Elevating **people.**
Elevating **business.**
Elevating **society.**

The secrets to successful business funding

A guide by Business Services and Outsourcing (BSO)

Together for success

Expert business solutions advice to elevate your success.

Business Services & Outsourcing (BSO) is part of BDO South Africa, an international full-service accountancy firm whose focus is on elevating business for our clients.

Learn in this e-book:

- About funding options, inherent complexities and nuances
- How to develop your own strategic process that identifies the best funder-fit for your business
- How to make your funding application stand out
- The art of crafting compelling funding applications that resonate with investors
- How to manage the due diligence process, negotiate and conclude favourable terms.

Featuring expert insights from Pat Mokgatle, Head of entrepreneurial business at BSO.

Together for success

Disclaimer:
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Introduction:

Funding: The fuel for growth

Growth and scaling of a business is seldom achieved with organic revenue alone. At various stages, most businesses will look to external funding to inject the capital required for strategic initiatives such as market penetration and product development or simply to manage increased working capital to expand operations.

In this e-book, Pat Mokgatle, partner and head of entrepreneurial business at Business Services and Outsourcing (BSO), unpacks a strategic approach to optimise funding applications for business growth. He explores funding options and their inherent complexities, recommends the process to identify the best funder fit, and discusses how to manage the process to achieve successful outcomes.

“Securing funding for a business project represents one of the most critical milestones in an entrepreneur’s journey. Businesses who have already been down this path realise that a successful funding application is seldom straightforward and can lead to rejection.”

And it’s important to get it right, as there’s usually not a second chance. It's a complex landscape with diverse options, varying requirements and compliance obligations. Funder suitability is not always clear-cut as it depends on the stage of the business, its strategy, its readiness for funding and ability to demonstrate financial health and return on investment (ROI).”

It is also ultimately dependent on the funder’s interest and appetite for the investment offered.

“As you unpack the funder landscape it resembles a maze. With each path offering different terms, expectations, and implications for your business’s future. From traditional bank loans and corporate equity players, to venture capital, angel investors or crowdfunding platforms, the options are as diverse as they are complex.”

So, what is the right approach? How do you get to the best option for your business?

“Securing funding isn't just about convincing someone to part with their money. It's a nuanced process that demands a deep understanding of your business, where it is and where you want to get to within the broader economic environment. Once you’ve analysed and defined all this, you can go about assessing and understanding the potential investor or lender offerings, as well as, most importantly, their needs, objectives, and business dynamics. The last step is to consider how you target and package your application so that it differentiates your business, lands in the right place, is realistic and understandable, and maps to the funder’s profile and typical expectations.”

Stage 1:

Understanding the funder landscape

In the sections below you will read key insights:

- First look at what funders need. This will help you to understand general funder profiles and respective needs
- Then look at funding options - the types and dynamics of funding options on offer, with pro's and con's as they relate to your business needs
- Finally utilise this information to customise your bespoke funding application and manage your role in the process.

“When you know who you are talking to, what they have to offer and what they want to achieve, then you can decide how to approach them.

We use this approach to construct a typical funding application for individual clients at BSO."

What funders need

- Appetite
- Risk
- Eligibility
- Application alignment
- End game compatibility

Appetite

Funders inherently have less information and usually a lot less interest in your business than you do. Overcoming this information gap requires transparency, robust data, and a compelling and creative narrative (pitch deck) that quickly builds interest and goes on to secure trust and confidence.

Risk

Risk vs return.
Funders want to be convinced that their capital will be deployed effectively and generate a return, whether financial or strategic. This requires building and demonstrating a viable business model supported by credible, accurate financial data and reports, a strong and capable management team, and a clear, believable path to profitability and sustainable growth.

Eligibility

Criteria and pre-requisites vary according to the funder profile (public or private; group or individual; big or small; formal or informal). Most will include due diligence processes. Some examine legal frameworks with mandatory ongoing compliance obligations. Others may focus more on repayments and interest collection. Understanding these nuances is crucial when targeting the right funder and resources to avoid wasting time, losing credibility and potential funder appetite.

