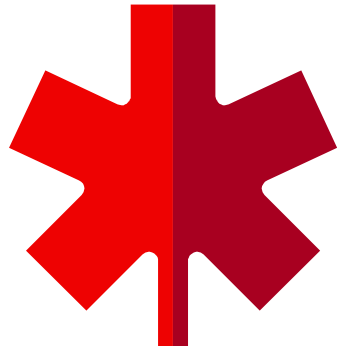


How to get a business loan



Rhonda Gaudreault

Business Centre Manager,

Entrepreneurship Centre

December 11, 2024

bdcc



Agenda



1. Know what you want
2. What your banker will ask
3. Choosing the right capital for your ambitions
4. Common mistakes when borrowing money
5. What makes us different



Know what
you want



Before applying for a loan, clarify the following:



- Why you need the loan
- The amount of money you need
- The type of capital you are looking for
- The repayment schedule
- The interest rate you're expecting
- Collateral you can offer
- The investment you made or are willing to make
- Deadline to receive the funds





What's the difference between debt and equity?



Debt

Money borrowed from external lenders

- Financial institutions
- Retailers/Finance companies
- Suppliers
- Factoring companies
- Crowd funding
- Family and friends
- Government

Equity

Invest in exchange for partial ownership

- Personal savings
- Family and friends
- Venture capitalists
- Private equity investors
- Crowd funding
- Government



What your
banker
will ask



What your banker will look for



1. How well is your business performing financially?
 2. What will your project's financial impact be?
 3. What are your investment and collateral?
 4. What are your business goals?
 5. What's your personal financial situation?
 6. Have you done your due diligence?
-



Establish your credibility



- Use facts and figures
- Focus on one project
- Be clear
- Show you've done your homework
- Indicate how you'll pay back
- Stick to business
- Avoid errors

Documents you will need to prepare



New business

- ➔ Personal situation statement
- ➔ Business plan:
 - Executive summary
 - Company profile
 - Market research
 - Sales and marketing
 - Operations overview
 - Financial planning :
 - Start-up costs
 - Forecasts
 - Cash flow budget

Existing business

- ➔ Personal situation statement
- ➔ Financial statements:
 - Balance sheet
 - Income statement
 - Cash flow statement
 - Statement of retained earnings
- ➔ Interim statements
- ➔ Financial projections (if applicable)
- ➔ Financial ratios (if applicable)



4 main types of financial ratios



Leverage ratios

Your company's long-term solvency and the extent to which you are using long-term debt to support your business (e.g. debt service coverage ratio, debt-to-equity ratio).



Liquidity ratios

The amount of liquidity (cash and easily converted assets) you have to cover your debts (e.g. quick ratio, current ratio).



Profitability ratios

Used to evaluate the financial viability of your business and to compare your business to others in your industry (e.g. net profit margin, return on equity)



Activity ratios

Measure your ability to convert its production into cash or income (e.g. inventory turnover, cash conversion cycle).



2 ratios you should know



Debt-to-equity ratio

$$\frac{\text{Debt}}{\text{Shareholder's Equity}}$$

- ➔ Measures your company's total debt relative to the amount invested by the owners and the earnings that have been retained over time.
- ➔ Assesses the level of risk taken by the owners vs. lenders

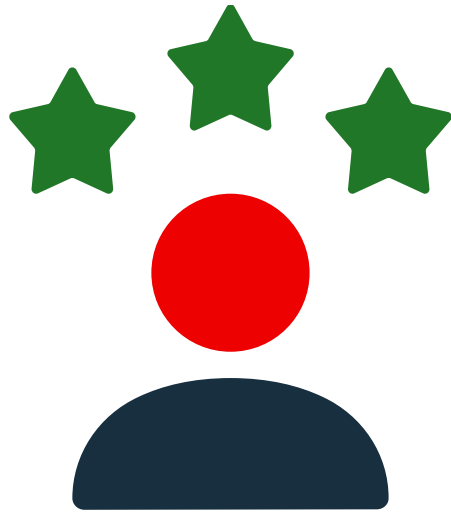
Debt service coverage ratio

$$\frac{\text{EBITDA}}{(\text{Interest} + \text{Principal})}$$

- ➔ Lenders use the ratio as a key measure of a company's ability to meet its interest and principal payment obligations.



