants will be easily distracted, so you'll have to work even harder to keep them engaged. Try running polls and regular energisers, and be sure to ask for their input as much as possible.
- Data costs can be high, so participants might switch to voice-only connections, which will make it impossible to pick up non-verbal cues. Ask them to use emojis such as the Zoom or MS Teams hand clap to give feedback.
- Some participants might mute themselves to cut out background noise, which could limit the discussions. Ask them to unmute or even turn on their cameras for group chats.
- Breakaway group work can be challenging to manage if you're a lone facilitator. The better the breakaway brief, the better participants can self-manage!

GROUPS VS 1-ON-1

Let's Talk Financing is designed as a group workshop, but it can also be taught in a one-on-one setup. Group work is preferred, because it gives participants an opportunity to network, learn from peers, and see new perspectives. However, many entrepreneurs are used to (and may even prefer) working alone, and they might want the course to run at their own pace and be focused on their personal needs.

Ultimately, the choice of opting for group workshops or one-on-one sessions will come down to the resources available at your hub.

RECAP

Now that you've done your marketing, recruited your participants, and set up your learning space, it's time to start facilitating! In the next section, we'll look at the journey from the entrepreneur's point of view, before getting stuck into the course curriculum.

The entrepreneur's journey

It's tough out there for entrepreneurs. Many will come to your Let's Talk Financing workshop with serious questions and some may look to you as the facilitator with all the answers! In this section, we'll reveal ways you can meet those participating entrepreneurs where they are.

WHY ARE WE HERE?

The finance landscape is complex and it can be challenging for entrepreneurs to know where and how to access the money they need to enable their business to grow. Let's Talk Financing aims to show participating entrepreneurs what financing sources might be available to them, explaining the risks, benefits and costs of each.

However, it's important that everybody is clear on their expectations going into the workshop. Let's Talk Financing is not designed to provide or facilitate financing for businesses.

Through the workshop, entrepreneurs will be guided to ask themselves some tough questions – and they may arrive at uncomfortable answers. For example, while asking "How can I access finance?", they should also ask themselves "If I were to receive financing, what would I do with it?" Business financing should only be applied for or accessed if the business owner wants to achieve something that can only be enabled by financing.

Ultimately, participants should come out of Let's Talk Financing with a clear financing plan for their business and a realistic idea of which types of financing they could successfully pursue.

TIP!

Facilitators don't have to know it all. If you're asked a question and you don't know the answer, don't try to wing it. You're not there to offer financial advice (and legally you're not allowed to!). Rather, help the participants discover the answer for themselves.

THE ENTREPRENEUR'S JOURNEY

Entrepreneurs will typically have three big questions coming into the Let's Talk Financing programme. "Where can I get money?", "How do I get money?", and "Why do I get rejected for financing so often?".

The first speaks to sources of financing, the second to the process of applying for financing, and the third to the heart of what the programme aims to teach: that entrepreneurs often struggle to secure financing because they're going to the wrong places. A venture capitalist, for example, isn't going to provide finance to a corner shop, and a grant funder will have a very strict set of criteria that might exclude strictly for-profit enterprises.

There will be many realisations and "a-ha" moments like these as the entrepreneurs go through the programme.

Where can I get money?

How do I get money?

Why do I get rejected for financing so often?

FACILITATION TIPS

COMMUNICATE CLEARLY

- As you work through the toolkit, explain what the objectives are and reiterate those as you go. Stop periodically to check if anybody has any questions or comments before you move on.
- When writing on flipcharts or boards, use black or blue pens wherever possible and write in large capital letters so that everyone can see it. When you talk through what's written, stand to one side so that you're not blocking what's written.

LISTEN AND ASK

- You're a facilitator, not a lecturer. If someone is saying something interesting during a group discussion, don't use it as an opportunity to jump in with your own opinion. Rather ask them open-ended questions (beginning with prompts such as "why", "how", "what", "explain", "describe" or "tell me about"), so that other participants can learn and join in the conversation.
- Don't "telegraph" where participants are going. Follow the process, and let them arrive at those "a-ha" moments themselves.

GIVE DIFFERENT PEOPLE A CHANCE TO SPEAK

- You probably won't have time to hear from everyone in every round of group feedback, but then just make sure you call on different people the next time there's an opportunity for feedback.
- Try not to side with people with strong viewpoints, even if you agree (or disagree!). This could send the message that certain opinions are valued more than others. Rather than saying, "That's exactly right!" try saying, "That's a really interesting perspective. Has anybody here had a different experience?"
- If one participant is dominating the conversation, divert attention by asking the group for their views on the topic before moving on.

READ THE ROOM

- If you notice that some participants seem hot or cold (but aren't saying anything), stop and ask if you can open or close a window, drop a blind, turn up the aircon, etc.
- If people are clearly tired or hungry and are losing concentration, consider breaking for tea or lunch earlier, so that people can refresh themselves. (Just remember to adjust the schedule so that you can stay on time.)

TIPS!

Stay neutral. A facilitator's role is to create the conditions that enable the group to talk, plan and grow. Structure the discussion, rather than allowing a free-for-all chat, to ensure everybody is included.

Don't go solo. If your hub has the resources, use two facilitators instead of one. This keeps the energy up, and allows one of you to watch the group (or "read the room") while the other focuses on facilitating the discussion.

Don't reinvent the wheel. Access a wealth of programme templates at Launch League's resource library: **https://launchleague.co.za/toolkits-resources/**

RECAP

Now that we've defined the expectations and prepared the learning space, you're ready to facilitate the Let's Talk Financing conversation. In the next section, we'll start by unpacking the types of financing available to entrepreneurs.

SECTION 02

Working through the Financing Card

Types of financing

"I need money to finance my business's growth." It's a simple problem statement, but its answer is quite complex. Small business owners have a wide range of financing options. In this chapter, we'll unpack what they are and how they work.

FINANCING VS INVESTING

In very simple terms, if someone provides financing for your business, they'll loan you some money and expect you to pay the money back (with interest) later on. Investors, meanwhile, will invest money in your business and will expect to have some managerial control along with an ownership stake in the business. That's why most businesses in small business hubs are not investable: few investors want the hassle of getting involved in supporting and advising an established SMME.

UNDERSTANDING RETURNS

Investors want a return above interest. Angel investors, for example, typically expect a 20% to 25% return on the money they invest in your business. Venture capitalists usually expect even more – and if your product is still in development, they may ask for as much as 40% of your business to compensate for the risk they're taking.

EQUITY

If an investor or financier buys equity in your business, they own a share of the business. By selling equity in your business, you don't have to pay the money back, but you'll no longer own 100% of the business you started and you'll have to accept that there might be another party involved in its operations.

WHAT FINANCIERS WANT

Any organisation that provides financing for a business will have objectives that they need to meet. Those objectives will vary. For example, someone providing a short-term loan will probably just want interest and a quick repayment, while an angel investor will want long-term growth and hands-on involvement in the business they're financing.

Entrepreneurs need to understand what those needs are, so that they can factor this information into their decision-making around who to approach for financing. It'll also protect them from entering into a financing relationship that they don't want or that could negatively affect them or their business.

Here are some of the questions entrepreneurs should ask about the financiers that they approach:

- Why are they providing finance?
- What are they giving and what do they want in exchange? (For example, do they want control, ownership, interest, impact or dividends?)
- What do they need to enable them to finance a company? (There might be specific requirements that they have to work within.)
- What paperwork or reporting do they need from the business they're financing?
- What are the consequences if the business fails or the business owner cannot pay the financier back?

TIP!

As a programme facilitator, you should be careful to not offer any financial advice to participating entrepreneurs. (That's what certified financial advisers are there for!) However, financial literacy education should be something that every hub provides – so don't be shy to explain financial terminologies or outline how various financial products or services work.

TYPES OF DEBT

What options do small business owners have when it comes to taking out loans? Here's a list of the most common types of debt and the typical timeline for repayment. In many cases (but not all, as you'll see below), the terms of the loan will specify what you're allowed to borrow the money for.

