MAXIMIZE BUSINESS VALUE PODCAST - EPISODE 56 Transcript

Announcer (5s):
Welcome to the maximize business value podcast. This podcast is brought to you by mastery partners, where our mission is to equip business owners, to maximize business value so they can transition their business on their terms. Our mission was born from the lessons we've learned from over 100 business transactions, which fuels our desire to share our experiences and wisdom. So you can succeed. Now, here's your host CEO of mastery partners, Tom Bronson.

Tom Bronson (36s):
Hi, this is Tom Bronson and welcome to maximize business value. A podcast for business owners who are passionate about building long-term sustainable value in their businesses. So in this episode, I'd like to welcome our guests. Bill King, principal of 4 Kings capital bill has spent over 20 years, two decades helping business owners navigate the financing process. So many brokers and lenders, if you've ever been to a bank or, or worked with a bank, many brokers and lenders kind of take advantage of frustrated business owners and even promise a what you would see on the commercials and easy button.

Tom Bronson (1m 16s):
Unfortunately, there is no such thing when it comes to lending. So recognizing the vast amount of misinformation out there, Bill knew that he needed to take action. So in his new book, no bullshit business finance guide, bill educates his readers about exactly what banks look for in a loan package. There are plenty of uncertainties, but knowing what banks expect, what to do, if you don't qualify for traditional financing and why you

need certain documents, we'll put you way ahead of the game. So I'm excited about this podcast. Welcome to maximize business value, Bill.

Bill King (1m 56s):
Thank you. Thank you for having me, Tom.

Tom Bronson (1m 58s):
It's so good to have you here. Talk about this. You know, a couple of weeks ago, we had Joshua talking about SBA financing. Now we're going to get into some other types of financing. Tell us a little bit about 4 Kings capital.

Bill King (2m 12s):
Sure. 4 Kings capital. We started the company several years ago, but I really went full time into it a little over two years ago when I decided to leave banking, you know, I'd worked for several banks over my 20 year career. I worked for the big banks was where I started. Then I went over to more regional banks when I became more of a loan manager type, but I was still a producing manager in the banking world. So you're still doing deals, but I also had a credit decision making authority and I was voting member of loan committee. And my last stop in banking. I was a market president for a little bank here in the Metro. And one of the things you learned about being in different lending environments is that every lender does things a little differently and some deals going to prove it in one place, they can't be approved at another.

Bill King (2m 58s):
So I decided that was time to go out on my Own and being independent commercial financing consultant and loan broker. So now what I do is I help businesses obtain financing. If they're having trouble getting financing. Sometimes if a business maybe has good financials, but they're, they're just on a time crunch, you know, they're trying to buy a building quickly or equipment quickly. I can sometimes help them navigate the process faster. And lastly, there are situations to where a business owner decides that they just don't have time to screw with it. And they would rather outsource it to professional, to go and negotiate on their behalf and put together their package.

Tom Bronson (3m 36s):
Why did you just say you were, you were in banking, you mentioned you worked for a bunch of different banks. Why did you decide really to get into this line of work, you know, specializing in helping people financing?

Bill King (3m 48s):
Yeah, that's a great question. You know, one of the frustrations of working at a bank is having to say no, you know, if we had a room full of business lenders like myself, commercial lenders, you know, we, if you asked every one of us, if we've ever done a deal that another bank had turned down, everyone would say yes. And then secondly, if you ever asked a group, if they've ever turned down a deal, they knew that they should do, but got done somewhere else. Everyone would say yes to that too. So that's really what inspired me is rather than doing what continuing to do, what most lenders do is going from bank to bank, looking for the right credit box for their clients. I decided as an independent, I can work with all the lenders and find the right match for the given situation.

Tom Bronson (4m 32s):
That's awesome. I didn't even know that there was a service like that out there. I could have used you many years ago when I was unbankable with, let's not talk about unbankable yet. We're going to get to that a little bit later on in the podcast. Well, let's, let's get into the nuts and bolts though. So you mentioned, you know, a banker sometimes we'll do deals that they should, or that they will do deals that others have turned down business owners like myself. I've been a business owner, a hundred times a bought or sold a hundred businesses in my career. Aren't all banks, really the same meaning that if one bank says no to my loan, won't all the banks say no to my loan.

