Four factors to financing your business beyond relief funding

In the last few months there have been various announcements of relief funding initiatives to assist businesses and livelihoods struggling in the wake of Covid-19. The SA TV and Film relief fund has offered R8.3m to individuals in this industry, while the Department of Tourism has supported over 4,000 businesses with R200m in relief funding. These join the government's R200bn Covid-19 loan guarantee scheme, intended to support businesses with a yearly turnover of less than R300m.

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“These initiatives are welcomed relief to the many struggling businesses, and we have seen a number of businesses asking how they can get access to funding. At the same time, businesses should also be asking how they can maintain liquidity beyond the pandemic," says Saleem Sonday, head of group savings and investments at Allan Gray.

To help businesses explore alternative ways to generating funding, Allan Gray recently hosted a webinar featuring Standard Bank’s head of Commercial Banking, Craig Polkinghorne, Transaction Capital chief executive officer, David Hurwitz, and Hlengiwe Makhathini, the divisional executive of Venture Capital & Corporate Finance at the National Empowerment Fund. The webinar forms part of Allan Gray’s free 10-part series: Survive and Thrive, aimed at helping businesses to get through this difficult period and beyond.

Below are the four factors that are the most important considerations to financing your business beyond relief funding.

1. Access to capital markets is key

When you consider the capital mix in your business, Polkinghorne says you need to look at three components: your equity, your liquidity, and your people. These components are the lifeblood of your business and should be prioritised.

Hurwitz urges businesses to have more than one source of capital to manage concentration risk: “Have a diversified shareholder base. If you can’t because it is your own business, then try and have more than one bank in your business. Different banks look at different things at different times.” Hurwitz also encourages entrepreneurs to explore their foreign funding opportunities, where applicable. If your business has a social impact that aligns with a sustainable commercial model, you may be able to source funding from international development finance institutions (DFIs).

2. Banks want to keep you in business

During periods characterised by financial pressure, business owners often develop an adversarial relationship with their funders. This should not be the case.

Polkinghorne argues that entrepreneurs should view their funders as partners: “The banking industry is not in the business of putting people out of business. That’s not what they are there for.”

Hurwitz notes that debt collection has become critical for consumer-facing businesses as consumers face significant financial pressure. Bolstering your partnerships and support in this area could improve your liquidity.

By proactively leveraging these partnerships and having open conversations with your funders, you can come up with solutions that address the unique challenges facing your business.

3. Build a solid track record

Funders tend to back entrepreneurs who display resilience and tenacity despite a lack of resources.

Makhathini says that business owners need to demonstrate that they are acting and generating new ideas to make sure that their businesses are sustainable beyond the current crisis. “You need to show agility and flexibility as an entrepreneur. You need to show creativity. What are the opportunities that you are picking up in the market?”

Funding partners are less likely to provide additional funding to your business if you are merely asking for money to keep you afloat while you wait it out.

4. Non-financial support has real value

Business owners should also leverage the non-financial support that your funding partners can provide in the form of business coaching and mentoring programmes. These partners can give you the perspective and strategic support you need to change the trajectory of your business.