Tips to improve your credit score



- Pay your bills on time
- Make frequent payment
- Pay more than the minimum
- Monitor your credit report often
- Separate your business credit from your personal credit as soon as possible
- Keep your credit utilization rate low
- Keep your older credit account open
- Diversify your credit products
- Limit your credit application

Habits 35%

Usage 30%

History 10%

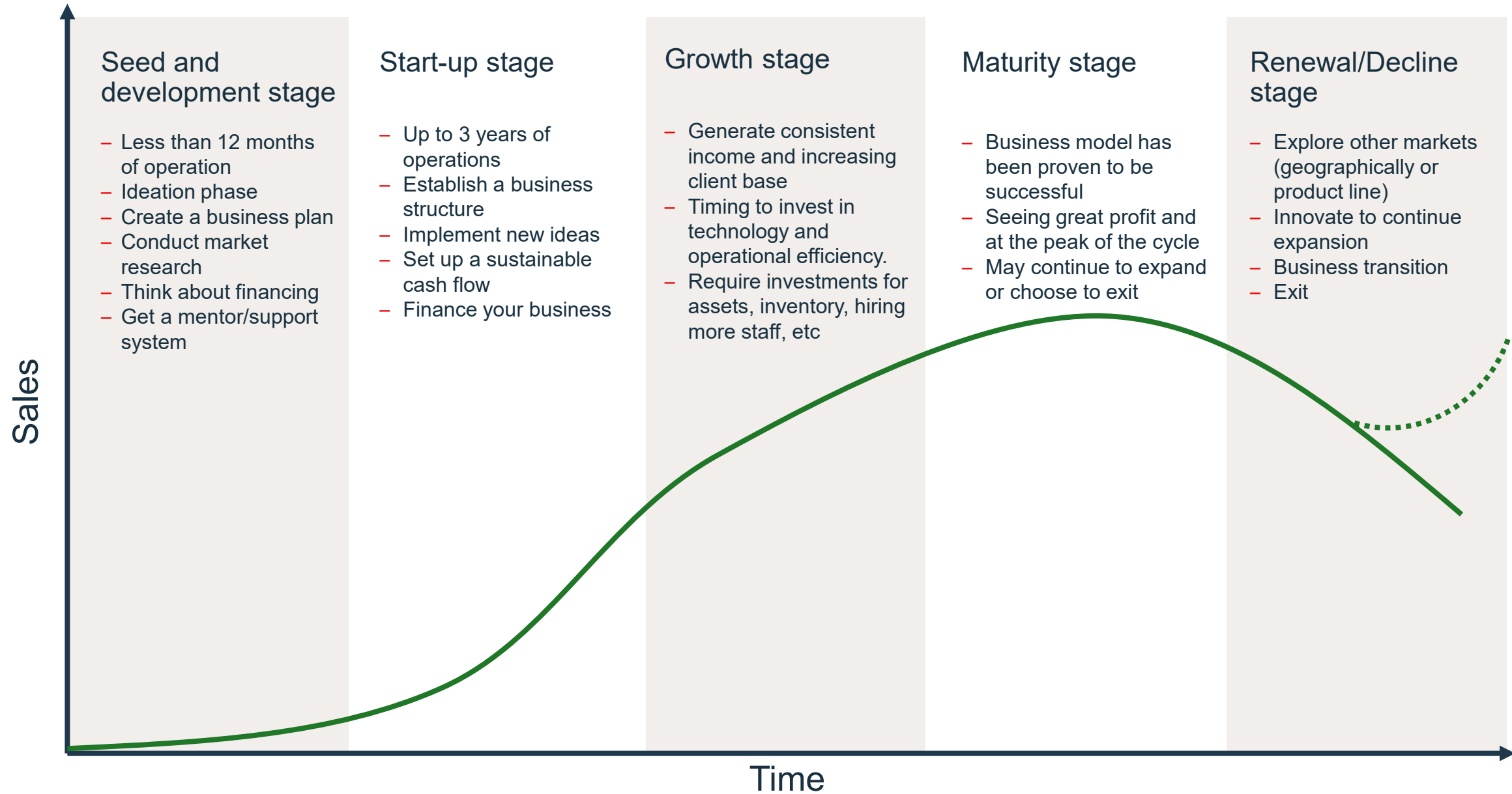
Credit mix 10%

Inquiries 10%



Choosing
the right
capital
for your
ambitions

Determine your entreprise stage





Irfan Rajabali
President
E.B. Box Company

Main sources of start-up financing



- ➔ Personal investment
- ➔ Love money
- ➔ Business loan
- ➔ Credit cards and lines of credit
- ➔ Angel investors
- ➔ Venture capitalists
- ➔ Grants and subsidies
- ➔ Business incubators



Beyond the interest rate: Other factors to consider



What loan term
is the lender
willing to offer?



What percentage
of your project's
cost is your
lender willing
to finance?



What is the
lender's flexibility
on repayments?



What collateral
and covenants
are required?



Alida Burke
Co-Founder & CFO
Growcer Inc.

What is collateral?



- ➔ Accounts receivable
- ➔ Fixed assets
- ➔ Inventory
- ➔ Real Estate
- ➔ Personal guarantees