Bill King (5m 9s):
That's a great question. And a very common misconception, all banks do look at, you know, the elements of a credit file, which are the five C's of credit. We'll talk about here in a little bit, but they all have a different risk tolerance for different types of deals. And I'm going to make a generalization generally with bigger banks, your credit boxes are more rigid and tighter, but the pricing, the pricing is a little better and you have more levels in

your general approval. So if you went to a really big bank, there's a good chance that the details of your file are going to get lost in the translation. Meaning what you tell the frontline loan officer and what gets back to the credit exec might be two different things. There may be some lost information there, which is one of the reasons why I'm big on preparing a good loan package.

Bill King (5m 55s):
But if you go for example, to, to, you know, mega a and they say no, and you look at why they said, no, that may be a great deal for a more regional bank or community bank who is more comfortable with that type of project. You run into this a lot with, you know, smaller deals and, you know, investment real estate deals. You know, if you do a $3 million, you know, apartment complex or a commercial building, you know, your big mega banks usually are not going to be your best sources for that type of credit. So that's the short answer is yes. I mean, every bank is a little different, but they all look at the same elements. And that's one of the things that I offer as having been a former decision maker in the banking side, I'm going to do an initial analysis where I'm going to go back and forth with the client, and I'm going to tell them about the challenges of their file.

Bill King (6m 41s):
And sometimes they don't want to hear that, but that's a big part of what I do to help decide. You know, the quick thing on that is there's two important things. There's how you tell your story. And secondly, who you're telling your story to, and that's what matters as far as what lender is the best fit.

Tom Bronson (6m 57s):
Yeah, that's a, that is great advice. You know, one of the, one of the things they used to tell our salespeople was get in front of the decision maker, right? And, and if you're not in front of a decision maker, you're depending on somebody else to actually carry your message forward. I never thought about it until you just said it here, bill that in banking, it's the same thing. The decision makers probably going to be the credit guy or at, you know, at, or some portion of the credit guy, but also the loan committee. Right? And if you don't have an airtight package that didn't convey that message and all you're doing

is talking with your, your lender and not talking to the people, making a decision, there's a great chance it's going to lose something in translation.

Tom Bronson (7m 44s):
Isn't it right. Early thought about that. So, so let's talk about kind of what a, what a good package looks like in your, in your new book, which by the way, I think is released yesterday. When we put out this podcast, I love the title, by the way, no bullshit business finance guide, you explain the five C's of credit and why business owners should even care about this. So tell us more about the five CS. Sure. Well, five C's of credit are the finance, the foundation, in my opinion of most business loan and commercial loan decisions. One of the things that's common to say amongst bankers as the first C is character.

Tom Bronson (8m 25s):
So when you're looking at character or you're really looking at the borrowers first, you look at their credit score. You look at how they made their payments in the past, but you also look at how they deal with their clients, how they deal with their vendors. You see if they're, if they pay their vendors on time, you look at their company's reputation within their industry. You look at, you know, several factors related to just getting a feel of, is this someone that when the chips are down, it's going to come through, you know, because at the end of the day, you know, the business business loans don't have to be paid back, which, which goes into the, the second C, which is what they call capacity for repayment or cashflow. And what we're looking at in that C particularly again, when you're talking about a regular traditional bank, they're looking at your historical tax returns and financial information.

Tom Bronson (9m 13s):
So in a privately held business, they're looking both at your business tax returns, your personal tax returns,

Bill King (9m 21s):
You have any other related entities. They're going to look at that as well, to see how they feed into your personal tax returns as being a, a draining potential drain on your

business or a potential source of additional income. So they're looking at, you know, pretty much the income statement side of, okay, what is your, for the last three or four years? What income have you brought in and what have your expenses been? What's your net profit? How does your EBITDA look? And so we get into cashflow and I really get deep into this on the book. It's one of the longest chapters as breaking down the way cashflow is analyzed. And I beat up on CPA is a little bit on that section that, you know, we're looking at tax returns, which most business owners are trying to lower their taxable income as much as legally possible, which means they're lowering their net income as much as legally possible.

Bill King (10m 7s):
So with the exception of depreciation and interest, add backs, if you're showing net losses, then it looks like you can't pay your debt. So we've got to walk through that and see if there's a way to explain to the lender, if you're stronger than the numbers really show the third C is capital, which is more of a balance sheet measurement. So you're looking again at your business balance sheet, as well as your personal balance sheet and any other related entities you have. And when I describe capital, I'm really looking more at an accumulation of, of how you've performed over multiple years. If you look at an income statement, it's just a 12 month snapshot. I look at the capital account as an accumulation on the balance sheet, over what you've done over several years.

