Financing the Deal

Or

What Bankers want and how they need to see it
The Basics

Financial & Other Data
• 3 years externally prepared financial statements
• 3 years tax returns
• 1 year forecast and current year budget
• Purpose of financing and financial benefit
• Organizational Documents
• Business Plan
The Basics

How Deals are Underwritten

• Cash flow leverage
• Balance Sheet leverage
• Collateral
• Secondary source of repayment
• Strength of guarantees
• Management depth*
• Merits of the deal*
What Makes a Good Deal* for the Bank

**Leverage:**
- Cash Flow < 2.5X
- Fixed Charge Coverage > 1.25X
- Funded Debt to Equity < 4.0X

**Collateral:**
- Liquid
- Sale-able

**Secondary Sources:**
- Real Estate
- Investment Accounts
- Guarantees
The Terms

Term Sheets

• Length of Loan
• Amortization
• Rate – Fixed or Floating
• Covenants
• Not a commitment to lend
What you can expect

• Enhancements will be treated as an equipment loan or lease
• Terms will generally range between 3 to 5 year, fully amortizing
• Rates will be based on credit strength
• Equipment will be valued at 50% or less of cost
• 80% financing
• Fees… Fees… Fees…
Other Caveats

- Retrofits are easier to finance than new construction.
- On smaller deals (less than $10mm), most banks do not understand the benefit.
- Large Deals – more players available… costs are high.
Questions & Thank You

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