Application alignment

Your application vs their offering.
Your comprehensive business plan must map to the nature and structure of their business model, and the usual terms of their investment. Banks demand security and collateral; venture capitalists seek scalable models that can forecast significant growth potential; alternative (more informal) lenders might offer faster access to capital, but at premium interest rates. This complexity is further amplified when seeking bespoke solutions tailored to unique business models or innovative concepts that don't fit conventional funding parameters.

End game compatibility

Are funders' objectives compatible with your business objectives and capability to pay? Where a loan + interest is to be re-paid out of cash-flow, do your forecasts and projections give confidence that you can meet the terms and conditions without default or compromises? For an equity-based funding model, the required capital usually comes at the cost of diluting ownership, and even loss of control for the original founders. Balancing the need for capital against the terms and impacts of the investment is a critical consideration.

BSO supports businesses to meet funder needs.

"BSO supports businesses to meet funder needs."

Funding options – pros and cons

- Bootstrapping
- Debt finance (loans)
- Angel investors
- Grants and subsidies
- Venture capital (VC)
- Private equity (PE)
- Crowdfunding

Bootstrapping

Self-funding growth by reinvesting profits, requires strong financial discipline and carefully managed cash flow:

- **Benefits:** Maintain full ownership and control, minimise compliance, avoid debt
- **Limitations:** Limited growth speed, potential missed opportunities.

Debt finance (loans)

Borrowing fixed sums to be repaid with interest over a specified period. Requires a solid business plan that demonstrates repayment ability, strong credit history and/or collateral guarantees (personal or business):

- **Benefits:** Retain ownership, tax-deductible interest, flexible loan periods
- **Limitations:** Failure to comply with repayment terms and conditions can lead to penalties or even foreclosure. Creates debt obligations, can strain cash flow, extent of (or onerous) collateral guarantees.

Angel investors

High-net-worth individuals who invest personal capital as early-stage funding in exchange for equity. Investors usually require a thorough due diligence that shows a compelling business idea with high growth potential, a strong management team, and forecasts a clear exit strategy:

- **Benefits:** Early-stage capital, mentorship and access to networks. Investor ROI may support an acquisition or IPO
- **Limitations:** Board representation or advisory roles dilute ownership and may influence strategic decisions.

Grants and subsidies

Funds from government agencies, non-profit organisations, or foundations, often targeted at specific industries, research areas, or social impact initiatives. Can work where a business is aligned or associated with funder core objectives, and is able to report on the use of funds and achieved outcomes without losing focus:

- **Benefits:** Non-repayable, non-dilutive, can provide significant capital
- **Limitations:** Highly competitive, complex applications, often restricted to sectors; highly specific eligibility criteria.

Venture capital (VC)

Via investment firms who pool capital from institutional investors and high-net-worth individuals. Seek high growth, early/growth stage companies. VC in exchange for significant equity. VC's look for a scalable business model with potential for market disruption, a strong management team with a proven track record, a clearly defined path to a large exit. Expect a rigorous pre-funding due diligence and onerous reporting post-funding on financial performance metrics and strategic milestones:

- **Benefits:** Provides substantial capital for rapid scaling, access to experienced investors and networks
- **Limitations:** Dilution of ownership (typically significant equity) and often requires board control. High pressure for rapid growth and exit.

Private equity (PE)

Investment firms looking for more mature, established companies, often with the goal of restructuring, improving efficiency, or facilitating mergers or acquisitions (M&A). Requires a proven business model, established revenue streams, and forecast value created by operational improvements or strategic initiatives. PE firms conduct extensive due diligence and often take majority control. Expect rigorous compliance to new improvement plans, financial reporting and alignment with the PE firm's investment and corporate strategy:

- **Benefits:** Provides capital for significant growth, corporate and operational expertise, enhances credibility and potential for increased valuation
- **Limitations:** Loss of control, high pressure to meet performance targets, changes in company culture and operations.

