

Fuelling growth: how the British Business Bank supports smaller businesses to access finance

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Fuelling growth: what we'll cover today



**Introduction to
the British
Business Bank
and how we
support smaller
businesses**



**Types of
business
finance: debt
and equity**



**Investor and
lender mindsets
and preparing
to apply for
external finance**



**Further help,
resources and
signposting**

Our mission

Drive sustainable growth and prosperity across the UK, and to enable the transition to a net zero economy, by improving access to finance for smaller businesses



Who we are

The British Business Bank is 100% Government owned, but independently managed.

We bring expertise and capital to the smaller business finance markets.



We don't generally lend or invest directly.

We work alongside over **200** delivery partners such as banks, leasing companies, venture capital funds and web-based platforms.



Businesses access capital through our partners who can then lend and invest more, especially to younger and faster growing companies.

Operating indirectly gives greater scale, reach and impact to our interventions.

Our strategic objectives

Driving sustainable growth

ensuring smaller businesses can access the right type of finance they need to start, survive and grow



Backing innovation

ensuring innovative businesses can access the right capital to start and scale



Unlocking potential

unlocking growth by ensuring entrepreneurs can access the finance they need regardless of where and who they are



Building the modern, green economy

financing groundbreaking solutions to climate change and helping smaller businesses transition to net zero so they thrive in a green future



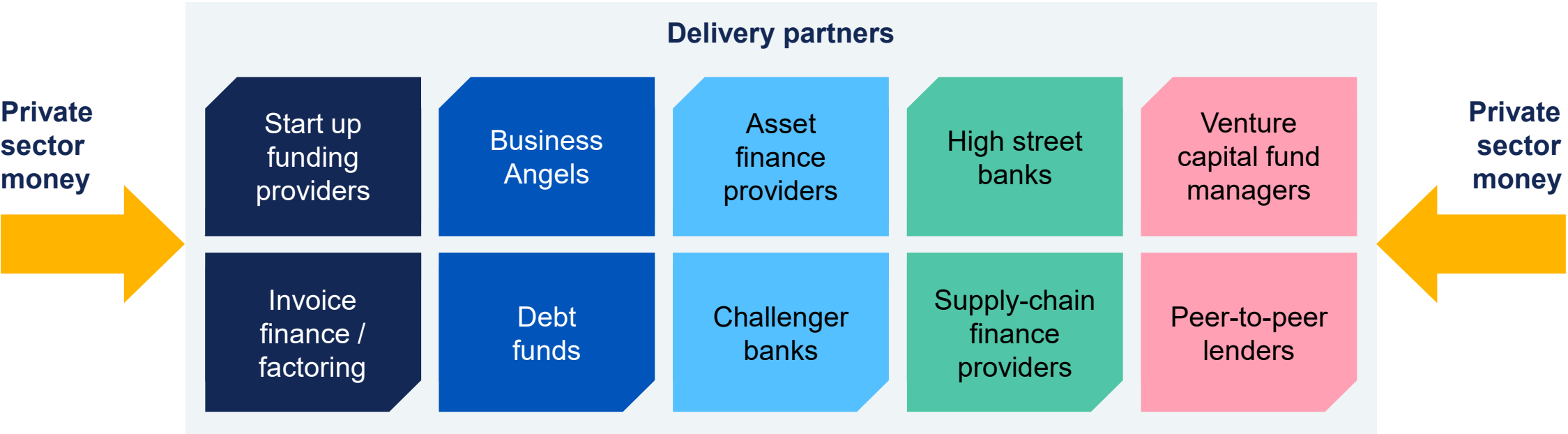
How we operate



Expertise
Designing solutions to make
finance markets work better
for small businesses



Money
Over £17.4bn of finance
supported by core Bank
programmes



Who we work with



1. Introduction to business finance

Finance Options

Business Grants



Debt Finance



Equity Finance



Road to investment

- Reason you are looking for finance
- Amount of funding
- Type of funding (grant, debt, equity)
- Timing (future funding required?)
- What makes your business special? What makes it sustainable?
- Do you understand your market? How does your business fit into the competitive landscape?
- Are your financials realistic?
- Company structure?
- Are you missing any key skills in your management team?

