Welcome and thank you for joining us today in this first session of our Let’s talk Business educational series designed specifically for business owners.

Most small businesses have experienced the economic impacts of the Coronavirus pandemic. In this session, we’ll give you advice and tips for reigniting your business as you continue to weather the storm. We’ll discuss the different credit options available to business owners, and which options make sense for both long-term and short-term needs.
Reigniting Your Business After COVID-19

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- I’m Jen Boucher with the Business Banking Education team and I have been with M&T for over 7 years. My team and I focus on creating and delivering educational content to our colleagues and clients on a wide variety of topics, such as credit, process and customer solutions.

- Thanks Jen! I am also with the BB Education group and I have been with M&T for over 16 years and I am excited chat with you all today.
(Jen)

Thanks Ben.

Before we jump into our topic today, let’s talk a little about who we are in Business Banking. Our Business Banking group focuses primarily on small to mid size businesses. This is an incredibly important focus and really speaks to who we are. As you can see on the slide, M&T Bank had provided over 11,000 small business loans for a total of approximately $1.8 billion in 2019. We also completed $178MM in SBA loans in 2019, this focus placed us as the #7 SBA 7(a) provider nationally. As you can see, we are the #1 lender of SBA 7(a) loans in many of our markets! We are also proud that we have received 9 Greenwich Excellence awards for small business banking in 2019.

So why am I telling you all of this? Well, it’s because we are passionate about small businesses. We have spent many years understanding the struggles of small businesses and sharing in their successes. Our business model of “Understanding What’s Important” to our clients helps us to be trusted advisors, basically a part of their team of professionals. We are strive to help our clients achieve success. We have developed this presentation with you, the business
owner, in mind; based on our experiences throughout the years and certainly over the course of the last several weeks.
Overview

IT'S TIME TO REIGNITE!

FOCUS ON YOUR NEED

WHAT ARE YOUR OPTIONS?

REVIEW

(Jen)

We’ve broken the presentation into three primary topics.

1. It’s time to Reopen (or Reignite)!
   • What does that mean to you? What do you have to think about? How can you navigate the process? Where does financing come in?

2. Focus on your need
   • What are the challenges? How do you execute properly?

3. What are your options?
   • What’s methods can you use to start off on the right foot?

Alright, let’s jump in!
(Jen)

It’s time to reignite or reopen, and that doesn’t necessarily mean just walking back into the business and turning on the lights. You have to develop a strategy.

- First, you have to develop your plan on how you will bring back your employees. Will you need all of them immediately or should you stagger the rehire? How will you make them feel safe in environment? Is remote working a better option? I was chatting with one of our Market Managers last week about one of his clients who shared an experience with him about bringing employees back to the workplace. Pre-pandemic one of his team members had been driving over an hour one way to work every day. Since working remotely, she has had more work life balance and shared the positive changes she experienced with the owner. Her productivity had not changed and she is a great employee, so this owner is now figuring out how they can incorporate remote work in when they reopen. Now is a great time to evaluate the need and quality of your team.

- How about Marketing? How will you get the word out that you are open for business? Will your community just know that you are back? How about
your online customers, your traditional customer base, or even your suppliers. It’s important to think about your Marketing plan, even if you haven’t had to have one in the past. Not to mention, how will you make your customers feel safe?

- Now it’s time to think about Inventory. If you are in the service industry, this is not quite as important, but for all others, this is critical. It’s important to think about the proper level of inventory necessary. If your inventory is perishable, or you were able to sell most of it prior to the shuttering of your operations, you have to think about the core level assets. What’s the minimum inventory that you must always have on hand to satisfy your customer needs. Of course, some of you may have the opposite and you may have an abundance of inventory. Your challenge isn’t purchasing more, it’s how do you sell it? How do you convert it into cash? Either way, How much will this cost?

- Speaking about “How much will this cost?”, how ARE you going to pay of this? Many of you may have been able to acquire some funding through the Paycheck Protection Program. Those funds were helpful in the interim, but it’s time to think about what your next steps are.

You should create a plan on how you are going to cover the expenses related to starting back up. It’s important to thinks of yourself as a start up business. Many of you haven’t had to think this way in years, or decades. Well things have changed and a financing strategy is very important to ensure future success. You may be thinking that you should just use your line of credit, or maybe even credit cards. We’re not here to tell you that’s right or wrong, but to advise you to think deeply about what to use in what situation. You care about this because improper use of financing can result in years of cash flow stress!
Alright, so Each type financing option has its purpose. Lines of Credit and Credit cards are great for short term expenses (expenses to be paid less than a year). These are items like inventory, bridging the gap of the collection of your accounts receivable, payroll expenses, marketing and other short term needs.

Long term financing is typically dedicated to longer term needs (expenses over one year). This is method of financing is perfect for the purchase of Equipment, Vehicles, Machinery and other longer term needs.

