

# SBA Loan Closing Strategies During Economic Volatility

October 2023





# The New Economy

- The large generation of retirees and their businesses
- The demographic shifts
- Interest Rates and the balancing towards Economic Homeostasis



# Small Business and the Mind of a Lender

Where is the disconnect?



**Business owners and lenders find themselves in agreement less and less about what is bankable.**

Borrowers cannot overcome challenges like:

- An Overleveraged Balance Sheet
- Working Capital Issues
- Tightening Coverage and Operating Ratios
- Market Share Erosion
- And more

# Valuation and Financial Analysis

## A Few Tweaks

- Hockey Stick projections...
- EBITDA Adjustments
- Fluctuating Margins and Operating Ratios
- Asset Optimization



# A Quick Dive into the Assets

01

Get the Balance Sheet, A/R, A/P, & Inventory Reports with Matching Dates

02

Make sure the values match

03

Look at the Gross, Over 90 days A/R – if double digits, there is a problem

04

Check the Inventory : Sales Ratio – if over 25% there may be some excess

05

Assess results in the P&L and EBITDA multiple to gut check valuation

# An Alternative Approach to the Capital Structure

- Project the Working Capital Needs
- Separate the Acquisition and/or Real Estate portions from the Cash Needs
- Consider an alternative lender, such as a Factor, to deploy a Working Capital Line of Credit to cover cash needs prior to loan approval
- Although still a moving target, reassess the Debt Coverage Ratio to see if it clears the hurdle



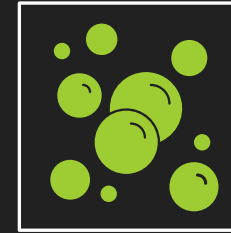
# **Who We Are and How We Help SBA Lenders**



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Retail Solutions and  
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“Pop-Up”  
Liquidations

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# Q&A