

Application Guidance

***Flexible* finance**

***Deep* support**

***Transformative* impact**

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# Application Process

The Catalyst Fund process starts with support to ensure that your organisation is in the best position to succeed in securing investment. The first step is selecting the right investment readiness support provider for your organisation from our list of partners. Each of our support partners has expertise in advising different kinds of social business – [check the webpage](https://www.firstport.org.uk/social-investment/the-catalyst-fund/) to learn more about our partners and contact them directly for support.

Our support partners will assess if you are ready for investment, help you to get ready if there are any areas for improvement, and help you identify the right investors for your organisation. The Catalyst Fund is designed for organisations unable to secure other social investment products, so this is an important step before you consider applying for Catalyst.

If it is the right fund and the right time for you, your support provider will invite you to apply via our online application form. With their help, you fill this form in and submit it online, alongside some additional documents outlined below.

Below, we outline 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 we are looking for an understanding of what drives revenue and costs, so you should make your assumptions clear.

This must be submitted in **Excel**. You can use our template cashflow forecast (ask your investment readiness support provider), or you can submit your own. The forecast must show the investment and the first two years of repayments as a percentage of trading revenue (as a guide, use 4% as an indicative figure). For further advice on completing your cash flow projections, see **Additional Guidance** below.

* **Investment Proposal**

This is where you can tell us more about your business, your investment ask, the strengths you have, and the challenges you face. This will form the basis of our conversations with you and the start of the assessment process.

* **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 a download from accounting software.

* **Business plan**

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

# Cash Flow (Additional Guidance)

Your cashflow forecast will be assessed as part of the process, 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 breakdown 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 and repayments starting from Year 2 onwards, based on trading revenue projected. You should also show how you intend to spend the loan funds and how this affects future revenues and costs.

# Assessment Process

While we’re unable to provide an exact timescale for the application process through to decision and drawdown - since each application and business is unique - we’ve outlined the steps below for your reference. Please be assured that we will work closely with you and your support partner to progress as efficiently as possible. We kindly ask that you remain available for contact throughout the process.

Once you have submitted your application, a member of our investment team will review it and invite you and your investment support provider to a meeting to discuss. They may have additional information to request (see the document **Catalyst Fund Possible Information Requirements** to understand what further information may be needed).

The investment team assessor will draw up an Appetite Paper, which outlines in brief your organisation, growth plans and investment ask for our Investment Committee. Our Investment Committee meets monthly and the Appetite Paper will be submitted to the next meeting once complete.

The Investment Committee will let the assessor know if the application can proceed to full assessment and, if so, what specific areas of risk to focus on. A full assessment report will then be drawn up and the assessor may require further information from you to complete this. 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 to 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.

The full assessment will also include a growth support plan outlining how Firstport or the relevant support provider will assist the organisation to grow should the investment be successful. You may submit a personal contribution to be appended to this assessment report – this may take the form of a video pitch, personal statement, video site tour, slide deck or other contribution.

The Investment Committee will decide whether to approve the investment, what revenue share percentage and multiple will be offered, and any conditions to the loan.

# 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 before 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/ trustees will need to complete identity checks, before you can receive the funds.

Once you have drawn down your investment, your support provider (which may be Firstport’s own Growth Advisor) will meet with you regularly to provide support to help you achieve your plans. They will also attend some of your board meetings as an observer to ensure that satisfactory governance is maintained. You will be required by the terms of your agreement to send us regular management accounts and impact reports, which will be requested via our portfolio management software Portf.

# 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, we like to ensure organisations are eligible, suitable and investment ready before doing the work to apply and be assessed, which is why organisations are encouraged to access Catalyst Fund through a support provider (which may be Firstport’s own LaunchMe programme). You can find the list of current partners on the webpage and find one appropriate for your organisation and plans.

**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.