

# Investment round

– some key considerations

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Have you considered raising capital by bringing in external investors? A successful investment round is driven by several factors beyond the obvious ones such as your team, company and business plan. In this guide, we briefly go through some questions for founders and capital-raising companies to consider before getting started. The article is written for our typical client – founders who are ready for growth.

The purposes of an investment vary – what we most often hear is (and sometimes a combination of) the following:  
**Growth** – capital for expansion, product development, reaching new markets or when internal financing is otherwise insufficient to realise the business plan

**Strategic expertise and network** – through external owners, knowledge, networks and experience are secured to enable development

**Exit opportunities** – for founders and existing owners

**Key personnel** – securing key employees through incentives and market-rate compensation

**Allocation of risks** – between internal and external capital

Or simply said, as one of our previous clients expressed it:

**”A smaller piece of a big cake can be bigger than a big piece of a smaller cake”**

# 01.

## Timing

Do not wait until the need for capital becomes urgent. Negotiating under pressure rarely leads to favourable terms for founders, but rather to (unnecessary) compromises.

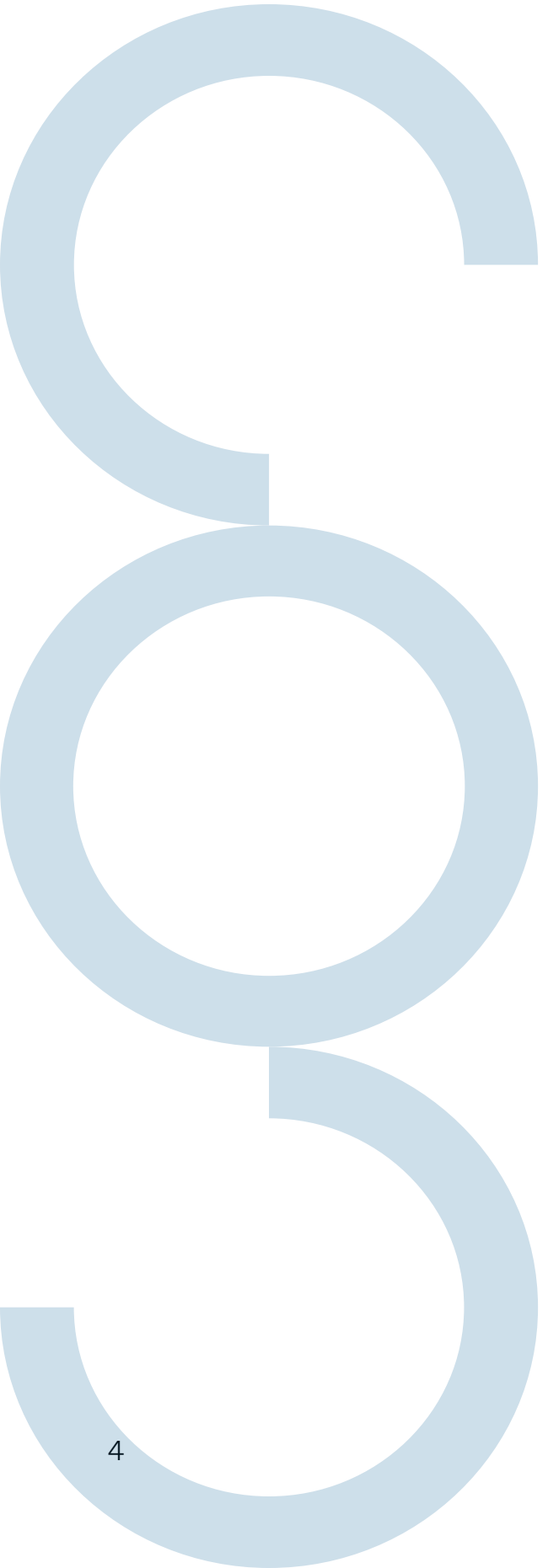
By starting early, you and your team can better ensure a match with investors and decline offers that are not aligned

with your objectives and plan for the company. Keep in mind that the process once an investor has been found, i.e. due diligence and negotiation of agreements, often takes longer than initially planned.



**Key takeaway:** Start planning for an investment round well in advance. This gives you better control over the process and creates the conditions for a well-considered and successful capital raise.

# 02.



## First impressions (“it just clicked”)

First impressions can be decisive – even when presenting your company to potential investors. Before reaching out, you accordingly need to have a pitch and business plan that is clear, easy to understand and, perhaps above all, accurate. A strong business plan does not only clarify what you do, but why you are worth investing in, how the capital will be used and how the investor will achieve a return.

Explain why your company, your team and the timing are right – and why the investor does not want to miss the opportunity. Typical FAQs and follow-up questions should be well thought through, and the business plan should withstand close scrutiny – including legal matters, compliance and how customer agreements are secured.



**Key takeaway:** Prepare a sharp, accurate and well-considered presentation – including FAQ.

## 03.

# Value-driving factors

The right investor can be the difference between a company that works – and a company that truly takes off. It is therefore wise to ask yourself early on what actually creates value for you, the team and your company. Does the investor need to contribute more than capital – for example industry knowledge, networks or strategic support – or is it more important that the investor gives you freedom to continue running the company yourselves? If so, it is good to be clear about what you are looking for early on to avoid spending time on the wrong track.

