EXPORT QUICK HITS:
ROUTE TO IDENTIFYING NEEDS AND SECURING FINANCIAL SUPPORT

Choosing the right type of funding to secure will depend on the needs and stage of the business and inevitably will open or close various funding options. The three main types of finance available are:

Debt finance – Money provided by an external lender, such as a bank, building society, or private investor.

Equity finance – Money sourced from within the business.

Government grants and contributions – Portion repayable based on the program.

STEP 1: GET BUSINESS ACCOUNTS IN ORDER

Separate personal and business accounts: Encouraging your clients to get into this habit early will provide lenders and investors with a clearer picture of their financial position. Giving accurate profit and loss statements demonstrates the ability to service debt.

Tidy up the books: Your clients should generate a balance sheet, aged debt report, cash flow statements, and isolate any one-off or extraordinary expenses. These financial reports are what a lender will use to assess if your client can repay funds borrowed.

Check bank statements: Bank lenders look closely at these. Ideally, clients should have at least six months of minimal discretionary spending and be clear of negatives such as being overdrawn.

Make business and personal tax returns available: A lender may check if the business is up to date with its tax obligations. A business with a clean tax record showing that all commitments are paid on time will have greater success getting funding than a business with a poor tax payment position. While the business may have entered a payment plan to manage cash flow, lenders such as traditional banks may see this as the business being unable to meet its key obligations.

List financial commitments: A business owner having all their commitments in a simply outlined document can help with funding applications or formal annual financial statements - preferably audited. This will provide lenders the assurances they need to advance loans.

STEP 2: WRITE, REVIEW, OR REFRESH THE BUSINESS PLAN

A good business plan outlines goals and the actions required to reach those goals. The plan should be a living document that shows the business' progress. Include market analysis, historical financial performance against forecasts (unless it is a new business), and financial forecasts.

Include a cash flow statement comparing actuals with budget and forecasts. This historical statement should capture the seven cash drivers: revenue, operational expenses, overheads, debtors, creditors, inventory, and gross margin.

Walk your clients through the different options of servicing a debt. Suggest using a budget and cash flow statement to determine their 'break-even point'. Assess what it costs to keep doors open, what revenue the business must generate to turn a profit, and a very important aspect, how quickly a business collects a payment from its customers. The average time it takes for a business to get paid within a set time period can reveal a lot about the state of the business; a longer number of days for the collection period may mean that cash is in short supply and cash flow is critical in all aspects of business. The less cash a business has available to it, the less able they are to invest in growth opportunities, or even pay their own suppliers.

STEP 3: FINANCE FITNESS CHECK

Get a credit report/credit score: Make your clients aware of the importance of their credit rating and how it impacts their creditworthiness. The higher the credit score, the better the chances are of getting a business loan. It helps to understand what credit scores are based on. This will help address what areas need further attention.

Several factors may influence credit scores, including:

Payment history. Do they pay their bills on time? The credit score may take into account any missed or late payments, how long they went unpaid, and how often.

Amount owed. This includes totals owed to all creditors, how much is owed on particular types of accounts, and how much available credit they have used.

Types of credit. Generally speaking, the more types of accounts your client has (credit cards, retail accounts, mortgage loans, installment loans), as well as the total number of accounts influences credit score.

New loans. Has your client shopped for or received new credit recently? Applying for credit with different lenders within a short period of time may lower their score, especially if they have a relatively short credit history to begin with.

Length of credit history. The age of the oldest credit account, the age of the newest account, and the average age of all accounts may each play a role in the calculation of their score.

Most credit reports share some similarities in what they value, however, keep in mind that credit bureaus collect and report information differently, so reports from different agencies will vary. Your clients should consider asking more than one provider for a credit report and regularly check their personal credit report to verify the accuracy of the information and promptly request corrections should any errors arise.

Create a list of assets: Many businesses feel they have nothing to use as security. However, by listing every piece of equipment, tools, and furniture (the ones they often forget to claim depreciation on), all starts to add up. Some funders also consider sweat equity.