Let’s spend a moment digging a little deeper…. 
Short term financing is perfect to help fund the operating cycle, which is pictured here. This picture represents the time it takes for you to convert an order into cash. The quicker you can construct your product, the quicker you can sell it and collect your funds.

If you are a restaurant, your operating cycle spins very rapidly. If you are a manufacturer, your cycle could be months! If you are a service provider, like a dentist, hair dresser or a doctor, you’re not dealing as much with the inventory component, you are focusing on providing the service and collecting payment.

No matter what type of industry you are in, the goal is the same; sell your product, or perform your service, and collect funds. As you would expect, there may between the two. You have to figure out a way to bridge that financing gap. You may use your own cash to do that, or you may use a line of credit, or even credit cards.

Given that the operating cycle is a big circle, you can see the importance of
budgeting properly and using your resources appropriately. Your goal is to get paid by your clients, then pay down your short term financing in order to free back up the availability! If you don’t do that, you may not have the resources necessary to continue on with the next operating cycle
Conversely, long term loans can help out with fixed asset purchases or long-term capital needs. Items that require a long time to repay. Like equipment, Vehicles, Machinery or even Real Estate. The image you are seeing here is the Capital Investment Cycle. It’s made up of all your operating cycles. If you are operating a profitable business, that means that each operating cycle is generating excess cash, aka profit. That profit is then use to help fund things like, payments on your long term debt month after month and year after year.

At M&T Bank, we fund these items with “Business Installment Loans”, “Term Loans”, “Equipment Loans”, “Vehicle Loans”, “Mortgages” or “SBA term loans”. All of these are designed to providing funding over a longer period of time.

So why are we giving you this accounting lesson today?
Focus on your need

Your traditional business needs have changed. Does traditional financing still apply?

Short Term

Deferred Rent, Utilities, Inventory, Variable Expenses

Long Term

…..Because when you are starting up a business, traditional financing may need to be thought about differently. In this environment, there may be a blend of both short term and long term financing.

Here’s the challenge; We just explained various types of short term financing uses. Well in a start up situation, some expenses that would traditionally be short term expenses, may need to be spread out over a longer period of time.

For example, many of you have been able to defer payments while your business was either shut down or while revenue has been reduced due to COVID. While some of the loan payments may be deferred until the end of the loan, quite a few may be required within the coming months. Items like Deferred Rent, Utilities, Inventory and Payroll. These may be expenses that you are used to paying, but as you start back up, the associated expense may be much larger. Maybe covering several months. You may be thinking that you will just put those expenses on your Line of Credit or credit cards. Well, you can! BUT, it’s important to analyze how quickly you can repay that debt! If you believe that you can repay those expenses out of your everyday cashflow, and it will not
impede your operations, then there is no reason not to.

However, if you already utilize a sizeable amount of your LOC to operate your business, then the additional amounts may cause strain on your resources. So then you might say, “Well, I’m a profitable business, I’ll just increase my line of credit!” Again, that may be an option, but keep in mind, it may take some time for your business to get back to it’s glory! If you do not have the ability to pay down the amounts quickly, you could carry that debt for years! Which means more interest accrued.

So what are we suggesting? We’re suggesting that you may want to consider financing some short term expenses utilizing long term debt. We are not suggesting financing it for 10 years, but maybe 2 or 3. The goal is to give some initial relief as you attempt to ramp back up your business. Remember how we said that you almost have to think like you did when you were starting up? Well, this is what we are talking about. Back then you may have taken on some long term debt to help fully stock your business, or cover some operating costs until you got on your feet. This is the same theory.

Let me give you some examples
(BEN)

When you think about your business, ideally, it does not look like a funnel. If you are a retailer, restaurant, or manufacturer, the goal is to have the minimum amount of inventory to satisfy your customers request and/or needs. The more inventory you have, the more it costs YOU.

In these scenarios, we have a funnel:

In Scenario A, this customer has a lower level of inventory than they typically would have. For our purposes, let’s say it is due to the Pandemic. They may have been able to sell their inventory prior to shutting down, or they had perishable inventory that needed to be discarded. Now, as they reopen, they will have to ramp up the core level of inventory to meet the needs. That means a larger investment in inventory right up front, which does not fall comfortably within a traditional operating cycle. This may represent a financing need.

In Scenario B, this customer was left with an abundance of inventory when they had to pause for COVID. This also has it’s challenges. As I said early, the more inventory you have the more it costs you. Basically you spent a lot of money to
acquire the inventory, the quicker you sell, the quicker you can recoup the funds and make a profit. Their investment is not going to be in inventory, theirs is going to be in selling their product and collecting their receivables. Again, this does not fit well within a traditional operating cycle. It could mean longer selling and collecting period. This may represent a financing need. There could be a larger investment upfront to ramp it up to that level. That’s a long term need!