Crowdfunding

Raising small amounts of capital from many individuals, typically through an online platform. Various types – donation, reward, debt or equity-based. Requires a compelling story or product, creative and effective marketing and communication to attract a large audience, and a clever reward or share in exchange for investment. Compliance can be onerous (e.g. promised rewards, regular updates to investors, adhering to securities regulations for equity-based models):

- **Benefits:** Access to a large pool of potential investors, can generate early customer engagement and validation
- **Limitations:** Time-consuming and requires a creative marketing effort. Equity models involve regulatory compliance (jurisdiction dependent) and potentially large numbers of small shareholders.

Prepare for and manage your role in the process

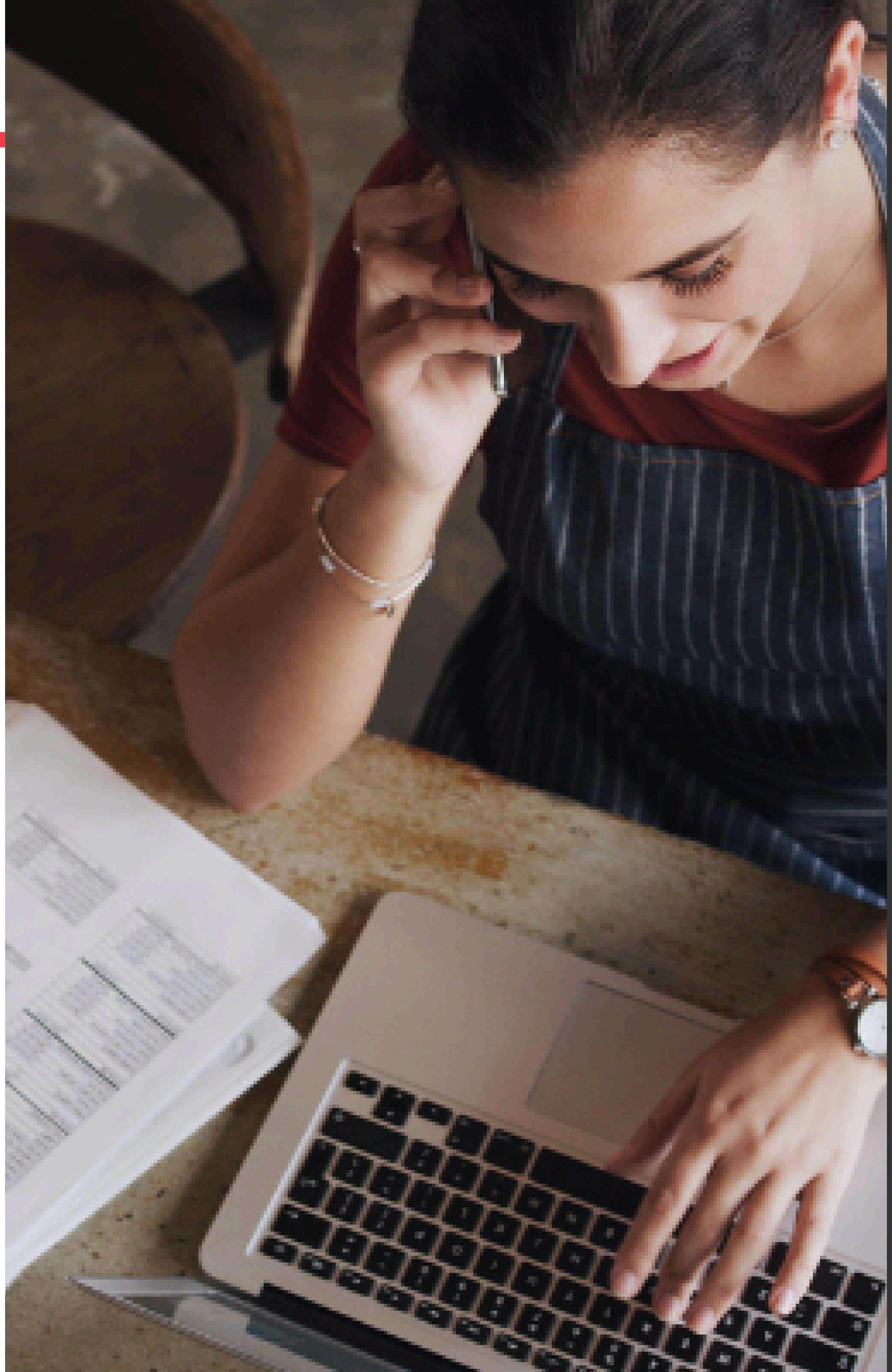
- Complete documentation and financials
- Craft a compelling narrative in investor-friendly terms
- Consider your timing
- Work with experts