Bill King (10m 47s):
Are you highly leveraged? Do you have already a lot of business debt? Are you highly leveraged? Personally? One of the challenges is as a small business owner or just a privately held business owner, doesn't have to be small. If you're living an extravagant lifestyle out of the business, that's a red flag for a bank because the law, one of the sayings in banking is the last thing to go is lifestyle. So if you are, if you are having problems with your business, I mean, you look at Covid and the challenges on liquidity for, for industries that were blindsided, most business owners, whether they wanna admit it or not. The last thing they're going to do is give up their house and their cars and the lifestyle they've grown accustomed to with their family.

Bill King (11m 30s):

So what tends to happen is they'll, they'll start to run up credit card debt, they'll start to get a little outside. I call it outside of their skis. You know, so that's something that a bank looks at, whether we like it or not. And again, one of the things that, that I say in the book, and I also consult people on, and I'm not asking you to like what the bank is looking for. I'm just telling you how it is. The, the, the fourth C is the collateral specific to your request. And I really get into this deep in the book on different collateral types, whether it's real estate, whether it's equipment, whether it's receivables, you run into a lot of business acquisitions, which I know you're, you're very involved in is when you're doing a cashflow multiple, a lot of times you don't have sufficient, tangible collateral in relation to the loan amount.

Bill King (12m 16s):
So that gets a little trickier and that's a special type of financing. And, you know, sometimes what will happen is the business being sold. Also doesn't show the greatest net income. So when you have a business being sold for a multiple, but then at the same time, we don't have a lot of tangible collateral and we don't have provable historical income or net income, you know, even a, to, to service a debt that makes a deal a little more challenging. And then the last C I'm sorry, is really the last season, what we call conditions, which has really an accumulation of various items that you have limited control over under conditions. You have the economic conditions either nationally or locally.

Bill King (12m 56s):
Like you see what happened with COVID. You have industry conditions, given your industry. For example, if you're in the hotel motel business, that industry has additional risk right now, you have your businesses position within your industry. Are you a major player? Are you a small person in the industry? Where, where do you stack within it? We look at your management team as a condition of, okay, what is your experience? What is the succession plan of your team and the last condition that they don't even talk about in the most of the banker training books that I've looked at is the condition at the specific financial institution. For example, you know, using the hotel motel example, if a bank has a large percentage of their portfolio tied up in hotel loans, you know, think of a,

think of a bank's loan portfolio is a pie and the federal government, the FDAC, all the regulators want your pie to have a certain mix to it.

Bill King (13m 47s):
They want so much in CNI lending. They want so much in owner occupied real estate. They want only a certain amount in non-owner occupied real estate. So what tends to happen is a bank will do a whole bunch of big hotel or carwash or special use property loans. And once they get filled up, then they get tighter for that type of project. So you may have a great project and you're just at the wrong bank. And some banks just won't lend in certain industries. For example, the restaurant industry is hard to finance construction industry. As I mentioned, hotel motel gas stations, those are all examples of special projects that you have to have a very specific type of lender that is okay with that. And that's just a quick summary.

Bill King (14m 28s):
I don't know if I call that quick, but that's the, that's the five CS.

Tom Bronson (14m 32s):
So, but you know, if you, if a lender kind of gets over his keys on, on the certain type, you know, and say that they might loan to restaurants, but they're, they're, you know, beyond their capacity, they're probably never going to tell you that up front. Right?

Bill King (14m 49s):
Exactly. That's a really good point is that there's because again, I don't hold this against the lenders. You know, you can, to a certain degree, but banks are highly regulated and generally the bigger the bank, the less the lender can say. So for example, when I was at, you know, a big bank, you know, when I started my career, I was at two big banks for the first five years. You were very limited. What you can tell a client when you had to turn them down. There had to be a special letter that would come from the back office that illegally said, this is, you know, you were turned down. If you want more information, contact this number, but you couldn't just come out and say, look, your debt service is weak, and you have a declining trend in your financials, or, you know, this is what's

wrong with your personal credit score or that it was very difficult to really give them advice.

Bill King (15m 32s):
And me as a third party, you know, I can tell them exactly what I think of the file. And, you know, like I said, they may not like it, but I'm going to be pretty honest about what I see. And, and what's there.

Tom Bronson (15m 43s):
Yeah, you don't have to agree with me. These are just the facts, right? And so that's our, that's some great advice. So let's say a business owner makes a decision that it's time for financing. And by the way, I'm a big fan of financing. A lot of business owners are finance averse. They don't want to have any financing, they'd rather pay cash, but I'm a huge fan of using financing as a tool to build business. We can probably do another podcast on that. In fact, I think I'll have you back just to talk about that, but let's say for sake of argument, business owner has now decided that he needs some financing. What does a good financing package look like that he's going to take to the bank?

