The Investor Meeting – What to Expect!

Congratulations! You've garnered the interest of one or more potential investors – now what do you do to seal the deal? Well – here are six steps:

1. The investor will want a meeting to get to know the entrepreneur (and vice versa) and get an understanding of valuation expectations;
2. If after that meeting they would like to pursue an investment, they would sign a non-disclosure agreement (arguably a non-disclosure could be signed prior to the first meeting);
3. They would give a list of due diligence questions to the entrepreneur;
4. The questions are answered;
5. The next step would be the preparation of a term sheet (or a letter stating their interest and the terms) by the investor;
6. At that time, the entrepreneur should be seeking legal advice. *The BCFPA can make legal referrals for you to reputable firms that deal with food companies.*

How do I make a good valuation of my company?

The reality is that your company is worth whatever someone is willing to pay for it - sounds trite but that's the reality.

Formulas for valuing businesses are industry specific. Manufacturing companies tend to be a multiple of EBITDA. Branded health food companies tend to be a multiple of revenues with a major consideration given to EBITDA as well.

Consider the valuation/company structure/deal terms, etc. and get an advisory team to assist if you don't have the expertise internally.

BREAKING DOWN 'EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization'

EBITDA is essentially net income with interest, taxes, depreciation and amortization added back to it. EBITDA can be used to analyze and compare profitability among companies and industries as it eliminates the effects of financing and accounting decisions.

- In its simplest form, EBITDA is calculated in the following manner:
- EBITDA = Operating Profit + Depreciation Expense + Amortization Expense
- The more literal formula for EBITDA is:
- EBITDA = Net Profit + Interest +Taxes + Depreciation + Amortization

Congratulations!