- ➔ Third-party guarantee



Common mistake when borrowing money



Borrowing late



Borrowing too little



Paying your loan
back too fast



What makes
us different



What we offer entrepreneurs

- ➔ Repayment schedules matched to your cash flow cycle
- ➔ Higher risk tolerance
- ➔ Terms and conditions that don't change without due cause
- ➔ Commitment to sustainability
- ➔ Customized Advisory Services to help your business grow

We are a patient, flexible lender.



Élisabeth Bélanger
President and General Manager
Maison Orphée



We help finance your projects



Businesses in operation for over 12 months



Access working capital



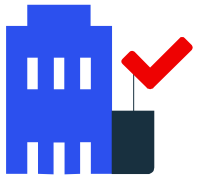
Start-up financing



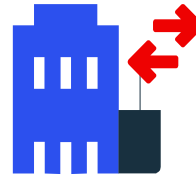
Buy a business



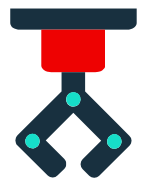
Invest in technology



Commercial real estate



Transfer a business



Purchase equipment



Export to new markets



What we don't do



- Guaranteed investment certificates
- Grants
- Term deposits
- Lines of credit
- Non-commercial loans or residential loans
- Bank accounts and credit cards



Ernest Korankye
Founder, CEO
Asante Logistics

Partnership to finance Black-owned businesses



➔ Black Entrepreneurship Loan Fund

- Financing of up to \$250,000.
Led by FACE.

