Raising capital takes more than a good idea and a growth chart. Before an investor parts with money, they look at the business, the people running it, the accounts, the legal position and the road ahead, and they look at all of it together. What they are trying to work out is fairly simple. Is the risk worth taking, and is there a credible way to get the money back with a return on it?

## 1. Business Model and Value Proposition

Everything begins with the business. What problem does the company solve? What is it selling? Who are its customers? And, most importantly, how does it make money?
Investors want to understand whether the customer need is genuine and sustainable, whether the revenue model is commercially viable, and whether the business can scale without its costs increasing at the same pace. A business that needs to increase its workforce proportionately for every new customer presents a very different investment proposition from one that can scale with limited incremental costs.

Competitive positioning matters just as much. Investors look for a proposition that can be clearly articulated, a defensible advantage that is difficult to replicate, and a credible reason to believe that the business can maintain its position as competitors enter or become better funded.

## 2. Market Size and Growth Potential

Even a well-run business can face limitations if the market it operates in is too small. Investors therefore examine the size of the target market, customer segments, growth rates and the company's realistic opportunity to capture market share.

The distinction between a large theoretical market and a realistically addressable market is important. Investors are often sceptical of projections based solely on a company's ability to capture a small percentage of a very large market. More persuasive analysis is built from the bottom up: the number of potential customers, expected spend per customer and the frequency of purchase.

## 3. Financial Performance and Unit Economics

Financial diligence is often one of the most detailed parts of an investment review. Investors examine revenue growth, margins, cash flows, monthly burn, available runway and financial projections, together with the assumptions underlying those projections. In practice the assumptions tell you more than the numbers do, because that is where optimism hides.

For an early-stage company, profitability may not yet be expected. The focus therefore shifts to the quality and sustainability of growth. Investors may examine customer acquisition cost, customer lifetime value, contribution margins, retention and other relevant unit economics.

The objective is to determine whether the business is moving towards sustainable economics, or whether growth is dependent on continued external funding.

**4. Promoters, Management and Key Personnel**

At an early stage, the management team can be as important as the business plan itself. Business plans evolve, markets change and assumptions are revised. Investors therefore look closely at the founders' experience, sector knowledge, track record, credibility and ability to execute.

They also consider the founders' commitment to the business, whether the management team's skills complement one another, and whether the business is overly dependent on a single individual.

Key-person dependency can itself be a risk. If critical customer relationships, technical knowledge, operational responsibilities or decision-making are concentrated with one founder, investors may consider how that dependency could affect the business if circumstances change.

**5. Legal, Regulatory and Corporate Due Diligence**

A commercially successful business can still face difficulties in raising capital if its legal and corporate records are not in order.

Investors therefore undertake diligence on the company's constitutional documents, capital structure, shareholding pattern, previous investment arrangements, material contracts, statutory compliances, tax position, litigation and any regulatory approvals applicable to the business.

Particular attention is often given to earlier share issuances and whether the required corporate and regulatory procedures were followed. Investors may also review rights granted to existing investors, related-party arrangements, founder and employment agreements, intellectual property ownership and sector-specific regulatory requirements.

Diligence findings can have a direct impact on the transaction. Depending on their nature and severity, issues may result in a condition precedent, a valuation adjustment, a specific indemnity or a hold-back of part of the consideration. In some cases, serious issues may cause an investor to reconsider the transaction altogether.

Importantly, many diligence issues arise not from fundamental problems with the business, but from matters that were simply left unresolved for too long—such as unsigned minutes, incomplete statutory records, an unstamped share transfer, or a filing that was made late and never regularised.

**6. Intellectual Property, Technology and Data**

For a technology-driven business, intellectual property may represent a substantial part of the company's value. Investors therefore want to establish that the company owns, or has appropriate rights to use, its key intellectual property.

This may include source code, software, trademarks, patents, domain names, databases and other proprietary assets.

A particular area of focus is whether the intellectual property has actually been assigned to the company. Where founders developed the product before incorporation, or where freelancers or external developers contributed to the technology, appropriate assignment documentation may not always have been put in place.

Investors may also review third-party technology licences, data rights, data protection obligations and the company's dependence on external platforms or service providers.

## 7. Capital Structure and Investment Terms

The cap table provides investors with a picture of who owns the company today and how the proposed investment will change that ownership.

Investors examine existing equity holdings, ESOP pools, preference shares, convertible instruments and any other arrangements that could result in future dilution.

The investment terms are considered with equal care. Valuation is only one part of the equation. Liquidation preference, anti-dilution protection, voting and information rights, reserved matters, transfer restrictions and exit rights can all have significant economic consequences.

Ultimately, an investor is assessing two things at the same time: what the company is worth and what rights the investment provides.

## 8. Risk, Future Funding and Exit

Investors also consider what could go wrong and how much additional capital the company may require before it becomes self-sustaining.

Market, regulatory, operational, financial and technology risks are assessed alongside the company's funding requirements and projected runway. A business that is likely to require another significant round of funding before reaching its next milestone carries an additional financing risk, particularly if future fundraising could result in substantial dilution.

Exit is therefore considered from the outset. Depending on the nature and stage of the business, potential routes may include a strategic sale, a secondary transaction or, in appropriate cases, a public listing.

The investment decision ultimately comes down to a balance between risk and potential return, the company's ability to scale, the quality of its management and the credibility of its path to an eventual realisation of value.

## 9. Questions Investors Commonly Ask

i. Why does the company need this investment now, and how will the funds be used?
ii. What makes the company's product or business different from its competitors?
iii. Who are the company's key customers, and how dependent is the business on a small number of customers?
iv. What are the key assumptions behind the company's financial projections?
v. How much cash does the company have, what is its monthly burn, and how long will the current funding last?
vi. What are the biggest risks facing the business, and what is management doing to address them?
vii. Are there any pending or potential legal, tax or regulatory issues?
viii. Does the company have clear ownership of its intellectual property, technology and other key assets?
ix. What does the current cap table look like, and how will the proposed investment affect existing shareholders?
x. What rights will the investor receive—such as board representation, voting rights, liquidation preference or anti-dilution protection?
xi. Will the company require another round of funding, and what milestones are expected to be achieved before then?
xii. What is the likely exit route for the investor, and over what timeframe?
xiii. What happens if the business does not achieve the projected growth or financial targets?
xiv. What are the key milestones the company expects to achieve with this round of funding?
xv. Why is this the right management team to execute the business plan?
xvi. If I invest today, what could prevent me from getting my money back with an attractive return?

## Conclusion

Investment readiness extends well beyond having a compelling business idea or demonstrating strong growth. Investors look for a combination of commercial viability, scalable economics, capable management, clean legal and corporate records, defensible intellectual property and an investment structure that appropriately balances risk and return.

For a start-up, maintaining robust corporate records, documenting ownership of intellectual property, ensuring regulatory compliance, keeping financial information organised and maintaining a transparent ownership structure can be just as important as demonstrating growth.

A business that is both commercially promising and diligence-ready is better positioned not only to attract investment, but also to navigate the fundraising process efficiently and negotiate from a position of strength.

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