

Help is here... get more equity – PROVEN CEO

Williams advises entrepreneurs to seek alternative investments to combat COVID-19 fallout

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While some companies have already initiated business continuity plans to offset financial hits caused by COVID-19, others are not fully able to address the fast-moving and unknown variables of a pandemic. To this end, Chris Williams, CEO of private equity firm PROVEN, advises entrepreneurs to seek alternative investments.

“The pandemic will end, but will you survive until then? In order to achieve that you need more bench strength, and that is equity. The environment in Jamaica over the last 5-6 years has changed significantly, and you now have an opportunity to access equity, so my advice to entrepreneurs is get more equity,” Williams said.

He was speaking at the Entrepreneurs: Why You May Need Equity Financing Now and How to Get it webinar held last week — the first instalment in the Building the Economy with Funding through Alternative Investments series. The series is organised by the Jamaica Venture Capital Programme — a unit of the Development Bank of Jamaica and the Caribbean Alternative Investment Association (CARAIA).

“Don't be pennywise and pound foolish to say you're going to hold on to 100 per cent — 100 per cent of zero, is zero. You're better off if the business is scaling,” warned Williams, who is also the chairman of CARAIA.

He added that the Caribbean has been built on a diet of debt financing, however, alternative investing comes in the form of angel investing, venture capital, private equity, mezzanine credit, and real estate investment trusts, as opposed to sticking to the traditional commercial banking debt financing.

“This pandemic is a sign that there are potholes in the road. Businesses will experience crises and will have to respond to them. But how they respond comes from their balance sheets' structure — the business' immune system. The balance sheet structure has to include a nice delicate balance between equity and debt. This crisis is showing us that we need to have that support system called equity, because it allows you the opportunity to take a breath, absorb the new normal, and adjust to it without collapsing your business,” Williams maintained.

However, Leo Williams, CEO of SEAF Caribbean SME Fund contended that for private equity to be beneficial, the organisation's and the entrepreneur's vision for the business must be aligned.

“Equity financing is not appropriate for all businesses but many businesses begin with equity in the form of family and friends' money, as well as the entrepreneur's, so it's very familiar. But with private equity it's more like taking the elevator. We will get in on the ground floor with you the entrepreneur, we're both going the same direction — up, and we will decide on which floor we will get out,” he stated.

“If we can establish potential and that your vision is not just to sustain a lifestyle, then our intentions are aligned and that's the critical point. Many entrepreneurs build businesses for lifestyle, and they're

happy when they get to a certain stage and that's good, but if our intention is that we want to take [the business] to a regional or global level and the entrepreneur agrees then we can begin a serious dialogue," Williams continued.

Meanwhile, Sandra Glasgow, co-founder of FirstAngelsJA — a network of angel investors — made calls for education and training institutions, as well as entrepreneurs to bridge the gaps in the ecosystem.

"Entrepreneurs really need to educate themselves about business, many of them have great ideas but have no idea how to run a business. Universities and training institutions really need to do better in providing training to understand the basics of a business. Entrepreneurs would also do well to attend investment-ready workshops so they can adapt their business models to the new normal to make it more appealing to investors in the future."

Link: http://www.jamaicaobserver.com/sunday-finance/help-is-here-get-more-equity-proven-ceo-williams-advises-entrepreneurs-to-seek-alternative-investments-to-combat-covid-19-fallout_196084?profile=1056