Bill King (16m 25s):
Great question. And, and this is again, covered in detail in the book is you have your normal file is going to be three years of business, personal tax returns. And they're going to need to be complete tax returns. One thing that tends to be lacking, particularly when you have business owners that have multiple other entities is the K one forms from your other entities that feed into your tax return. Usually that's not going to be in your file. So what'll happen is once the file is reviewed later on, that's going to be something that will get kicked back and asked for. So you're going to have complete tax returns for three years. You're going to have K ones. I would still gather all of your related entities whenever I'm advising a client.

Bill King (17m 6s):
And they give me pushback on the financial info. I always say the more information you have the better, because if the bank has to make an assumption, it's going to be more conservative, which is one of the reasons why a big, a big, big thing in the financials I tell

people to have is a business debt schedule that tells you what you currently have in business debt, what your payments are, what the interest rate is, because what most people don't realize. If they see you have liabilities on your balance sheet and you don't provide a debt schedule, they're going to assume an amortization and an interest rate. That's going to be more conservative than what you're usually paying. And that's going to go into your cashflow calculation. So that's why I'm big on business debt schedules. You're going to, if you're a operating business, you'll have a receivables and report.

Bill King (17m 51s):
You'll have a, your most recent year end financial statement. If you haven't filed your tax return yet, like right now, you're, you're in 2020, you'll have an interim year to date, income statement and balance sheet through the most recent period you have usually has to be dated within the last 60 days. And one thing that I tell borrowers to do too, is put together a deal summary, explaining your, explaining your credit in writing. Because I noticed that many business owners are really good at talking. You know, they're very good at telling the loan officer in the front office, this is the deal we're trying to do. This is our project. Here's the collateral we're going to have, and they explain it great. But then as you walk out of the room, you're at the mercy of the loan officer to type that up in an email, to put into his credit memo that goes to the back office.

Bill King (18m 37s):
That's where the real decision making starts. And I make a big joke out of this in the book, is that, you know, in, in my opinion, the most important people in the credit process or the credit analysts in the back, because what happens is they're working on dozens of deals at a time, and they're getting an opinion on your file, whether you like it or not from day one. So when they look at your file, they're going to say, okay, you know, if it's incomplete, if it doesn't have a lot of good information, whether we agree with it or not, they're having a preconceived opinion of your business and your deal. So the cleaner, the packet is up front, the better. And if you make a good impression on the loan at the credit analyst, then when the executives ask him about the file, you're going to have a more positive, initial discussion.

Bill King (19m 23s):

So that's just something in a food for thought of why it's important to have a good package. But if you have a good deal summary, you have your financials, you have details about the proposed collateral. That's your, your good basic package. And depending again, on the details, if it's a construction project, then we'll get into construction budgeting. If it's a business purchase, we'd get into information from the sell side, it varies deal by deal, but your basic package is going to be the financials and the tax returns. And one thing that I advise people to do is if your business had a declining trend, or there was some non-recurring expense, be ready to talk about that

Tom Bronson (19m 59s):
And explain it. You're not trying to hide it. They will find it. Right? Yeah. So, so what are some of the common mistakes that you see business owners making when they're applying for a loan?

Bill King (20m 10s):
One is what I just mentioned, that they, they verbally give a lot of information. And my sense is that they view the gathering of the financial package as an inconvenience. And they don't realize that that's there. That is your sales pitch. You're trying to get this bank to lend you anywhere on the low end, from 50% to 90% of your project value, whatever you're doing, you're buying a building, you're buying a business, whatever. So you're trying to get the company that's writing you the biggest check. You want to give them the best information you can. And it seems like a lot of business owners view this as an inconvenience and I get it. They're busy. You know, one of the things that I do as a, as I identify someone in the company, who's my go-to person to get everything that I need.

Bill King (20m 52s):
It's usually not the business owner. It's usually the office manager, their CPA, or somebody who is more analytical that will help me gather a good packet. So I would say that's probably one of the biggest challenges, excuse me, is taking the packet seriously. And the second thing I would say is one of the things I see people doing wrong is waiting too long to ask for financing. You know, usually if you, if you ask when you don't quite need it yet, but you think you might need it down the road, you're going to have a better chance of getting approved.

