



# GO-GRASS

Grass-based circular business models  
for rural agri-food value chains

## Budget, funding and investors

Training material



# Agenda

1. Financial budget
2. Cash flow and liquidity
3. Sources of funding
4. Investor considerations
5. Key learnings





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# Financial budget



# Costs and revenues

Creating a budget is essential to a successful business.



## Cost

*Costs are all the fixed costs that you have every month (e.g., rent, internet, salary) plus variable expenses (e.g., sales, materials)*



## Revenues

*Revenues are all the money a company earns in a period of time.*

**Revenues have to exceed costs in order to make your business survive and profitable.**



# Budgeting

Budgeting is a mirror to all assumptions behind your business strategy and essentially a guess of what will happen. On the contrary, accounting records what has happened in the past.

- Recommended to make a budget calculation for 3-5 years
- Critical period: first 2 years – here a monthly budgeting plan will be more helpful than a yearly overview



**It is not a one-time exercise: the budget should be updated regularly!**



# How to start budgeting

Using a spreadsheet is effective and simple to start.

Define your **cost types**, such as

- Personnel costs
- Sales/Travel/Marketing costs
- Production costs
- External Advisory costs
- Development projects
- Total development/investment
- Facilities (rent of land or buildings)

Define your **revenue types**, such as

- Commercial revenue
- Sales-related expenses
- Grants and public subsidies

Start to fill in your costs and revenues with numbers!





# Available tools



**G2G Business  
Plan Writer**

## G2G Business plan writer tool – Budgeting module

Available at [g2g-tool.investornet.dk](http://g2g-tool.investornet.dk)

Your costs	January	February	March	April	May
Management 1	8.000	8.000	8.000	8.000	8.000
Management 2	7.500	7.500	7.500	7.500	7.500
Personnel 1	5.500	5.500	5.500	5.500	5.500
Total personnel cost (wage incl. social)	21.000	21.000	21.000	21.000	21.000
Rent, heating/cooling and similar costs	1.200	1.200	1.000	800	400
Cleaning and maintenance	60	60	60	60	60
Insurance	150	150	150	150	150
Communication & Internet	300	300	300	300	300
Administration (e.g. Accounting)	1.500	1.500	1.500	1.500	1.500
Total other fixed costs	3.210	3.210	3.010	2.810	2.410



## Spreadsheet

E.g., Microsoft Excel or Google Sheets

2	New company Ltd.		
3	EUR	January	Februar
4	Virtual power plant revenue	100.000	100.000
5	Fleet management consultancy revenue	100.000	100.000
6	Condition monitoring licence revenue	100.000	100.000
7	Revenues from sales product/service 4	100.000	100.000
8	<b>Gross commercial Revenue</b>	<b>400.000</b>	<b>400.000</b>
9	Commissions/Licenses	100.000	100.000
10	Finders fees	100.000	100.000
11	Other Sales related expenses	100.000	v
12	<b>Sum of sales related expenses</b>	<b>300.000</b>	<b>200.000</b>
13	License revenue 1	100.000	100.000
14	License revenue 2	100.000	100.000
15	License revenue 3	100.000	100.000
16	<b>Other commercial revenues</b>	<b>300.000</b>	<b>300.000</b>
17	<b>Net commercial revenues</b>	<b>400.000</b>	<b>500.000</b>
18	Grants (input copied from "grant" sheet)	500.000	500.000
19	Public subsidies	100.000	100.000
20	Other revenues	100.000	100.000
21	<b>Grants and public subsidies</b>	<b>700.000</b>	<b>700.000</b>
22	<b>Net Revenue</b>	<b>1.100.000</b>	<b>1.200.000</b>





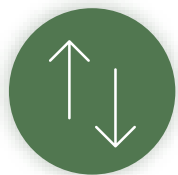
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# Cash flow and liquidity





