



Guidelines for Preparing Business Proposals

A comprehensive, well-prepared business proposal serves two main objectives. It demonstrates that the entrepreneur has conducted a thorough analysis of his/her industry, and his/her plans for facilitating the achievement of the goals established for the company over the short, medium and long-term. It also reduces the time to be spent by potential investors in evaluating the entrepreneur's request, by eliminating some of the questions that would be raised. The business proposal plays a key role in the decision to invest further time and energy in analysing the proposed venture to determine whether it is suitable for funding. Accordingly, business proposals should contain the following information:

1. Executive Summary

The Executive Summary is essentially a highly condensed version of the topics covered in the complete proposal. Each item under the summary should not be longer than a paragraph.

- *Type of Business*
- *Product/Service and Competition*
- *Brief Profiles (2-3 sentences) of Key Management Personnel*
- *Contact Names, Mailing and Email Addresses, Telephone/Fax Numbers and Website*
- *Type of Financing Requested*
- *Funds Requested with a breakdown of the use of the Proceeds in a tabular form*
- *Summary of Financial Performance and Expected Returns, including repayment terms / exit method for investor*

2. Company Description

- *Nature of the Business* – Synopsis of the type of business that you are involved in.
- *Business History* – Date of incorporation, date of introduction of the first product/service, most important milestones (including dates). This should be no longer than a page.
- *Future Plans* – List in chronological sequence the plan for the company, indicating critical milestones during the projected period. The objective is to state clearly how you intend to move your company from its current position to where you would like it to be in five to ten years.
- *Unique Features* – Identify what makes your company unique in its industry, e.g. management team, product or service, production process, patents. The



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important point is that there must be something that differentiates this company from all others in order to make it an attractive investment opportunity.

3. Product/Market Considerations

- *Product or Service* – Should be described precisely in this section in order to leave no doubt in the mind of the potential investor as to what you produce or plan to produce. If the company has several products or services, each should be described in a separate paragraph.
- *Customers* – Describe in detail the customers of the product or service: who uses it, what they use it for, why they buy the product or services (e.g. solely because of the price, or based on other considerations). Also detail the terms of payment for goods sold or services rendered.
- *Industry or Market* – Describe the general marketplace for your product or service: the total dollar volume, the rate of growth, the overall demand for the product or service as well as the projection for the future size of the industry. This section should discuss the economic contribution of the sector, including employment and revenue contributions where available and whether the market is local and/or export oriented.
- *Competition* – Describe all the competing products and the various companies that produce them, including where possible, their sales volumes and estimated market share. In this section identify how your product is different from those of your competitors. If you have no competition, please list the reasons for this situation, e.g. proprietary technology, patent position. If you have a reason to believe that competitors may enter the industry in the future, indicate each potential competitor and possible time of entry in the market.
- *Comprehensive Sales and Marketing Plan* – The key to a good marketing plan is having a keen sense of who your potential customers are and what would encourage them to purchase your particular products or services instead of those of the competition. It is therefore essential to understand how your products or services are positioned in the market and how to communicate to your customers. A complete description of your launch strategies and ongoing sales and marketing efforts will be required along with a marketing schedule and associated costs.
- *Pricing* – Provide information regarding the price of the product or service, including the method by which the price was determined and the amount of gross profit. Be prepared to explain, in straightforward terms, the rationale behind the pricing e.g. due to competitive forces or because the market is such that you can set your own price.
- *Promotion* – Describe the promotional strategies and activities that will be used



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- *Distribution* – Describe the method(s) / channels that will be used to get the product/service to customers.