Complete documentation and financials.

Prepare a compelling narrative that simply and concisely articulates a complex business idea or model.
Write it in investor-friendly terms. Use simple language and benefits that focus on and appeal to their needs (not yours).

Consider your timing.
Approaching funders too early might result in rejection, while waiting too long could mean missing critical market opportunities.

Work with experts.
This delicate balance requires financial acumen, strategic insight, and expert guidance - elements that transform the funding process from a mere transaction into a strategic cornerstone. A superior plan for sustainable business growth.



Stage 2:

Compile and submit a successful funding application

Funding: A strategic approach, not just a transaction

Businesses often struggle to secure funding because they approach it as a simple loan application rather than a financial decision that has resulted from a strategic process.

Pat organises the learnings from stage 1 and shares the methodology to compile a successful funding application.

“Having completed the preparation stage, let’s now discuss how we utilise the information to construct a typical approach for an individual BSO client.”

“Funding is not just about receiving money; it’s about demonstrating your company’s need for funding, its ability to repay and proving how you will utilise the investment to grow beyond the value of the investment alone.

Entrepreneurs need to understand that funders are running a business too. They are looking for returns and want to minimise risk.

The real question is: Can you pay it back? Either over time with interest, or with appreciation of the value developed in your business. Here's an overview of the project work we do, sharing the load between us and the client teams. Then, using our networks to land the application in the right place and help raise significant business finance.”

Deep dive into the business strategy:

1. Define growth objectives
2. Analyse and define funding needs
3. Assess strategic fit

Define growth objectives

Clearly articulate short-term and long-term growth goals. What specific milestones will be achieved with the funding (e.g. market expansion, new product launch, increased production capacity)?

Analyse and define funding needs

Quantify the funding required to achieve these objectives. Break down the costs required for each growth initiative. Don't ask for too little (which may hinder plans) or too much (which can raise red flags).

Assess strategic fit

Determine which funding options ali.gn best with your strategic goals, risk tolerance, and desired level of control. For instance, if rapid, large-scale expansion is the priority, venture capital might be considered, despite the dilution of ownership. If maintaining full control is paramount, bootstrapping or debt financing might be more suitable, albeit potentially slower.

Get the timing right:

What is the stage and anticipated future for the business? Define these needs to identify and target the funding source and tailor your application.

- Seed stage
- Early growth stage
- Scaling stage
- Mature stage

Seed stage

Typically requires smaller amounts of funding for initial product development, market research, or building a minimum viable product. (Consider bootstrapping, angel investors, early-stage investors, and early-stage grants).

Early growth stage

Focus shifts to product refinement, initial market penetration, and building the customer base. (Consider angel investors, seed-stage VCs, and potentially debt financing).

Scaling stage

Requires significant capital for rapid expansion, scaling operations, and building brand awareness. (Consider venture capital, growth equity, and larger debt facilities).

Mature stage

Acquisitions, further market expansion, or preparing for an exit. (Consider private equity, late-stage venture capital, and debt financing).

Utilise financial tools to model scenarios and demonstrate success

- Robust financial projections
- Clear and concise financial statements
- Key performance indicators (KPI's)
- Valuation analysis
- Data management

Robust financial projections

Develop detailed financial forecasts that show revenue potential, cost structure, and profitability. Use sound assumptions and clearly articulate the expected return on investment for potential funders.