TYPE	FINANCING MATRIX	PURPOSE	TERMS
Bank overdraft	1, 3, 4	To access funds by taking your bank account into a negative balance	Short term – either secured (with collateral) or unsecured (without)
Bank loan	1, 2, 3, 4	To give your business an injection of cash, with interest payments linked to the prime lending rate	Short- to long-term (typically 2 to 5 years)
SMME finance	1, 4	To grow or start your small business	Varies from lender to lender
Secured loan	1, 4	None specified	Varying timeframes, but with collateral attached
Unsecured term loan	3	None specified	Loan that must be repaid within a set period, but with no collateral attached
Government loan	1, 4	To grow your small business	Short-term loan provided by the government through one of its departments or agencies
Inventory finance	2	To buy products that you can resell	Short-term loan or revolving line of credit (where you can borrow more as you're paying it off)
Equipment finance	2, 3	To lease or buy equipment or machinery essential to the running of your business	Typically up to 5 years
Credit purchase	2	To buy something now and pay for it later	Either full repayment at an agreed date or partial payments at agreed intervals
Credit card	3	To access a line of credit when you purchase things your business needs	Short term, much like a personal credit card
Bond	2, 3	To buy property	Commercial properties generate income, so the bank will want the debt to be paid quicker than a residential bond (typically 10 years)
Online small business loan	3	To get quick access to money from an online lender	Terms and interest rates agreed upfront (typically higher than banks)
Merchant cash advance	3	None specified	A loan in exchange for a slice of your future sales
Invoice (debtor) finance	3	To fund your business using outstanding invoices	Terms vary, but the lender gives you immediate access to a percentage of the invoice in return for a fee
Trade finance	2, 3	To access working capital while you're waiting for a client to pay for products you've sold them	Short term
Export finance	3	To access working capital while you're waiting for a foreign client to pay for products you've sold them	Short term

FUNDING REQUIREMENTS

SOURCE	TYPICAL REQUIREMENTS	STAKE IN YOUR BUSINESS
Debt funders	• business should be generating revenue (usually above R1 million per year) • business must have an asset that can be used for surety • first to be paid out if business fails, and will repossess the asset that the loan is linked to	none
Equity funders	• high risk, so funder will expect higher return on investment than debt funder would • SMME must demonstrate that it will make returns (either by growing or by sharing profits with funder) • funder will require full assessment (due diligence) of the business	part ownership, with some influence on business decisions
Grant funds	• no repayment needed • much stricter requirements, because funds are allocated to meet specific objectives • can be difficult to apply for as grant funds are in high demand • typically require detailed data-tracking and reporting	none
Enterprise and Supplier Development (ESD) Funds	• mechanism used by large organisations to help develop smaller businesses (usually in their industry or network) • funds often include non-financial support, such as procurement, training, technical assistance, etc • long application process	none
Redress funds	• financing made available as a remedy for a historical wrong or grievance • usually provided with the aim of promoting and facilitating economic participation within previously disadvantaged groups (common in South Africa) • can take the form of grants or debt funding by either national institutions or private corporates, and individual funds will have specific sector mandates	none

TIP!

Chapter 8
goes into detail on the relationship between assets and debt, and how a small business can offer collateral to help secure loan funding.

POTENTIAL SOURCES OF FINANCING

Launch League's Financing Database provides hubs and entrepreneurs with detailed examples of financing organisations. Share the database with participating entrepreneurs, and make sure they have the necessary permissions to access it.

You'll find a range of financing organisations that offer anything from grants (by government and philanthropic organisations) to debt (extended by banks and angel investors).

Here's a closer look at what's available, how it works, who offers it and why (in other words, what their motivations are and what they'll want in return).

Visit Launch League's Financing Database:
https://airtable.com/shrFcC2B7ABfV9pwa

Financing	What it is	Who offers it	Why they offer it
Grant	Financing that doesn't have to be repaid. But it's not "free money": you'll need to submit tons of paperwork, and your business will have to align with certain goals	• Government • Philanthropic organisations	To fulfil their own development mandates
Loan	Financing that has to be repaid, with interest and within an agreed-upon time period	• Angel investors • Government • Banks • Alternative funders	To make a profit, which they do by charging interest on the loan
Equity	Financing that's repaid by the investor taking ownership of a percentage of your business	• Angel investors • Venture capitalists • Private equity firms	To make a profit out of what they earn from their stake in your business
Personal debt	Financing that's repaid not by the business, but by the business owner in their personal capacity	• Banks • Family and friends	To make a profit out of the interest they charge you

RECAP

In this chapter, we've examined the types of funding available to entrepreneurs, and what the funders or financiers might expect in return for their loan or investment. There are many options available, so it's important for entrepreneurs to understand exactly what's available and what they'll have to provide. Next, we'll look at business stages and the vital role they play in successful financing applications.

Stage of business

Where you are will determine where you're going. The type of financing available to entrepreneurs will depend on the business stage they're in. In this chapter, we'll explain what those stages are and why they're so important to understand.

THE STAGES OF A BUSINESS

There are various paths for small business growth, but they all follow the same basic formula. For the purposes of our programme, we've broken it down into five business stages:

1. **Idea Stage**
   You have a plan but not much else. You're still testing the market, doing your research and consulting your mentor. At this point, you haven't yet made a sale.

2. **Pre-profit**
   The business is new, and you're tweaking your processes as you go along, trying to figure out your business structure, and (this is important!) trying to turn a profit. You've made sales, but they aren't generating enough revenue for you to cover your costs yet.

3. **Established (stressed)**
   The business has solidified its place in the market, and your clients should be able to explain your business model to other prospects. Trouble is, the business isn't doing as well as it should and it needs some financial support.

4. **Established (stable)**
   As above, but with a healthier balance sheet and cash flow! The business has found its market and its groove, and is able to generate a consistent profit or is at least breaking even.

5. **Profitable and Growing**
   As above, but with an even healthier balance sheet and a strong cash flow position. There's also a different mindset at play here. Unlike the owner of an established and stable business, the entrepreneur at this business stage has made the conscious decision to grow and expand the business.

TIME IN THE MARKET

While the age of a business does play a role in its stage, it's not a reliable measure of what stage a business is in. A business could be stuck in pre-profit mode for a few years, or it could grow quickly and hit maturity in a short space of time. Similarly, a 10-year-old corporate and a 40-year-old corner shop could both be in the established (stressed) stage.

HOW THE STAGE OF A BUSINESS AFFECTS ITS FINANCING OPTIONS

The more established a business is, the less risky it is for an organisation to provide financing for it, and the greater the chances of the business receiving financing. Look at it from the funder/investor's point of view: An established enterprise with a proven business model and a reliable customer base is a far safer bet than a small business that's still hustling and trying to figure itself out.

To help an entrepreneur understand the type of finance that's available to them, they need to be realistic about the stage of business they're in.

For example, while it's difficult to get out of the Idea Stage, entrepreneurs have a much greater chance of getting finance when their business has a track record and an existing customer base that's already paying for their products and services.

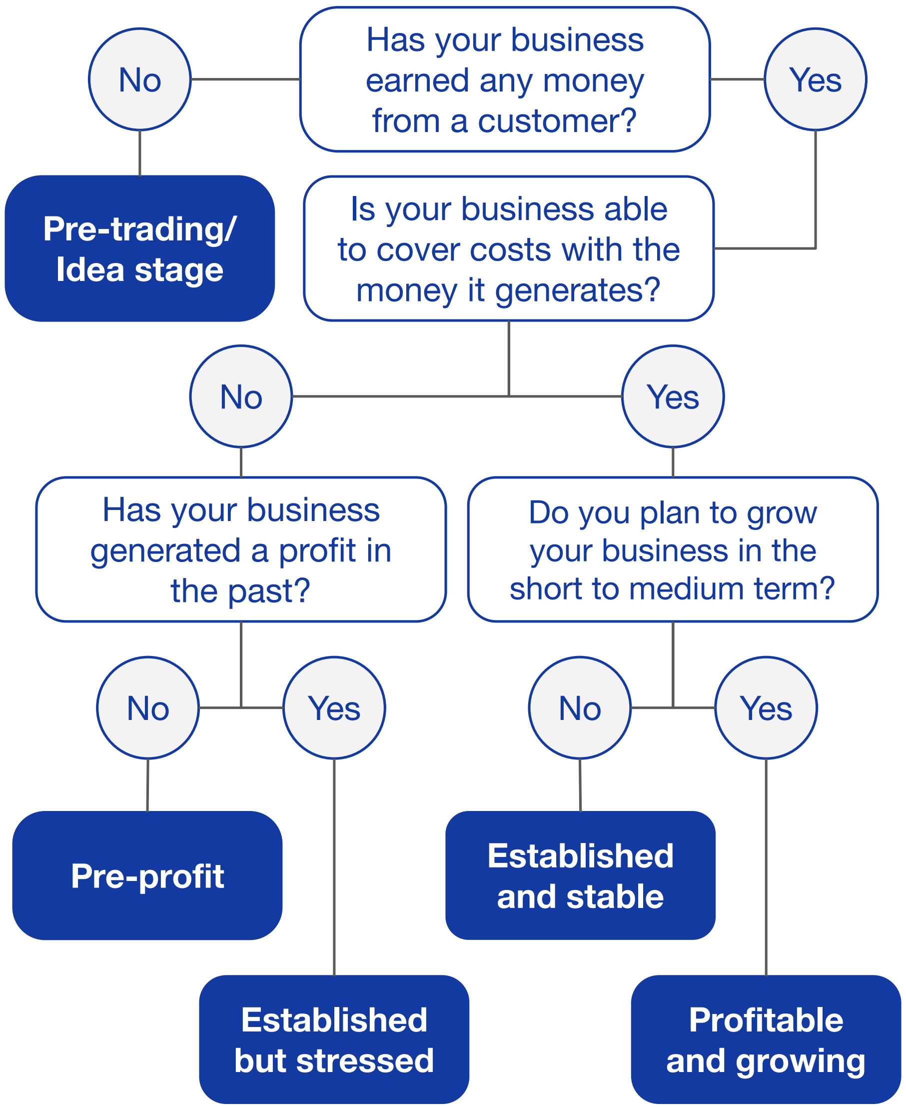
Profitable and Growing Stage businesses also have more options than Idea Stage businesses, because they're more established, have a proven business model, and there's a growing demand for their products and/or services.