Tom Bronson (21m 26s):
Yeah. I always advise our clients to when times are good, you get the most financing approved that you can possibly get and then start using that when times are bad, then it's not so great. So, so awesome. We are talking with bill King, lots of great advice here for business owners. Let's take a quick break. We'll be back in 30 seconds.

Announcer (21m 50s):
Every business will eventually transition. Some internally to employees and managers and some externally to third party buyers. Mastery partners, equips business owners to maximize business value so they can transition their businesses on their terms. Using our four step process. We start with a snapshot of where your business is today. Then we help you understand the way you want to be and design a custom strategy to get you there. Next, we help you execute that strategy with the assistance of our amazing resource network. And ultimately there'll be able to transition no business on your terms. What are you waiting for more time, more revenue, if you want to maximize your business value, it takes time.

Announcer (22m 32s):
Now is that time get started today by checking us out at www.masterypartners.com or email us at info@masterypartners.com to learn more.

Tom Bronson (22m 44s):
We're back with Bill King principal at 4 Kings Capital. And we're talking about securing financing for your business. So before the break, we talked a lot about bank lending. Let's change gears, and talk about other types of lending options. You know, Bill. One of my favorite sayings when I stand in front of a group is that if you're looking for bank financing, the only way to get it is to prove beyond the shadow of a doubt that you don't need it. And so, of course that's a big, long running joke. I'm sure you've heard that many times in the banking industry, but, but a lot of times I hear that businesses are unbankable. What does it mean that a business is unbankable?

Bill King (23m 26s):

Yeah, that's a great question. As we talked about in the first hour, you're measured in each of the five C's of credit. And when you rank low in one to two areas, without some, some mitigating factor, you're going to be more than likely unbankable for most conventional banks. I would say the most common reason I see banks are unbankable is their historical financials. Don't support the amount of debt they're trying to take on. So they, they get turned down through to lack of cashflow, or if they have credit issues, they can get turned down or maybe the collateral type is weak. There's something in the, in the five CS, usually two or more things that makes your deal unbankable.

Bill King (24m 7s):
So when you have a situation like that, you look at a private lending source that, you know, either a private lenders or what we call non-bank lenders, or you can even use an SBA guaranteed loan, which is available through both bank and non-bank lenders. And those are, that's kind of what I size up a file. I'll look at the weaknesses. We'll see if they're quote bankable. And once we look at that, then when we're looking at non-bank lenders, we try to find the best fit because most non-bank lenders have something that they like. For example, in the equipment finance industry, I consider those lenders more collateral based. So if they like your collateral, excuse me, they will, they may make a loan where your cashflow is weak or your credit is weak.

Bill King (24m 52s):
Or if you're in an industry that most banks don't like, if you find a specialist that likes financing, let's say, you know, oil and gas rigs. Then if that's a specialized type of collateral, you find a lender that likes that type of deal. That's among bank sores. Then they may be able to help you out. As a general rule, private lenders are more expensive than bank financing, but it's a bridge between a more expensive debt versus having to bring in equity because it's always more expensive to a business to give up equity. And, and there that's the gap that I see a lot is people will go right from the bank said, no. Now I bring in an equity partner, instead of looking at what's available in between, I'd rather pay, you know, 15, 20% interest for a short-term basis to become bankable.

Bill King (25m 39s):

And then rather than have to give up a large amount of equity in my business. And one of the things that I talk about too, when I'm visiting with clients that are not bankable right now is I consider alternate financing sources, a bridge to bankable. So don't look at them as a long-term solution. Look at them as this is what I need right now, given my situation. So now I need to improve my financial performance, or I need to improve my balance sheet, or I need to improve my credit or whatever the situation is that you figure out what your weaknesses are to become more bankable. So that's one of the things that I always explain to clients is, look, you're not regular bankable right now. You can't go into chase or bank of America for this deal, but maybe down the road, you can, but we need to get you across this gap.

Tom Bronson (26m 25s):
So the only option is not just Guido the loan, shark that down on the corner there.

Bill King (26m 31s):
But I do know him,

Tom Bronson (26m 33s):
We know, by the way, he charges more like a hundred percent interest rate. Right. And, and yeah, that's a, that could be a challenge. I agree with you. I think that, that you non-traditional lenders, they are while more expensive. If business owners think of that as a path to become bankable than then it makes better sense because paying a higher interest rate and long-term is probably not in the, in, in the best interest of the business. So I want to recap, you said, you know, basically unbankable and you talked about some, some different options that people have, but it's of those five c's. If you're weak in a couple of areas that might be okay, as long as you're super strong in others, depending on which lender you're talking about.

