

Emerging companies



SOURCES OF CAPITAL

THE WOLF AT THE DOOR

BRW Fast 100 companies, expert at raising the capital to start their businesses and to keep them growing, reveal some of their secrets. **Report: Kath Walters**

● Phil Bevan needed \$100,000 to start a training company. In 2002, the bank gave Bevan and his two co-founders \$30,000 and took the homes of all three as security. "It's a common story – we needed more than we had and in that first year we had about \$25,000 on credit cards," he says.

Today, Esset Group – on track for annual growth of 42 per cent and to reach \$7.5 million in revenue by June next year – employs 55 staff and 15 contractors and has blue-chip customers such as Qantas Airways and St George Bank.

As the unexpected economic upturn dawns across Australia, clever business leaders with the ability to garner cash, retain profits, woo banks and find investors are poised to grow fast, outstrip rivals and pick up market share.

Esset Group, already 72nd on the BRW Fast 100 list, is among them. Bevan raised capital from three private individuals – business angels – in February last year and another four in

May this year. His balance sheet looks so good, the bank is knocking on his door, offering cash.

The Fast 100 use various tactics to raise cash, at the start-up stage and beyond, to stay in front of the pack.

Personal bank account

Greg Milner had \$7000 from a juicy consulting job and a lot of faith in himself. He had been consulting to hair salons about marketing, and thought that if he could provide them with tools, they could do it themselves. They would pay less, and he would earn more. It took six months of working a day job and writing at night with co-founder Jill Groves, who sold out to Milner this year.

Milner used the \$7000 to print and package it all, and promote the first seminar. "I really didn't know if the thing would fly," he says. "When we sold \$10,000 worth in an hour-and-a-half, I thought this business could take off."

Hard yards: m-Net Corporation's Barry Porter, left, and Holden Wiltshire

Self-funding tells banks, investors and customers you believe in your business. However, some lucky companies do not need more than their own money to start and grow. The first place to look for money is in your own bank account.

Family, friends, listing

Mint Wireless is number four on the Fast 100 with average growth of 185 per cent over the past three years.

Founders Alex and Andrew Teoh pulled together \$1 million from their savings and 15 friends and members of family. The information technology firm now has Cadbury Schweppes, Officeworks, Target and Kmart as clients, and revenue of \$12 million in 2008-09.

Some in the group were bought out early, but the initial funding was enough to get the company through its first year. "It was more of a facility," Alex Teoh says. "We only used it if we needed it."

At the suggestion of the company's accountant, members of the founding group were offered equity and an interest rate of 7.5 per cent. The brothers raised several more rounds from private investors, totalling \$2.1 million, prior to becoming a public listed company.

Mint listed by taking over Arrowhead Group and issuing shares to raise capital of \$8.7 million. On reflection, Teoh says, a company of this size would have been better served by finding venture capital than by going public. "Being public has got high costs, and it is quite a burden."

The company has signed recent agreements in China and India and secured a debt facility of \$5.5 million.

Bank debt

Bank debt is cheap compared with selling a share of a company for cash, but it is hard for new or young companies to obtain.

"You have to have a very strong message for banks or you don't stand a chance, even with property for collateral," Esset Group managing director Phil Bevan says.

Today, it is even harder as banks tighten their debt-to-equity ratios.

One of the best ways to win bank finance is to find investors. "The more equity finance we raise, the more banks want to lend to us," Bevan says.

BRW. +

● BRW.COM.AU

To find out more about the BRW Fast 100 go to BRW.com.au