2. Types of business debt finance

Debt Finance

Products

- Term loans
- Commercial mortgages
- Asset financing
- Overdrafts, lines of credit
- Invoice finance, factoring
- Leasing / Hire Purchase



Characteristics

- Repayments, time period
- Retain ownership
- Interest rate (fixed / variable)
- Secured / unsecured
- Personal guarantee possible
- Fixed end date / revolving

Start-Up Loans

Unsecured personal loans of £500 to £25,000, available to individuals looking to set up or grow a new business but who may be unable to gain support from traditional bank sources.

Advantages

- Up to three years trading
- Variety of delivery partners including BBB directly
- Mentoring support is available
- No assets or personal guarantees taken in support
- Range of repayment periods available
- Tailored set of business learning courses from the Open University

Disadvantages

- Some lenders may look for a minimum trading history
- A formal business plan is required and will be vetted
- Successful credit check is needed
- Personal survival budget will be required



Overdraft

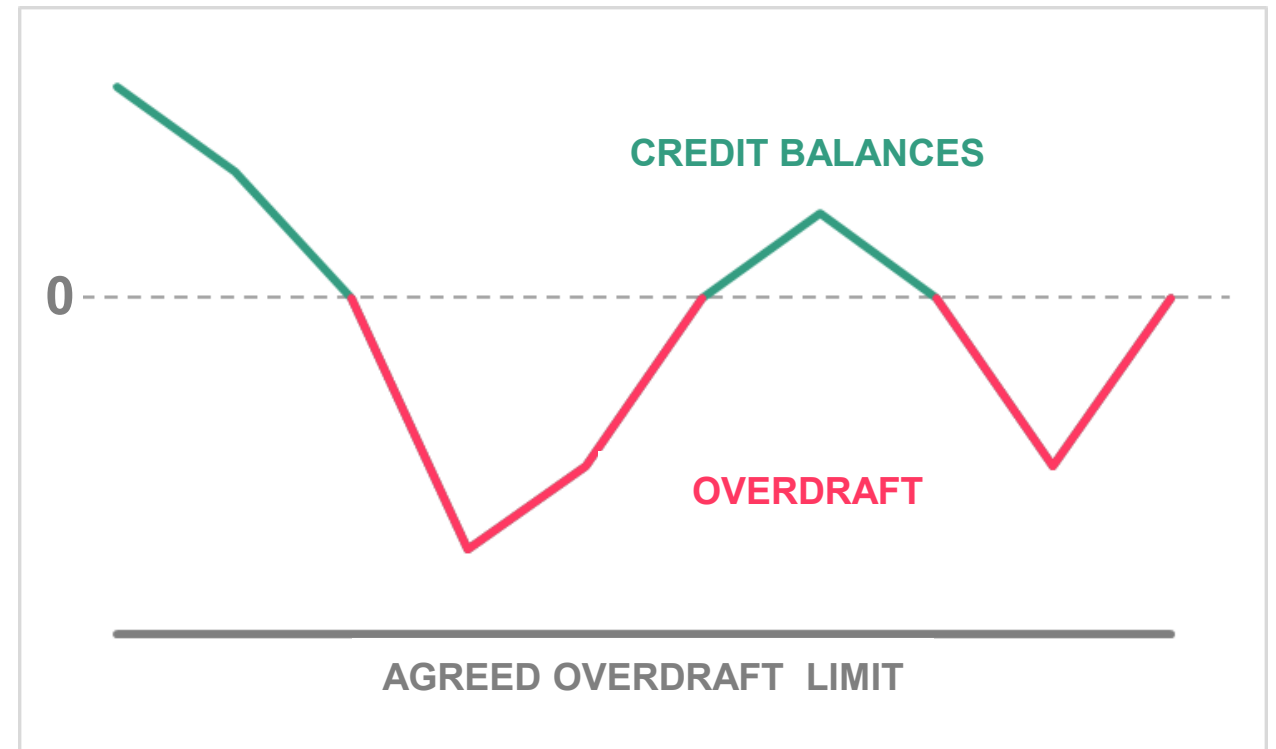
An arrangement with a bank where a borrowing limit is agreed on the main current account

