

FINANCING YOUR BUSINESS – COVID-19 EDITION



SRJWW

Growing Business Growing People

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Sources of Funding

- **Internal (Related) Investors**
- **External (Arms' Length) Investors**
- **Financial Institutions**
- **Government**
- **Angel Investors**
- **Crowd Funding**
- **Equity Crowd Funding**
- **ESIC Investment**
- **Venture Capital**
- **COVID-19 Specific Stimulus**

Why Would Someone Fund My Business?

To get a return on investment. The return may be:

- Financial
 - Interest
 - Dividends
 - Capital growth
- Non-financial
 - Product-based
 - Technology advances
 - Jobs and economic growth

Why Wouldn't Someone Fund My Business?

Because of perceived risk being:

- Direct
 - No income return
 - Loss of capital
 - Inability to deliver on forecast outcomes
 - No exit strategy
- Indirect
 - Opportunity cost

ALL funders compare potential ROI v Risk

Step 1: Why get finance?

- NOW
 - Consider key challenges
 - Opportunities
- WHERE
 - Consider Scenario Plans (mild, medium & worst case)
 - Do you need assistance?
 - How much do you need and when?
- HOW WILL YOU GET IT??????



Step 2: Sources of Funding

Internal (Related) Investors

- Owners
- Management
- Employees
- Cash flow

External Investors

- Shareholders (Arms' Length) including Private Equity
- Supply Chain Partnerships, JV's etc

Step 2: Sources of Funding

Government

- Grants (all 3 tiers)
- Incentives (including R&D tax)
- Equity (QIC etc)

Financial Institutions

- Banks
- Non-bank, specialist lenders

Step 2: Sources of Funding (Start-up and Growth)

Angel Investors

- Affluent individuals investing in early stage enterprises (\$25k+)
- Usually request equity or convertible debt (if can't pay back debt by due date, converts to equity)
- "Pitch"

Crowd Funding

- Online platforms such as Pozible and Go Fund Me
- Need "buy in" from your crowd – connect to people
- Cash contributions – ROI varies from goodwill to early-release products

Equity Crowd Funding

- Corporations Amendment (Crowd Sourced Funding) Act 2017
- Unlisted public & Pty Ltd companies <\$25mill in assets and revenue
- Ability to raise up to \$5mill per year
- Up to \$10k per investor per year
- <https://equitise.com/invest>

Step 2: Sources of Funding (Start-up and Growth)

ESIC Investment

- Early stage innovation companies
- Tax incentives for investors
- Criteria apply (expenses <\$1mill, assessable income <\$200k) + Innovation Test
- See <https://esichub.com/>

Venture Capital

- Firms that invest other entities' money in early stage enterprises (\$50k+)
- Usually request equity or convertible debt
- “Pitch” events

Step 2: Sources of Funding (Covid-19 Stimulus)

Federal Measures

- Instant asset write-off and other asset measures
- Cash Boost on BAS (automatic)
- JobKeeper scheme
- Apprentice wage subsidies

ATO/OSR Support

- Deferred payment arrangements up to 6 months
- QLD Payroll tax payments deferred until 3 August 2020 and 2 x month payroll tax refunds
- Land tax assistance
- Instalment variations
- Interest/Penalty remittances

Step 2: Sources of Funding (Covid-19 Stimulus)

Qld State Government Loan Support

- Low interest loan facility up to 50% of eligible entity's "annual wage expense" up to \$250,000
- Now CLOSED

Qld Small Business Adaption Grants

- \$10,000 for Covid-19 affected businesses
- No co-contribution

Federal Government SME Guarantee Scheme

- Guarantees 50% to SME lenders for unsecured loans up to \$250,000
- 3 years with initial six month repayment holiday
- There are still credit processes to be satisfied, not auto-lending
- Discuss with your financial institution

Step 3: Prepare and Plan for Success

1. Know your need – good forecasting essential
2. Know and address your risks
3. Understand the ROI offered
4. Lock in your required contribution
5. Present professionally
6. **KNOW THE DEADLINES**
 - i. Stimulus timetables
 - ii. Application deadlines
 - iii. The biggest deadline is your cash exhaustion date

Step 3: Prepare and Plan for Success

BEWARE!

- Application processes AND documentation requirements becoming more onerous
- Tight timeframes (grants/stimulus) and extended approval processes (financial institutions and credit)
- Government moves goal posts quickly based on perceived economic need and benefit
- Many grant programs are on hold due to budget uncertainties

Coronavirus Stimulus Packages

- Where else you can go for help?

<https://www.srjww.com.au/resources/covid19/>

<https://treasury.gov.au/coronavirus>

<https://www.ato.gov.au/General/JobKeeper-Payment/>