



Case Discussion:

Selling Your Company to a Lender

Comments by Rod Hoagland, Coaching Services Series

Business situation

I recently preformed a favor for a CEO and provided introductions to some bankers I know. The CEO was looking for options to improve the company's borrowing capabilities beyond newly tightened conditions at their existing bank. As I listened to one conversation, I realized that the CEO had not really prepared for the meeting. Bankers, like customers, need to be 'sold', and selling is a technical skill needed by top executives in any business.

As I continued listening to this exchange, I wondered about the content of the CEO's conversation. Some items were not really relevant to the issue at hand. I also noted that certain points were repeated or had already been discussed. I expected the CEO to give a short, orderly presentation of the company and of the key executives, working from a script to focus the conversation and maximize the value of the introduction meeting. His lack of preparation was doubly surprising to me since I knew that the CEO's path to executive leadership had been through the sales function.

Solution

Everyone needs to be sold; a banker from whom you want to obtain a credit facility is no different. But each audience segment is unique, and the presentation should be tailored to include the specifics of importance to that segment, in this case a banker. Unlike an equity investor who often wants to see a big opportunity with lots of barriers to competition, the banker needs to know your company can pay the money back, and that lending to your company will not trigger immediate negative consequence to their capital reserve requirements. Generally, for an unsecured credit facility, this means a demonstrated track record of profitability, a positive net worth, and an upward revenue and profit trend.

An exception to these criteria can be made if you have a "deep pockets" investor that guaranties the loan directly or you have developed a working relationship with a branch manager and the amount being borrowed is within their financial authorization limit. Unfortunately, the limit of branch managers

is often too low to be of practical use to many companies. If your company does not qualify for an unsecured credit facility there may be other non-bank avenues of debt financing available to you.

The CEO in his ad hoc presentation did emphasize several times that the company had been profitable for many years, had intact revenue and profit trends and a positive net worth. These are all points that needed to be made – but only once would have been sufficient. Additionally, some of the items presented should have been left out, specifically a once threatened lawsuit that had been dropped, and an esoteric technical discussion of the industry. A good rule of thumb is to keep these conversations reasonably brief and to the point, respecting the time of the individuals involved and with the goal of establishing if there is interest to move forward, and if so, a mutual agreement on the next steps.

Benefits

Creating a script for each specific situation is an excellent way to achieve success when selling your company to potential investors and lenders. The best relationships are those which are mutually beneficial. Establishing a compelling reason why a bank will profit from *your business* and still sleep with minimal risk is a strong first step in selling to bankers.

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