



2012 Mentor-Protégé Conference, March 5-8, 2012

ACCESS TO CAPITAL/CREDIT

BIO INFO

- Paul Courtney serves as the President and co-owner of The Buffalo Group, a small business located in Reston, Virginia.
- Under the leadership of Mr. Courtney, The Buffalo Group has grown from 0 to 170 employees since its inception in January 2010 and has achieved a \$9 billion IDIQ Prime contract award.
- Since 1997, Mr. Courtney has participated in the startup of 3 successful government contracting companies and has delivered on 28 Prime Federal contracts. Mr. Courtney's companies have made Inc. Magazine's list of "The 500 Fastest Growing Companies in America" four separate times.

MOST COMMON TYPES OF CREDIT IN OUR INDUSTRY

- **Traditional revolving line of credit** - Usually 80-90 percent of valid invoices. Based on the health of the business
 - ✓ Pro's: Best value for your business
 - ✗ Con's: Very difficult to get
- **Term Loans** - Not tied to invoicing. Based on the guarantees and assets of the business ownership
 - ✓ Pro's ease of access
 - ✗ Con's expensive and only available if you have significant assets

MOST COMMON TYPES OF CREDIT IN OUR INDUSTRY CONT.

- **Factoring** - Selling your accounts receivable to the lender. Based on the value of the invoices not the business
 - ✓ Pro's: Very easy to qualify, especially government AR
 - ✓ Pro's: Very fast
 - 👎 Con's: Costs are high and can go up fast with late receivables
 - 👎 Con's: You lose control over your AR relationship with your customer
- **Outside investors**
 - ✓ Pro's: You can raise money quickly
 - 👎 Con's: Loss of control



HELLO I WANT TO BE YOUR BANKER

- We understand your business
- We build strong relationships with business owners
- We love working with government contractors and have a special practice...
- We can move fast to ensure credit
- We can scale quickly when you win contracts

THIS IS ALL WE NEED TO GET YOU STARTED

- Personal financial statements of all owners
 - ❑ 3 years of tax returns
 - ❑ List of all assets owned and co-owned
 - ❑ List of all debts owned and co-owned
- Accounts Receivable detail
- Accounts Payable detail
- Cash history
- Financial statements YTD and past 3 years
- Backlog sales current month and last year
- Complete forecast
- Call us when you need the money

CONGRATULATIONS YOU WIN!!

- Contract type – Time and Materials
- Duration 5 years
- Size \$7,500,000
- Employees 10
- Typical cash required to start up \$400,000
- Cash flow positive – beginning of OY1

WHAT HAPPENED TO MY LOAN?

- Not in business for 3 years
- No business credit history
- No profit
- Too much growth
- Unrealistic projections
- Late receivables
- Need more collateral

UNDERSTANDING THE 5 C'S

- **Character** – Trustworthiness, business experience, knowledge, personal credit history
- **Capacity** – Cash flow and profitability of the business
- **Collateral** – Equipment, real estate, inventory, personal guarantee
- **Conditions** – External conditions that impact your ability to pay back your loan including customers, competitors or other economic factors
- **Capital** – How much skin you have in the game.

WHAT CAN I DO?

- Minimize what you will need to borrow
 - Gain favorable payment terms
 - Shoot for 15 day invoicing and 15 day receivables
 - Work with large subcontractors and mentor companies
 - Pay them in 45-60 days if possible
 - Utilize the payroll cycle
 - Hold first weeks pay in reserve
 - Pay twice per month instead of every two weeks
 - Retention bonuses

WHAT CAN I DO? CONT.

- Long-term Business Planning
 - ❑ Understand that strong banking relationships are a part of your business objectives
- Grow Slowly and Profitably To Start Off
 - ❑ Don't spend money you don't have
 - ❑ Infrastructure will have to wait
 - ❑ Don't outsource anything that you can do yourself
- Focus Intently On Your Invoicing
 - ❑ First invoices are hand delivered by you
- Borrow When You Don't Need It
 - ❑ Establish your credit at first with guaranteed money
 - ❑ Build a track record of paying on your loans

WHAT CAN I DO? CONT.

- Work your banking relationships
 - **Be Conservative!**
 - Force them to understand you and your business
 - Share your business plan and where they fit in
 - Discuss your professional experience
 - Highlight character in your resume
 - Frequent face to face interaction
 - Build a personal relationship
 - Make them go to bat for you (you won't meet the underwriters)
 - Keep them informed
 - Share every good bit of news
 - Demonstrate your understanding of the business
 - Shop multiple banks and let them know they are in a competition
 - Utilize the help that is out there – SBA, State, Local, Not for Profit resources for non-traditional loans

CONCLUSION

- ❑ Access to credit can significantly enable or stifle your growth
- ❑ Understand what the banks are looking for
- ❑ There is no substitute for good business practices
- ❑ The more time you spend with bankers the greater your chances of securing favorable loans