



INVESTMENT READINESS: WHAT INVESTORS LOOK FOR

How to see your business through an investor's eyes — and get it ready
GUIDE 03

Understand how investors think, and where you stand today.

If you are considering equity investment — from angel investors, the Midlands Engine Investment Fund II (MEIF II), or venture capital — this guide helps you understand exactly what investors are looking for and how to prepare. It works alongside Guide 01 (Business Finance Fundamentals) and the Investment Readiness Self-Assessment tool.

GUIDE 03 | Business Lincolnshire Finance Accelerator

Who this guide is for: founders and business owners considering equity investment for the first time, and established businesses that have previously raised debt finance and are now exploring equity for the first time.

YOU'LL GET

- A clear picture of how investors think and what they weigh up before backing a business
- The six dimensions investors assess, with a self-scoring rubric for each
- A practical 90-day readiness sprint and where the Finance Accelerator can help

START: Use this guide to identify where you are strong, where you have gaps, and what to focus on before approaching investors.

SECTION 1 — HOW INVESTORS THINK

Understanding investment readiness starts with understanding the investor's perspective. An investor is not a lender. They do not want regular repayments — they want to back a business that will grow significantly, then realise a return, typically through a sale, a management buyout, or a listing, usually within 5–10 years. This fundamentally changes what they look for compared to a bank or grant panel.

The investor's core question

Every investor — whether an angel, a VC, or a fund manager — is really asking one question: "Is this team, with this product, in this market, going to generate a return large enough to justify my risk?" Everything else — team, market, product, financials, pitch — is assessed through that lens.

How investors differ from lenders

	Bank / lender	Equity investor
Primary goal	Get their money back with interest	Get a large multiple on their investment
Risk appetite	Low — wants certainty of repayment	High — accepts most investments will fail
What they assess	Can you repay? Do you have security?	Will this grow big enough to justify the risk?
Relationship	Creditor — they are owed money	Part-owner — they share upside and downside
If the business fails	They can pursue repayment / claim security	They lose their investment — no recourse
Involvement	Minimal — periodic reporting	Often active — board seat, strategic input
Time horizon	Loan term (1–10 years)	5–10 years to exit

The power law

Professional investors know that in a portfolio of 10 investments, 6 or 7 will fail or return little, 2 or 3 will do reasonably well, and 1 might return 10x or more. That one deal needs to be big enough to cover all the losses — which is why investors focus on upside potential above everything else.

SECTION 2 — THE SIX THINGS INVESTORS ASSESS

Most investors assess early-stage businesses across six core dimensions. Each is explored in detail in the following sections. Together they form your investment readiness profile.

#	Dimension	The core question investors are asking
1	The Team	Are these the right people to execute this plan and handle what comes with investment?
2	The Market	Is the opportunity large enough to justify the risk and generate a meaningful return?
3	The Product / Service	Is this genuinely differentiated and defensible against competition?
4	Financials & Traction	Does the evidence so far give us confidence this will grow?
5	The Investment Ask	Is the ask logical, well-structured, and does the valuation make sense?
6	The Pitch	Can this founder communicate the opportunity clearly and handle tough questions?

SECTION 3 — DIMENSION 1: THE TEAM

Ask most experienced investors what they prioritise in an early-stage investment and the majority will say the same thing: the team. A great team with an average idea will usually outperform an average team with a great idea — ideas change, markets shift, teams are what navigate the unexpected.

What a strong team looks like to an investor

Track record	Relevant experience in the sector or in building and scaling businesses. Does not have to be perfect — investors back potential as much as past success.
Domain expertise	Deep knowledge of the market, the customer, and the problem being solved. First-hand experience of the pain point is a strong signal.
Commercial capability	Someone who can sell, build relationships, and generate revenue. Many technical founders underestimate how important this is.
Financial literacy	The ability to read a P&L, understand cash flow, and hold a credible conversation about financial projections.
Team completeness	Key functions covered — within the team or through identified advisors / early hires. Gaps acknowledged honestly are better than gaps ignored.
Advisors & NEDs	Relevant advisors or non-executive directors signal that the founders are coachable and well-networked.
Alignment	Founders aligned on vision, equity split, and roles. Investor conflict between co-founders is a significant red flag.