It is equally important that the investor shares your values and long-term ambitions. How does the investor view the company's future, growth and a potential exit? Does the investor's background or other holdings matter to you? And when does the investor expect to achieve a return – through a sale, listing or dividends? By clearly communicating your goals and expectations, you increase the chances of finding the right partner – and avoid unnecessary conflicts down the line.



**Key takeaway:** Raising capital is not just about money – it is often the beginning of a partnership. Find an investor who shares (or constructively complements) your view of the company's operations and you can share the board of directors with.

# 04.

## Valuation (show me the numbers)

Valuation is often more a matter of negotiation than an exact science – particularly for companies facing their first investment round where previous references are lacking. It is important to listen to the investors' views, but equally important to have your own realistic picture of the company's value – ideally based on materials prepared by a financial advisor – before the negotiation begins.

A clear and well-grounded valuation gives you strength, confidence and control. Transparency creates understanding, strengthens your arguments and makes it easier to set clear boundaries. By determining the lowest bid you can accept in advance, you gain the confidence to decline offers that do not match the company's potential – and the power to drive forward an investment that meets your expectations and can take the company to the next level.



**Key takeaway:** Prepare your own valuation of the company to use as a benchmark.

# 05.

## Due diligence

When an investor wishes to assure its evaluation of your company, a due diligence review is often carried out, usually with the assistance of external advisors. The purpose is to create a comprehensive picture of the company – commercially, financially and legally – by reviewing everything from customer and supplier agreements to corporate formalities, financial statements and cash flows.

How well prepared the company is at this stage can make a significant difference. Good order not only streamlines the process, but is also a signal of professionalism and that the company is well managed. Accordingly, make sure you have control over important

agreements and corporate documents. Also ensure that the company actually owns its most important assets, for example intellectual property rights through clear assignment agreements from employees and consultants. And do not forget the employees, for many investors the team is the company's most important 'asset', and written employment agreements can be essential.

Finally, financial records such as financial statements, budgets and relevant reports should be up to date and accessible. A company that is ready for scrutiny is simply perceived as better managed, hence also more attractive to investors.



**Key takeaway:** Ensure that you have control over the company's agreements, corporate formalities and financial records. Staying one step ahead with documentation demonstrates structure, saves time during due diligence and makes a professional impression.

## 06.

# Term sheet

Once an investor's interest is in place, the next step is often to prepare a so-called term sheet. This is where you set the framework for the investment – key terms, timeline and expectations for the process. Although the term sheet is intended to constitute a non-binding agreement, it carries significant balance for main terms in practice. Terms agreed upon in the term sheet become the framework for the continued negotiation, and are normally difficult to adjust afterwards. Taking the discussions early, rather than

deferring them to the final draft agreements, can save all parties time, money and frustration.

A well-prepared term sheet is also about security. By including provisions on confidentiality, customer protection and non-solicitation, you protect the company if the process were to be terminated. In this way, the term sheet becomes more than a formal step to be ticked off in the investment process – it becomes a tool that creates clarity and better conditions for constructive and efficient negotiation.



**Key takeaway:** Do not rush the preparation of the term sheet. Investing time in its design is an investment in both structure and security.

## 07.

# Completion

Once the term sheet is in place, the next step is to prepare the documents required to complete the capital raise and future shareholding. This is where the mutual negotiations are transformed into binding contracts – and where the details become crucial.

The central document is the investment agreement, which governs how the investment is actually to be carried out. This sets out, among other things, the investment amount, valuation (pre-/post-money), the price per share, how many shares the investor is allocated and what warranties the company and the existing shareholders provide. The warranties can be both general and linked

to specific risks identified during the due diligence. It is therefore important to review each warranty carefully – incorrect or overly broad warranties can, in the worst case, lead to liability for damages.

At the same time, a shareholders' agreement is often prepared to govern how the company is to be owned and managed after the investment. The agreement may cover, among other things, how decisions are made, how the board is appointed and under what conditions shares may be transferred. Investors often also require loyalty provisions and continued commitment from founders and key personnel, as the team is often seen as one of the company's

# 07.

most important valuation factors. Keep in mind to think long-term – the terms of the shareholders' agreement may affect the ability to raise additional capital and the operational work in the company going forward. Transparency regarding future capital needs and visions is accordingly important.

In order for the investment itself to be completed, various corporate documents are also required, including for resolutions on new share issues which must also be

registered with the Swedish Companies Registration Office (Sw. Bolagsverket). Finally, a number of other registrations and notifications may be required, such as updating the beneficial owner register, any tax registrations and – in certain cases – approvals from contractual counterparties if the company has agreements containing change of control clauses.



**Key takeaway:** Review draft agreements in detail to ensure that you understand them and what you are committing to – never hesitate to ask questions.



08.

## Conclusion

Seeking external capital can feel both exciting and frightening. Ultimately, it is not just about money – but also about control over the company. However, with good preparation, it is often possible to find a **balance that protects both you and the investors** – where the investors are given sufficient influence to minimise their risk, while you retain control over the company’s strategy and direction. **Focus on finding the right investor, not just the right capital.** If you find an investor who shares your view of the company’s operations and future, the control you relinquish may be

minimal in practice. The right investor then becomes not just a financial partner, but also an active team player in the company’s growth journey – and the capital raise hopefully the start of a long-term and successful partnership. Whether you are planning for a capital raise and want support and advice along the way, or have any general questions, we are just a call away.

Good luck!

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