



GETTING APPROVED FOR FINANCING

BUSINESS PLANNING



AGENDA

01

FINANCING OVERVIEW

This section will cover the main financing options, what you can finance, and what are the expectations and requirements of those that provide financing. It does not include factoring, or lease financing.

02

DETAILED FINANCING REQUIREMENTS

This section covers a detailed overview of the requirements and what you should have before looking for financing.

03

BUSINESS PLAN OR FEASIBILITY REQUIREMENTS

This section outlines the differences in a feasibility study and business plan and what information needs to be included in either.

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OUR SERVICES

This section outlines the services that we provide that can help you obtaining financing for your business whether that be lending or investing.

Looking For Money



FINANCING OVERVIEW



Main Financing Options

- **Lending** is where you plan to borrow money as a loan or possibly a line of credit from a bank, credit union or third-party lender. This is money that you will have to repay depending on the terms.
- **Investment** is where you look for a person or organization to invest funds into your business while providing them shares (ownership) with their hope to get a return on their investment on the shares received.
 - They tend to want to be out of the business within 3-5 years.
- **Government Grants and subsidies** are provided by Canadian federal or provincial government to cover specific programs.
- There are other options for financing such as factoring or leasing which have similar requirements but are also based on some other requirements as well.



What Are You Financing?



- Before looking for financing for your business, you need to understand what the funding will be used for.
 - Provide a detailed list of what you want to finance as well as how much the items will cost.
 - Be prepared to provide quotations or proof of the items and the costs.

What can be financed through lenders?

- Before looking for financing for your business from a lender, you need to understand what can be financed.
 - **Assets** – Equipment, Land, Buildings, Furniture, Fixtures, Leasehold Improvements
 - ✓ These are items that are secured and most lenders will finance 50-80% depending on classification of asset.
 - ✓ **Small Business Loans** through the Government will only provide funding for Assets with very few exceptions.
 - **Operating Loans/Lines of Credit – Unsecured**
 - ✓ Loans provided through a bank, credit union, or third party lender that is unsecured which will have higher interest rates than those with secured assets.
 - ✓ Still require an understanding of what the funds will be used for. Examples:
 - ♦ Marketing , Inventory/Supplies for Orders, Hiring of Key Employees
- What lenders will not fund.
 - Owners salaries



Investors and Expectations

- An investor has very similar expectations as a lender or the government but is their choice on what they will finance with their investment.
- They are now a shareholder in your business and as such have a stake in its success. The share they own will be dependent on their investment and the equity that exists in the business today.
- They will have a say in your business and how you spend and depending on % of ownership, a say in how the business is run.
- Investors are many times entrepreneurs, past executives, or professionals who have experience in overseeing or running successful businesses.



What Financing Partners Require?

- Credit Rating / Score
- Show Investment in Your Own Business
- Feasibility Study or Business Plan
- Financials
- Financial Ratios
- Management Team
- Other Factors



DETAIL FINANCING REQUIREMENTS

Credit Score & Report

- A credit score and report of the owners of a business are required to determine if there is a credit risk with the owners.
- The credit scores will have an affect on the interest rate you will receive on loans, or whether you get the loan at all.
- An investor in your business may want to see your credit score as well.
- Credit scores are not required for grants, but there will be other criteria used depending on the grant.





Investment In Your Business

- Lenders and Investors alike want to see you have skin in the game.
 - If you have or are not investing money in your business and are asking for a loan or investment, in 99% of the cases, you will not receive financing.
 - It is the owner's responsibility to take on most of the risk in the business.
 - If you have not made an investment yourself, it doesn't show your ability or wiliness to be taken seriously as an entrepreneur.



Feasibility Plan or Business Plan

- A written feasibility study or business plan must be provided to a lender, investor, or grant provider.
- In the case of a start-up, in most cases a feasibility will suffice as it assesses risk. Most would not believe a full-blown business plan for a start-up business that has not been operating for awhile.
 - In many cases this will depend on the amount
 - Check with your lender or investor for their specific requirements

What Must Be Covered in Feasibility or Business Plan

- Outline the business in detail for each area covered in the plan
 - Section 3 will outline what must be in a Feasibility Study versus Business Plan
- You must show you understand the market, can make money, and in what time frame.
- Your financials must match your plan to show how you will meet revenue targets.
- You must show accurate expenses as well as costs for what you are financing.

Financials

■ Existing Financials

- Required if you are an existing business with financials
 - ✓ 2-3 Years of Compiled Financial Statements prepared by a CPA or LPA (for reviews /audits)
 - ♦ Minimum of Notice to Reader which include Income Statement, Balance Sheet and if a Statement of Cash Flows do not exist in the Notice to Reader – it should be developed.

■ Projected Financial Statements

- Most require 5 years of Proforma Statements which are your projected financials
 - ✓ Income Statement, Balance Sheet, and Statement of Cash Flows
- Your projected financials must reflect your plan





Financial Ratios

Financial Ratios

- There are certain financial ratios that will be looked at for both existing financials as well as projected financials. Depending on the type of business, or the one financing there could be others.
 - **Positive Working Capital**
 - ✓ **Current Assets** > **Current Liabilities**
 - **Current Ratio** – Between 1.5 and 2 in most Cases
 - ✓ **Current Assets** / **Current Liabilities**
 - **Debt to Equity Ratio** – dependent on the industry
 - ✓ **Total Liabilities** / **Shareholder's Equity**
 - **Return on Revenue**
 - ✓ **Profit for Year** / **Revenue**
 - **Return on Equity**
 - ✓ **Profit for Year** / **Equity**



Management Team

- Those providing financing or grants want to make sure that the owner and key management have the relevant skills, education and experience to execute on your plan and be successful.
- You need to show that you not only understand the industry, but that you possess or have staff that possess the skills to run the business.

