



How to Prepare a Business Loan Presentation

Arthur F. Rothberg, Managing Director, CFO Edge, LLC

The immediate aftermath of the financial crisis produced a credit freeze that made it difficult for even creditworthy Los Angeles and Southern California companies to obtain business loans to support working capital needs and growth. As the economy has gradually improved, however, the credit freeze has begun to thaw somewhat, and some businesses are finding lenders to be more flexible than they were a year or two ago.

Regardless of the credit environment, the best way to increase your chances of landing a business loan is to put together a quality loan application presentation. Doing so accomplishes several important objectives:

- It demonstrates business acumen and shows the lender that you have your “act together.”
- It anticipates and provides the information the lender will need before he or she has to ask you for it.
- It makes the lender’s job easier, thus making it easier for the lender to approve the loan.

The Most Important Questions

Your business loan application package should answer at least five important questions:

1. Why do you think you need to borrow money?
2. How much money do you need to borrow?
3. How will the money be used to sustain or grow your business?
4. How and when will you repay the money?
5. What kind of collateral do you have to support the loan?

The crux of your business loan application package is your financial statements. These should be prepared in accordance with generally accepted accounting principles (or GAAP) and consist primarily of the:

Balance Sheet

This shows at a glance all of your company’s assets (what you own) and liabilities (what you owe).

Income Statement

Also referred to as the P&L (or profit and loss statement), this shows how much money was made or lost during the most recent year, quarter or month.

Cash Flow Statement

This reconciles the changes in your company’s cash position from the beginning to the end of your fiscal year. It will tell lenders what you did with your company’s cash.

In addition, a lender may also want to see your business and personal tax returns, accounts receivable agings, current accounting and bookkeeping records, a record of state and federal tax payments, and sales and cash flow projections. These projections are especially important, because lenders want to be assured

that you will be able to generate sufficient sales and revenue to service the debt. Along with the projections, be sure to include the assumptions upon which they are based. For example:

“Sales are projected to rise five percent per year for the next five years due to an increase in the marketing budget and expansion of the sales staff.”

“Revenue is projected to rise eight percent per year for the next five years due to increased sales and the high quality of our products, which will enable us to charge a premium price.”

“Profits are projected to rise 10 percent per year for the next three years due to technology investments that will enable the company to operate more efficiently.”

Prepare Early

Some business executives wait until they need financing before establishing a relationship with a commercial banker. However, it's better to be proactive and start to build this relationship long before you actually need to borrow money. Most institutions prefer to lend money to businesses with which they already have a banking relationship — for example, those that use the bank for business checking and savings accounts and merchant or cash management services. Often, banks are able to offer relationship-based pricing to these kinds of businesses.

Banks also prefer to work with business owners and executives who keep the lines of communication open. So err on the side of over-communicating, rather than under-communicating, with your bank. Let your banker know about new developments at your company — new product and service offerings, expanded territories, new sales and marketing initiatives, new executives hired, etc.

This goes for both good news and bad — your banker will eventually find out about bad news, so it's best to be upfront and honest about everything. If there's one thing that bankers hate, it's surprises.

Concluding Thoughts

While Los Angeles and Southern California business leaders and financial executives may find that obtaining business financing is a little easier today than it was a year or two ago, this doesn't make thorough preparation of the business loan application package any less important. An outsourced CFO services provider can offer invaluable assistance in this area by helping you package your financials so that they provide all the information the lender will need to make a positive and fast decision on your business loan request.

About CFO Edge

CFO Edge, LLC is a leading Southern California provider of outsourced CFO services. Based in Los Angeles, we are a group of experienced chief financial officers who engage with CEOs and CFOs on demand to address strategic planning, business management, and day-to-day financial operations challenges. Our seasoned professionals deliver services as interim CFOs, part-time CFOs, project-based CFOs, recruitment-to-permanent CFOs and interim-to-permanent CFOs. At CFO Edge, we're passionate about helping our clients create, grow and sustain value. For more information, visit www.cfoedge.com or call 626.683.8840.

This publication has been prepared for general information on matters of interest only, and does not constitute professional advice on facts and circumstances specific to any person or entity. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication. The information contained in this material was not intended or written to be used, and cannot be used, for purposes of avoiding penalties or sanctions imposed by any government or other regulatory body. CFO Edge, LLC, its members, employees and agents shall not be responsible for any loss sustained by any person or entity that relies on this publication.