



**Maximizing Business Viability:**  
A simple guide to prepare for  
investment opportunities

**SeededVentures**

# Seeded Ventures

## Maximizing Business Viability: A simple guide to prepare for investment

### Introduction:

Investors look for several key indicators of viability before deciding to invest in a business. These indicators help them assess the potential for investment and the overall health and growth prospects of the business. This guide will support you in understanding how to prepare for investment opportunities within your venture.



### Start with the Basics

#### 1. Strong Financials

Investors prioritize businesses that exhibit strong financial health. This includes consistent profitability or a clear path to achieving profitability. Evidence of increasing revenue over time is crucial, as it demonstrates the business's growth potential.

Positive cash flow and effective cash management are essential for sustaining operations and funding future growth. Accurate and detailed financial statements, such as profit and loss statements, balance sheets, and cash flow statements, provide transparency and build investor confidence.

### Improving the Financial Position of Your Business

Improving your business's financial position involves strategic actions in several key areas:

- **Enhance Cash Flow Management** - Regularly analyze cash flow to ensure liquidity, optimize receivables and collection of payments (may require re-negotiation of terms).
- **Control and Reduce Costs** - Audit, review and eliminate unnecessary expenses, utilize tools to streamline and reduce operational costs.
- **Increase Revenue Streams** - Diversify offerings, introduce new products or services to attract different customer segments, expanding market reach.
- **Strengthen Financial Planning** - Create a budget to control spending, build reserves or an emergency fund for unexpected expenses. Consult with financial advisors for tailored strategies.





## Investor Types

There are several types of investors, each with unique strategies.

**Angel Investors** are individuals who fund early-stage startups in exchange for equity, taking on higher risks for potential high returns.

**Venture Capitalists (VCs)** are firms that invest in high-growth potential startups, providing capital and strategic guidance.

**Private Equity Investors** focus on mature companies, investing large sums to gain control and improve profitability.

**Institutional Investors** include entities like pension funds and mutual funds, investing large amounts for long-term growth and stability.

**Retail Investors** are individuals who buy and sell securities for personal accounts, influenced by market trends and advisors. Each type provides crucial capital to businesses at different growth stages.

## 2. Compelling Business Model

A compelling business model is fundamental to attracting investors. A unique value proposition (UVP) that differentiates the business from competitors is key.

The business model must be scalable, meaning it can grow effectively and efficiently without a proportional increase in costs. Having multiple and diverse revenue streams reduces risk and increases the stability of the business.

## 3. Market Opportunity

Many investors seek businesses operating in large or rapidly growing markets (i.e.: tech, healthcare, ecommerce). Demonstrating a significant market share and potential for expansion indicates a strong market opportunity.

A thorough understanding of the competitive landscape and a clear competitive advantage helps investors see the business's potential for sustained success.

## 4. Business Plan

A solid business plan is critical for securing investment. This includes clear short-term and long-term strategic goals. Detailed plans for growth and expansion show how the business intends to scale over time.

Effective risk management strategies for identifying and mitigating potential risks reassure investors of the business's resilience.

## 5. Experienced Team

An experienced management team can significantly influence investor decisions. Investors look for a team with a proven track record of success and deep knowledge and experience in the industry. Strong leadership skills and the ability to attract and retain talent are also highly valued.

Additionally, it is important to evaluate the structure of team(s) and subject matter experts and the amount of dedicated time devoted to ensuring the business grows and builds capacity over time.

## 6. Product or Service

The product or service offered by the business must meet market needs and have proven demand. Innovation is crucial; offering products or services that provide a competitive edge can attract investor interest. High-quality offerings that consistently meet or exceed customer expectations are essential for long-term success.

## 7. Customer Traction

Customer traction is a strong indicator of business viability. A growing and loyal customer base demonstrates market acceptance.

Positive reviews, testimonials, and case studies provide evidence of customer satisfaction. High levels of customer engagement and satisfaction metrics further validate the business's market position.

## 8. Operational Efficiency

Operational efficiency is important for sustaining growth and profitability. Streamlined and efficient operational processes reduce costs and improve productivity. Effective use of technology to enhance operations is crucial. Ensuring that operations can scale with business growth without significant increases in costs is key.

## 9. Legal and Regulatory Compliance

Adherence to all relevant laws and regulations is mandatory. Protecting intellectual property through patents, trademarks, and other protections safeguards the business's unique offerings. Well-drafted contracts and agreements with clients, suppliers, and partners provide legal security and clarity.

## 10. Exit Strategy

A clear exit strategy is essential for investors. This could include plans for an IPO, acquisition, or merger. The potential for a high return on investment within a reasonable time frame is a major consideration for investors.

## Considerations for Corporate (and nonprofit) Business Structures

Investors also look at governance practices and the competence of the board of directors. A commitment to social responsibility and sustainable practices can enhance the business's appeal.

Transparency in business operations and financial reporting builds trust and credibility with investors. Easily accessible annual reports and stakeholder communication documentation demonstrate these practices in action.



## IPOs, Acquisitions and Mergers

Understanding IPOs, acquisitions, and mergers is crucial for businesses and investors alike.

An Initial Public Offering (IPO) is when a private company offers its shares to the public for the first time, providing a way to raise capital from a wide range of investors and gain market visibility.

Acquisitions occur when one company purchases another, either to expand its operations, enter new markets, or acquire valuable assets, often resulting in significant changes in the acquired company's structure and operations.

Mergers involve the combination of two companies into a single entity, typically to achieve synergies, enhance competitive positioning, and realize cost efficiencies. Both acquisitions and mergers can significantly impact a company's strategic direction, market presence, and financial performance.