

An Equitable Solution to Finance

Finding cold, hard cash for the growth of your business enterprise can prove to be something of a treasure hunt. Of course, there are a variety of places that you can look for your pot of gold but each one comes with its own advantages and disadvantages.

BY JUSTIN TONNA

One of the locally lesser known options for a business that is looking for additional financing is equity finance. Justin Tonna met with Samantha Runco, manager within the 'Business Support and Innovation' section at Malta Enterprise and EUREKA national project coordinator, to learn more about this method.

"Traditionally, a company looking to finance the growth of its operations would approach a bank for a loan. However this loan must be secured and some companies may lack the assets to provide the necessary guarantees. Another method that organisations can avail themselves of is equity finance which seeks out potential investors that provide funds for a business in which they see a potential for growth," Ing. Runco begins.

But these investors are not giving away money for free and, just like when you borrow money from a bank, there are terms and conditions attached to their participation. So what do they expect in return?

"These investors obviously want to see their capital put to good use and therefore often request some form of control in the company's decision making. After all, they are taking a degree of risk with their investment and thus wish to mitigate this risk as much as possible. Ultimately, their return is based on the company's performance," she explains.

Thus a company that takes this route for financing will be relinquishing some control over its operations. However, as investors are often experts in the field in which they invest and also possess numerous international contacts within that field, granting them access to your organisation could actually be extremely beneficial.

"Inevitably you are going to release some control over your company, although this often opens up many new doors and can provide a fresh perspective on your operations. Another factor to consider though is leaving yourself an option to buy out the investor when your company has gained strength. Your 'exit strategy' should be clear from the beginning," Ing. Runco adds.

What kind of companies are investors looking for?

"Ideally, a company should have an exportable product or service that is also innovative. We have to bear in mind that we are looking to attract foreign investors who have varied

viewpoints and who are very much looking at a global picture. They want to invest in a company that has a product which is attractive to numerous markets as this offers the best return on their investment," she replies.


The procedure for searching for and securing an investor does not sound like a quick process. How long does this take?

"This is not a lifesaving measure or a rapid injection of cash and requires patience, although the payoff is certainly worth it once it happens. It is vital to find the right investor and then begin the negotiation process. The investor needs to feel secure with the company, while the company must also feel comfortable with the investor," Ing. Runco says.

Has there been a lot of interest amongst local companies for this type of financing?

"Yes, there are a good number of companies who are willing to take up the challenge and get the ball rolling. The younger generation of business entrepreneurs are also very open to expanding their business beyond local borders and realise that the right investor can help them achieve this," she concludes.

Malta Enterprise has teamed up with InvestorNet, a Danish company that has a solid track record in matching investors and companies within other European countries. Those looking for further information on how their business might benefit from equity finance are recommended to attend a seminar on this subject that will be held on January 21.

Following this seminar, ten companies will be selected to take part in a pilot programme which will involve master classes by InvestorNet on how to attract investors. Three companies will then be given access to 30 hours of personal mentoring, which will then be followed up with an investor search. 



Samantha Runco

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