Advantages

- Flexible – eg seasonal variations
- Interest is only paid when in debit
- No repayment fees

Disadvantages

- Maximum term is 12 months
- Repayable on demand
- Subject to annual arrangement fee
- Interest rates are generally variable
- Security may be required



Term Loan / Business Mortgage

Term Loan: Medium to long-term loans (1 Year +). Enables businesses to purchase items adding longer-term value

Business mortgages: to purchase premises specifically

Advantages

- Enables longer-term business investment
- Interest rates may be cheaper than shorter-term facilities
- Payments generally lower than shorter-term facilities

Disadvantages

- Lender commitment is over a substantial time period
- More interest will be paid over longer terms
- Secured against substantial assets



Asset-Based Lending

Asset-Based Lending covers options which utilise the assets of a business as collateral. Approval depends primarily on the value of the assets rather than the credit standing of the borrower.

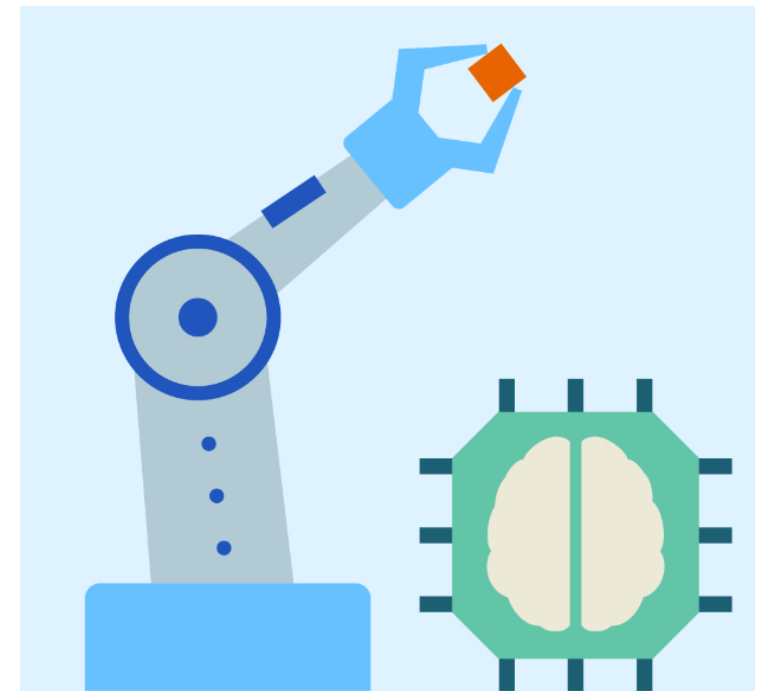
Assets can be *physical* or *non-physical*

Advantages

- Assists with larger asset purchases
- Smooths out cashflow pending payment for products/services
- Can help to build a good credit track record

Disadvantages

- Default may lead to loss of key assets
- Lenders will value assets lower than actual cost



Invoice Finance and Factoring

Invoice Finance gives access to the value of sales invoices that have been issued to customers but have not yet been paid. The lender grants a *percentage* of invoice values.

Advantages

- Improves cashflow
- No risk to other business assets
- Keeps pace with growth

Disadvantages

- Lenders credit policy could be more restrictive based on risk appetite
- Likely that there would be no separate bank overdraft facility available



Other types of debt finance

Peer to Peer (P2P) lending

- Loans from individuals, other institutions and a number of lenders through a platform
- Various sizes and can be secured or unsecured

Export Finance

- Designed to make selling overseas less risky and include bonds and guarantees, letters of credit and working capital loans



3. Types of equity investment

Equity Investment

Sources

- Business Angels
- Venture Capital
- Private Equity
- Equity crowdfunding
- Expansion Capital
- Initial Public Offering (IPO)



Characteristics

- Investors buy a stake in your business
- Investors bring more than money:
 - expertise on your board
 - networking opportunities
 - entrepreneurial advice
 - sector-specific experience
- Process takes time