Discuss online reputation: Be aware lenders may look through the business' website, along with the businesses and the owner's own social media platforms as a means of assessing one of the 5Cs of character.

STEP 4: BORROW, SEEK INVESTORS OR SELF-FUND?

If your clients can tick off the above tasks, they'll be able to make an informed decision about whether they need external funding from one of the options outlined.

A written business plan, updated regularly, that includes accompanying financial statements, including a balance sheet, along with a forecasted profit and loss statement is 'the' single most important document for a lender. It will form the fundamental basis on which a lender will decide to lend or not. The business plan lays out the road map for the business, existing or new, and provides the lender with an understanding what is in the mind of the borrower and how the financing fits within the business plan. The other points noted previously such as tax information, credit scores, and other background information on the borrower provides the lender with more understanding of the risk that the loan will be repaid.

RESOURCES:

The Canada Business App bridges the gap between small and mid-sized businesses needing government information and support and the thousands of government programs and services available to help them. New from Innovation, Science and Economic Development Canada (ISED), the app presents information about federal, provincial, and local government services and support programs in eight areas. It also provides personalized notifications straight to your phone and program recommendations tailored to your business.

Export Development Canada (EDC) offers several financing products for companies to support their international transactions: to pay for the up-front costs associated with the production of a large export order, expand into new markets or respond to a buyer's request for financing.

Business Development Bank (BDC) with a focus on small and medium-sized enterprises and a specific program dedicated to women-owned/led business, BDC helps businesses with **financing**, **advisory services**, and **capital** in all industries at all stages of development.

CanExport program, supported by Global Affairs Canada, covers a percentage of eligible expenses for a variety of export marketing activities such as business travel, participation in trade shows, market research, adaption of marketing tools and more.

AgriMarketing program, supported by Agriculture and Agri-food Canada aims to increase and diversify exports to international markets by supporting industry-led promotional activities that highlight Canadian products and producers.

Farm Credit Canada's (FCC) Women Entrepreneur program has dedicated $500 million in lending, enhancing events, and creating resources specifically for women entrepreneurs in agriculture, agribusiness, and food to start or grow their businesses.

Canadian Technology Accelerator (CTA) is not a funding program per se, since applicants must be ready to make a significant commitment of time and money, with senior personnel devoting several months of full-time participation. The CTA can provide companies with an existing technology, product or service with vast opportunities and a head start in a foreign market.

Venture Capital Catalyst Initiative (VCCI) is an alternative funding option available to improve financing opportunities for women and under-represented groups in the clean tech sector and to improve gender balance among Canadian VC fund managers and companies.

Futurpreneur Canada provides financing, mentoring, and support tools to aspiring business owners aged 18-39 to secure financing through collateral-free loans.

Startup Canada has the Women Founders Fund, providing micro-grants to women entrepreneurs and women-led companies in STEM (science, technology, engineering, math).

Regional Development Agencies (RDA): There are six RDAs across Canada that work closely with businesses to help them scale up by providing access to financial assistance. Each RDA has tailored programs that support women entrepreneurs.

GLOSSARY:

Bank lenders consider the five Cs of credit when evaluating a loan application: capital, capacity, collateral, character, conditions:

• **Capital:** Lenders look at borrower's financial position including assets and liabilities, net worth, and liquidity.

• **Capacity:** Can the borrower repay the loan over a suitable period? Lenders may calculate various ratios to show this, such as debt-to-income or servicing ratio incorporating cash flow, revenue, expenses, and other outgoings.

• **Collateral:** Type of security (such as property/land/ accounts receivable) the business is providing, along with age, location, and attributes of the security.

• **Character:** What is the business and business owner's reputation? Lenders may consider factors such as loan repayment history, general savings history, job tenure, and credit ratings.

• **Conditions:** Lenders look at how the borrower will use the money, trading ratios, whether they have security, plus external factors including state of the economy, to calculate loan conditions. Help your clients get finance fit.