

Business planning tool for SMEs

November 2017



Introduction and disclaimer

Important: you must read the following before continuing

Introduction

Objective

This business planning tool has been designed specifically for established Small to Medium size Enterprises (“SMEs”) seeking to raise finance. This business planning tool can be used as a guide for an SME. However each business is unique and it is advisable that each business plan should be tailored to the specific funding requirements your business has.

Key points in a business plan would include:

- A concise Executive Summary which captures the reader's attention and interest; and
- The body of the business plan should emphasise the strengths and weaknesses of the business, the competitors, the risks, the financial performance/ position and how the funding will be used to grow the business.

It should be emphasised that the financial forecasts and the underlying assumptions are key to the business plan. The business plan should outline how the management team will deliver the plan if the funding is obtained. Good practice for a management team would be to prepare a corporate strategy, this could be used as a basis for the business plan (if available). It is important that the business plan you form, reflects the type of business you have, along with the sector your business operates in.

It is important that the business plan covers a wide range of areas as noted in this business planning tool. When writing the business plan, the writer should be mindful that the document should be concise and well-presented clearly demonstrating how the funding would benefit the business and the likely returns the investor will get. We would recommend that any detailed information should be provided as appendices.

On the pages overleaf is a suggested outline of a business plan for an SME seeking funding.

Disclaimer:

We do not accept any liability for the information or consequences of any actions taken based on the information contained within this business planning tool. You should not rely solely on any information contained within this business planning tool in relation to a specific issue or decision without taking advice from an appropriately qualified professional adviser. We take no responsibility for the accuracy of information contained within this business planning tool and we do not make any representations or warranties in respect of such information.

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Business Planning Tool

This Business Planning Tool is designed specifically for established SMEs seeking funding.

This tool outlines the key information components that investors look for when evaluating investment opportunities.

It is important to note that the Business Plan should be well presented so potential investors can understand the business, the key issues, the reason for the financing and ultimately enable them to determine if they are interested in making an investment in your business.



Executive Summary

Executive Summary

The aim of the Executive Summary should be to capture the readers' initial interest, encouraging them to want to find out more about your business and your plans.

The Executive Summary should be factual and it should present the company in a balanced form.

It is important that the Executive Summary is presented in a clear and concise way and therefore it is suggested to be 2-4 pages in length. This section should include the following:

Summary details of the business in terms of:

- Ø key personnel
- Ø business products/services
- Ø key financials.
- How has the business grown since it was established?
- Who owns the company and who manages the business?
- The strengths of the business, whether in its management, products or market sector?
- The major risk factors facing the business?
- How much money does the business want to raise and why?
- How will funding help your business to grow?
- The critical points of the financial projections, such as maximum funding requirements or break-even points.

Continued...

- High level summary projections for the next 2/3 years and include assumptions used.

The closing points in the Executive Summary should outline the key reasons for the required funding and the impact the funding will have on your business. If possible you should explain the method and timescale envisaged for investors to make a return on their investment.



Business Overview & Products and Services

Business Overview

This section should describe exactly what services or products your business provides and briefly explain the background, history and ownership of the company. Detail any unique selling points of your business in comparison to your competitors. Other key points to include in this section are detailed below:

- Business name
- Address
- Contact details
- Year your business was established
- Names of the director/(s) and shareholder/(s)

Provide a description of the business to include:

- High level description of products/services offered
- Experience within the industry you operate in
- Details around key suppliers and credit terms
- Mission statement
- SWOT analysis
- Long term objectives

A SWOT analysis identifies the strengths and weaknesses of the business and its products/services, along with the opportunities and threats which exist in the marketplace. Below is a template for the SWOT analysis:

Strengths:	Weaknesses
-[x]	-[x]
-[x]	-[x]
Opportunities	Threats
-[x]	-[x]
-[x]	-[x]

Products and Services

This section should detail the products / services provided by your business and your market competitive advantages. This section should also include the following:

- The benefits and features of the products/services provided by your business.
- The unique selling points of the products/ services.
- Advantages and disadvantages of the products/ services offered.
- Any planned future developments for products/ services and the timeline around this process.
- Describe any patents, trademarks, that any of your products or services have.

If the product is based on new/emerging technology, the plan should also indicate:

- Stage of development e.g. beta version under trial.
- Whether and what type of additional research and development is required to produce marketable products.
- Why the proposed technology will be adopted
- The time to market and route to commercialisation.
- The technical risk, and how easily the technology could be replicated or substituted.
- The regulatory requirements that would need to be satisfied; cost, duration and associated risks involved.