HOW TO DEAL WITH VERY EARLY-STAGE BUSINESSES

Many of the participating entrepreneurs in your Let's Talk Financing workshop will have businesses that are already up and running (typically either established or growth stages). So what should you do if an Idea Stage entrepreneur joins the group and they don't have a real-world business that they can apply their learnings to?

As facilitator, you could either encourage them to watch and learn from the other participants; or you could use the case study provided in the facilitator training pack. The toolkit's frameworks and matrices have been applied to the example of BXL, a typical company that you might find at a business hub.

FLOW CHART 1: STAGE OF BUSINESS



TIP!

Working with the flow chart

As you work through the flow chart with the entrepreneurs, give each of them a chance to talk about where they are and what that might mean for the type of financing available to them.

FINANCING MATRIX 1: STAGE OF BUSINESS

	INTERNAL		GRANTS		DEBT					INVESTMENT			
STAGE	Bootstrap	Sales	Pre-launch events*	Gov/NGO funds**	Bank overdraft	Bank loan	SMME finance	Secured loan	Gov loan	Family/ friends	Incubator/ accelerator	Angel investor	Venture capital
Idea	●		●	●						●	●		
Pre-profit	●	●	●	●	●					●	●	●	●
Established (stressed)		●			●		●	●	●		●	●	
Established (stable)		●			●	●	●	●	●			●	●
Profitable & growing		●			●	●	●	●	●		●	●	●

* Startup competitions and pitching events may provide some early funding to help kick off an idea, but they are often highly competitive.

** Government or NGO grants exist but often involve a complex application process and can sometimes be restrictive in nature.

HOW BUSINESSES CAN GENERATE THEIR OWN FINANCING

Debt or financing are important ways of raising money to fund the growth of a small business, but these all have strings attached that require the business have some assets in place. Early on, SMMEs can focus on raising money through internally generated finance. Here are three examples:

- **Bootstrapping:** Based on the old saying "to pull yourself up by your bootstraps", this is a way of building a company by using limited resources (usually the entrepreneur's personal savings), until the business starts to generate revenue. It may also involve tapping into other non-financial resources. If an early-stage entrepreneur cannot access personal finance, it may be helpful for them to map the resources that they have available to them, and to then think about how they could kickstart their business without having large amounts of starting capital.

- **Bartering:** Some businesses – especially in the informal economy or in the case of a well-networked SMME – can get started by exchanging goods or services for other goods or services, with no money changing hands.

- **Customers:** It might be difficult to find customers early on, but focusing on sales is a great way to generate finances without giving away control of your business or needing to pump in too much of your own money. In fact, making money from customers is ideal at any stage of the entrepreneur's journey!

NON-FINANCIAL SUPPORT SOURCES

If an entrepreneur is unable to access finance early on, there are often non-financial support mechanisms that are available. They may not provide actual money, but that doesn't mean they don't have value.

- **In-kind services:** These are services that are not paid for, but are either donated or exchanged for other services. Hubs and business centres offer in-kind services such as business planning workshops, technical assistance or administrative support, all of which are useful as the business owner seeks financing.
- **Deferred payment:** This involves arranging with suppliers or customers to change the payment terms, allowing the SMME to pay at a later stage (usually once they have made money from utilising the supplies).
- **Preferential payment:** Here, terms are arranged with customers (particularly on big contracts), where the entrepreneur is paid quicker than they would normally be paid to ease the pressure on cash flow.

FAMILY AND FRIENDS

It's an obvious option, but one that's fraught with potential problems. So let's talk about it.

An entrepreneur's business dealings can put pressure on friendships and family relationships – especially if your nearest and dearest have a financial stake in your business.

The Facilitator Deck goes into some detail on who and how to ask (or accept) business input from family or friends. When the topic comes up, facilitators should guide participating entrepreneurs to carefully consider their options.

Points to emphasise include:

- **Ability:** That is, the strength of your relationship to withstand getting involved in business together, and their financial capacity to assist.
- **Structure:** You'll also need to decide whether you're willing to give up equity or take on a loan with negotiated repayment options.
- **Risk Profile:** Consider how much risk your friend or family member is willing or able to take on, and tailor the amount to suit that risk profile.
- **Communication:** Speak openly and honestly, and keep friends and family who have invested in your business updated on its progress through regular emails or messages.
- **Professionalism:** You're friends, but to make sure you stay that way you'll need to act like formal partners, with the terms of the financing recorded in a written contract with both parties' signatures, and accompanied by a document disclosing key facts about the business' operations and how the financing money will be spent.

TIP!

When it comes to raising money from family and friends, the entrepreneur should decide if they want to solicit a lot of money from a few people, or small amounts of money from a lot of people. That will make a huge difference to who you speak to – and what you ask them for.

STICKING POINT

"How can I advance my stage of business?"

Entrepreneurs typically ask this question, especially if they're stuck in the Idea or Pre-profit stages. As a facilitator your role is not to provide financial advice, but rather to help them arrive at the answers themselves. In this case, you could ask them if they're trading already (that will move them from Idea to Pre-profit), or if their revenue is increasing, they're keeping records and ensuring that their paperwork and compliance is in order (which will make it easier to move into one of the profitable stages). Walking them through the flow chart to other outcomes can also help the entrepreneur visualise the key outcome that they'd need to achieve to get there.

RECAP

Now that we understand the various stages of a business, we can see where each entrepreneur in your workshop fits into the flow chart, and we're getting an idea of the financing options that start to open up for them. Next, we'll look at business models and revenue sources, and the roles they play in making a business attractive to a financier.

Business model and revenue sources

“How do you make your money?” The answer to that question is pivotal to knowing how a small business can attract financing – and how much it will need (and for what).

HOW THE BUSINESS MODEL RELATES TO FINANCING

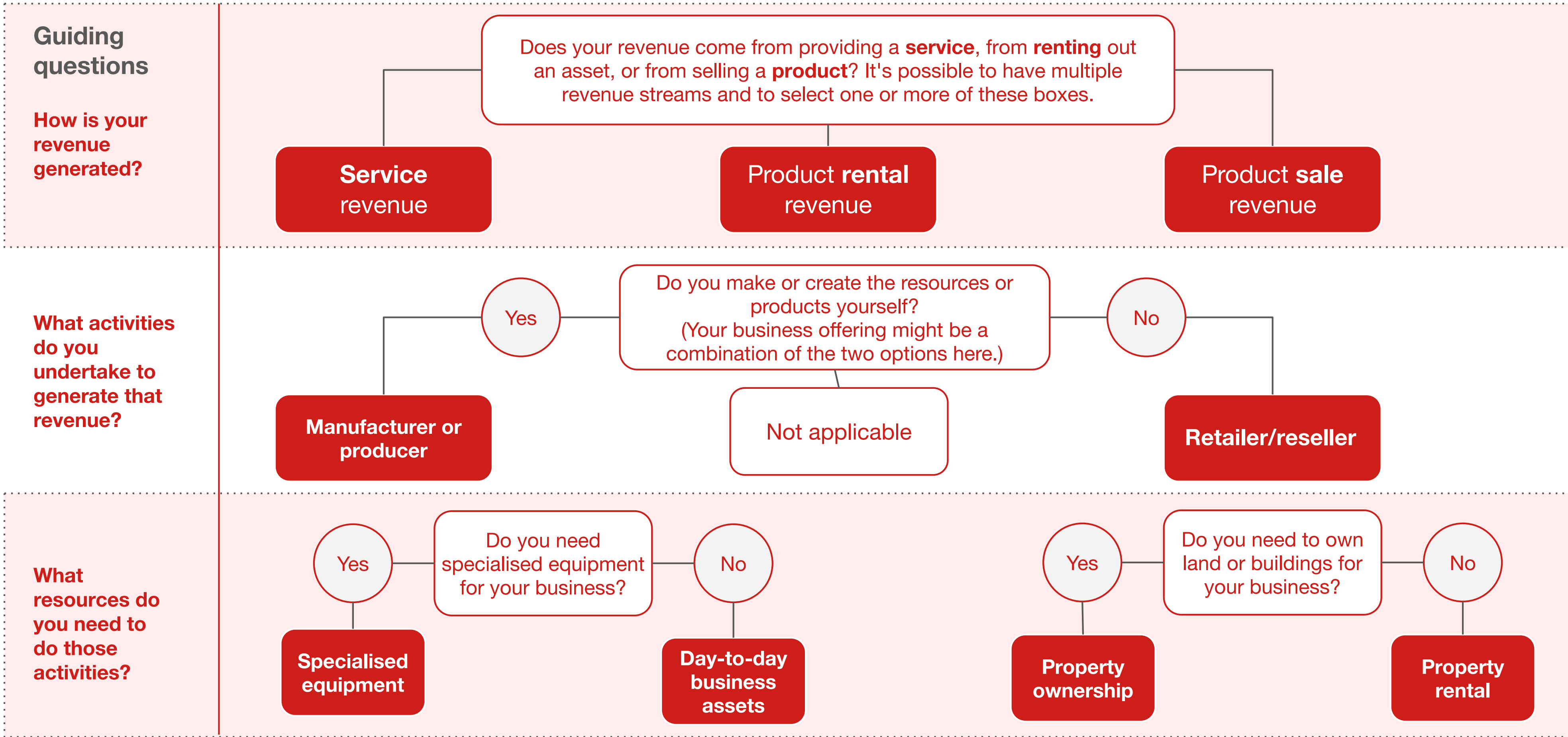
An SMME’s business model affects all aspects of its operations: the way it generates revenue, its cash flow requirements, the types of assets it has available, the type of customers it deals with, and more. Any of those components, in turn, will influence the type of financing that it might have access to.