Clear and concise financial statements

Maintain accurate and up-to-date financial records, including income statements, balance sheets, and cash flow statements. Demonstrate that the business is prioritising financial performance and ready for due diligence.

Key performance indicators (KPI's)

Identify and track relevant KPI's to demonstrate the health and growth potential in critical areas of your business (e.g. customer acquisition cost, churn rate, revenue per customer, gross margin). Reporting on KPI's shows investors that your focus is right and enhances the credibility of your funding application.

Valuation analysis

Understand and be ready to discuss the current and future value of the business based on industry benchmarks, comparable transactions, and financial projections. This will be crucial when negotiating equity-based funding.

Data management

Store, organise and prepare data to enable real-time access to all relevant business and financial documents. This demonstrates professionalism and facilitates a smoother due diligence process.

Craft a compelling funding application (pitch deck):

Remember to be brief and use simple, easy to understand language or infographics. It's not only about your great product or idea, it's about proving your ability to generate returns on the investment.

- Executive summary
- Company description
- Management team
- Market analysis
- Problem & solution
- Funding request and use of funds
- Business model
- Financial projections
- Exit strategy

Executive summary

Concise overview of business, funding request, and expected return.

Company description

Brief business history, mission, and values.

Management team

Highlight the experience, expertise, and track record of your leadership team.

Market analysis

Demonstrate a thorough understanding of the target market, its size, trends, and competitive landscape.

Problem & solution

Describe the market problem you are solving and how your product or service solution differentiates. How it standsout against competitors.

Funding request and use of funds

What are the growth objectives? What amount of funding is needed and how it will be used to achieve these growth objectives?

Business model

Explain how your business generates revenue and achieves profitability.

Financial projections

Detailed forecasts with underlying assumptions.

Exit strategy

What are the short/medium/long-term plans for the business and team. What ways are open for investors to realise a return on their investment (e.g. acquisition, IPO).

Be ready for due diligence and negotiation

- Prepare for scrutiny
- Understand term sheets
- Negotiate strategically

Prepare for scrutiny

Funders will conduct thorough due diligence. Examining the business from top to bottom. They will ask tough questions and require supporting documentation.

Understand term sheets

Carefully review and understand the terms and conditions of any funding offer. Seek legal and financial advice to ensure the terms are fair and aligned with your long-term interests.

Negotiate strategically

Be prepared to negotiate on key terms, such as valuation, equity stakes, interest rates, and covenants. Understand your leverage and be willing to walk away if the terms do not fit with your strategy.

Summary:

Securing funding for business growth is a marathon, not a sprint. It requires meticulous planning, a deep understanding of the available options and their complexities, and a compelling narrative backed by solid financial data.

By strategically analysing your business needs, understanding the nuances of different funding sources, leveraging financial tools effectively, and approaching the application process with diligence and transparency, entrepreneurs can significantly increase their chances of navigating the labyrinth of funding and fuelling their ambitions for sustainable growth.

The journey may be complex, but with the right preparation and approach, the necessary capital to scale your vision can be within reach.

BSO funding and financial advisory

Unlocking and supporting growth for your business

The ambition to scale a business is a powerful engine driving innovation, economic progress and success. BSO provides funding guidance and support applications across various industries, including fintech, mining, private enterprises, and family-owned businesses. Whether a company is in the early stages of growth or seeking to expand, BSO helps navigate the complexities of various funding phases - from startup capital to large-scale financing. With ongoing financial advice and support to manage the multifaceted challenge of funding for growth.

The BSO funding offering

BSO's approach is funder agnostic offering creative funding solutions. Clients' funding needs are mapped against the broad solutions offered in the market, so that it's not a one-size-fits-all model. In this way BSO delivers flexible and scalable solutions, tailored to the unique needs of each business.

Pat and his teams at BSO emphasise the importance of adaptability when choosing the right funder.

"While the principles and broad approach remain the same, businesses are different. At Business Services and Outsourcing (BSO) we offer a creative approach to securing funding. We work together with clients and their teams, consider all the options to construct and deploy an optimal funding strategy. Then support the application process and management after the investment.

