



# Bank Financing

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# Bank Financing

- Non-dilutive capital
- Low cost form of capital
- Generally up to 80% of capital stack
- Tighter parameters than other forms of financing
  - Decision makers can only be wrong 1 out of 100 times

# Airport Concessionaires

- Bank Concerns
  - Lack of tangible collateral
  - “Airball” financing
- Bank Attractions
  - Franchise support and stability
  - Location, location, location
  - Stronger and more consistent cash flows
  - Relationship profitability (treasury & merchant services)

# Financing Options

- Conventional
  - Shorter amortization
  - More restrictive collateral requirements
  - Financial covenants
  - Less eligibility restrictions than SBA
- SBA 7a
  - Eligibility tests
  - Designed to strengthen deal to obtain more favorable terms
    - Longer amortizations
    - No financial covenants
    - Overcome collateral concerns or shortfalls
  - 75% loss guaranty / balance sheet flexibility for banks
- Working capital management
  - Commercial card programs (30 day extension and rebate)
  - Integrated solutions (remote currency manager or in house merchant provider)

# SBA 7a

- Eligibility
  - Character – felonies
  - Verify franchise is on SBA registry
  - Personal resource test – liquidity less than project cost
  - Lease agreement – term matching
  - Franchise agreement – control issues
- Qualifications
  - Industry experience
  - 20% equity
  - Personal guaranty (20+% owners)
  - All affiliated companies – net income & net worth caps

# Information

- General franchise information
- Financial data on comp's if available
- Franchise and lease agreements
- PFS / PTR / Liquidity verification
- 3 years of business financial statements
- Other – YTD / Debt schedule / Isolate one-time items
- Asset listing / Cost verification
- For acquisitions, bank ordered business valuation
- Financial projections and scenario testing
- Pro forma balance sheet for acquisitions or rapid growth scenarios
- ID key risks (with mitigating factors) and key opportunities
- Know your numbers (cash flow coverage / leverage / liquidity)

# Rate Environment

- Floating Rates
  - Typical range is Prime to Prime + 2.75% (Max for SBA)
  - Translation: 3.25% to 6.00%
- Fixed Rates
  - Fix via interest rate swap (varies daily based on market)
    - Likely to be 1-2% higher than floating rate
  - New SBA option to fix
- Float part or all debt where you can handle rate increases or plan to prepay early.
- Fix when you need interest rate expense certainty and plan to pay according to amortization schedule.

# THANK YOU





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