Investors will walk away if they see...

A solo founder with no advisors and no plan to build a team. Co-founders with an unresolved or undocumented equity split. Founders who cannot explain their own financials. A team where everyone has the same skill set and nobody covers commercial or financial capability. Founders who appear defensive or unable to take feedback.

How to strengthen your team story

- Document your relevant experience clearly — including adjacent experience that demonstrates transferable skills
- If you have gaps, acknowledge them honestly and explain your plan to address them (hire, advisor, partner)
- Bring relevant advisors or a non-executive director on board before approaching investors
- Make sure any co-founder equity split is documented in a shareholders' agreement
- Practise explaining your own financial model until you can do it fluently without notes

SECTION 4 — DIMENSION 2: THE MARKET

Even the strongest team in the world will struggle to attract investment into a market that is too small, too crowded, or too difficult to penetrate. The market opportunity is the ceiling on the return — and investors need that ceiling to be high.

TAM, SAM, SOM — understanding market sizing

Term	What it stands for	What it means
TAM	Total Addressable Market	The entire global or national market for your product or service — everyone who could theoretically buy it.
SAM	Serviceable Addressable Market	The portion of the TAM you can realistically reach with your business model — filtered by geography, sector, customer type.
SOM	Serviceable Obtainable Market	The portion of the SAM you can realistically capture in the near term, given your resources and competition.

The sizing trap

Many founders present their TAM as their target and claim a tiny percentage as their projection. Investors see through this immediately — "if we capture just 1% of a £10 billion market..." is a calculation dressed up as a strategy, not a credible plan. Investors want a realistic, bottoms-up path to your SOM, built from customer evidence.

What investors want to see on market

Market size	A credible, evidenced market size — using external data sources, not just estimates. Both TAM and a realistic SOM.
Growth trajectory	Is the market growing, stable, or declining? Investors prefer growing markets.
Customer evidence	Real customers, signed contracts, letters of intent, or substantive pilot data.
Competitive landscape	A clear-eyed view of direct and indirect competitors, and why customers would choose you.
Timing	Why now? What has changed — technology, regulation, customer behaviour — that creates the opportunity?
Route to market	A credible, evidenced plan for how you will reach and win customers.

SECTION 5 — DIMENSION 3: THE PRODUCT OR SERVICE

Investors need to understand what you do, why it is different, and why that difference is sustainable. You do not need breakthrough technology — you need a genuinely defensible position in your market.

The three questions every investor asks

What problem does it solve?	Is this a genuine, painful problem — or a nice-to-have? Does the customer care enough to pay for the solution?
Why is your solution better?	Faster, cheaper, more effective, more convenient — and is that difference meaningful to the customer?
Why can't a competitor copy it?	What stops a well-funded competitor replicating your product within 12 months?

Defensibility — the moat

- **Intellectual property** — patents, registered designs, trade marks, proprietary algorithms or data
- **Network effects** — the product gets more valuable as more people use it
- **Switching costs** — customers find it expensive or difficult to move to a competitor
- **Exclusive relationships** — long-term contracts, exclusive supply agreements, preferred supplier status
- **Brand** — a trusted brand in a sector where trust is hard to build
- **Proprietary data** — unique datasets that competitors cannot easily replicate
- **Scale advantages** — unit economics that improve significantly as volume grows

SECTION 6 — DIMENSION 4: FINANCIALS & TRACTION

Financials tell investors two things: how the business has performed so far (traction), and how you expect it to perform in future (forecast). Both matter — neither is sufficient on its own.

Historical financials — what they reveal

- **Revenue growth** — is the top line moving in the right direction?
- **Gross margin** — how much of each pound of revenue is profit after direct costs?
- **Burn rate** — how quickly are you spending cash, and how long before you run out?
- **Unit economics** — customer acquisition cost (CAC) versus lifetime value (LTV). LTV:CAC should be at least 3:1 for most investors.
- **Recurring revenue** — investors value predictable, recurring revenue (subscriptions, retainers, contracts) far more highly than one-off sales.