So, with all the permutations on offer, we need to work through the process, fill in the gaps, then support the individual BSO client with either a conventional or bespoke funding application."

“We are not just bookkeepers or accountants,” says Pat, “We are financial experts and advisors. As we work in day to day support on accounts, reports and compliance we provide businesses with accurate, real-time data compiled into management accounts, with expert financial advice that enables them to confidently make informed management decisions.”

“Then, at the right time, we work with client teams to assemble the data, select and approach the right funder, then support an application that satisfies funder requirements. It’s about equipping them with the right data and insights to secure funding, scale operations, and sustain long-term growth.”

“We are not just bookkeepers or accountants, we are financial experts and advisors.”

Risk and governance (post investment)

Beyond the initial challenge of selecting and securing the appropriate funding source, lies a web of potential complexities. Regulatory requirements vary dramatically across different industries and funding types - from compliance with securities laws for equity offerings, satisfying banking regulations for traditional loans, to managing tax and other obligations. These requirements aren't static; they evolve with economic conditions and policy changes, necessitating ongoing vigilance and adaptability.

The funding ecosystem also encompasses diverse stakeholders whose interests must be managed and aligned for successful outcomes. From initial investors seeking returns, to employees depending on company growth. From customers expecting consistent service, to communities impacted by business operations. Each stakeholder group brings distinct expectations that must be considered in funding strategies. Effective engagement of these stakeholders isn't merely a box-checking exercise, it's a fundamental component of sustainable funding structures.

Furthermore, the global nature of today's business environment introduces cross-border considerations in funding arrangements - currency fluctuations, international regulations, and diverse market conditions all impact funding viability and terms. These elements create a multidimensional puzzle that requires expert navigation and strategic foresight. Precisely the kind of guidance that transforms the funding journey from an obstacle course into a pathway to business success.

The power of financial advisory

More than the numbers

Beyond funding applications, financial advisory plays a critical role in business success. Pat voices his concern for businesses that fail, not because they lack funding, but because they lack effective strategic financial management to optimise funding impact. “There are many permutations and considerations to get to the right solution. We don’t just give you numbers; we interpret them. Our expertise allows us to use accurate, real-time data to provide scenario planning, forecasting, and insights that drive smart decision-making.”

BSO utilises advanced tools to analyse business objectives, ensuring that financial planning aligns with long-term growth strategies. By assessing liquidity, solvency, and cash flow, they help businesses determine whether they are funding-ready and identify any necessary adjustments to secure investment. “If you’re not funding-ready, you risk losing your only chance to impress a potential investor. We coach and guide businesses through this process, ensuring they are well-prepared before they approach funders.”

Why coaching and advisory matter in risk management

Risk is an inevitable part of business, especially when it comes to funding. One of BSO's key differentiators is its coaching and advisory services, which help businesses understand and mitigate risks before approaching funders.

Pat explains:
"You wouldn't buy a car without insurance - so why approach funding without a risk strategy? Funders assess your creditworthiness, cash flow consistency, and market risks. We ensure businesses are not only aware of these factors but also have strategies in place to manage them effectively."

By helping businesses model future growth, analyse market trends, and develop risk strategies, BSO enables them to make stronger cases for funding and long-term sustainability.

A smarter way to scale

Entrepreneurs often view funding as the key to success, but without the right financial strategy, risk management, and expert guidance, securing capital can become a roadblock instead of an enabler. With BSO's expert advisory services, funding guidance, and strategic financial management tools, businesses gain more than just capital - they gain a long-term partner in financial success. "The goal is not just to get funding, but to use it effectively. At BSO, we help businesses not only secure the capital they need but also build the financial infrastructure that ensures they thrive in the long run."

If you're looking to scale your business with the right financial strategy, BSO is the partner that helps you unlock growth, mitigate risk, and confidently navigate the funding landscape.

Mphahlela (Pat) Mokgatle
Head of entrepreneurial business – BSO

Business Services and Outsourcing. Together for success.

Chat to us at BSO, we'll help you navigate the process and find the right funding fit for your goals.

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