# Definitions



## Cash flow

*Cash Flow is the movement of money in and out of a company, the flow of cash.*

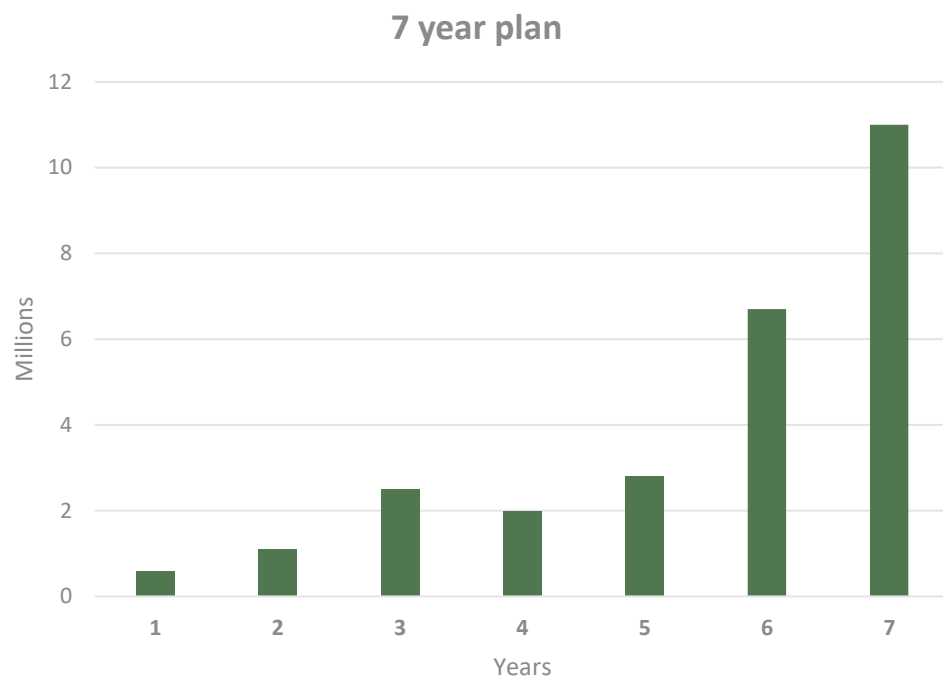


## Liquidity

*Liquidity is the degree to which an asset can be quickly bought or sold in a market at a price reflecting its value. The most liquid asset is money. This means you have money in your bank account to pay your bills at the end of the month.*



Once you made your budget, it may show that you are making profit in a given year



However, many companies struggle to pay salaries and bills from month to month.





# There is a significant difference when you pay and when you get paid.

*Many companies end up bankrupt due to the lack of awareness of the importance of cash flow and available liquidity.*





# Address liquidity gaps



## Use your budget to get an overview of:

- Monthly liquidity situation and the strategy to fill eventual gaps.
- Describe the liquidity situation for the next 5 – 7 years
- Make plans for actions to be taken to fill eventual funding gaps.
- List relevant funding options, and status for each.

