

ROLLIT

MANAGEMENT CONSULTING INC.

“Get More Bang for Your Buck” Presentation Summary

Mutually Beneficial Financial Institution Relationship

- Flexibility in facility size
- Reasonable interest rate that reflects risk profile
- Guarantees that reflect risk provided financial institution acting reasonably
- Manageable and reasonable covenants
- Financial institution personnel who understand and support your business
- Reasonably priced ancillary services

Managing the Bank Relationship

- Communicate, communicate, and communicate!
- Internal presentations (“Road Show”) for your Bankers
- Professional looking financial statement presentation
- Budget presentations
- Invite bankers to trade shows and other industry events
- Demand your Bank’s and Banker’s expertise
- At minimum call your Banker quarterly
- Keep another Bank and Banker in the background

We Need Bank Financing

- Ensure time and other resources are spent to do it right!
- Analyse your business from a Banker’s perspective
- Create a “Financing Memorandum”, not a “Business Plan”
- When presenting your business ensure your business looks professional
- Financials statements and projections presented based on FIAP (See Below)
- Be realistic in your projections
- Identify and assess likely financing partners
- Hire a professional if resources are not adequate to commit to this task. You usually only get to present your business once.

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GAAP Vs FIAP

Generally Accepted Accounting Principals vs. Financial Institution Accounting Principals

- Accountant prepared statements generally prepared based on a tax minimization objective
- Banker’s need to understand real underlying values in the business and normalized cash flows
- GAAP definitions may not reflect asset values (for example historical vs. current market value of real estate)
- Net income vs. Normalized Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

Guarantees

- Normal for Banks to ask for 100%, Normal for Banks to settle for less
- If business is profitable, loan balances reduce, guarantees should reduce accordingly
- Planned reductions in guarantees should be in agreement
- Prepare a liquidation scenario to understand Banks potential downside

Covenants

- Covenants vs. Rate, Covenant should always win!
- Know your covenants and agree on calculation, calculate often
- Covenants do not have to be static
- Ensure you can share in profits of your business

When Things Go Wrong

- Communicate, communicate and communicate!
- Do not hide!
- Understand Bank’s position
- Prepare Liquidation schedule
- Ensure Bank’s position not deteriorating
- Have a sense of a plan
- Consider a professional to assist, mediate and potentially create credibility

Conclusion

- Communication
- Understand Bank’s perspective
- Understand how your business presents to a financial institution and then present it well!
- Any good relationship takes effort

For More information Contact Lyndon Rollit

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