Early Stage - Business Angels

Advantages

- Suited to businesses looking to grow
- Ongoing working relationship
- Guidance & input as well as money
- You can retain control (majority stake)
- Early-stage investment
- Avenues to further investment funds, grants, match funding

Disadvantages

- Need to demonstrate 'Proof of Concept' or patents / copyright
- Selling of shares (dilution of stake)
- Stake in future profits
- Often 6 to 12 months + to arrange



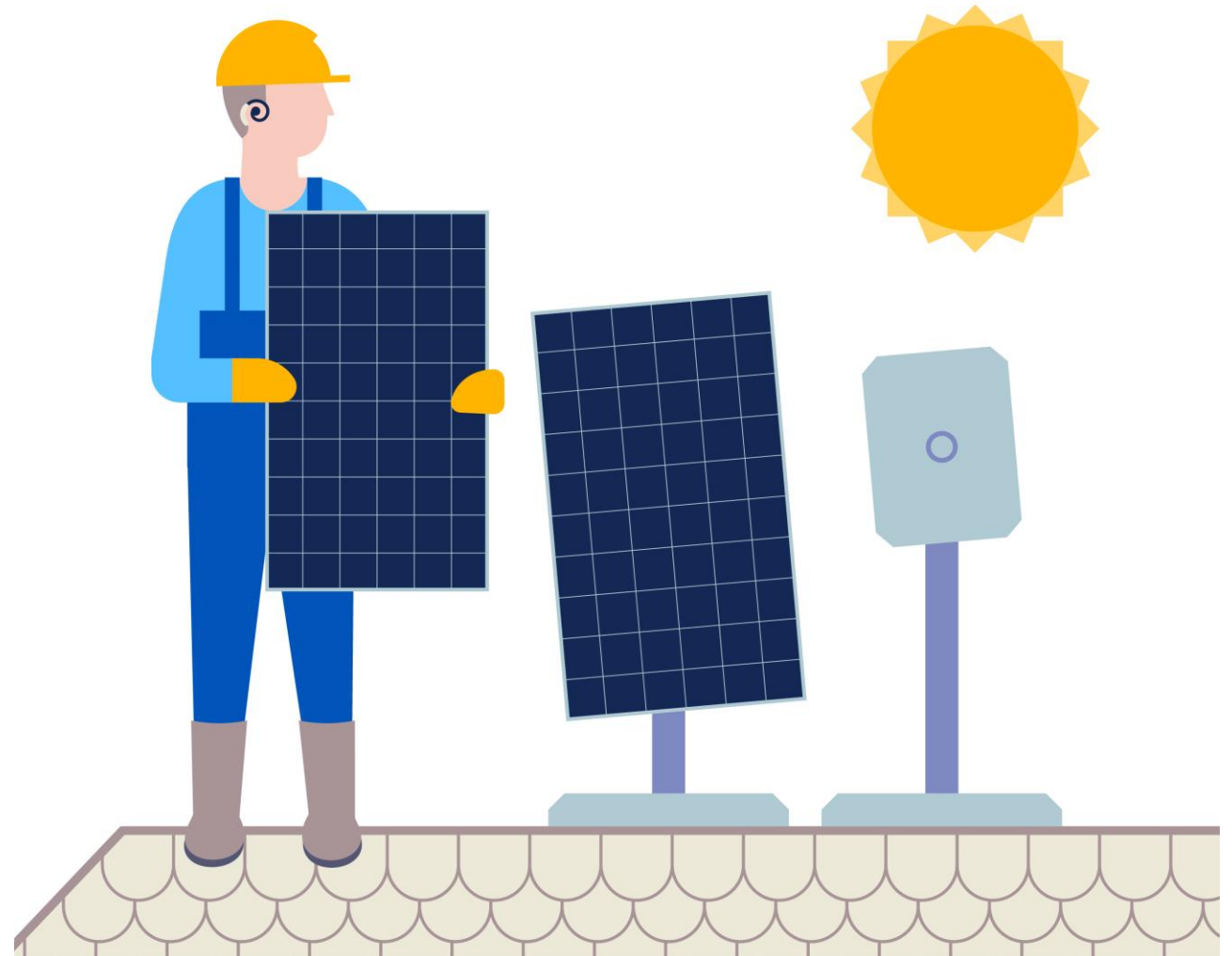
Venture Capital

Advantages

- Large injections of cash without a controlling stake
- Representation on your board (helps determine strategy and direction)
- Support and advice
- Can often expect further investment 'rounds'

