

# Money's too tight to mention

By Alan Robertson

For any business owner, maintaining liquidity over the past 12 – 18 months has, at the very least, been challenging.

Thankfully there's no doubt business confidence is improving. So while we have survived this recession – albeit with diminished returns – the challenges of operating a successful business are far more difficult than a year or so ago.

Credit is no longer easily obtained – not altogether a bad thing – and for business owners obtaining finance is far more complex for the first time in more than a decade.

Lenders now consider the provision of finance to be a privilege, not a right.

So, if you're considering expanding your business, or restructuring your present financials, how do you go about getting it?

The answer: Very warily.

Today lenders are cautious to say the least. Indeed, Treasury was recently quoted as having received reports of good quality, cash-flow-positive companies being declined credit for what appeared to be sound business proposals. The report doesn't say whether funds were actually available through the lenders approached though.

Refinancing, if successful, can transform a company, not only by providing the funds it needs on terms which are not going to choke it, but also by opening a relationship with sources of support, expertise and useful contacts.

And there still remain a number of different options available for financing.

But before we discuss the "dos" of refinancing, let me first give a note of warning ...

Never, ever ring your bank up for a casual chat about refinancing before you've done all your homework – it could be like the proverbial red rag and set alarm bells ringing.

Be prepared – banks and other lenders

require far more documentation, information and figures than ever before.

So what should you do?

Best advice: Make sure you have your current financials, forward projections, valuations, appropriate information on any other investments and a clear statement of your own overall financial position and disclose any financial contingencies – for instance are any overdue accounts open to total default?

We're now seeing lenders seeking comprehensive information over all your business and personal interests. It may seem a long way outside your core business – but it's really all about the lending institution reducing risk.

For instance, you've worked hard for 20 years and built up a successful hardware busi-



Jean Clouet's 'Portrait of a banker'.



Alan Robertson.

ness and through family associations own a 10 percent shareholding in a residential real estate agency (we came across a similar instance a couple of months ago). So when the lender reviews your proposal not only will they be concerned about your own performance, projections and structure; but they're also going to look at any potential risk you could be exposed to.

Remember your relationship with your bank is business – and while you want to maintain loyalty and a long standing mutually beneficial relationship with your 'supplier' – in business nothing stays constant!

The way in which a lending institution will regard a particular business sector can vary. You wouldn't accept sub-standard performance from one of your major suppliers – I'd suggest you'd be reviewing the relationship pretty quickly.

So if you're looking at changing or refinancing; it's vital all information is up to date (with all the bells and whistles) and then – and only then – can you prepare to start negotiations with a new supplier. Even though you may have an excellent relationship with your current 'supplier' it doesn't mean you'll get an extra 20 percent overdraft in today's market.

What one lender will have agreed yesterday could have changed overnight. Do your homework; have everything ready; get qualified advice – from your accountant, solicitor, or seek the advice of a finance broking specialist.

Right now, getting acceptable terms and conditions can be no mean feat. That's not to say it's impossible, provided a company has thought ahead and has a sufficiently attractive and realistic business proposition. The difference is being prepared to accept much tougher terms than would have been offered a year ago.

But it's not impossible. For anyone seeking to change lenders or restructure, the only way forward is to remember the boy scouts – Be Prepared.

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