Tom Bronson (27m 17s):
But, but the objective here is to be strong in all five, get on all five of the seeds, right? Is that what I'm hearing? Yes, exactly.

Bill King (27m 24s):

And in some cases, you know, you could

Tom Bronson (27m 28s):
Be unbankable where you have some issues from a conventional financing perspective and by using an SBA guaranteed program, you may become bankable. So that's where you get typically better pricing than going to the true private money lender.

Bill King (27m 40s):
But even within the SBA world, every lending source is different. You know,

Tom Bronson (27m 46s):
The book that's kind of funny about if you,

Bill King (27m 50s):
If you're going to, you know, bank XYZ, who's a big bank. Their credit policy, even with an SBA guarantee is generally going to be a tighter than a community bank using the same guarantee because they get, you know, anywhere from a 75 to 90% guarantee on the loan. So if you default, the SBA will be radically pay them that portion of their losses. So it reduces your risk. And every lender is different though, of where their risk profile is with or without an SBA guarantee. So one time that's really a good point that when we were talking earlier, if you're turned down by one bank, does that mean you're turned down by everybody it's even more true in the SBA world, assuming that you qualify, because if you go to an SBA non-bank lender, they're going to be more aggressive than your big banks are.

Bill King (28m 33s):
And even some regional banks, because again, their, their policy is not limited by a normal bank credit box. As long as you check all the boxes required for SBA and you qualify for the loan for whatever the qualification requirements are, and they can get an SBA guaranteed. They may be more flexible on that then than a normal bank lender. And one of the jobs I held in banking was I managed an SBA team for a few years.

Tom Bronson (28m 60s):

Oh, got it. So, well, one of the things I want to be sure that we throw out here is something that Joshua Kim mentioned a couple of weeks ago. You and I have already talked about this, but our listeners to know too, we had Joshua Kim who is an SBA 7A guy that's all he does, right. Is, is kind of what you do, but only for SBA lending, but people make the erroneous assumption that if they're turned down by their bank on an SBA loan, that that means that the SBA turned them down. That is not clearly not always the case, I suppose it could be the case, but, but that just because you get turned down at one bank on an SBA alone, doesn't mean that there Are, are other options that are available or not other options that are available to you.

Tom Bronson (29m 48s):
What would you say to someone who got turned down at their bank for an SBA loan?

Bill King (29m 53s):
I would say the same thing that they would need to talk to a specialist like myself or Josh, or listen to that podcast. And he seemed very knowledgeable because usually what happens is in most cases, the bank has only looked at their internal credit policy with an SBA overlay. So think of it like I'm XYZ bank. My normal credit policy says, this is going to fail for this, this and this reason. So then you shift over to the SBA policy, which gives them a little bit of a wider net. They said, even with an SBA guarantee, we can't get there, but that file has not been submitted to SBA yet that that's an internal turndown. In last, you have something that you were found ineligible, that's different, that's a different story.

Bill King (30m 34s):
And I can help help a listener with that specific situation. But in 90% of the cases, you were turned down by the lender with the SBA policy of their bank, not by the SBA themselves,

Tom Bronson (30m 49s):
Can't reiterate that more. That is something. If you've gotten turned down for an SBA financing, you need to reach out to somebody who specializes in that. And we've given you a couple of great options here at Bill King, somebody that can help you with that.

And so you should, you should have that conversation with him. So, so speaking of Bill King and 4 Kings, what kind of financing does Kings help businesses?

Bill King (31m 15s):
Yeah, a great question. What we focus and there's, there's a lot of people out there that do different type of loan, brokering, and finance consulting. What I've chosen as a niche based off of my experience is dealing mostly with privately held operating businesses with typically annual sales from one to 50 million. I do some investment real estate, but it's usually as it relates to a client that's that's in that same world. So for example, you may have someone who's got a manufacturing business and he's doing investment real estate too, but that's for the space that I have the most success in your typical loan size will be probably from 500,000 to 10 million on most deals.

Bill King (31m 55s):
I have some deals, a little smaller than that, but that's usually the range that I play in and on bigger deals. Usually they're my experiences, a lot of deals over 10 million don't end up getting done, you know, or they, they get done by somebody who's much bigger than I am. You know, I'm a, what they call a single shingle consultant. So my, my area of expertise where I have seemed to be the most value to clients are privately held businesses between one to 50 million, doing a deal from 500,000 to 10 million, or if it's a business acquisition. I do a lot of those that a lot of times are SBA guaranteed. And, you know, I provided that outsource of some of the services are fractional, CFO would offer, but I don't get into the weeds of their books and fixing their accounting or any of that.