Other Factors To Be Considered

- The other factors will be very dependent on the lender, investor, or grant provider. These are some of the few that many will use in determining if you / your business are worth the risk.
 - Character of the Borrower
 - ✓ Ability of the borrow to repay prior loans and pay creditors
 - Economic Environment
 - ✓ This is the economic environment of the industry you are in, your competition and the current market conditions
 - Collateral
 - ✓ Are you able to provide personal collateral, or what assets you will forgo in the event of non-payment
 - Capital
 - ✓ Do you have the proper working capital to protect against financial instability?
 - Control
 - ✓ Monitoring on a regular basis of your financials to ensure repayment and that you are on track to be able to hit your plan.



BUSINESS PLAN OR FEASIBILITY STUDY

Feasibility Study

■ Feasibility Study

- The purpose of a feasibility study outside a start-up using for financing is about determining the viability of a business idea, business, or project from an economic perspective. A break-even point is calculated to determine how much revenue is required to meet your projected operating expenses. A feasibility study looks at the following:
 - ✓ Definition of your idea, project or business
 - ✓ Industry, Addressable Market, Target Market & Size
 - ✓ Your Background and Experience
 - ✓ Your Top Competitors
 - ✓ Organizational Requirements to Meet Financials
 - ✓ Operational Requirements to Meet Financials
 - ✓ Assumptions related to building the model including: upfront costs, expenses, products, pricing, target market size and seasonality.
 - ✓ 5 years of projected financials

Business Plan

- A business plan assumes you already have a business strategy in place and is a detailed execution plan of how you plan to meet your business and financial goals for each area of your business. It includes
 - Go Forward Goals
 - An Understanding of the Industry and Your Target Market
 - Corporate Brand Established
 - Defined Products with Pricing and Placement Defined
 - Go To Market / Sales Plan/ Forecasts
 - Marketing Plan
 - Understanding of Skills and Employees Required
 - Your Background and Experience
 - Understanding of Your Operations
 - Basic Understanding of Your Revenues, Costs, Assets, & Liabilities
 - Prior Financials as well as 5 years of Projected Financials



Feasibility Study versus Business Plan

■ Feasibility Study

- In most cases a start-up business will only need a feasibility study for financing as there is not a well-defined business strategy or existing financials. The feasibility provides enough information to the lender or investor to determine risk. This will be dependent on the lender/investor and the amount of funding you require.
- If you are an existing business and you are financing an add-on to your business, you may only need a feasibility study.

■ Business Plan

- If you are an existing business or a start-up who is looking for high level lending or investment, you will require a full business plan.

SERVICES

Our Services To Help With Financing

Business Planning and Feasibility Study Services Overview

Our focus for feasibility studies and business plans development is only for financing as we understand what financial institutions, investors, third-party lenders and the government require to obtain financing. Most of our clients are looking for \$200K+. An internal document does not need the same level of work.

Our engagements include both coaching and consulting in order to ensure the business owner has what they need to be successful in obtaining the financing they need.

We have been doing this for over 10+ years and to date have not had a client turned down for financing. We have told clients when they would not most likely be successful and what they need to do before applying and spending the money on a plan.

Business Planning and Feasibility Study Services Overview

What sets our plans apart is we develop a 5 year financial model in Excel that includes assumptions and all of the key information about the business. It includes What if Analysis built in that can be given to the lender or investor in addition to the financials in the plan. This is developed by our partner who is a CPA, CMA.

We can help in getting our clients financing as we have relationships with banks, credit unions, third-party lenders, and investors. In many cases based on the amount multiple financing partners may be needed and we can help with this as well.

Our partners will meet with the lender/investor with you if needed to go through the financials and explain the assumptions. This is also one of our key assets and differentiators.

Business Planning and Feasibility Study Services Overview

We have developed our own methodology and processes that work in developing the most complete plan and view of your business.

Once all information has been obtained either from you or working with you through coaching, we provide you with a set time frame for the 1st draft and final document. The client is involved each step of the way and we will work with you through your financing.

We will provide you with a fixed price for the engagement once we understand your business. Only exception is if we must do detailed market research which is performed on an hourly basis.

Other Planning Services We Provide

■ Financial Model

- For those business owners who are only looking at determining the financial/economic risk of a project or business. This is the Excel model that is provided with all feasibility studies.

■ Business Plan Assessment

- We will provide an assessment of an existing business plan. This is an assessment only provided in a report. This does not include rewriting, as a plan needs to have a cohesive writing style and consistency throughout the plan.

■ Business Coaching

- We have had clients who wanted to learn how to write a business plan for themselves for their business and we have provided this through coaching, as well as help with clients who haven't fully developed their strategy that needs to be included in the plan.

Contact Us



Business Consultants and Business Coaches

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