

Seal The Deal: Financing Your Business

Handout for Office Depot Web Café Webinar

November 16, 2010

5 Steps To Success: How To Win Over The Bank

1. Determine Why You Need Funds
 - Line of credit for working capital
 - Investment to expand existing business
 - Infusion of cash for a startup
2. Calculate The Exact Amount Needed
3. Assess Your Business
 - Established, steady growth
 - Healthy margins and cash flow
 - Declining market or industry
 - High-risk startup
4. Understand Your Audience
 - Conservative
 - Risk-averse
 - Historical/ backward-looking
 - Highly regulated
 - Requirement: Repayment + interest
5. Prepare. Most Banks Require¹
 - Clear executive summary or overview of business
 - Proven business, with track record and history of success
 - Existing relationship with bank
 - Financials for the past 2 – 3 years
 - Stable or upward trends
 - Debt service coverage ratio of 1:1.15 or more
 - Tax returns for past 2 years
 - Collateral: 10 – 20% of loan amount
 - Cash reserves: 3 – 6 months of operating expenses
 - Additional
 - Accounts receivable aging summary
 - Expect anything over 90 days to be considered uncollectible
 - Business plan
 - Management team
 - Competitive advantage
 - Marketing and sales strategy
 - Current customers + sales pipeline

¹ Note that these are *guidelines* only – every lender is different.



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Secrets Of A Successful Pitch

- Be candid
- Be confident, but open to advice
- Demonstrate that you'll be easy to work with
- Be passionate and committed

Important Notes

- Read the fine print
 - Repayment terms
 - Required reporting
 - Financial performance
- Consider the consequences
 - What is plan B? Plan C?
 - Is management prepared for the responsibility?

Resources

- Hickman Consulting Partners: www.HickmanConsultingPartners.com or growth@hickman-partners.com
- WIPP: www.wipp.org
- Business Alliance for Innovation and Entrepreneurship: www.businessalliance.org
- Path Forward Center's ACTiVATE program: www.pathforwardcenter.org
- Strong business schools, such as University of Virginia Batten Institute: www.batteninstitute.org
- Strong community banks

What To Do If You're Turned Down For Financing

- Hickman Consulting Partners: www.HickmanConsultingPartners.com or growth@hickman-partners.com
- Alternative financing and more: www.womenaccessingcapital.com/resources, scroll down to Sydnee Stein Reghioui's *Training 285: Your Loan Application Was Rejected. What Next?*

About Hickman Consulting Partners, LLC
Brand Management + Marketing Strategy

Hickman Consulting Partners provides practical, strategic business and marketing advice to closely-held businesses who are serious about growth. We work with our clients to significantly increase profitability – within the first 12 months – by aligning marketing strategies with overall business objectives, refining target markets and pricing, and streamlining marketing tactics. We help build healthy businesses that continue to scale up and grow, sustainably, over the long term.

Interested in learning more? We provide an efficient initial strategic assessment and recommendations session to get you started on the path to sustainable growth. Just contact growth@hickman-partners.com.