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Use data to support financial projections

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GETTING FINANCING

requires a special kind of business plan. Its characteristics are more self-promoting than the kind used as a management roadmap.

That's why my recent columns cited how the cover letter, executive summary and sources and uses of funds are essential exhibits to sell the merits of your application to a loan officer or equity investor.

I also wrote to include only the documents that support the three aforementioned exhibits and exclude fluff. But there is a fluffy-type exception: photographs.

Use photos to introduce yourself, your business partners and key employees to the finance committee members, since you are unlikely to meet them. Also use them to showcase the collateral being offered, especially if it is real estate, machinery and equipment being acquired with the proposed financing.

Include photos of your location if it attracts walk-in and drive-by customers. That can support your claim of reduced advertising expenses. And include a photo of your smiling advisory board.

Readers ask me, "How do I get the numbers for my projections?" They come from your market research and marketing plan.

In most cases your research is local and you won't need macro numbers unless you expect to sell your products nationwide. Instead, interview owners of similar businesses and franchise operators in Southwest Florida. If they won't speak with you, interview at another location with similar demographics.

Next, calculate how much each salesperson should produce per year and multiply it by the number you plan to hire. That is one example of how to

project annual sales.

Use the same hands-on approach to support your operating expense projections.

But also compare your income and expense findings with research from trade associations, 10-K's, 10-Q's and Risk Management Association's data that many lenders use to test your assertions.

SCORE Manasota has a digital edition of RMA at its offices, and some local public libraries have hard copies in their research sections. Subscriptions may be purchased at rmahq.org.

The 10-K (annual) and 10-Q (quarterly) filings with the U.S. Securities and Exchange Commission provide comparative financial data and marketing strategies of public corporations.

Check out the ones in your industry at sec.gov/edgar.shtml. You can also call the company's investor relations department to request a copy.

Explain where you your numbers from by using extensive footnotes. Income sources merit several paragraphs of detail. Reference your market research and show the math you used to arrive at your projections.

Fixed operating expenses such as insurance premiums, lease payments and utilities should be documented. "See the utility payment history from Florida Power and Light in the addendum," is a sample footnote.

Variable expenses, such as for commissions and overage rents will be a percentage of your sales. So footnote, "Based upon projected sales."

Since the financial meltdown, lenders require higher credit scores, experienced borrowers and credible data to support your projected cash flow. Others want you to pledge solid collateral. But there is money available for qualified applicants.

You have to find the right lender for your business and know how to perfect your presentation. Go to tenonline.org/sref/jc1.html for a more comprehensive guide.

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