This will become clear as the participating entrepreneurs work their way through Flow Chart 2 and Financing Matrix 2.

BUSINESS MODEL

A business model is a company’s plan for making a profit. It identifies the products or services the business will sell, the target market it has identified, and the expenses it anticipates.

FLOW CHART 2: BUSINESS MODEL



FINANCING MATRIX 3: REVENUE AND BUSINESS MODEL

	DEBT					SPECIALIST FUND TYPES		
MODEL	Inventory finance	Equipment finance	Trade finance	Credit purchase	Bank loan or bond	Industrial gov funds	Redress finance	Innovation funds
Service revenue			●	●				
Product sales revenue	●		●	●	●			
Product rental revenue		●			●	●		
Manufacturer or producer	●	●		●	●	●	●	●
Retailer or reseller	●		●	●				
Specialised equipment		●			●	●	●	●
Day-to-day business assets				●				
Property ownership					●	●	●	
Property rental						●		●

WHAT ARE YOU RAISING MONEY FOR?

You'll notice that Flow Chart 2: Revenue and Business Model looks a bit different to Let's Talk Financing's other flow charts. It has three layers, with questions framed as Yes/No choices:

- How is your income generated? (service/product rental/product sale)
- What activities do you undertake to generate that revenue? (manufacturer or producer/retailer or reseller)
- What resources do you need to do those activities (specialised equipment or day-to-day assets/property pwnership or property rental)

The choices prompt the entrepreneur to ask what they're raising money *for*. For example, if their business requires specialised equipment, they may need more money than a business that requires day-to-day assets such as desks or chairs.

Or perhaps the business needs a specific kind of land or property. Remember that some hubs – and many entrepreneurs – are based in peri-urban and rural areas. Those entrepreneurs may need a loan to rent or purchase land for expanded manufacturing facilities.

The answers to the questions in this flow chart will give entrepreneurs a clearer idea of what their business does, how it operates, what it needs, and where its growth opportunities might be.

For example, if an entrepreneur needs land to run their business, the funding they require might be related to buying (or renting) property.

Flow Chart 2 informs Financing Matrix 2, which shows which shows examples of the types of revenue and business models that can attract different types of financing.

For example, a manufacturing business will probably need machinery and other assets to produce its products – or to produce more products. In this case, it may be able to raise debt like inventory finance, equipment finance, credit purchase, or a bank loan or bond to purchase the equipment. Or it might get a specialist loan from an industrial government fund, redress finance, or an innovation fund (if it's disruptive enough).

TIP!

A typical question you might be asked around this point is: "What if I just need a loan to tide me over during a slow business period?" That's a good moment to talk about cash flow and revenue generation. If the entrepreneur needs that kind of loan, they should speak to a qualified financial adviser first. They'll probably be advised that if they really need the loan, they should take the smallest amount possible, because as things stand they're not in a position to pay the money back.

RECAP

This chapter explored some important concepts, focusing on business and revenue models and how they influence the kinds of financing that entrepreneurs can realistically apply for. We also looked at options for generating financing when an entrepreneur is still figuring out their business model, and doesn't yet have regular revenues. In the next chapter, we'll look at how a business's assets can be used to help secure a loan, and we'll unpack a few concepts around financial risk.

Chapter 8

Assets and financial risk appetite

Risk is a natural part of running a small business, but it takes on extra importance when debt and financing are involved. This chapter explores the concept of financial risk appetite, and what it means for entrepreneurs who are looking for financing.

HOW ASSETS CAN HELP SECURE FINANCING

Every entrepreneur knows that to succeed in business, you have to step out of your comfort zone. But when it comes to debt, you must be careful about how you balance the risks against the rewards.

Assets are an important part of the financing equation, because – quite simply – it's easier to get a loan if you have some collateral. For an entrepreneur, that asset could belong to the business or it could be personal property such as a car or even a house. The question then is: Are you willing to risk losing that asset if you're unable to repay the debt?

The way an entrepreneur answers that question goes a long way to helping them determine their risk profile and their risk appetite.

DEFINITIONS

Risk appetite
The amount of risk a business is willing to take on in the pursuit of its objectives.

Business risk
The exposure of the business to threats that could prevent it from achieving its goals or cause the company to fail.

Financial risk
The chance of losing money on an investment or business opportunity.

Asset
An item of value owned by the business. It could be physical (e.g. equipment, machinery, property), intangible (e.g. intellectual property), financial (e.g. cash, outstanding invoices).

TIPS!

This section of Let's Talk Financing focuses primarily on debt as a form of business financing. But debt is not the only option. We'll explore non-debt options in **Chapter 10**.

In **Chapter 9**, when we look at Growth Plans, we'll explore what entrepreneurs are raising money *for*. Here, we're looking at what they're raising money *with*. There's a chance that some entrepreneurs participating in your Let's Talk Financing workshop might say (or think) that they have no assets – in other words, that they have nothing to raise debt with. Remind them that debt is just one financing option. Help them to think of assets that could have value and could be used to help them take on the debt they need to help their business grow. (Don't push it, though: you don't want to encourage unnecessary or unrealistic risk-taking!)

WHAT IS YOUR FINANCIAL RISK APPETITE?

It's important for participating entrepreneurs to clearly understand their risk appetite before they start working through the flow charts. Here are some of the guiding questions they should ask themselves early in the workshop, before you dive into the flow charts and matrices.

- Are you willing to take big risks?
- What will the impact be on you and your family if the risk doesn't work out?
- Will you put your own money into the business?
- Would you want to take out a loan?
- Would you want to use your personal or business assets as surety for that loan?
- If you sign surety and the business fails, could you still service the debt?

Every entrepreneur will answer those questions differently, so it's important that they're aware of their responses and what that means for the types of financing they would want to take on.

TIP

Put these questions on a whiteboard or on a slide and allow some time for the entrepreneurs to think these over individually and discuss with a partner.

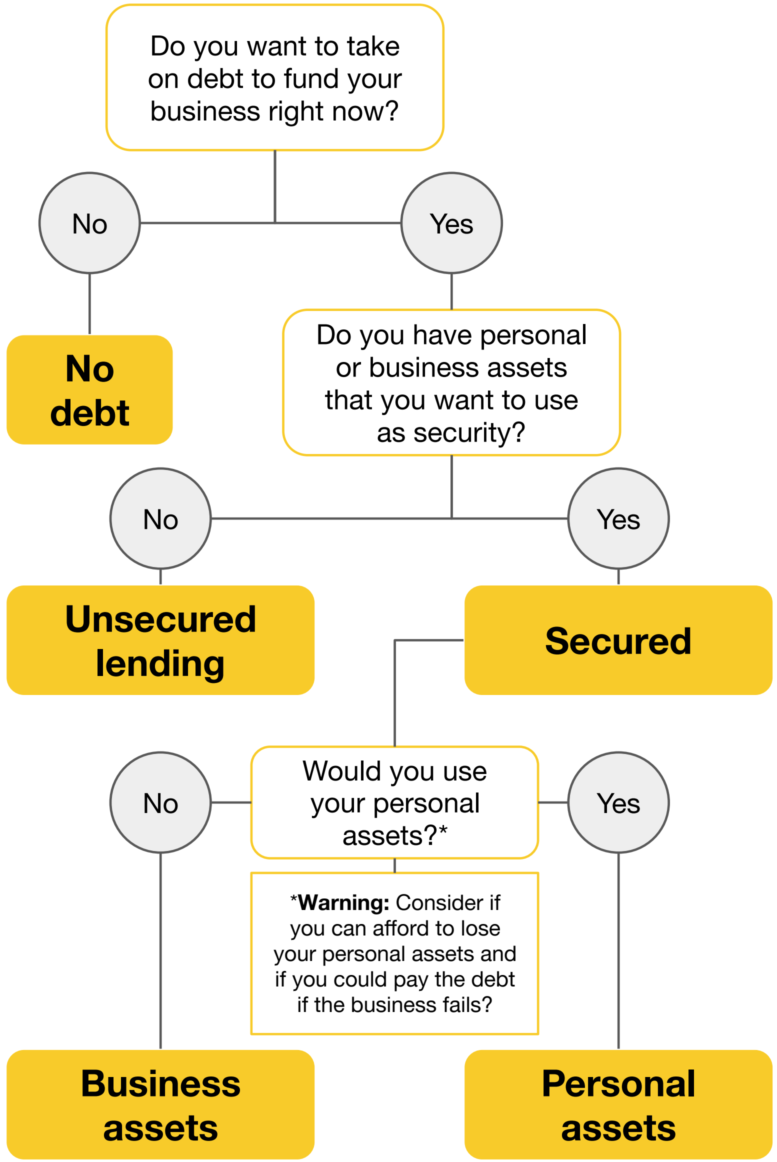
RISK PROFILE VS RISK APPETITE

A risk profile is an evaluation of an entrepreneur's ability to take risks. Risk appetite, on the other hand, is how much risk they're willing to accept to achieve their business objectives. They're similar, but they're not the same thing. Can you take on risk? That's determined by your risk profile. How much do you want to take on? That's determined by your risk appetite.