The investor's forecast mindset

Investors do not believe your financial forecasts — they know founders are optimistic. What they are really doing is stress-testing your assumptions and checking the numbers are internally consistent. A forecast that is clearly thought through, even if wrong, is more impressive than a polished spreadsheet built on unjustifiable assumptions.

Key financial metrics investors care about

Metric	What it means	Why investors care
ARR / MRR	Annual / Monthly Recurring Revenue	Predictable revenue is valued highly — shows business model stability.
Gross margin	Revenue minus direct costs, as a %	High margins (70%+ SaaS, 40%+ product) signal scalable economics.
CAC	Customer Acquisition Cost	Must be significantly lower than LTV to be investable.
LTV	Lifetime Value	Total revenue expected from a customer over the relationship. LTV:CAC should be 3:1 or better.
Churn rate	% of customers/revenue lost per month	Investors want churn below 2–3% monthly for subscription businesses.
Burn rate	Monthly cash spend above revenue	Determines "runway" — cash balance divided by monthly burn.
Revenue growth rate	Month-on-month or year-on-year %	A key signal of market fit and momentum.

SECTION 7 — DIMENSION 5: THE INVESTMENT ASK

Your investment ask is the specific proposition you put to investors: how much you are raising, what equity you are offering, what you will do with the money, and what the return looks like. A confused or poorly structured ask undermines everything else.

The five elements of a clear investment ask

- **1. The amount** — be specific. "£250,000" is clearer than "up to £500,000".
- **2. The equity offered** — state clearly what percentage of the business you are offering in exchange for the investment. This implies a pre-money valuation — be ready to explain and justify it.
- **3. Use of funds** — break down exactly how the money will be spent, tied to the milestones you are committing to.
- **4. Milestones** — what will the investment enable you to achieve, and by when?
- **5. The exit** — how and when do investors get their money back? You should have a view on the realistic options and timeframe.

Valuation — the most important and most misunderstood number

Your valuation is the agreed worth of your business at the time of investment. It determines how much equity you are selling for a given amount of investment. Get it wrong — too high or too low — and it causes problems.

Overvaluation — the risks	Fair valuation — the benefits
Hard to justify, puts investors off, and creates a "down round" problem in future fundraising — damaging to founder credibility and morale.	Justified by comparable companies, your traction and your growth potential — builds trust, makes closing easier, and sets you up well for future rounds.

EIS and SEIS — make your deal more attractive

If your business qualifies for the Enterprise Investment Scheme (EIS) or Seed Enterprise Investment Scheme (SEIS), investors receive significant tax relief on their investment — reducing their effective risk. Check eligibility early and obtain Advance Assurance from HMRC before approaching investors.

SECTION 8 — DIMENSION 6: THE PITCH

Your pitch is not just a presentation — it is your first extended interaction with an investor, and they are assessing you as much as your business.

What a strong pitch demonstrates

Clarity	Can you explain what you do in two sentences? Needing five minutes to set the context worries investors.
Command of the numbers	You know your financials, assumptions and key metrics without looking at your slides.
Honest self-awareness	You acknowledge the risks and challenges and have thought them through.
Handling questions	You can answer tough questions calmly and concisely. "I don't know, but I'll find out" is a perfectly good answer.
Conviction	Genuinely passionate about the problem and opportunity, without being evangelical or dismissive of challenge.
Investor fit	You have done your homework on the investor — their portfolio, typical deal size, areas of interest.

The standard pitch structure

#	Section	What to cover
1	Cover	Business name, one-line description, founder names, date.
2	The problem	What painful problem do you solve? For whom? How big is the pain?
3	The solution	What do you do, and how does it solve the problem?
4	Market size	TAM, SAM, SOM with credible sources. Why now?
5	Product	Screenshot, demo, or clear visual. Key features that matter to the customer.
6	Traction	Customers, revenue, growth rate, key partnerships.
7	Business model	How do you make money? Pricing, margins, recurring vs one-off.
8	Go-to-market	How do you acquire customers, and what is the plan to scale?
9	Competition	The competitive landscape — honest, not defensive.
10	Team	Who you are, relevant experience, why you're the right team.
11	Financials	3-year forecast summary — revenue, gross margin, EBITDA, headcount.
12	The ask	Amount, equity offered, pre-money valuation, use of funds, milestones.
13	The vision	Where does this go in 5–10 years? What does success look like?

