

▶ **HAVING AN ADVISER WHO CAN LEAD NEGOTIATING DISCUSSIONS, ASK DIFFICULT QUESTIONS AND PUSH FOR BETTER TERMS WITHOUT DAMAGING YOUR IMPORTANT ONGOING RELATIONSHIP WITH THE BANK IS EXTREMELY VALUABLE.**



CORPORATE FINANCE

RAISING FINANCE

Make the leap: access new debt

CONTACT US

If you would like further information about this publication or our wide range of services please contact your local BDO office:

Birmingham
roger.buckley@bdo.co.uk
0121 352 6213

Bristol
andy.butler@bdo.co.uk
0117 930 1512

Cambridge/Chelmsford/Hatfield
john.barker@bdo.co.uk
01707 255 940

Epsom
paul.smith@bdo.co.uk
01293 591 151

Gatwick
jamie.austin@bdo.co.uk
01293 591 193

Glasgow
neil.craig@bdo.co.uk
0141 249 5234

Leeds
tim.clarke@bdo.co.uk
0113 204 1211

London
neilmcdaid@bdo.co.uk
020 7893 2056

Manchester
gordon.lane@bdo.co.uk
0161 817 7504

Northern Ireland
johnny.webb@bdo.co.uk
02890 439 009

Reading
john.parkinson@bdo.co.uk
0118 925 4433

Southampton
paul.russell@bdo.co.uk
023 8088 1796

www.bdo.co.uk



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► WHERE PREPARING FOR A FINANCING CAN MAKE A DIFFERENCE

OBJECTIVE	ISSUE	CONSIDER
ESTABLISH THE OPTIMUM LEVEL OF DEBT FOR YOUR BUSINESS	What is your current WACC and can this be lowered? What can your cash flows support? What is your appetite for leverage?	Understand your working capital terms and trends. Calculating your projected free cash flow available for debt service. Is your debt capacity likely to exceed the limits set by your existing lenders? Use of funds raised. What ancillary business do you give your funders?
POSITIONING YOUR BUSINESS	Benchmarking against other companies in your sector.	Analysis against comparable companies of key performance metrics.
GROOMING YOUR BUSINESS	Lenders are now taking more time to look at the detail and have increased information requirements. All new lending opportunities have to pass a more robust credit process.	Updating the management accounts to present key KPIs along with P&L, CF and BS. Preparing (minimum) 3 year business plan. Ensure governance is robust and transparent.
BROADENING YOUR BANKING RELATIONSHIPS	Are you receiving value from your incumbent lender? Does your incumbent lender wish to reduce its exposure	How reliable are your lenders likely to be in the future? It may be beneficial to bring in another lender. Which lenders do you know well and where are there opportunities to build relationships? Consider asset based lending as an alternative source of funding.
FINANCING GROWTH	Would additional funding facilitate growth into new markets? Are there acquisition opportunities, maybe of distressed competitors, which would require bolt-on funding?	Ensuring the business is ready to 'go live' with a robust proposal. Consider debt: equity mix – unlikely to be financed above 50:50 in the current market.

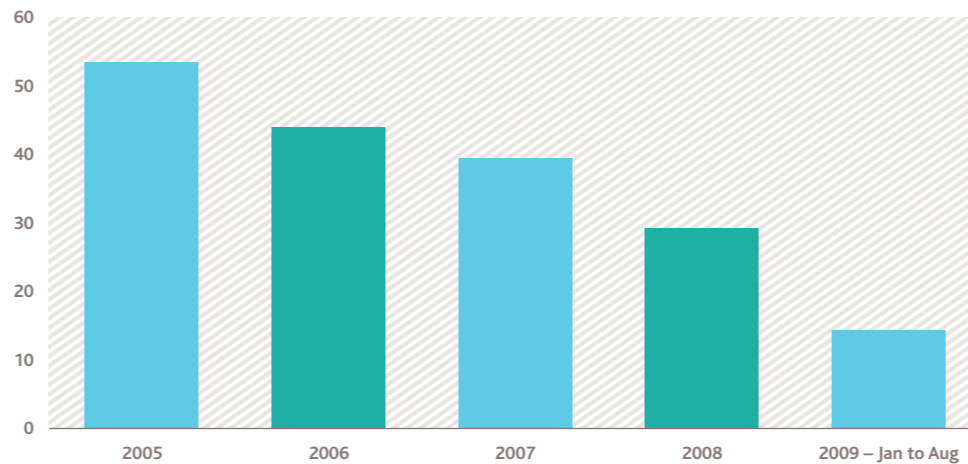
► USING A DEBT ADVISER

The crisis phase of the credit crunch has subsided. PE houses and banks are busy again looking at achievable deals. However, the 'new normal' is a very different environment where everything takes longer to achieve; the future is more opaque and it is more difficult to get to yes.

Securing the optimum debt package to underpin an acquisition is one of the most difficult challenges – right up there with getting buyer and seller to agree on a price. Against this backdrop, many more PE houses and corporate borrowers are turning to independent debt advisers for insight and assistance.

Only 1 in 5 companies in the mid-market have used an independent adviser. However, 82% of those who have done so believe they added value and may use one again next time. BDO are recognised experts in the UK mid market. We work with clients to maximise their alternative sources of funding and to achieve the best possible terms in their financing discussions. In doing so, we save our clients time and money.

UK lending \$bn by year on deals below \$750m – excluding loans to financial institutions



Source: Dealogic

► KEY STAGES TO SUCCESSFUL FINANCING

	GROOMING	TRANSACTION	POST TRANSACTION
COMPANY	<ul style="list-style-type: none"> Establish optimum debt levels, structure and refinancing strategy Develop business plan and 'growth story' Ensure Management accounts are clean and provide relevant KPIs Isolate exceptional items to present a 'normalised' EBITDA Pre deal consider closing loss making lines and revising capex budget Reflect on the strength in depth of your management team Ensure financial reporting software is robust and fit for purpose 	<ul style="list-style-type: none"> Establish objectives for refinancing Information gathering Executing lender presentations Addressing due diligence queries Credit process Documentation 	<ul style="list-style-type: none"> Execute 100 day plan Complete all conditions subsequent Keep all stakeholders informed Monitor performance against budgets, covenants and peers Review operational efficiency – has integration/funding been a success? Network with other lenders (including potential lenders) Dispose of non-core assets and/or operations Exit plan?
BDO ADVICE	<ul style="list-style-type: none"> Advising on debt structure that will appeal to lenders Prepare financial model (operating and financing models) Help prepare an updated business plan Introduce potential new lenders 	<ul style="list-style-type: none"> Warm up potential lenders Go live with Business plan and Funding model demonstrating compliance with 'on market' covenants Issue indicative term sheet to speed up the process Negotiate terms with lenders Co-ordinate due diligence process to limit cost and scope and business interruption Support your lender(s) as they seek credit approval Execute 	<ul style="list-style-type: none"> Advice on ongoing operational improvement Acquisition searches Audit, tax and general business advice