Market analysis & Marketing and sales

Market analysis

This section could start with general detail regarding the industry and estimated current market position. (A PESTLE is a good business analysis tool and can be a useful way of looking at a business or opportunity, from an external perspective. The categories within the PESTLE include: Political, Economic, Social, Technological, Legal and Environmental). Further details of what should be included in this section are set out below:

- Provide an overview of the market in which you operate including the trends and an analysis of the level of competition.
- Outline who your target market is and your customer demographic (to include the size of your target market).
- Outline how you differentiate yourself from your competitors.
- What are the competing products and services?
- Profile of key players (business size, turnover, profitability, etc) and their estimated market share.
- Advantages and disadvantages of competitors.
- Provide a comparison of how the price charged by your competitors compares to your prices.
- What are the main risks facing your business?
- What safeguards are in place to protect against these threats?

Marketing

This section should address the business model that is currently adopted in terms of Business to Consumer ("B2C") or Business to Business ("B2B"). Further details of what should be included in this section are set out below:

- Provide a description of your overall marketing and sales strategy. Include how you plan to retain customers and how you envisage obtaining new customers.
- Provide detail about customer buying behaviour and key purchasing criteria.
- Provide details of your distribution strategy which could include: details on distributors, online sales, advertising and the level of anticipated direct/indirect sales as a result of this strategy.
- Details of key customers with whom the business is trading or is planning to trade with.
- Provided details of the businesses' pricing policy and strategy.
- Provided details of any planned promotion activity which is anticipated to gain customers.

Sales

- Detail the current order book (or pipeline status if pre-revenue) and describe any seasonal variations which may occur.
- Provide a breakdown of projected new customers that will drive the growth in the business.
- Describe your major customers' business and their percentage share of turnover. It is necessary to balance the available opportunities and the risks arising from over dependence on a limited number of customers.



Management team/employees & operations

Management team/employees

This section should detail the key personnel in the business. The following information should be provided:

Key Personnel

- [Enter name of person 1]
 - Position occupied within the business:
 - Previous relevant experience:
 - Personal background and education credentials:
 - Track record:
- [Enter name of person 2] (if applicable)
 - Position occupied within the business:
 - Previous relevant experience:
 - Personal background and education credentials:
 - Track record:
- [Enter name of person 3] (if applicable)
 - Position occupied within the business:
 - Previous relevant experience:
 - Personal background and education credentials:
 - Track record:

Detail further key personnel if required.

- Further detail on key management personnel/organisational charts could be included as appendices.
- Provide a description of the employees in terms of numbers in each department and details of average remuneration per department.

Management team/employees continued...

This section may also include an outline of management and staffing requirements, succession arrangements, staff turnover levels, the availability of employees and any special skills or qualifications required. If a particular gap is identified in the management team, for example a finance or business development director, this section should comment on the situation.

Operations

This section should outline what each section/division in your business does, this will depend on the type of business you have.

Key areas this section might include are:

- Production process (if relevant).
- Key operational activities.
- Details of Human Resources, Marketing and Finance departments.

The Operations section should also address specific supply-related issues:

- Describe the principal suppliers, their location and financial position.
- Detail whether essential suppliers are multisourced and outline protections in place against delays or inadequate quality.
- Detail reliance on imports or commodities which may be subject to exchange rate fluctuations or changes in world markets, and the steps taken to minimise these exposures.



Financials

Financials

In this section it is important to set out the Key Performance Indicators ("KPIs") of where you expect your business to be over the next few years (for example: turnover %, gross margin %, overhead expenses % and EBITDA %), these can be compared to prior year actuals to gain an understanding of the business.

The financial analysis should include summary profit and loss figures, balance sheet and cashflow statements) showing the historical accounts and the forecasts.

The section should comment on the financial history and projections with salient features highlighted.

[Insert business name] Profit & Loss Account

€000s	Historical			Forecast	Projected
	Year 1	Year 2	Year 3	Current year	Year 1 Year 2
Revenue					
Cost of Sales					
Total Gross Profit					
Overhead expenses					
Other Operating Income					
EBITDA					
Depreciation					
Amortisation					
EBIT					
Interest payable					
Profit before taxation					
Taxation					
Profit after taxation					
KPIs					
Turnover %					
Gross Margin %					
Overhead expenses %					
EBITDA %					

[Insert business name] | Balance Sheet Summary

€ 000	Historical			Forecast	Projected
	Year 1	Year 2	Year 3	Current year	Year 1 Year 2
Fixed Assets					
Tangible Assets					
Working capital					
Stocks					
Trade debtors					
Trade creditors					
Prepayments / other debtors					
Other creditors / accruals					
Taxation creditors					
Net working capital					
Cash / debt					
Cash					
Bank Loan / Overdraft					
Other items					
Directors account					
Intercompany					
Net assets					
Ordinary share Capital					
P&L Reserves					
Other reserves					
Shareholders funds					

Note:

The above balance sheet, the profit and loss account opposite and the cash flow statement shown overleaf, are example templates only. If required further line items should be added/deleted depending on your business.

