

ABDI Specialty Webinars:

Becoming Lender Ready:

What do Lenders want and need?



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The Lender Ready Program



- **Professional Development** – to support better business management – and business growth (not production)
- Part of the **ABDI and MLA Business Management Program**
- Lender Ready **Webinar Program** – a 3 or 4 part series:
 1. **Becoming Lender Ready** – Accessing money to support your operations and plans
 2. **Understanding a Lender's perspective** – wants, needs and drivers
 3. A **Producer Perspective** – my experience in shortlisting and approval
 4. **Optional Q&A session** – answering your questions (if you'd like)!



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Why a Lender Ready Program (LRP)?



What we want for our clients:

“To create a high performing, self managing, profitable and saleable / investor ready business”

Because:

The **ABDI 12-Pillars of Business Best Practice** focus on the business owner(s) **exiting the business** with wealth and/or **sell a profitable asset**.

And ... you might need **extra funds** to **build your business!**

To get an Optimum Result

Apply **6 Key Principles** to become '**Lender Ready**':

1. **Understand** – the (constantly changing) lending environment
2. **Clarity** – 'your plan' has to give potential lenders 'confidence'
3. **Commitment** (and courage) – the time, effort and discipline to create 'the plan and documents'
4. Understand **you're in 'lenders hands'** – you must put your case

5. **Orderly engagement** – with lenders (you're selling yourself to the lender; specifically to 'credit')
6. **Assess the offers** in detail – **quantitative and qualitative.**

Optimum Result – best **rates + Terms and Conditions** – to suit you

To answer those Questions:

Webinars + a self-help system ... the **Lender Ready Program.**

Agenda:

Webinar 1 described the LRP:

An **Optimum Result** = apply **6 Key Principles** to become '**Lender Ready; by creating**':

1. Core of what lenders want – for clients to become '**Lender Ready**'
2. **A Business Plan** – telling your true story / plans
3. **Financials** – past, present and future (validate the Plans)

An **Application** – with supporting documents = the package of 1-3; and

Leading to a '**Finance Proposition**' – how much, when and how (eg. P&I vs Int Only vs Equipment, etc)?

These **Key Principles** include:

- '**Size appropriate**' – levels of 'paper-work' relative to loan size / risk
- It's still a **buyer's market** (getting money)
- Go **to the market** – EOI(s); response; assess; then formal application(s)
- **The Plan** and **Financials** – crucial to your operational business management.

Optimum Result – best **rates + Terms and Conditions** – to suit you

Note: 1 or 2 more webinars still to come

And: for access to a self-help system ... the **Lender Ready Program**.

1. What's on a Lender's Mind?

Big changes – last 3-4 years

Very different **policy position**

Commercial are negotiable vs **government** (QRIDA) which is set; noting:

- Credit policies
- ROI
- Risk
- Servicing debt
- Understand the package of loan players / influencers.

Lender decision: Commercial or provider of government assistance, such as QRIDA?

There are **4 key elements** of putting your proposal together:



Analyse and assess (lender shoes)

1. Resources available:

- Property and enterprise **productivity** – think farming system and its capability
- **Plant and equipment** – to make the enterprise work
- Example: a livestock (money-making enterprise)
- **Labour** to make it work (family/staff)
- **Capital** – access, its management and future needs?
- **Other** (fit for purpose).

2. Financials – cash flow, repayment ability and key drivers:

- Cropping yields
- Herd structure
- Commodity prices
- Marketing strategies
- Contractual commitments.

Past, present and future – the proposition?

The secret:

Cashflow and 'key drivers'.

Analyse and assess (lender shoes)

3. Available **Security**:

- Property
- Livestock
- Plant and equipment
- Infrastructure (land)
- Guarantees
- Rights of entry – options for those starting out
- Conditions
- Other.

4. Must present **Your Best Case**:

- **A track record** – learning, saving, planning and preparing
- **Knowledge** – industry, husbandry, marketing, financial management, property and future prospects
- **Business networks** – mentors, advisers, accountant, solicitor, agents, contractors and bankers
- **Assets** – cash, property, livestock/crops and plan and equipment.