➔ Black Entrepreneur Start-up Program

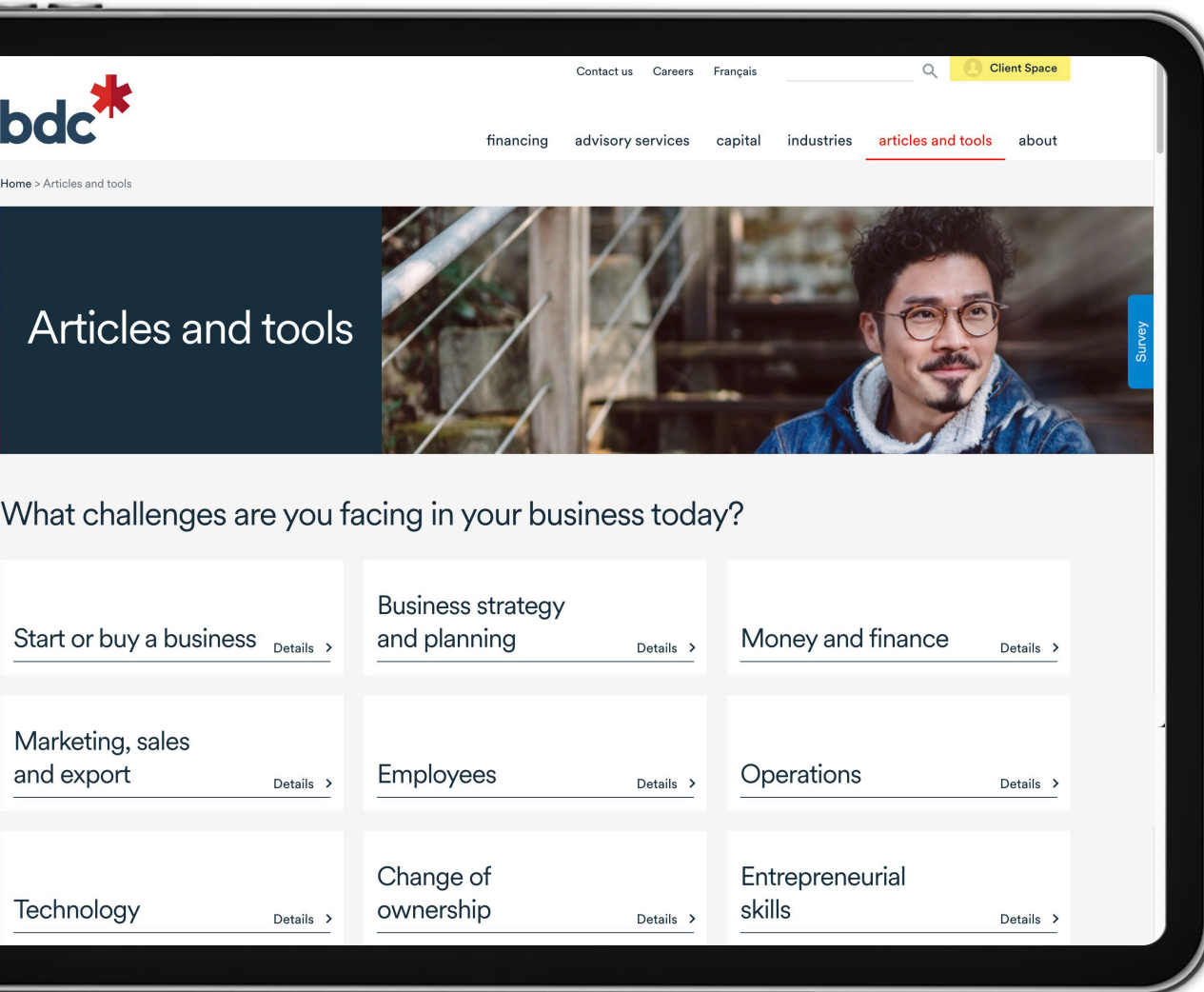
- Financing of up to \$60,000, plus
mentorship for entrepreneurs
aged 18-39. Led by Futurpreneur.

➔ Black Innovation Fund

- A venture fund for Black-led tech
start-ups. Led by BKR Capital.



Free tools and resources



eBooks



Template tools



Entrepreneur's toolkit

Course catalog

In this learning space you will find courses designed to increase your knowledge and skills as a business leader so you can manage your company with success.

Login to access your courses or your transaction history.

[Login](#)



Sustainability

4 Seasons of Reconciliation

COST: Free
LEVEL: Basic



Money and finance

Financial fundamentals

COST: Free
LEVEL: Basic



Start or buy a business

How to start a business

COST: Free
LEVEL: Basic

Marketing, sales
and export

Marketing Fundamentals

COST: Free
LEVEL: Basic

Active filters: All categories x

Filter By

Visit our online
learning centre
catalog.bdc.ca

Courses available in e-learning and game format on topics such as:

➔ Financial fundamentals

➔ How a bank looks at your business

→ Financial statements

➔ Advanced cash flow



Checklist for a winning loan request



- Check your credit history
- Gather your financial documents
- Prepare financial projections
- Identify your investments and collateral
- Shop around

Questions?

Thank you



BDC



BDC_ca



BDC



BDC_ca