4. Production Process and Management Systems

- *Production* – Describe all stages of the production process and factors affecting production, as well as the method by which the cost of goods sold is calculated. You should include the sources, cost and quality of the principal inputs of production. This section should also critically assess the production process (e.g. whether it is difficult or sophisticated, if there are many components or a few, indicate the value-added components, identify components critical to the production process and whether there are special considerations related to imported components).
- *Human Resources Analysis* – Describe the number and categories of employees, management’s relationship with work force, unionised or non-unionised. If the company is unionised, describe the union contract, the relationship with the union, and expiration date of the contract.
- *Suppliers* – List the top three or four companies that supply your company with items essential for operations. Include the type of products and/or services and dollar volume supplied and where the suppliers are located relative to your plant.
- *Equipment, Property and Facilities* – Describe what you currently own or intend to purchase.
- *Patents and Trademarks*

5. Legal / Regulatory Considerations

- *Litigation* – Provide details of any litigation that your company is currently involved in, whether as complainant or defendant, as well as any potential litigation.
- *Government Regulations* – Identify any special governmental policies or regulations relevant to your operations, particularly current incentive or support programmes.
- *Environmental Factors* – List all aspects of your company’s operations that impact either positively or negatively on the environment and describe the measures incorporated into the production process to mitigate any adverse environmental impact. You should provide evidence that the company is in compliance with regulations prescribed by specific environmental authorities and confirmation of all licences and permits needed. An Environmental Impact Assessment will be required if applicable.
- *Conflicts of Interest*



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- *Insurance* – Identify any specific insurance policies that must be purchased.
- *Taxes* – Identify those taxes that the business will incur.

6. Organisation and Management

- *Organisational Structure*
- *List Directors and Officers*
- *Key Employees* – Provide curriculum vitae or biographies, including background and work experience, of the key three or four employees.
- *Remuneration* – List the names of the key employees, directors or officers, the capacity in which they are or will be serving, the salary or remuneration that they have received or will receive.
- *Principal Shareholders*
- *Employment Agreements* (if applicable)
- *Conflicts of Interest*
- *Accountants, Consultants, Lawyers, Bankers* – List names, addresses, telephone numbers and any other relevant information.

7. Financial Analysis

- *Use of the Proceeds* – Provide a detailed breakdown of all the intended uses for the funds being requested, including contingencies.
- *Risk Factors* – Describe the major drawback(s) to investing in your company, e.g. limited operating history, limited resources, limited management expertise, market or production uncertainties, dependence on key management. Identify key actions to manage these factors.
- *Return on investment and preferred exit strategy* – Identify the expected return on a given investment in your company, as well as your preferred method of exit by the investment company after 7 to 10 years.
- *Financial Structure* – Indicate proposed financial structure for the company, including a breakdown of the shareholders' equity, external equity and debt.
- *Desired Loan Terms* – In the case of loan funding, specify desired loan terms and conditions: loan tenure, interest rate, required moratorium on principal payments (including the rationale for these requested terms).
- *Security Analysis* – This section should indicate the type of security (e.g. unencumbered land, property and/or equipment that you own or intend to purchase, assignment of assets, personal guarantees) that you are offering to cover the amount of the loan requested. A third party valuation of the security



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would be required, which demonstrates that the forced sale value of the security is, at a minimum, the amount of the requested facility.

- *Financial Statements* – Provide copies of audited balance sheet, income statement, and cash flow statement for the past three years, or the length of time that you have been in operation if less than three years.
- *Financial Projections* – Provide annual financial projections, inclusive of balance sheet, income statement, and cash flow statement for at least the next five years, including a detailed monthly cash flow statement for the next twelve months.

8. Illustrative Information – This may include pictures of the product and company brochures.

9. Corporate Documentation – Include incorporation and/or business name registration documents, company by-laws and resolutions, existing shareholders' agreements.

10. Investment Considerations

Attractive investment opportunities will have many of the following attributes:

- A realistic business plan which fully describes the investment opportunity and growth potential in terms of revenues, earnings, assets and cash flow, with clearly identified projected returns to the investors.
- Principals with a financial stake in their own enterprise and who seek to raise expansion capital thus permitting equity ownership by external investors.
- Products or services with a sustainable and defensible competitive advantage.
- Evidence of demand for the company's technology, products or services – expressions of interest from potential customers or existing contracts would be beneficial.
- A national, regional or global marketing niche strategy for the core business that would ideally include strategic alliances.
- Management with a market driven orientation supported by a highly motivated and competitive workforce.
- The opportunity for investors to be represented on the Board of Directors and to add value by serving as a resource to operating management on strategic and financial matters.
- The opportunity for investors to exit the transaction within a seven to ten year timeframe.