ABDI Business Plan Template



1. Executive Summary
 2. Introduction (inc. Purpose etc)
 3. Business Profile
 4. Business Environment
 5. Business Future / Proposition
 6. Legal Obligations
 7. Marketing Plan
 8. Operations Plan
 9. HR Plan
 10. Finance Plan
 11. Risk Management Plan
 12. Implementation / Action Plan
 13. Performance Measures
 14. Communication and Review
1. Where are you now?
2. Where do you want to be?
3. How will you get there?
4. Monitor and Review

2. Financial Management and Planning



The 7 Financial Building Blocks:

for 'management' as distinct from tax planning

this is simply a 'snapshot'

helps lenders ask questions – test your knowledge





Financial mutual obligation

Key concepts:

- What's your plan?
- What will happen by when?
- Can you stand by your word?
- What financial implications?
- "Think of the story being worth \$40k / page"

A screenshot of a web browser displaying a PDF document titled "Application Form Primary Producers". The browser's address bar shows the URL: "qrida-files.s3.ap-southeast-2.amazonaws.com/s3fs-public/2020-12/First%20Start%20Loan%20Application%20PP_0.pdf". The PDF content includes an "Information checklist" with the following sections:

- Financial Statements - past 3 years**: Includes Profit and Loss Statement, Livestock Trading Schedule, Balance Sheet and Depreciation Schedules. A note states: "NOTE: Cashbook figures are acceptable if financial statements have not been prepared. Financials must be provided for the applicant entity and all associated entities." There are radio buttons for "Yes" and "No - please state why:".
- Personal Tax Returns - past 3 years**: Returns for all associated individuals and all associated entities as prepared by your accountant. There are radio buttons for "Yes" and "No - please state why:".
- Business Plan**: Available at www.qrida.qld.gov.au/current-programs/first-start-loan/First-Start-Loan-Primary-producer. There are radio buttons for "Own template" and "QRIDA template".
- Monthly Cash Flows for the Current and Next Financial Year (July - June)**: Available at www.qrida.qld.gov.au/current-programs/first-start-loan/First-Start-Loan-Primary-producer. There are radio buttons for "Own template" and "QRIDA template".
- Production Schedule(s) (if applicable)**: There are radio buttons for "Own template" and "QRIDA template".

The form also includes fields for "Existing client ID No" and "OR new client to QRIDA" with a date "v14 25/11/2020". The browser's taskbar at the bottom shows the Windows search bar and various application icons, with the system clock displaying "5:07 PM 16/03/2021".

Financial mutual obligation



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOTAL
INCOME													
Livestock													-
Fishing													-
Crop Sales													-
Fuel Rebate													-
Agistment													-
Wages/Salary													-
Contracting													-
GST & Tax Refunds													-
Net Asset Sales (detail in Note 1 below)													-
Capital Introduced (see Note 3 below)													-
TOTAL INCOME	-	-	-	-	-	-	-	-	-	-	-	-	-
EXPENSES - VARIABLE (amend, add or delete headings as necessary to suit your business - refer to your past financials)													
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOTAL
Agistment													-
Stock Mustering													-
Fodder & Supplements													-
Livestock - Dips / Sprays													-
Shearing & Crutching													-
Freight & Selling Costs													-
Planting & Seed													-
Fertiliser													-
Sprays & Chemical													-
Harvesting													-
Freight & Selling Costs													-
SUB TOTAL	-	-	-	-	-	-	-	-	-	-	-	-	-
EXPENSES - FIXED (amend, add or delete headings as necessary to suit your business - refer to your past financials)													
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOTAL
Accounting/Admin Fees													-
Advertising													-

Poll question:

The Context:

- Thinking about my current level of knowledge ...
- And (now) better understanding what a lender (say your current bank or an alternative) would want ...
- In order for you to access a loan to support your business expansion plans ...