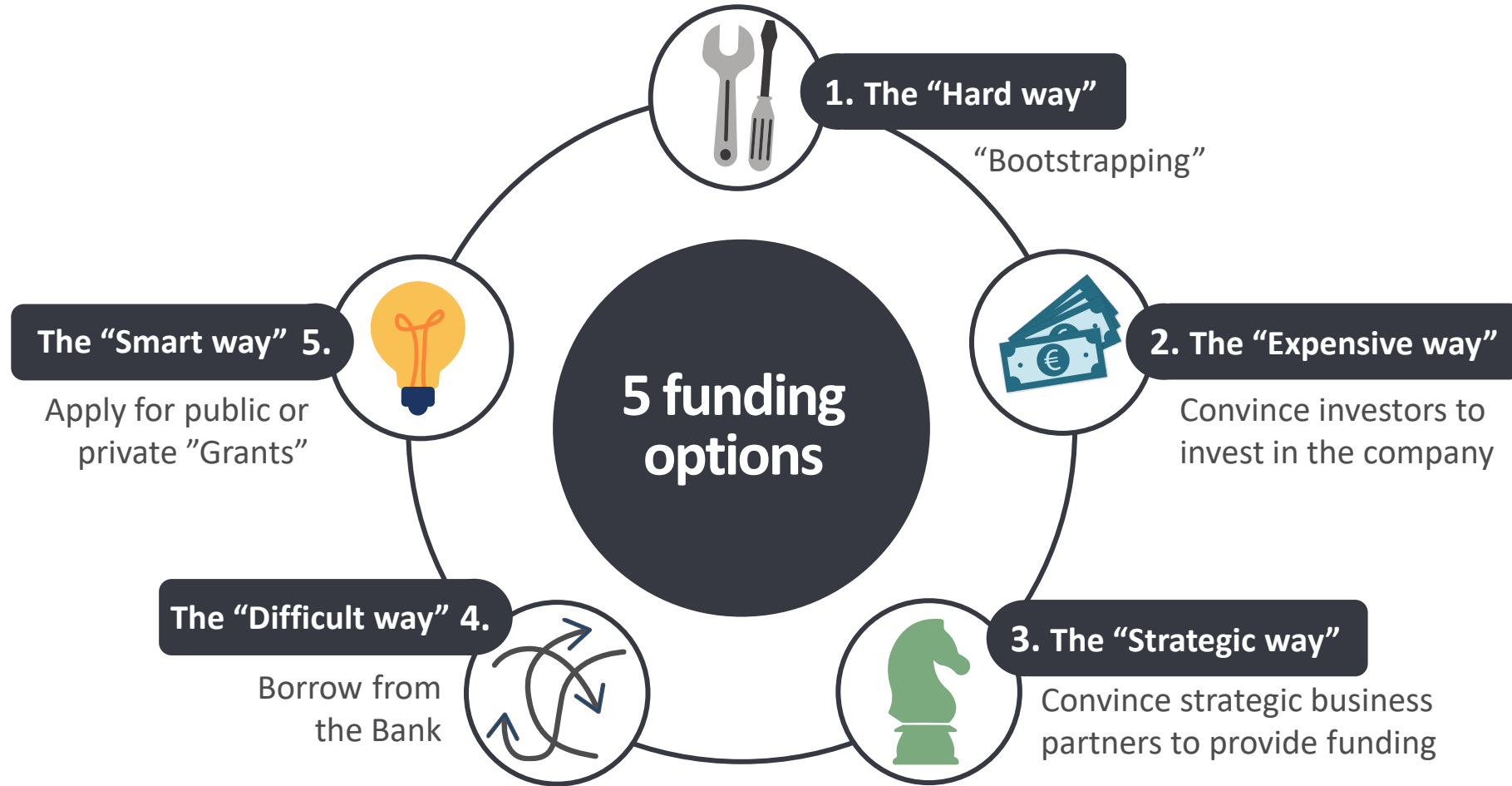


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# Sources of funding



# Ways of fundings





# Sources of funding

The financing of establishment and operation can be carried out in different ways:

- Equity capital
- Loans from credit unions
- Loans at the bank
- Grants
- Investors
- Business Angles

There is a difference in terms, interest and instalment depending on where the money comes from.

## Example for combining sources of funding

- Grants from national funding programmes  
*Focused on sustainable agriculture, environmental research and development*
- International funding programmes (EU)  
*Targeted research and innovation programmes (Horizon Europe, ESIF)*
- Loans and financing  
*Explore dedicated green or sustainable financing options offered by financial institutions*
- Collaborative Partnerships  
*Explore public-private partnerships/joint ventures with established players in the sector to share costs, risks, and benefits.*





# In financing, who is the “customer”?

*When doing business*

## **Who are your customers?**

- The mindset of your customers.
- The needs and preferences of your customers.
- Which other solutions compete with your solution/product.

*When borrowing money from a bank*

## **You are the customer**

- Check if there are competing offerings around!

*When selling shares in your company*

## **The Investor is the customer**

- Who are the potential Investors?
- Their mindset
- Their needs and preferences
- Alternative investment possibilities?







# Which one is for you?

**A good way to start this analysis is to get a grip on the following:**

- Causes and length of funding gaps
- Funding requirements and conditions (e.g., Grant criteria)
- Who is likely to provide the funding? And why?
- How much funding do you need?
- Can different funding sources complement each other?

Most often, the funding strategy includes a mix of different funding options to cover your timeline.





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# Investor considerations



# Who are the investors?

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## Business angels (BA)

- Invest their **own money – limited!**
- They have a **limited dealflow** to pick from.



- Investment decisions often **quick and less formal**
- willing to take **bigger risk** than the VC
- **Difficult to find**

## Venture funds (VC)

- Has a **larger deal-flow** to pick from.
- More **formal** and focused on **exit possibilities**.
- Your request is only **one among hundreds**
- If the VC team acts rationally, it will take **smaller risk** than the Business Angel
- **Easy to find** via directories





# To get funded from investors you need:



A good business case



Good understanding of funding sources

- Investor money
- Venture Capital
- Business Angels
- FFF & Crowd Funding



Good understanding of investor requirements

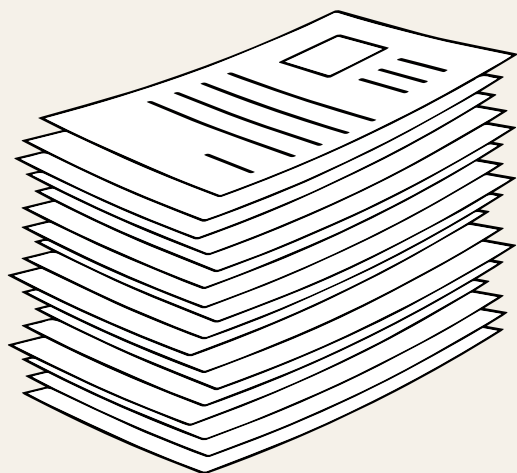


*... and substantial psychological insight!*



# Interest and concerns of investors

- They invest if they believe they can make money
- Minimizing risks
- Avoid “Fools & Imposters”



- Business Angels often search for opportunities via BA networks
- VC's often rely on the “deal flow” their reputation is generating
- Yours is only one of many cases looking for funding, therefore you need to understand that they have limited time to screen projects
- You need to stay on the investor's priority list all the way to an investment decision is made.





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# Key learnings



# Key learnings

**At the end of this training, you should be able to:**

- What is a budget and how to make one
- What are revenues, expenses, cash flow and liquidity
- What are different sources of funding and their requirements
- Consider which sources of funding could be relevant for your company
- Differentiate between types of investors
- What are an investment exit strategy and its considerations





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