AMBITION VS RISK APPETITE

A low risk appetite is not necessarily bad for an entrepreneur who doesn't have ambitious growth plans. It may seem exciting for entrepreneurs to push their risk profile or to want to take on greater risk, but they need to have realistic self-knowledge. Excessive risk can be dangerous, especially if they don't have the capacity to handle it.

FLOW CHART 3: FINANCIAL RISKS AND ASSETS



WHEN IS DEBT APPROPRIATE?

Small businesses run tight ships, and entrepreneurs cannot afford to waste resources on anything that doesn't generate direct value. The same goes for debt. Calculated risks should be encouraged, while reckless risk-taking should not.

Risks should be categorised as low, medium or high, so that entrepreneurs can identify the most critical risks and prioritise what needs urgent attention. The Entrepreneur Presentation Deck includes a table of scenarios coupled with their risk profiles.

CALCULATED RISK

This is a risk that you consider worth taking because you've already estimated the probability of success, and – on balance – it outweighs the probability of failure.

SECURED VS UNSECURED LOANS

While collateral makes it easier to get a loan, it's not your only option. Some loans (known as unsecured loans) do not require you to offer anything of value as security on the loan. Financing Matrix 3 shows examples of both secured and unsecured debt, along with the types of assets that could be offered as collateral.

FINANCIAL MATRIX 3: FINANCIAL RISKS AND ASSETS

	Unsecured	Secured				
Asset type	None	Personal assets	Inventory	Outstanding invoices	Equipment	Commercial property
Debt type	• Credit card* • Online small business loan • Unsecured term loan • Unsecured overdraft* • Merchant cash advance	• Bank loan • Bank overdraft • Bond	• Trade finance	• Invoice (debtor) finance • Export finance	• Equipment finance/ leasing	• Bank loan

***Note:** Banks require you to sign surety as a director for credit card and overdraft facilities, so these are not strictly unsecured. However, the banks will not ask for assets as surety, and they'll look at the trading history of the business before approving the facilities.

RECAP

This chapter explored several concepts, including financial risk (risk profile and risk appetite), debt (secured and unsecured), and how assets can be used to raise financing through debt. Next, we'll see how these financing types fit into a small business's growth plans.

Growth plans

Your business may be starting up, but that doesn't mean it's a startup. In this important chapter, we'll differentiate between SMMEs and startups and explore the types of financing each might receive. We'll also look at growth plans and how entrepreneurs should plot their growth before they seek out finance for it.

FINANCE FOR GROWTH

Once a business is up and running (or, if it's an early-stage business and the idea has been proven in some way), it may need finance to facilitate its growth. Before they apply for financing, the entrepreneur needs to first have a good understanding of their business and its opportunities, and a strong plan for its growth.

Most investors, funders and financiers will expect a return on their loan that's greater than the interest they would have earned if they'd just put their money in the bank. So it's critical that an entrepreneur who wants to receive financing has a growth plan that will provide that return on investment.

Every business grows at different rates, but there's a distinction between a high-growth startup and a stable and steady small, medium and micro enterprise (SMME). Understanding that distinction is critical for an entrepreneur, as it will guide how they manage their strategy and how they take on finance.

TIPS!

Some participating entrepreneurs might arrive at this point in Let's Talk Financing and realise that they need to change their growth plans. That's okay (they're here to figure things out), but if they do that, be sure to remind them that a change in one part of their Entrepreneur Financing Card could require a change in other sections.

Some Let's Talk Financing participants will want to think of their business as a startup, but that's probably because startups have exciting connotations of big money, flash tech and Silicon Valley swagger. And sure, startups are sexy, but they fail far more often and carry far more risk than SMMEs do. If you're running a small business, it's an SMME. And there's nothing wrong with that.

USING FLOW CHART 4

Flow Chart 4 in the Facilitation Deck starts by asking: "Are you looking to grow or expand your business?" The questions and answers from there will guide the entrepreneur to understanding Financing Matrix 4, which shows examples of the types of financing that are available for various types of growth, and the opportunities that might be available to the entrepreneur.

For example, an SMME that wants to grow by launching a new product could consider applying for a secured loan, asking family or friends for assistance, or approaching an angel investor.

Meanwhile, an SMME that wants to grow by improving its cash flow might consider requesting a bank overdraft, approaching an SMME financier (a non-bank lending organisation that specialises in medium- to short-term debt), or applying for an unsecured loan.

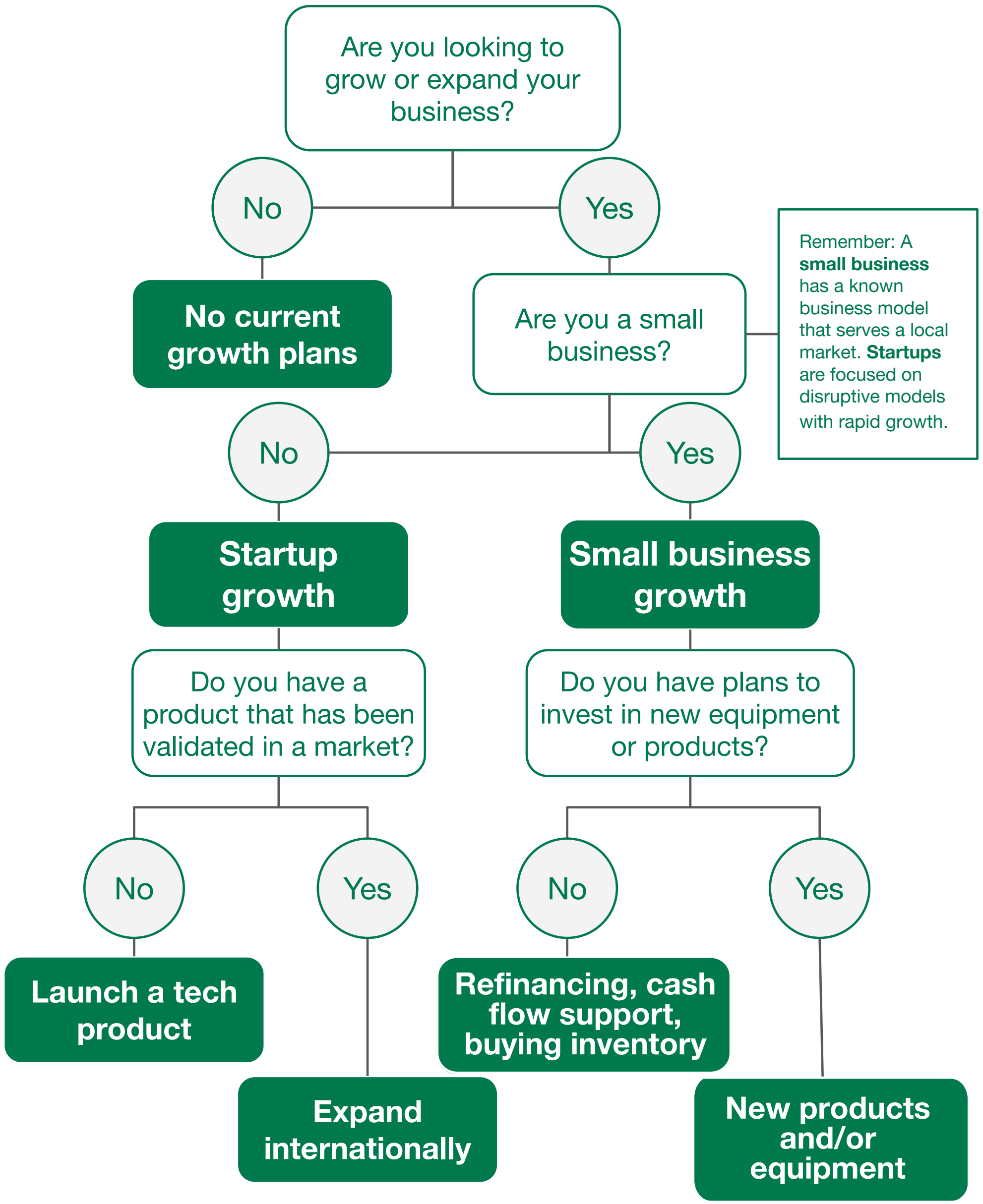
TIP!

We're already in **Chapter 9**, and only now are we talking about SMMEs and startups. There's a reason why we've been holding back. Let's Talk Financing is designed to be a journey of self-discovery for the participating entrepreneurs. By this point, they should have a clear idea of what kind of business they're running – so the tricky "Am I a startup?" question will have been answered. There is a risk that if you introduce this distinction earlier in the process, the entrepreneur may try to fit into the "sexy" startup mould, instead of being honest about the realities of their business and aspirations.

SMMEs

Small, medium and micro enterprises (SMMEs) refers to all businesses that maintain revenues, assets, or a number of employees below a certain threshold. "SME" (small and medium enterprise) is a globally used term and each country has its own definition guidelines across industries of what constitutes a small and medium-sized enterprise. (Refer to **page 56** for the difference between "SMME" and a "startup"). "SMME" is widely used in South Africa, where "micro" refers to businesses with less than 10 employees, and includes informal, often survivalist, businesses.