The Question:

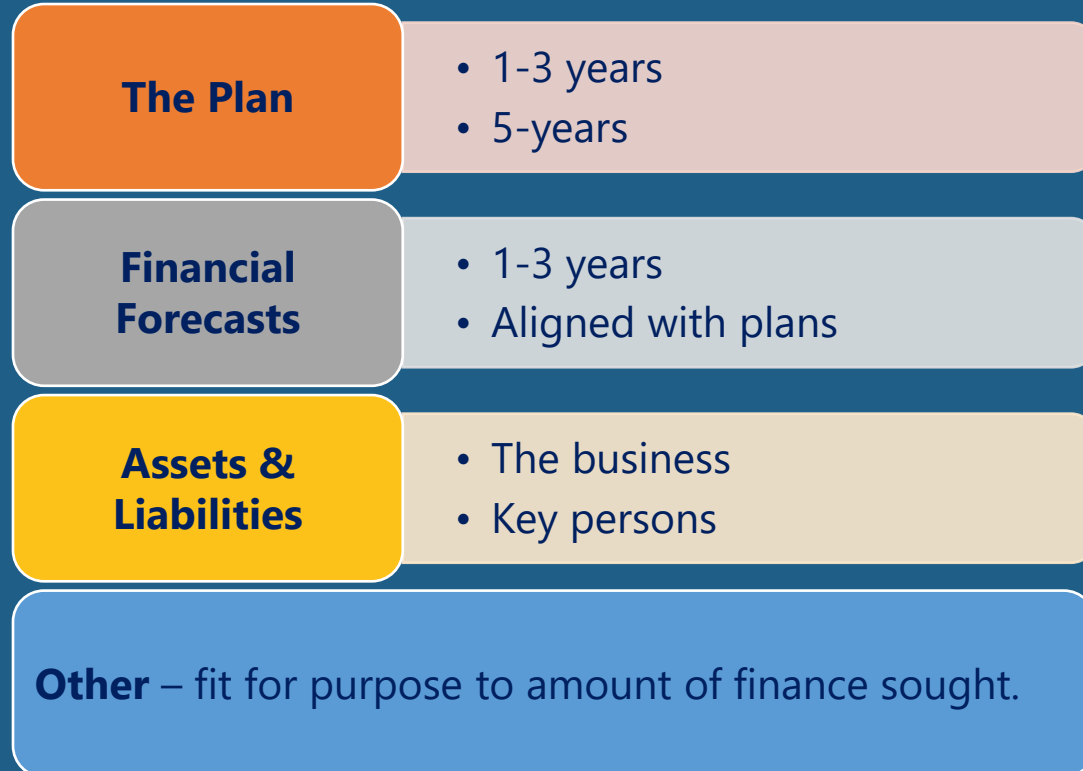
- How important is it to you, in a course (like the Lender Ready Program), to be able to **self-complete** your own **business plan structure** and **financial forecast structure** as an outcome of the course?

Rating process:

- 1=of no importance, through to
- 10=of critical importance.

3. Your Finance Application

The Plan and Financials



The Application has to be 'real' – justifiable – cover risk:

- What **exactly** is the plan?
- **How will it work?**
- **Who** does what? **Accountable?** Key-man risk?
- How will you check it's **on track?**
- **Risks** – what goes right and wrong
- Money – **how it flows** over time + **turns to profit** (risks)?
- And **reporting** – to the business and to lenders? Accountable to forecasts?

Takeaways (lender perspective):

- Have **a Plan**
- **Show me** (the lender) the Plan
- Show me **how it will work** (remember I'm risk averse)
- Show me ('credit') **how** plans will **turn a profit?**
- **When** will there be a profit – what **margin of safety?**
- Be **conservative** – you and I have to **convince 'credit'**
- Your **complete paperwork package** has to give me – and 'credit' – **confidence!**



Q&A: Drawing things to a close

Questions to consider:

- Can you define **your business plans** – clearly?
- Can you define **your financing plans**?
- Is the **next step(s)** clear?

Could this help?

- i. Webinar 3: '**Getting a business owner perspective**'
- ii. Webinar 4: '**Open discussion on “how to become lender ready”**'
- iii. **Free access to our Business Best Practice Short Course** – look in your email Inbox / Junk.

Contact:

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Lender Ready Program details:

See our email update from today.

Disclaimer



This information is general in nature, and is no substitute for seeking specialist input for your own circumstances.

The Lender Ready Program is designed to help you work out what you don't know you don't know – then develop the 'data' and 'documents'!