In addition the profit and loss accounts, cash flow statements and balance sheets must be integrated.



Financials and Assumptions

Financials continued

[Insert business name] | Cash Flow Summary

€'000	Historical			Forecast	Projected	
	Year 1	Year 2	Year 3	Current year	Year 1	Year 2
EBITDA						
Movement in working capital						
(Increase)/Decrease in trade debtors						
(Increase)/Decrease in stocks						
(Increase)/Decrease in prepayments						
Increase/(Decrease) in trade creditors						
Increase/(Decrease) in other creditors						
Increase/(Decrease) in accruals						
Taxation payments						
Net cash from operations						
Financing/Investment						
Loans						
Interest and charges						
Capex						
Total Financing						
Opening cash balance						
Cash flows						
Closing cash balance						

Assumptions

The key assumptions should be detailed in respect of the projected results for the financial statements. Some of the key assumptions that should be included are detailed below:

- Sales - detail the market size, pricing strategy and the percentage of the market you anticipate to attain. Forecast/ projected volumes, average pricing and growth rates should be included where appropriate.
- Cost of sales - include materials/ production costs, identify where efficiencies are and how cost saving could be achieved.
- The assumed gross margin percentage should be illustrated and any variance from the historical experience should be explained.

Assumptions continued

- Overheads - detail how these would change as the business grows. Key areas include staff numbers and salaries, rent agreements and other large expenses.
- Potential risks/ downside and impact on financials (sensitivities could be applied to the forecasts to show the impact).
- Explain the assumptions used in the cashflow projections in particular credit taken by customers, stock and work in progress levels, credit taken from suppliers, discounts given and taken etc.
- Detailed taxation assumptions, in particular corporation tax, VAT, PAYE, PRSI.
- Cover any other significant items within the profit and loss account or cash flow projections (e.g. distribution costs, research and development, repairs etc).
- Investment in fixed assets (if relevant).
- Give details of assumptions made regarding inflation, movement in interest rates, foreign exchange rates etc.
- Explain the funding assumptions (e.g. type, availability and timing, grants used, interest rate, dividends etc).
- Key assumptions underpinning the headline revenue and EBITDA (earnings before interest, taxes, depreciation and amortisation) forecasts should be outlined. Management's plans to monitor and report on performance should also be included.
- Detailed financial analyses should appear as appendices.

Research and development & funding

Research and development

If relevant include this section and provide details of the following:

- The level of ongoing Research and Development ("R&D") to include target release dates of new developments (if applicable).
- Any current or pending patents, Intellectual Property ("IP") or copyrights.
- Costs incurred in respect of R&D (if once off or continuing). Detailed analysis can be included in the appendices.
- If relevant, note how funding would assist the future development of your product or service, in order to meet changes in market demands (both domestic and international markets).

Funding

In this section it would be important to detail the following points set out below:

- How much funding is required? (include the timing of funding requirements)
- How will this funding be used to grow the business?
- How will this funding be used to develop the business over a period of three years?

Funding continued...

- This section should also provide commentary on the potential exit strategy envisaged for equity investors.
- The majority of exits for growing businesses are through the sale of all or an element of the business to another organisation in the industry (trade sales), e.g. sale of a proven medical device to a medical business.
- Prospective acquirers and joint venture partners should be detailed.
- The table below could be used to detail existing and potential sources of funding:

Sources of funding	Application of funding
a. Partners	a. Buildings
b. Directors	b. Equipment
c. Other shareholders	c. Staff
d. Bank loans	d. Marketing
e. Grants	e. R&D
f. Other	f. Other





Appendices

The appendices should include additional information which is relevant for the business plan. Examples might include:

- Organisational structure (ie. entity structure)
- Lease agreements
- Further marketing information
- Further R&D details
- Further costing analysis in relation to the funding
- CVs of key managers
- Market studies, articles from trade journals etc
- Product literature and technical specifications
- Details of patents, Government approvals, industry standards etc
- Professional references
- Historical record (previous three years) or if not practical the latest audited accounts
- Latest management accounts
- Financial forecast (e.g. profit and loss account, cashflow statement, balance sheet assumptions etc) for three to five years
- Glossary of terms.