FLOW CHART 4: OPPORTUNITIES AND GROWTH



FINANCING MATRIX 4: OPPORTUNITIES AND GROWTH

	DEBT					INVESTMENT		
GROWTH POSSIBILITIES	Bank overdraft	Bank loan	SMME financier*	Secured loan	Gov loan	Family/friends	Angel investor	Venture cap
STARTUP GROWTH								
Launch a tech product					●	●	●	●
International expansion					●			●
SMALL BUSINESS GROWTH								
Launch a new product				●		●	●	
Buy stock	●		●			●	●	
Invest in equipment		●		●	●		●	
Improve cash flow	●		●	●				
Refinance a loan		●	●	●				

*SMME financiers are non-bank lending organisations that specialise in short- to medium-term debt.

STARTUPS VS SMME

They may look similar – afterall, they're both built from nothing, and they're both focused on growth, profitability and survival – but there's a significant difference between the two.

Startups are built to "fail fast". If the business doesn't work out, the entrepreneur will kill it quickly and move on to the next thing.

SMMEs are more like main street businesses in that they're tightly structured and often serve local market needs. They're small businesses that follow a tried-and-tested business model, with a gradual and carefully considered growth plan.

This table highlights the differences between the two.

	SMME	STARTUP
GEOGRAPHIC PERSPECTIVE	Local	Global/multinational
BUSINESS MODEL	Traditional business model, works from day one	Adapting business model/new product in search of what works
SCALABILITY	Limited – usually enabled by people, stock or equipment	High – usually tech- or IP-enabled
GROWTH RATE	Gradual	Fast
FINANCING	Should generally generate revenue immediately	May require financing and significant time to start generating revenue
RISK & RETURNS	Business risk, but potential to generate low, steady returns	Market, technology and business risk. Has the potential to generate significant returns at points in time

WHAT IS "GOOD GROWTH"?

The ideal growth rate will vary depending on the type of business and industry, as well as the stage of business. Typically, though, a healthy growth rate should be one that's sustainable for the business. For some, this might be around 15% to 20% annually. Anything higher than that may overwhelm new businesses, which may be unable to keep up with such rapid development.

WHAT IS "GOOD DEBT"?

As the saying goes, "Good debt returns money to your pocket, but bad debt takes money from your pocket." Any debt that increases the business's future net worth is considered good debt – and that could include anything from paying for improvements to meet new safety regulations, to expanding the business's sales team.

EXPORTING AND EXPANDING

Entrepreneurs who want to grow their business outside the current market might consider expanding their operations or exporting to foreign markets. Each requires its own type of financing.

- **Exporting:** When a business sends its product to another country or market for sale, it will still use its existing infrastructure to make the product, even though the product won't be bought or consumed locally. Exporting is often facilitated by an export partner, and the business will not set up new operations in the country that it's exporting to.

  Specific export financing programmes are available, both privately and within the government.

- **Expanding:** There are several ways a business can expand, including opening a new store locally, starting operations in a new city or country, developing new products or launching a new production line, and so on.

  Again, specific forms of financing exist for this, especially if the business can prove that it has a strong track record.

INDUSTRY SECTOR-SPECIFIC OPPORTUNITIES

The sector that a business is in can be important for funding opportunities, as there are usually targeted financing opportunities for specific industries. These can be either public or private opportunities, and will have their own requirements.

A few of these opportunities are listed in the Facilitator Training Deck.

INDUSTRY SECTOR

A grouping of businesses that are engaged in similar activities. For example, mining is an important sector of the South African economy, and it consists of businesses that mine as well as the businesses that support or supply them.

RECAP

This chapter looked at the importance of growth plans in seeking business finance, and explained the difference between fast-growing startups and steady SMMEs. We also looked at the opportunities around exporting and expanding, and industry sectors. The next chapter will wrap everything up, and explain how it all fits together.

SECTION 03

What next?

Chapter 10

Pulling it all together

Your Let's Talk Financing workshop should conclude with the participating entrepreneurs filling in the bottom strip of blocks on their Entrepreneur Financing Card. In this chapter, we'll explain how to do that, and what the next steps are.

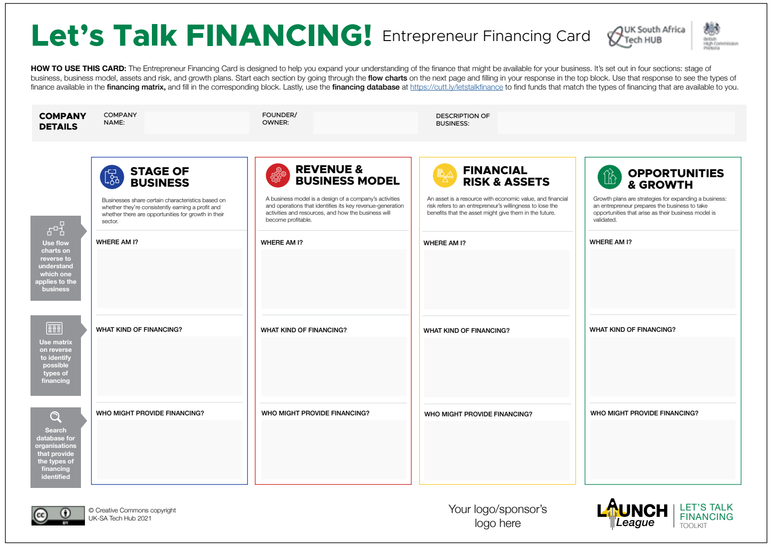
THAT LAST BLOCK

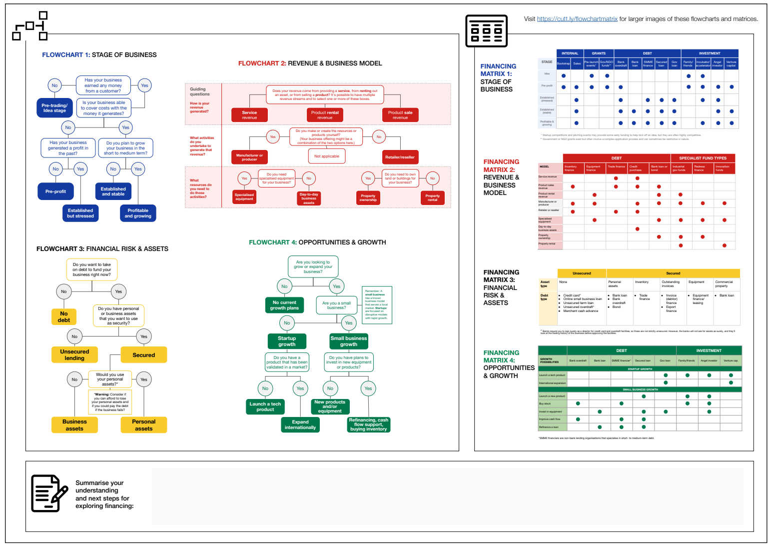
Throughout the workshop, you've been helping the participating entrepreneurs as they've filled in the various blocks on their Entrepreneur Financing Card. The bottom block in each column – Who Might Provide Financing? – is the key to it all. This is where they'll write their ideas for possible sources of financing. Encourage them to explore all their options in this regard, researching and speaking to their peers around the business hub, and considering everything they've encountered throughout the workshops.

Below that is a summary block, where participants have space to summarise their understanding of the next steps for exploring financing. This block is crucial, as it sums up what they've learned and helps them plan how they'll put those learnings into action.

When writing the summary, entrepreneurs should include the following:

- Three things they have **understood** about their business's financing readiness.
- Three types of financing they would like to **explore** further, and look towards in the future. (Using the database to identify specific options.)
- Three things they **need to do** (action items) to start preparing for applying for finance.





USING THE DATABASE

Launch League has prepared an extensive Financing Database, which provides hubs and entrepreneurs with specific examples of financing organisations, including who they are, what types of financing they provide, and how to get hold of them. Now's the time to use that tool!

Make sure all participating entrepreneurs have access to the Financing Database, and guide them as they look through it to see which organisations might be appropriate for their business financing requirements.

This database is evolving and we'd love further contributions. If we're missing any financiers you think should be added, please email us on launchleague@viridian.africa.

Visit Launch League's Financing Database:
https://airtable.com/shrFcC2B7ABfV9pwa

THE NEXT STEPS

Before they provide finance, any sensible funder will ask for a few documents to verify that the business is legitimate and to help them assess the risks of lending or investing in that business. Entrepreneurs should prepare those documents before they request financing, to avoid a mad scramble when the funder asks for them.

- **Debt funders** typically need less documentation, as their focus will be on the business's cash flow and financial position. They will typically ask for cash flow statements or bank statements or evidence of contracts.
- **Equity funders** will require different documentation based on the size and stage of investment into a business. Their assessment process is known as "due diligence", and it's usually much more comprehensive.

PAPERWORK

Examples of the pre-financing documents entrepreneurs will have to prepare include:

- registration documents
- tax clearance pin
- bank statements (dating back three to six months)
- financial statements
- business plan
- financial projections
- B-BBEE certificate
- details of directors
- industry compliance documents
- invoices to customers
- contracts or tender documents
- any additional documents required for grant applications.