No matter which scenario may fit you, or whatever your current situation is, you must create a plan to accommodate the longer cycle or financing need.

So how do you determine the right solution for the right need? Well it’s working with the right people, Jen is going to chat about that.
(Jen)

Thanks Ben! So now that we have chatted about a reopening strategy and identifying your needs. Let’s talk about your options.

First, round up your team of professionals! We recommend that every business owner has their own team of professionals. These are people that you have surrounded yourself with to help you guide your business. You may be the expert in your business, but your “Team Members” are experts in their fields too. They work with many businesses and can lean on that experience to help steer your ship!

Your team should consist of your Accountant or financial advisor, your Attorney and your Banker. It may include a mentor or trusted family members. Bottom line, these are people that you trust. They can help you identify the steps to success. Not only that, but they can help you determine what you can afford and help you put together a path to reignite your business.

There’s still another team member on this slide. It’s a peer group. This may not
be something you have thought much about. This group may include people or businesses that are typically your competition. Well, just because they are your competition, that doesn’t mean that you can not establish a relationship with them. Given the current situation, they are all in the same boat as you. They are all trying to start up their business again. If possible, we recommend joining an industry association if there is one in your area. If not, extend an olive branch to your peers. Meet with them and talk about how they are navigating this situation. We’re not suggesting you divulge trade secrets, but if you can help out your fellow business and they you, then it is a win win!
When consulting your team of professionals, it’s best to be aware of the financing options available to you. Let’s talk through some of those.

First, you may be able and willing put into your business a personal investment. This may mean adjusting your distributions or your salary to keep more money in the business.

You can also infuse your own capital into your business as emergency financing for the pandemic. It’s a big choice for business owners to tap into personal reserves in order to finance their business, but it can be a strong alternative to debt financing. Self-financing can be an easier process than procuring an outside loan and takes interest rates out of the equation.

But, keep in mind that investing your own capital can also pose personal financial risks. So, before you invest your own money, be sure to consult a financial planner or your bank partner to understand its impact on your personal safety net and liquidity. You do not want to over extend yourself!
What are your options?

Traditional Financing Options

Traditional Financing

Pro:
- Ability to spread the investment out over time and maintain personal equity

Risk:
- Personal guarantee and collateral may be required

The traditional financing options may seem like the natural fit. You most likely already have an established relationship with us here at M&T Bank. By utilizing us to help you through this process, you may be able to spread the investment out over time and maintain more of your personal equity. We may still require a personal investment, but it would be less than if you financed it entirely yourself.

Of course M&T has a variety of financing solutions, such as lines of credit, term loans and credit cards. We will happily work with you to determine the best options for your needs.

Don’t forget there are other options as well, such as the Small Business Administration (SBA), local economic development authorities, as well as state and local financing programs.
What are your options?

External Investment

Pro:
- By working outside of the conventional lending environment, you may be able to work out terms more quickly

Risk
- Bringing in outside investors in exchange for equity can dilute your ability to make business decisions

(Jen)

Another option may be bringing in an external investor, either a business partner or someone you trust that is willing to make a investment in you and your business.

Outside investors can provide an attractive alternative to term loans, as borrowers and lenders are free to work out terms and totals that are acceptable for both parties. This lending source allows business owners to offer up interest payments or equity in their company in exchange for the cash they need. Plus, by working outside of the conventional lending environment, you may be able to work out terms quickly.

On the other hand, bringing in outside investors in exchange for equity can dilute your ability to make business decisions, as you may need to seek their approval given their partial ownership of the company.

There’s a lot to think about when it comes to financing options. But education and knowledge is your friend. Study and research your options so you are able
to make the best decision. And as we said before, be sure to leverage your team of professionals. They are there to help!

Move to the next slide....
Alright, thanks Jen! So we have talked about a lot today. But it really comes down to few common themes.

1. Get Excited! It’s time to reignite your business! As the businesses begin to reopen across the county, you want to be prepared.

   In order to do that:

2. Build a plan. It’s important to think like a start up. You may not be a new business, but we are in different times. You want to set yourself apart and be ready to execute! A detailed plan and achievable goals will ensure that you keep yourself on the right path.

3. Make sure you understand your options, the best way to do that, is by working with your team of professionals. Lean on the group to help you stay focused. You want this group to be a continued resource, not a once and done. Your team of professionals is there to help you. Use them!
As Jen and I said earlier, we are deeply immersed in the Small Business segment and we are passionate about helping them achieve their goals. We hope that you have found a few bite size pieces that will help you as you “Reignite” your business and we sincerely appreciate the time today!! Jen, how about I hand it back to you to wrap this up!
Thanks Ben! And thank you all for tuning in today for this session of Let’s Talk Business…an educational series designed for business owners. Stay tuned to your email for future topics and when you can expect to see the next session available. Thanks again and I hope you all join me again soon!