

Loan to Equity scheme

Background

The Loan to Equity scheme offers successful applicants an interest free loan to a maximum value of £100,000 over a 12 month term, free from monthly repayment requirements. At the point of maturity, and at the discretion of the lender, the loan is either repaid in full, or, converted into equity in the candidate business.

Recipient benefits

For the recipient business, the scheme offers a source of funding at zero cost with which to develop and scale the business, together with business support during the term of the loan. A successful outcome is the conversion of the loan to equity when the loan comes to term. Conversion of the loan to equity at the 12 month point is also a strong indicator of the availability of future equity based investment from the investor as the original loan anniversaries in years 2,3,4 & 5.

Qualifying criteria

The Loan to Equity scheme is open to high potential branded UK Food and/or Drink manufacturing businesses selling through retail or directly to the consumer.

Successful candidate businesses will be able to demonstrate high growth potential in the form of a compelling consumer proposition and business plan. They will have progressed beyond the 'kitchen table' in their development and be poised to scale.

Candidate profile

- UK registered
- Owner operated
- Food &/or Drink
- Consumer branded
- Annual turnover up to £4m
- Compelling business plan aligned to ambitious growth
- 5 years or less since incorporation
- Able to evidence consumer demand for the brand



Outline of scheme details

- 12mths interest free secured loan to a maximum value of £100k on successful completion of application (to include business plan) with the objective of translating the loan into an equity stake when it comes to term. For investment purposes, company valuation will be based upon 5 x EBIT.
- During period of loan, borrower receives professional advice of lender to further company goals
- During period of the initial loan, lender will meet with borrower on a minimum of a monthly basis to review company performance, plans and progress.
- At the 6 month point, the lender will notify the borrower of the intention to call in the loan at maturity, or convert it into equity at the 12 month point, against valuation of 5 x EBIT.
- Progression from loan to equity confers right on investor to appoint Director to the invested business.
- Successful conversion of loan to equity opens a path to future equity investments in the business (if desired by both parties) on the 2nd, 3rd, 4th and 5th anniversaries of the original loan. Company valuation for investment purposes to be based on 5 x EBIT on each anniversary.

Please contact simon.middleton@ynygrowthhub.com to express an interest by 18 August 2023