Bill King (32m 39s):
That's why I, with a lot of consultants and fractional CFOs, all I do is put together the financing package, advise them on the best way to go about their financing and go to market and compete on their behalf.

Tom Bronson (32m 52s):
So I'm a business owner, you know that, but, but I'm sitting here, let's say that I'm listening to this podcast right now, and I'm a business owner and I'm, and I'm

considering going after some financing, why would I hire someone like you versus just going directly to the lenders themselves?

Bill King (33m 8s):
Yeah, that's a great question. That's probably my biggest challenge to overcome is that in my specialized business, they can easily just go directly to their bank. But a lot of times the, the bank where you have your deposit relationship is not the best bank for, for your specific financing. And, and even if they are there's value in having someone like me negotiate on your behalf or, or preview your file and let you know what challenges you're going to run into. You know, one of the things that a lot of my clients do is even if they are quote bankable, and they're pretty sure that they, their bank wants to compete for their business, they'll bring me in as a third-party consultant, have me help them with the package and I'll even negotiate with their bank for them.

Bill King (33m 49s):
But they see the value that if they just walked into the bank themselves and it hasn't, they haven't looked at the market and they haven't looked at what other options are out there. They may be selling themselves short because a lot of times your existing bank may not be the most competitive solution. And lastly, they tend to get more competitive when they know there's someone like me involved that goes to market and can find alternatives. You know? So if you're dealing with, you know, any big bank, you know, chase Bank or whoever, and you're working with your officer, in my opinion, they're going to get a little more competitive. If they know that someone like me is out, I'm seeing what's available in the market to compare with what they're offering.

Tom Bronson (34m 26s):
Yeah. I love that. You know, one of the things that I advise our clients always is to develop deep and wide relationships with their bankers, if it is, you know, and this is a kind of a symptom of the big banks, right? They're kind of rotating those commercial bankers and, and you, you buy just, when you get to know somebody, you've got a new one and you got a new boss or a new manager, and I tell our clients really get to know your people, because when it comes down to a, to a decision time, it's the relationships

that are going to make the most important difference, I think. And, and if you know the people in there it's really they'll know your character, which is kind of the first C, right?

Tom Bronson (35m 12s):
So get those deep and wide relationships with your bankers and make sure that you get to know them. But that doesn't mean don't hire someone like bill, because I'm also a big fan of, you know, you get those comfortable relationships, I'm going to go to the bank and I need to borrow money for something. And it's that comfortable relationship. Are they going to really give me the best rate? If they know that I've hired someone whose gone shopping for me, that's going to cause to, to sharpen their pencil. I've, I've had, you know, it's a, it's an age old purchasing tactic, right. We can get this stuff somewhere else. And so, so I'm a huge fan of that. So one last business question, bill, this podcast is all about maximizing business value.

Tom Bronson (35m 56s):
And we've talked a lot about lending, but what is the one you're a business owner yourself? What is the one most important thing you recommend business owners do to build long-term sustainable value in their businesses?

Bill King (36m 11s):
No, that's a great question. And for me, when I look at the, at the business, as of course, I focus on the financial side, one of the things that I advise business owners to do is to be critical of their business. You know, it's their baby, but, but they still have to look at it like an outsider looking in. So I always tell them to look at their financials each year, look at anything where there was a major change that something happened that year, that four years from now, you might've forgot to mention because when your company is being analyzed by a potential buyer, potential investors are being analyzed by lenders. They're typically looking back three or four years. And when they ask you a question, they want you to remember what happened four years ago.

Bill King (36m 53s):
So one of the things that I advise business owners to do is keep good, good information of major things that happen in each calendar year, because it makes it easy to explain

and give that information up front when you're, when you're presenting, because, you know, borrowers, I mean, lending sources and buyers of businesses are naturally skeptical. You know, they're looking at things from their perspective. So if you're upfront and you're like, look, you know, this year we had this extra a hundred thousand dollar expense. Here's what we invested in because we're streamlining our software. We're making ourselves more efficient. That that explanation is a lot better than me looking at the financials and saying, why did this expense category jumped by 20% for this one year?