Accelerator support available

The Finance Accelerator offers pitch coaching, mock pitch sessions with experienced investors, and a full pitch deck template. If you are preparing for Lincolnshire Business Angels, we can support you through the full preparation process.

SECTION 9 — THE INVESTOR'S SCORING RUBRIC

The table below shows how investors typically score each dimension, from weak to strong. Use it as a self-assessment checklist — be honest about where you sit today.

Criterion	Weak / not ready	Developing	Strong / ready
Team & founder capability	Solo founder, no advisors, key gaps unaddressed	Strong lead founder, some gaps, advisors being sought	Complementary team, relevant experience, strong advisors
Market opportunity	Small or declining market, no evidence	Growing market, some customer data, plausible sizing	Large, evidenced market, strong traction, clear timing
Product differentiation	Me-too product, no IP, unclear advantage	Some differentiation, early IP, advantage not fully articulated	Clear moat, protected IP, proven customer preference
Financials & traction	No accounts, no forecast, no revenue	Some revenue, basic forecast, assumptions undocumented	Strong traction, credible forecast, clear unit economics
Investment ask clarity	Vague ask, no valuation, unclear use of funds	Defined ask, rough valuation, general use of funds	Specific ask, justified valuation, milestone-linked funds
Pitch quality	Unclear, over-long, defensive under questions	Clear structure, some stumbles on numbers or questions	Compelling, concise, handles questions with confidence

SECTION 10 — YOUR ACTION PLAN

Investment readiness is not a binary state — it is a journey. The goal is not perfection before you engage with investors; it is being strong enough across all dimensions that investors are compelled to lean in, not look for reasons to pass.

The 90-day readiness sprint

Timeframe	Priority actions
Days 1–30	Complete the Investment Readiness Self-Assessment (GLBFA-TOOL-001). Identify your three biggest gaps. Get up-to-date management accounts prepared. Begin your 3-year financial forecast.
Days 31–60	Build or refine your financial forecast using the Accelerator's Excel template. Draft your pitch deck using the Accelerator template. Identify and approach potential advisors or NEDs. Research EIS/SEIS eligibility.
Days 61–90	Book a mock pitch session with the Accelerator. Refine your deck based on feedback. Complete your investor one-pager. Brief the Accelerator on your readiness for a Lincolnshire Business Angels introduction.

How the Finance Accelerator can help

Support	What it delivers
Funding Diagnostic Session	One-to-one review of your current position, funding options, and priority actions. Fully funded and confidential.
Financial Forecast Template	Free Excel template covering 3-year P&L, cashflow, and balance sheet.
Pitch Deck Template	15-slide PowerPoint template structured for investor audiences.
Investment Readiness Self-Assessment	25-criterion self-assessment with RAG ratings and scoring guide.
Mock Pitch Sessions	Practice pitches with experienced advisers — structured feedback on all six dimensions.
LBA Introduction	Warm introduction to Lincolnshire Business Angels when you are ready to pitch.
MEIF II Pathway Support	Guidance on MEIF II eligibility and fund manager introductions.

This guide is for information only and does not constitute financial or legal advice. Always seek professional advice before making significant financial decisions.

START YOUR JOURNEY TODAY

Visit our website to learn more and access support

Ready to move forward?

The Business Lincolnshire Finance Accelerator gives you the knowledge, tools and expert support to understand your options and prepare to access funding at the right time, in the right way.

FIND OUT MORE

- Book a fully funded Funding Diagnostic Session
- Access Finance Accelerator tools and templates
- Speak to an experienced Business Lincolnshire adviser

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www.businesslincolnshire.com

businesslincolnshire@lincolnshire.gov.uk



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