Disadvantages

- Possible long process – sometimes years
- Legal fees
- VC funds may not be investing when you are looking



Other Equity Finance

Crowdfunding

- Business is listed on a regulated online platform
- Investors and members of the public buy shares in your company
- Suits companies that sell consumer products or services
- Can be pre-revenue through to more established companies
- Can be a fast way to raise finance with no upfront fees

Private Equity (PE)

- PE firms raise capital from institutional investors such as pension funds and insurance companies
- This PE fund is then used to invest in businesses
- Their aim is to increase the value of those businesses and then sell them (or their stake in them)
- Large investments suited to mature, growing, profitable companies



4. Investor & lender mindsets

Mindset – Lender vs Equity Investor considerations

Lender

What happens if you can't pay?

How do I make sure that I get my money back?

Have your numbers been tested?

How agile is the business? How easily could you pivot if needed?

Investor

How does this business fit in the competitive landscape?

What's my exit route ?

Is the founding team committed and does the CEO inspire confidence?

What problem are you solving?

Will I be able to work with you?

What do I bring in terms of experience in this sector?

Is the business truly scalable?

5. Preparing for finance

Products or services new to your business:

Proof of concept

- Understand & explain the problem or need that you are trying to solve:

Who is it for?

How will it work?

What resources will you need?

Timeline?

- Key metrics (KPIs)
- How will success be measured? (eg profit margin)

Next steps, what will funding be used for?

- Prototype?
- Minimum Viable Product (MVP)?
- When to start trading



Business Plan

- Core products/ services
- Sales forecast
- Key goals over 3-5 yrs
- Skills and experience
- Target customers
- Pricing strategy
- Sales and marketing plans
- Resilience and ability to pivot
- Operational plans, processes
- Intellectual Property (IP) protection, e.g. patents



Financials

- Profit and loss / income Statement
- Cashflow forecast
- Cash (working capital) requirements
- Balance Sheet projections
- Key Performance Indicators (KPIs) eg profit margin



Why cashflow matters

Successive studies estimate that around 80% of annual UK business failures are due to cashflow difficulties – representing around 50,000 firms per year



Credit Assessment Process

- Applications for finance undergo credit assessment, which take into account a number of factors
- Individual lenders may have different criteria for assessments
- A personal guarantee may be required



6. Further help, resources and signposting

Nations and Regions Investment Funds

●	£150m Investment Fund for Scotland	 British Business Bank	Investment Fund for Scotland
●	£70m Investment Fund for Northern Ireland	 British Business Bank	Investment Fund for Northern Ireland
●	£660m Northern Powerhouse Investment Fund II	 British Business Bank	Northern Powerhouse Investment Fund II
●	£130m Investment Fund for Wales	 British Business Bank	Cronfa Buddsoddi i Gymru Investment Fund for Wales
●	£400m Midlands Engine Investment Fund II	 British Business Bank	Midlands Engine Investment Fund II
●	£200m South West Investment Fund	 British Business Bank	South West Investment Fund



Finding funding options

Business & Finance Guidance

Our web site has been built to help businesses understand and find the finance options best suited to your needs, to enable you to survive grow and prosper.

www.british-business-bank.co.uk/business-guidance/



Business guidance library



**Over 275
articles in the
library**

Our business guidance library has over 275 articles to inform founders & leaders of smaller businesses about a variety of different subjects including:

- Access to finance
- Finance option explainers
- Managing debt
- Staffing
- Supply chains
- Sustainability
- Business essentials

We've collaborated with experts to ensure our articles are as helpful as possible including Companies House, UK Export Finance, Be The Business, UK Business Angels Associations and Responsible Finance.