Bill King (37m 34s):
So if you know that those things have happened, keep track of them. And another thing related to the same thing is, you know, as long as I've been doing this, bank's always asked for the same basic credit file. So I tell clients to just keep an ongoing, you know, folder of all of the financials, you know, you're going to be asked for and just keep it updated, you know, have your three years tax returns in one folder, have your year-end financial, have your current AR AP report, have your business debt, just have it all there. In one little folder, you know, electronically, you know, old days, we used to have them in a file cabinet, but now it's all electronic. You have it in one folder with multiple files. And whenever you are, you're doing a loan request, boom, you've got everything right there.

Bill King (38m 16s):
And, and that makes you look a lot more professional when you're looking at and financing, or when you're looking to sell your business.

Tom Bronson (38m 23s):
That is two pieces of great advice. I will tell you that I'd not heard that before advice on this. So this is of course, episode 56. So we've had 56 different people answer the question, but of keeping that log And thinking back, we all think when something happens that, Oh, we'll never forget this, but Over time and the distance, right? Our ability to remember specifically what happened, just diminishes and diminishes. So if you're a journal, you know, somebody writes in a journal, make sure that you record those major things that happened. That makes it so much easier to explain two years down the road. So that is brilliant advice.

Tom Bronson (39m 3s):
And of course our clients always keep this stuff and electronic files, and I'm happy to, to report to you bill that for the five CS, for the most part, our clients actually have those things already built and saved electronically. So that's awesome. Now, look, you haven't been a guest on the podcast before, and if you're, if you're a listener, all of our listeners, listen to get to this next question, which is kind of the last question we ask. It's our bonus question, and people are riveted until they get here and then they want to know what the answer is, what personality trait bill has gotten you into the most trouble over the years. Oh, that's, that's a great question. And I know if my wife was here, she would help me answer.

Tom Bronson (39m 45s):
Yeah, no. If I asked my wife, I'm going to get a list. So I just have one thing. We'll get a top 10 list from her. But I would say the fact that I am just too blunt and too direct on things, I have no filter and that might be caused by the fact that my, my family is all back from, from New York city originally, I'm the only Texan in my family. So, so I joke around that, that I was raised by a bunch of new Yorkers in Texas. So that, that may, that may contribute to, to me being a little rough, but I'm, I'm always honest to a fault. And that helped, that hurts me in some cases, because I'll tell, I'll tell someone their baby's ugly, you know, not, not in a business sense usually, but, but you know what I mean?

Tom Bronson (40m 27s):
I'm just way too, too honest and direct with people like the old Seinfeld episode. Exactly. Just like that. That's awesome. How can our viewers and listeners get in touch with you or even get a copy of your new book? No bullshit business. No, that's a great question. We are listed on Amazon and as well as we have our own landing page where people can order the book, it's spelled out Nobullshitbusinessfinanceguide.com. And we also have a link on our business website, the number 4kingscapital.com or anyone can get email or call me, and I'd be happy to help them out either in getting the book or, or setting up an initial consultation.

Tom Bronson (41m 9s):

If they'd like to talk with me about their business, our, our initial consultations are free. We're just trying to get a feel of their company and see if there's a fit. You know, I've turned away a lot of businesses. And I know there's other people that haven't worked with me before, because we just didn't have the right match, their expectations with what I could provide. I love that your honesty extends to whether or not you can help people. So, so that is awesome. Thank You for being our guest today, Bill.

Bill King (41m 37s):
Thank you so much for having me, Tom.

Tom Bronson (41m 41s):
You can find bill King at www dot four, the number four Kings capital.com or on my favorite website. Now the no bullshit business finance guide all spelled out.com or on LinkedIn. And of course you can always reach out to me and I'll be happy to make a, A warm introduction to my good friend, bill Gates. This is the maximize business value podcast. Do you have practical advice to business owners on how to build long-term sustainable value in your business? Be sure to tune in each week and subscribe wherever you found this podcast. And by the way, if you're a note taker like I am, and if you're taking notes during the podcast, we make that easy on you.

Tom Bronson (42m 24s):
Because we post a complete transcript of every podcast right on our website. So until next time I'm Tom blogs reminding you to be ready when you need capital, it will dramatically improve your chances of securing enough finances you need while you maximize business value

Announcer (42m 49s):
You for tuning into the maximize business value podcast with Tom Bronson, this podcast is brought to you by mastery partners, where our mission is to equip business owners to maximize business value so they can transition on their terms. Learn more on how to build long-term sustainable business value and get free value building tools by visiting our website, www.masterypartners.com that's master with a Y mastery partners.com.

Announcer (43m 34s):
Check it out.

Tom Bronson (43m 34s):
<inaudible> that was perfect. I wouldn't make any changes on that.