Catalyst Fund Guidance Document

**Flexible money**

**for positive**

**impact**

# Application Process

We will contact you within three days of receiving your Expression of Interest advising you on the next steps for your organisation. In most cases this will entail a meeting with a member of the Investment Team to discuss your organisation’s readiness to take on social investment.

Once we’ve had an initial meeting, we’ll provide you with guidance on the next steps. If Catalyst’s not right for your organisation, or you’re not quite ready, we’ll direct you to alternative sources of funding or further support.

If it is the right fund and the right time for you, we will invite you to apply via our online application form. The form itself is straightforward and designed to help applicants articulate their investment requirement, business growth plans and potential risks.

You fill this form in and submit it online. You will also receive a Word version of the form from your Investment Team contact before you apply so you can draft your answers and get any support you need. The online form does not have a save function, so we would advise you to use the Word drafting document before filling out the online application.  If you are having trouble with the online form, please let us know.

Below we outline some of the accompanying documents you will need to submit your application form:

* **Cash flow projections**

Your cash flow projections should show us how you see the business progressing over the next 3 years, in terms of the income streams you intend to develop and the expenses you expect to incur. We know that forecasting at the early stage can be difficult but what we’re looking for here is an understanding of what drives revenue and costs, so you should make your assumptions clear.

This must be submitted in our **Excel cash flow template**, which we will provide. We understand that many applicants have already developed their own cash flows, but we need to ensure the projections are up to date and comparable with other applications.  You may change some of the headings in the template to suit your enterprise, but we will not accept other templates.  For further advice on completing your cash flow projections, see **Additional Guidance** below.

* **Most recent annual accounts (if available)**

Annual accounts should be submitted as **a PDF document only**.  They do not need to be audited and are not a mandatory requirement for the application if they are not available.

* **Most recent year-to-date management accounts**

This should include all income and expenditure incurred to the most recent month end date from the date of the most recent statutory accounts. This can be in a spreadsheet or download from accounting software.

* **Business plan**

This helps provide the Investment Team with a lot of contextual information about your enterprise. You can put detail in appendices as it is easier to edit/ maintain/ replace these, e.g. team information – key staff members’ roles, responsibilities, skills, technical expertise, etc.

# Suggested business plan contents (amend to suit your organisation)

* Executive summary
* About the organisation
* Summary of overall aims of organisation
* Existing products / services
* About the proposed project or development including any phasing / timescales
* Impact summary (economic, social, environmental)
* Actual or proposed framework for impact measurement and any track record so far
* Fit with local, regional and national strategies
* Demand / need / social problem
* Commercial market / opportunities
* Key partnerships (especially if there is any joint delivery).
* Competitors
* Comparators (lessons learnt / exemplars)
* Organisational development (capacity, skill gaps and how they will be strengthened)
* Marketing
* Funding strategy
* Summary of financial projections
* Risks

# Cash Flow (Additional Guidance)

At assessment stage, the cash flow will be reviewed with the following in mind:

**Can the business service the repayments?**

Your projections should show that your enterprise has the potential to develop into a financially viable and sustainable business.  Successful applications will be able to demonstrate that the Catalyst investment will result in increased trading, which will then allow the enterprise to comfortably service the repayments, as a percentage of revenue.

**Has the applicant used the key assumptions effectively?**

The assumptions under the main cash flow should be used to clarify the drivers of the business, e.g. volume, seasonality, price, footfall etc.  If in doubt, err on the side of caution and provide an explanation or further break down of the figures.  Never assume the reader will work it out or come to the same conclusion as you!

**Are there clear links between income and expenditure?**

For example, increased product sales usually mean increased manufacturing expenditure.  If the enterprise takes on additional staff (and therefore additional salary expenditure), what is the effect on projected income?  The more you know about your income and expenditure, the more accurate you can be.

**Are the projected figures realistic?**

Sales figures rising by a significant percentage without good supporting evidence in the key assumptions can be seen as unrealistic.  Similarly, you should show an awareness of how income and expenditure might vary over the three-year period, and how this might affect the enterprise’s overall finances.  For instance, if you expect your enterprise to be busier at certain times of the year, can you show a corresponding increase in expenses (such as staff time)?  And are you able to cover overheads during quieter periods?  A common mistake in applications is “flatlining” – income and expenditure remaining static month after month.  While there may be some items that are unlikely to fluctuate (e.g. rent)– other costs and income streams will inevitably vary over time.