MANAGING DEBT

Good news: you've secured financing! Bad news: that probably means you're now in debt.

Remind entrepreneurs about the concepts of "good debt" and "bad debt" (see **Chapter 9**), and encourage them to speak to a qualified financial adviser before they take on debt of any kind.

Good accounting software will help business owners to keep an eye on their outstanding debt and monthly payments. If times get tight, they may have to prioritise which debts they pay first (see box to the right).

If bills are due, and they simply can't be paid, entrepreneurs should talk to their creditors before the situation gets out of hand. They may be able to renegotiate terms, or even help to consolidate the debt. The key thing is to be proactive. If you leave it too late and your creditors have to start chasing you for missed payments, they're less likely to go easy on you.

DEBT	CONSEQUENCE OF NOT PAYING
Payroll	• Potential fines and penalties • Low staff morale • Reputational damage
Suppliers	• Reputational damage • Loss of goodwill
Aged payables (60 days or more)	• Impact to credit score, which will affect your ability to borrow money in future
Accounts	• Having utilities (rent, electricity, etc) cut • Impact to credit score
Secured debts	• Potential personal liability (creditors could try to take your assets)
Insurance	• Increased risk of expensive accidents – especially when it comes to professional indemnity or public liability cover

PARTING THOUGHTS

As you wrap up your Let's Talk Financing workshop, go back to the beginning and remind the participants of the major points that have come up during the workshop. Ask the entrepreneurs if they have any remaining questions or problems, and recap the highlights of your previous discussions.

These should include:

- The need to be realistic about whether the business is a startup or an SMME
- Understanding that attracting finance at an early stage is difficult, particularly without a proven business model or traction
- Understanding their risk appetite, particularly when it comes to debt financing
- Focusing on customers and sales as a way of generating finance sustainably
- Being aware of what funders and financiers are looking for and how they might need to prepare appropriately.

Finally, remind the entrepreneurs that nobody knows their business better than they do – and that means making sure that they really know their business! They need to be realistic about its growth plans and its stage of business; honest with themselves about the levels of risk they're willing to take on; and smart about who they approach for financing.

After all, the reason they've been rejected for financing in the past may just be that they've been asking in the wrong places.

RECAP

In this chapter, we closed off the Let's Talk Financing workshope by highlighting the importance of the "Who Might Provide Financing?" blocks on their Entrepreneur Financing Card. That sets up the next step for the participating entrepreneurs: determining where to go and who to ask for financing, and making sure they have all their paperwork in order when they do so. In the final chapter, we'll keep the conversation going, with a brief look at how hubs can build on the Let's Talk Financing sessions.

Keep talking financing!

Small business financing is not a one-and-done operation that gets solved in a single-weekend workshop. Use the opportunity to create a community out of your participating entrepreneurs! In this chapter, we'll look at why that community is so important and how to manage it appropriately.

FOLLOWING UP

One of the biggest challenges in any hub programme is retention. How do you extend the customer journey and keep entrepreneurs coming back and becoming advocates for your hub? The simple answer is by treating those participants as members of a community right from the start, and by communicating with them regularly with relevant information. Do that and they'll come back for more!

Building a community is good for your hub and it's even better for the participating entrepreneurs. Entrepreneurship is a lonely journey, and belonging to a community of peers who are walking the same road (and who don't necessarily see each other as competitors) can be comforting, inspiring and – if the right connections are made – very good for business!

THE CUSTOMER JOURNEY

Each participant in your hub's Let's Talk Financing workshop is a customer, and their experiences with the hub form part of their customer journey. Every interaction – from the first email to their face-to-face encounters and their messages on the WhatsApp group – is part of that journey and part of their relationship with your hub and each other.

BUILDING ON LET'S TALK FINANCING

Let's Talk Financing is designed to serve as a launch pad for further finance-related conversations around your hub. Here are a few suggestions for ways you could build on that foundation:

- create an online community of participating entrepreneurs (a WhatsApp group is an easy way to start)
- build a community out of that, inviting other interested parties to participate in forums such as Facebook groups or formal gatherings
- host financing-related events, with guest speakers (for example, a local bank's small business representative; or an entrepreneur sharing lessons from their financing journey)
- run short courses on financial management or financing strategy
- start an email newsletter on funding opportunities.

CREATING A COMMUNITY

Like all Launch League programmes, Let's Talk Financing is designed to encourage networking and community-building. It doesn't end when you switch the lights off at the end of the workshop. Speak to your participating entrepreneurs, and – with their permission of course (being sure to respect their privacy) – use their contact information to establish a digital group. This can serve as a space for staying in contact, sharing tips and updates, and generally encouraging each other in their business journeys.

Other Launch League programmes host (mostly virtual) meetups in the weeks after the programme. Our reporting has found that entrepreneurs really value these communities, and see them as a positive platform for networking and peer learning. This is especially true in remote or peri-urban areas, where entrepreneurial ecosystems aren't as developed as they are in cities and opportunities to engage with other entrepreneurs are rare.

TIP!

Choose one person from your hub to be in charge of community management and communications. They're your SPOC (single point of contact), and they'll be the name and face that the participating entrepreneurs will associate with your hub and with the Let's Talk Financing programme.

DO'S AND DON'TS OF WHATSAPP GROUPS

WhatsApp groups are quick, easy and effective forums for communicating with your participating entrepreneurs, and for sharing updates and extra resources. As the programme facilitator and your hub's single point of contact (SPOC), it's your responsibility to set up the group. Once you've created the group (with yourself as admin), be sure to establish some ground rules around the appropriate group etiquette.

These could include:

- DO use the group for sharing business content, opportunities and networking events only.
- DON'T use it to share jokes or memes (no matter how funny they are)!
- DON'T hold private chats on the group. One-on-one conversations can happen in private chats.
- DO post single messages, rather than lots of separate messages.
- DO keep office hours, and DON'T send late-night or early-morning messages.
- DON'T share big videos or attachments.
- DO share links to large files, which people can follow if they have the data.

ACCELERATOR
A business programme that supports early-stage, growth-driven companies through education, mentorship and financing.

ADMINISTRATIVE SUPPORT
Administrative support refers to assistance with day-to-day operations of the business, including administrative work, office management and clerical work.

AGENCY
An agency is a business providing a specific service or variety of services to other businesses to which there is a defined output. An agency serves as an intermediatry between clients.

ANGEL INVESTOR
An angel investor (also known as a private investor, seed investor or angel funder) is a high net-worth individual who provides financial backing for small startups or entrepreneurs, typically in exchange for ownership equity in the company.

ARTISAN
An artisan is a person who practices a trade or craft using traditional methods, producing limitied quantities of their product.

ASSET
An asset is a resource with economic value, owned or controlled by an individual or company, from which future benefit is expected to arise.

BANK
A company offering financial services to the general public and to companies.

BENEFIT
An advantage or profit gained from something.

BOOTSTRAPPING
Bootstrapping describes a situation in which an entreprenur starts a company with little resources, reinvesting resources to grow without external input.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE)
Broad-based black economic empowerment is a government policy to advance economic transformation. The B-BBEE Act provides a legislative framework with which companies must comply in order to do business in South Africa.

BUSINESS MODEL
A business model is a company's plan for making a profit. It identifies the products or services the business will sell, the target market it has identified, and the expenses it anticipates.

BUSINESS OWNER
A business owner is a person or firm who legally holds control of monetary and operational decision-making.

BUSINESS RISK
Business risk refers to the exposure of the business to threats that could prevent it from achieveing its goals, or cause the company to fail.

CAPITAL
The capital of a business is the money it has available to pay for its day-to-day operations and to fund its future growth.

CASHFLOW
Cash flow is the amount of cash or cash-equivilent moving into and out of the business.

CONSULTANT
A consultant is an individual who provides professional or expert advice in a particular field.

CONTRACT
A contract is a binding agreement between two parties creating mutual obligations enforceable by law.

CONTRACTOR
A contractor is a person or company that provides a particular service to customers - this service does not differ amongst customers.

CONTROL
A controlling interest is when a shareholder, or a group acting in kind, holds a majority of a company's voting stock, giving it significant influence over any corporate actions. Shareholders that have a controlling interest often are able to direct the course of a company and make most strategic and operational decisions.

CO-OPERATIVE
A co-operative is a business undertaken by a group of people who democratically own the busuiness, with each member having one vote in electing the board of directors.

COST OF CAPITAL
Cost of capital is the return expected by those who provide capital for the business to compensate for the risk of their investment.

CUSTOMERS
A person who buys goods or services from a shop or business.

DEBT
A sum of money that is owed or due.

DEFERRED PAYMENT
Deferred payment allows goods and services to be acquired now and paid for in the future.

DIRECTOR
The directors are the persons elected by the shareholders to direct, conduct, manage or supervise the affairs of the company.

DIVIDENDS
A dividend is a distribution of cash or stock to a class of shareholders in a company.

DONATION
A donation is a voluntary transfer of property (usually money or services) with no exchange of value.

DUE DILIGENCE
Due diligence is an investigation or audit of a potential investment or product to confirm all facts, that might include the review of financial records.