Further help and signposting



- Making business finance work for you – British Business Bank's a guide designed to help businesses understand what type of finance is right for them
 - Finance Finder
 - Finance Jargon Buster
 - Business loan options – types of business loans available for different purposes.
 - Angel investment – the pros and cons of bringing an angel investor onboard, what an angel investor looks for in a business etc
- Start Up Loans – www.startuploans.co.uk
- Your accountant
- Finance broker - see NACFB National Association of Commercial Finance Brokers: www.businessfinance.co.uk/)
- Banks – often run sessions with advice, mentoring
- Local Growth Programmes, Growth Hubs, Accelerators etc
- Business Growth Service



Further help and signposting



- UK Export Academy (Department for Business and Trade) www.great.gov.uk/export-academy
- UKBAA (UK Business Angels Association) www.ukbaa.org.uk
- UKCFA website (crowdfunding) www.ukcfa.org.uk
- BVCA (British Private Equity and Venture Capital Association) www.bvca.co.uk
- Federation of Small Businesses (FSB)
- Responsible Finance - represents Community Development Finance Institutions (CDFIs) www.responsiblefinance.org.uk/
- [The British Business Bank Handbook](#)
- [Growth Guarantee Scheme](#) - guarantees provided to lenders to aim to improve the terms on offer to borrowers. If a lender can offer a commercial facility on better terms, they will do so.
- [R&D tax relief](#) – check if you can claim credits



Your feedback please

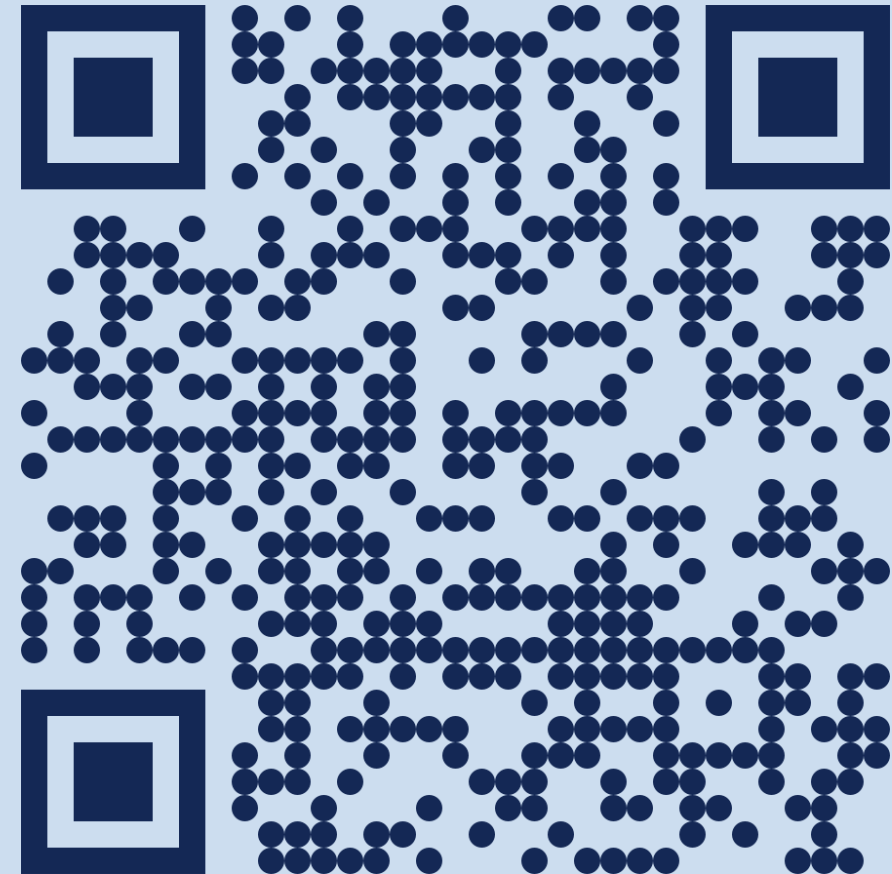
How did we do?

Just two questions, thank you

**Fuelling growth: how British
Business Bank supports SMEs
in accessing finance**

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