Investment Readiness Checklist

for Alliance Partners

GLOBAL ALLIANCE FOR CLEAN COOKSTOVES

Investment Readiness Checklist:

This list provides some basic information that most investors will look for during their due diligence process. Keep in mind that each investor has developed a unique due diligence process. A business should be prepared for a lot of questions and site visits. Finally, when an investor approves an investment, it would be helpful to have a consultation on the term sheet and negotiation. Additional online resources are listed at the end of this section.

Financial Reporting and Standards

___ Audited financial statements for past 3 years or the life of the company
___ Ability to report financials quarterly
___ Financial model with 3-5 years of projections
___ Realistic company valuation (if seeking equity)
___ Strong cash flow and cash management
___ Burn rate calculation
___ Limited debts or debt/ equity ratio
___ Accounting policies are compliant with international standards are in place and followed
___ Previous and current years' budgets
___ Accounts receivable and accounts payable policies that allow for a solid cash flow
___ Qualified financial management personnel

Operational Reporting and Standards

*Operational risk is broadly defined as risk of loss attributed to people, processes, technology, and degree of vulnerability to external events

___ Turnover rate
___ Segregation of responsibilities related to accounting and finance (Does one person handle all of the money, sign the checks and is a singular signatory on the account?)
___ Protections against employee fraud and misconduct
___ Inventory policies
___ Inventory turnover
___ A human resources plan and policies
___ Details of protection of intellectual property
___ Adequate insurance coverage
___ Verifiable record of paying taxes, licenses and other operating fees

Market and Business Planning

___ Completed business plan
___ Pricing strategy
___ Unique selling proposition or market niche
___ Key partners are reliable and agreements are firm
___ Distribution channels appropriate to market
___ Solid sales force or sales strategy
___ Strategic planning process is in place with regularly updated growth plan and strategy

Good Governance

*You can find tips here

___ Constitution, By-laws
___ Board of Directors that has the right mix of people, skills and abilities to develop the organization. A board is almost always a requirement for an equity investment.
___ Written set of policies and procedures understood by the board
___ Business plan and model well understood by the board
___ Written code of conduct for the board
___ Regular meetings and board member attendance at meetings
___ Board members regularly receive and read reports including financial reports
___ Board adequately "manages the manager"
___ Management with a proven track record and necessary qualifications
___ Undisputed share ownership

Social Impact Reporting and Standards

___ Compelling, socially/ environmentally focused mission statement
___ Some measurement of social and/or environmental standards or impact
___ System for tracking social and environmental impact
___ A social rating from a previous investor or rating agency if possible

The Pitch and the Deal

___ Company Milestones
___ PowerPoint or other sort of "pitch tool"
___ Exit strategy
___ Non-disclosure agreement
___ Growth plan and use of investment
___ Acknowledgement of risk and mitigates of risk, especially in operating environment

***Note:** Make sure the sell is appropriate to both the company and the investor. Some investors prefer large transactions and require a majority ownership and others prefer smaller transactions with minority ownership. However, the transaction must be big enough to justify the investor's cost of investing and the risk. For example, many investors will not be interested in investments of less than $100,000 USD.*

Additional Resources:

Financial and technical support

Database of financial and technical support: http://bit.ly/ib-support-database
Glossary of business terms: http://articles.bplans.co.uk/business-terms-glossary

Investor Due Diligence and term sheet support

Raising private capital: http://www.lighthouse-consulting.com/entrepreneurs_guide.pdf
Choosing the right funding for your business: link
Term Sheet overview: http://www.feld.com/wp/archives/2008/06/revisiting-the-term-sheet.html
Exit Strategies: http://www.exitplanning.com/

Business Planning

Bid Network for entrepreneurs: http://www.bidnetwork.org/en/resources/entrepreneur-resources
UK Business Planning Online Guide: http://articles.bplans.co.uk/writing-a-business-plan/how-to-write-a-business-plan
Small Business Administration Guides: http://www.sba.gov/category/navigation-structure/starting-managing-business/starting-business
Business Innovation Facility: http://businessinnovationfacility.org/

Tracking Social Impacts

IRIS Overview and taxonomy: http://iris.thegiin.org/
Business Innovation Facility Overview on Approaches to tracking social impact: Link
Social Return on Investment Guide: http://www.thesroinetwork.org/sroi-analysis/the-sroi-guide
GIIRS Ratings: http://giirs.org/companies/companies

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