EARLY-STAGE
An early-stage company (including its products and services) is starting to be developed or has only recently been developed.

ECONOMIC DEVELOPMENT
Economic development involves programme, policies or activities that seek to improve the economic well-being and quality of life for a community.

ENTERPRISE AND SUPPLIER DEVELOPMENT (ESD FUNDS)
Enterprise and supplier development is a mechanism used by large organizations to help develop smaller businesses, usually in their industry or network. In South Africa, this is often done as part of a company's overall B-BBEE strategy and is a way of promoting economic transformation and development.

ENTREPRENEUR
An entreprenur is a person who sets up a business or businesses, taking on financial risks in order to try and make profit.

EQUITY
A degree of ownership in any asset after subtracting all debts associated with that asset, representing the shareholder's stake in the company.

EQUITY CROWDFUNDING
Equity crowdfunding is the process whereby people (i.e. the "crowd") invest in an early-stage unlisted company (a company not listed on a stock market) in exchange for shares in that company.

EXCHANGE
An exchange is to give something and receive something in return.

EXPANSION
Expansion is the phase of the business cycle where a company grows in size, output or expanding to new markets.

EXPENSES
An expense is an outflow of money from the business incurred to generate profits.

EXPORTING
Export refers to a product or service produced in one country that is sold to a customer in another country.

FINANCE SUSTAINABILITY
Sustainable finance is defined as investment decisions that take into account the environmental, social, and governance (ESG) factors of an economic activity or project.

FINANCIAL FORECAST
An estimate of future financial outcomes for a company. Financial forecasts estimate future income and expenses for a business over a period of time, generally the next year.

FINANCIAL POSITION
The statement of financial position, often called the balance sheet, is a financial statement that reports the assets, liabilities, and equity of a company on a given date.

FREELANCER
A freelancer is a person who is self-employed and provides a service to a customer with a defined output.

GROWTH (RATE)
The growth rate refers to a measurement of how fast the business increases in size during a particular period.

IN-KIND SERVICES
In-kind services refers to non-financial support mechanisms that are available to businesses, and are either donated or exchanged for other services.

INCUBATOR
A collaborative programme designed to help new startups succeed. Incubators help entrepreneurs solve some of the problems commonly associated with running a startup by providing workspace, seed funding, mentoring, and training.

INTEREST
Interest refers to the cost of borrowing money from a lender. It is calculated at either a fixed or variable rate that's expressed as a percentage of the amount you borrow, pegged to a specific time period.

INVESTMENT ROUND (OR SERIES)
Rounds of venture capital financing, by which startup companies obtain investment, generally from venture capitalists and other institutional investors.

INVESTORS
Any person who commits capital with the expectation of financial returns

INVOICE DISCOUNTING
Invoice discounting is the practice of using a company's unpaid accounts receivable as collateral for a loan, which is issued by a finance company.

LEASE
A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

LOAN
Money that is borrowed, in exchange for repayment of the principal amount, plus interest.

MANUFACTURING
Manufacturing refers to a large-scale production of goods that convert raw materials into finished products.

MARKET
A market is defined as the sum total of all the buyers and sellers in the area or region under consideration.

MULTINATIONAL
Multinational refers to an international corporation whose business activities are spread among at least two countries.

OVERDRAFT FACILITIES
An overdraft facility is a credit agreement made with a bank that allows an account holder to use or withdraw more money than what they have in their account up to the approved limit.

PASSIVE INVESTOR
A passive investor is one who does not participate in the day-to-day decisions of running a company.

PERSONAL SAVINGS
Personal savings are savings held by the owners of the business outside of the business. Personal savings are a common source of funds for a new business

PITCHING EVENTS
A pitching event involves a selected group of startups who make presentations to an audience, often with a panel of judges. Startups participate in the hope of receiving funding or other types of support.

PRE-TRADING
Pre-trading is a stage of business where the business has not yet earned any money from a customer.

PREFERENTIAL PAYMENT
Preferential payment terms are arranged with customers, particularly on big contracts, where the entrepreneur is paid quicker than what they would normally be paid.

PRIVATE EQUITY
Private equity is an alternative investment class and consists of capital that is not listed on a public exchange.

PRODUCT AS A SERVICE (PAAS)
Product as a service (PaaS) is about selling solutions and outcomes to customers instead of physical products. Most online tools can be considered to be PaaS.

PRODUCTS
A product is the item offered for sale.

PROFIT
Profit describes the financial benefit realised when revenue generated from a business activity exceeds the expenses, costs, and taxes involved in sustaining the activity in question.

PROTOTYPE
A prototype is an incomplete version of a physical or digital product, incorportating fundamental features, to be taken into user testing.

QUASI-EQUITY
Also known as revenue participation investment, is usually structured as investments where the financial return is calculated as a percentage of the investee's future revenue streams. It fills the gap between debt and equity, reflecting characteristics of both.

REDRESS FINANCING
Financing made available as a remedy for a historical wrong or grievance. This includes sums to recompense for extra costs incurred and/or sums to recognise the impact of a previous disadvantage. This form of financing is usually provided with the aim of promoting and facilitating economic participation within previously disadvantaged groups.

REFINANCE
Refinancing is the process of obtaining new finance to replace existing finance, typically with new payment terms.

REPOSSESS
Reposession refers to retaking possession of an asset when a buyer defaults on payments.

RESELLER
A reseller is a person who purchases products from manufacturers, liquidators, or other retailers and then sells them to their own customers.

RESOURCES
Resources refers to all the materials available in the business environment which are at their disposal in their pursuit of profits.

RETAILER
Retailing is the distribution process of a retailer obtaining goods or services and selling them to customers for use.

REVENUE
Revenue is income earned by an individual or a business from the sale of any products or services offered.

REVENUE MODEL
A revenue model is a component of a company's business planning that describes the way it intends to make money.

RISK APPETITE
Risk appetite is the amount of risk an organisation is willing to take on in the pursuit of its business objectives.

SALES
A sale is a transaction between two or more parties in which the buyer receives tangible or intangible goods, services, or assets in exchange for money.

SCALABILITY
Scalability describes a system's capability to adapt easily to increased workload or market demands. A scalable firm is able to benefit from economies of scale, and can quickly ramp up production.

SCALEUP
A development-stage business, specific to high-technology markets, that is looking to grow in terms of market access, revenues, and number of employees.

SECTOR
A sector is an area of the economy in which businesses share the same or related business activity, product, or service

SECURED LOAN
A secured loan is one that requires the borrower to offer the creditor an asset, as collateral until the loan has been paid off.

SEED FUNDING
Funding for research, evaluation and development of a concept or business before the business starts trading.

SERIES A
The first significant round of venture capital financing. The name refers to the class of preferred stock sold to investors in exchange for their investment.

SERVICES
A service is a transaction in which no physical goods are transferred from the seller to the buyer.

SMME
Small, medium and micro enterprises (SMMEs) refers to all businesses that maintain revenues, assets, or a number of employees below a certain threshold. "SME" (small and medium enterprises) is a globally used term and each country has its own definition guidelines across industries of what constitutes a small and medium-sized enterprise. (Refer to page 48 for the difference between "SMME" and a "startup"). "SMME" is widely used in South Africa, where "micro" refers to businesses with less than 10 employees, and includes informal, often survivalist, businesses.

SMME LOAN COMPANY
SMME financers are non-bank lending organisations that specialise in short- to medium-term debt.

SOCIAL IMPACT
Social Impact is the effect on people and communities that happens as a result of an action or inaction, an activity, project, programme or policy undertaken by a business.

STARTUP
A venture intitiated by its founders around an idea or problem with a potential for significant business opportunity and impact.

SUPPLIERS
A supplier is an entity that supplies goods and services to another organisation.

SURETY
Providing surety refers to the provision of security against the non-fulfillment of an obligation, such as the payment of a debt.

SUSTAINABLE
A sustainable business approach to creating long-term value by taking into consideration how a given organisation operates in the ecological, social and economic environment.

TECH ENABLED
Tech-enabled companies use technological tools to enhance their core businesses.

TERM SHEET
A non-binding agreement setting forth the basic terms and conditions under which an investment will be made.

TRACK RECORD
A track record of a business refers to its past performance, most likely its financial performance to date, and is used in some cases to assess the potential of a business.

UNSECURED LOAN
Unsecured loans are loans that don't require collateral, meaning the loan has no link to the assets of the business.

VENTURE CAPITAL
Seed or startup and early-stage capital. A subset of the private equity asset class which deals with predominantly equity funding of high-tech, high-growth-potential businesses, whose growth is typically achieved through radical global scaling.

WORKING CAPITAL
Working capital refers to the liquidity of a business to meet its short-term obligations, characterised by collecting payment from customers or cash needed to meet supplier payment terms.

RECAP

What's the next step? Simply let the magic happen. You've planned and run your Let's Talk Financing programme, and you've done what you can to guide your participating entrepreneurs towards an appropriate financing solution that will help them to grow their small business. Some will expand their product lines, others will open new branches or offices. Some might even set themselves up to grow from an SMME into a small corporate. Who knows? Whatever happens, you'll have learned important lessons and brought great value to your hub and its stakeholders.

Now it's time to think about your next programme!

UK South Africa Tech HUB

British High Commission Pretoria

LAUNCH League

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