**Is there an opening balance?**

Your opening balance should not be left blank or show a zero balance.  Use this to show the enterprise’s current balance and the key assumptions to reflect how this amount has been generated to date.  If your enterprise has a negative bank balance, you should show this and use the assumptions to provide an explanation.

**Is the Catalyst Fund loan included in the cash flow projection?**

Your cash flow should show the Catalyst Fund Loan (as one lump sum) as income in the first year – when repayments start from Year 2 onwards, they will automatically calculate.

# Assessment Process

On receiving your application, we will invite you to undertake an assessment meeting with our Investment Team. This meeting may occur via video call or in person and provides you with a more in-depth opportunity to discuss your growth and investment plans with us. We will also ask for any further information we need from you. You can find a list of the information we may ask for in the Catalyst Fund Possible Information Requirements document.

After the meeting, a member of the Investment team will complete an assessment of your application – as they prepare this, they may ask you further questions via email.

Your application will be assessed across six criteria:

* **Strategic:** Your organisation is of an age, stage, and/or delivery model that make it not suited for current existing social investment models.
* **Sustainability:** Our investment will enable your organisation's long term financial sustainability through trade.
* **Investment:** Our investment is necessary and sufficient for your organisation to achieve the current phase of your plans.
* **Repayability:** Your organisation has a viable plan to repay our investment within 10 years.
* **Impact**: Our investment will increase your organisation’s ability to contribute to significant positive social and/or environmental change.
* **Management**: Your organisation has adequate management and governance to ensure effective delivery, monitoring and reporting.

Once complete, the assessment report goes to an independent investment committee who will make the final decision.

# After the decision

If you are not successful, we’ll provide detailed feedback explaining the decision and a suggested course of action.

If you are successful, we’ll go through the terms of the offer with you – it may include conditions that you have to meet prior to drawing down your investment, or within a specific timeframe after investment.

You will need to sign a loan agreement, and any other legal documents required, and directors will need to complete identity checks, before you can draw the funds.

Once you have drawn down your investment, we will keep in touch regularly and attend some of your board meetings as an observer. You will be required by the terms of your agreement to send us quarterly management accounts, but we also like to chat regularly to find out how things are going and if there’s anything we can help you with!

# FAQs

**How does this compare to traditional social investment?**

Traditional social investment mostly takes the form of term loans with fixed repayments each month with an interest rate applied. Catalyst has variable repayments from year 2 and is repaid for as long as it takes to reach a pre-agreed multiple of the investment. The total amount you will repay with Catalyst will be similar to a term loan, but the variable repayments ensure that it will be affordable as your business grows.

**I am a start-up social enterprise, is this fund for me?**

Whilst we accept early stage enterprises, you should be able to evidence trading income. This should be more than market research and should at least include trial trading, or letters of intent from interested customers, or pilot projects.

**I just want to access the application form, can I do so?**

Due to the nature of loan funding, it is necessary to have a chat with one of our staff members before submitting an application form. This will help to establish whether this fund is right for you before submitting a formal application.

**Once I have applied, how long will it be until I receive a decision?**

It depends upon how much dialogue and assessment work is needed! We’ll work closely with you throughout the process and give you our best estimate of timescales.

**I have already secured social investment, am I still eligible for this fund?**

If you require further investment to grow AND can show that you will be able to service additional repayments but cannot access this from other social investment providers, then you may be eligible. You may need consent from your existing investors to raise further financing – check your terms and conditions.

**What is revenue-based investment?**

Revenue-based investment, revenue-based finance, revenue participation and quasi-equity are all terms used to describe similar funding practices where repayments are based on the performance of the organisation. A Catalyst Fund loan will be repaid by a percentage of your revenue until you repay an agreed multiple of the original investment amount. The overall total you repay will be like other social investment products that charge interest, just calculated differently.

**Will the Catalyst Fund accept early repayment?**

Yes. Your repayment will naturally increase with good trading performance, but you may decide you want to pay off earlier, or you may accept follow-on investment from another investor which enables you to exit from Catalyst. We are happy to discuss this.

**Are there any things Catalyst won’t fund?**

Aside from the eligibility criteria, we are a growth focused fund so we cannot fund businesses in financial distress, business as usual costs, or refinancing other funders or investors.