

Preparing and Positioning Your Equipment Finance Company to Secure Growth Capital

Securing growth capital is crucial for equipment finance companies aiming to expand, but it requires careful preparation. This article provides a comprehensive roadmap to position your company as a credible and reliable borrower, offering actionable strategies to instill lender confidence and overcome challenges in today's banking environment.

By Bob Rinaldi

Securing your first line of credit or addition to your current line from a bank is often a critical step for equipment finance companies looking to fuel loan origination growth. However, obtaining that capital is no small feat. The current banking environment has presented unique challenges and opportunities. Two major factors caused banks to pull back their lending in recent years: the Federal Reserve's rapid interest rate increases starting in late 2022 and 2023, and the recent failures of banks like Signature Bank and Silicon Valley Bank. These events forced banks to focus on shoring up their balance sheets and reassess risks, effectively freezing new lending initiatives.



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I've seen this movie before, and sure enough, after a couple of years, banks look up and realize their assets have not grown. We've now reached that point where financially stable banks are re-entering the market, eager to grow their assets. Equipment leasing and finance assets are ideal for many reasons, but success requires preparation. Confidence is their mantra. Banks need assurance that they are not stepping into risky territory. What follows is RAS's roadmap to help your company instill that confidence and secure a bank line of credit. For lenders to feel confident in your business, they need to see a well-prepared and professionally presented organization. The key to success lies in being "buttoned-down," both in appearance and in practice. Here's how you can position your company to maximize your chances of success.

1. Be a Buttoned-down Company

A buttoned-down company has documented processes, procedures and policies that demonstrate professionalism and operational excellence. This starts with gathering and organizing key historical data.

Why It Matters: A lack of clear processes and disorganized data can

signal to banks that your company may not have the internal controls needed to manage additional capital effectively. Being buttoned-down conveys reliability and readiness.

Tip: Create a centralized data room to house critical historical information. This includes:

- Historical application data
- Delinquency and default rates
- Monthly booked lease production going back at least 3 to 5 years
- Consider investing in a datamart to compile all your data from all systems into one central intelligent database.

Showing performance during challenging times, such as the pandemic years (2019–2021), highlights your resilience and adaptability.

Tip: Work with an advisory firm to help you accumulate this historical credit quality and portfolio performance data and to ensure it is well-documented and clearly presented. Regularly request performance data from your funders to keep your records up to date. I suggest monthly.

2. Compile Comprehensive Financial Data

Accumulate as much historical income and balance sheet data as possible, broken down by month. Lenders want to see not just your current performance but also your financial trajectory.

Why It Matters: Banks scrutinize your financial history to gauge your ability to manage credit and grow sustainably. Gaps or inconsistencies in data can undermine confidence in your operations.

Tip: Use visualization software to transform raw numbers into visually appealing and easily digestible charts and graphs. A clear visual representation of your financial health can significantly impact a lender's confidence in your business.

3. Align Strategic Plans with Performance

Have your past strategic plans readily available and ensure they are compared to actual performance. Demonstrating that you not only set goals but also achieve them – or explaining deviations – shows accountability and transparency.

Why It Matters: Banks value companies that can measure and adapt their strategies effectively. This alignment reassures lenders that your growth is well-managed and intentional.

4. Present Forward-looking Projections

Prepare detailed and well-thought-out forward-looking projections. These should:

- Be realistic and data-driven
- Reflect your industry's current economic conditions
- Show your capacity for sustainable growth

Why It Matters: Projections provide banks with a roadmap of where you're headed and how their capital will be utilized. Unrealistic or vague projections can raise red flags.

Tip: Use industry benchmarks to validate your growth assumptions and demonstrate credibility.

5. Hold Monthly Financial Review Meetings

Regularly reviewing your financials is essential for staying on top of your business. These meetings should cover:

- Key metrics and performance indicators
- Any notable events or deviations from expectations
- Plans for the upcoming month

Why It Matters: These meeting notes provide a consistent narrative of your company's performance, which is invaluable during due diligence. They show that you are proactive and detail oriented.

Tip: Document these reviews to build a track record of accountability and responsiveness.

6. Leverage Advisory Boards or Firms

Having an advisory board or firm as part of your strategy offers objective outside oversight and brings credibility to your organization.

Why It Matters: Independent oversight demonstrates to lenders that you are open to constructive feedback and have access to expertise beyond your internal team.

7. Plan for Succession

Invest time and effort into your management team's succession planning strategy. Lenders want to know that your business has continuity and that its leadership is prepared for future transitions. I have heard this objection often, "What if that guy (owner, partner, key

person) gets hit by a bus after we make the loan?"

Why It Matters: A strong succession plan reassures lenders that your business won't be disrupted by leadership changes, ensuring long-term stability.

8. Address Business Continuity Risks

Properly document your business continuity plan for events such as cyberattacks, natural disasters or power outages. A robust continuity strategy reassures lenders that your company can weather unforeseen disruptions.

Why It Matters: Business interruptions can impact your ability to meet financial obligations. A continuity plan reduces perceived risk for lenders.

9. Centralize Corporate Documentation

Compile all corporate information into one accessible location. This includes:

- Articles of incorporation and amendments
- Copies of all binding agreements

Why It Matters: Centralized documentation streamlines due diligence and signals organizational efficiency. Missing documents can slow the process or raise concerns.

10. Visualize Your Technology Stack

Even if your company relies on basic tools like Excel, QuickBooks, and a CRM, create a flowchart or graphic to represent your technology stack.

Why It Matters: A clear depiction of your technology stack shows that you've thought through your operations and can articulate how your systems support your business. It also demonstrates scalability.

Conclusion: The Importance of Being Buttoned Down

The journey to securing growth capital begins and ends with preparation. By organizing your historical data, creating clear visualizations and addressing key strategic and operational elements, you can position your company as a credible and attractive borrower. Remember, it's not just about looking buttoned down – it's about *being* buttoned down. A clear understanding of your business data and a demonstrated commitment to professionalism can make all the difference.

When you're ready to take the next step, consult with industry experts who can guide you through the preparation and positioning process.

Success in securing a line of credit is not a matter of chance – it's a matter of preparation. In many ways, the end result and the process is very similar to that of selling your company to a bank buyer. Think of it in that light. Good luck! 🍀

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