

# The Business Finance Guide



## Equity vs. debt

Keith Morgan, CEO, British Business Bank

Equity or debt is a key consideration for growing businesses, who need to think through what they need for future growth and development.

Deciding on whether you need equity or debt is an important decision, and it depends on where the business is right now and what's it's trying to achieve in terms of future growth.

Equity investment is usually appropriate when a business is considering quite significant future growth, and given that future growth, there tends to be more risk involved in the investment decision.

Because a business is growing, equity might be important because it's a riskier piece of the business development, and that will typically involve giving away a piece of ownership of the business.

One of the benefits of equity is that the providers often add additional knowledge and advice to the owners of the business and help them to develop their growth plans.

One of the key considerations in taking on debt is that the business feels able to service the interest payment and repay the capital. So understanding your cash flow and future cash flow development is going to be key.