

eCourse Outline

Funding a Business in New Hampshire: Growing a Business

Understanding Working Capital

- Negotiating with suppliers
- Lines of Credit

Loan Financing

- Bank Loans and guarantee programs (SBA, USDA, BFA)
- Equity Funding
- Angel investors
- Venture capital

Types of Growth to Finance

Have a strong financial history and clear plan.

- Exporting
- New product development
- Marketing campaigns
- New customers and sales growth

Physical or capital assets can help you grow.

- Buying a facility or building
- New equipment
- Energy efficiency projects
- Long-term product development

Working Capital

- Cash
- Raw Materials Inventory
- Finished Goods Inventory
- Receivables

Negotiating with Suppliers and Customers

The challenge of not having enough cash.

- Negotiate payment terms with your suppliers and customers
 - 15-30 days to pay are realistic terms
 - Negotiating gives you more time to generate cash
- Payment terms for your customers.
 - Large corporations may ask to pay as late as 180 days
 - Negotiate with these customers for better terms
 - Encourage early pay discounts
 - Keep receivables under 90 days
- Some customers may exceed their payment terms.
 - Pursue late receivables
 - Managing your cash flow = quicker cash for inventory and growth without financing

Lines of Credit

A line of credit is a type of short- term debt commonly provided by a bank or credit union.

- Supplements your working capital for inventory and growth
- Purchase more inventory and then repay it when you receive cash
- A line of credit is secured by your receivables and inventory.
- Borrowing base certificate
- May only receive a portion (80%) of the value

Bank Loans and SBA Programs

Investment in fixed capital assets such as real estate or equipment.

- Long term financing from bank or credit union
- You will need tax return financials for at least 2 years
- Be prepared to personally guarantee the loan
- Long term financing extends 10 to 20 years depending on collateral
- Down payment is typically 20 – 30%
- SBA and other government agencies guarantee portions of the loan for banks and credit unions
- The SBA works with lenders to guarantee or supplement loans to businesses.
- SBA usually doesn't make direct loans to businesses
- SBA guarantees a portion of the loan in case of default

SBA 7a Loans

- Working Capital

- Export Expansion
- Equipment
- Buying a Business

SBA 504 Loans

USDA Loan Guarantees and Programs

USDA Rural Development Programs

- Towns under 50,000 people
- Guarantees for up to 80% of the loan value
- Grants for up to 25% of clean energy projects

New Hampshire Business Finance Authority

State based agency that provides guarantees of 75-90% for loans of up to \$10 million

- Direct and/or temporary loans of up to \$2 million

Sub-Debt

Subordinated debt can sometimes be used to supplement financing.

- Taken in conjunction with other loans
- These loans are considered more risky and have higher interest rates

Good New Hampshire providers include:

- Community Loan Fund
- Regional Development Corporations

Outside/Professional Equity Investors

Equity Investors typically look for businesses in high growth industries.

- Buy shares or ownership in your company
- Typically take a seat on your board and expect a role in major decision making
- Make their return when company is sold at a higher valuation
- You must have a defined exit plan

Angel Investors

For early-stage businesses, but usually not “pre-revenue”.

- Typically looking for existing businesses with high growth potential Good options for local NH angel investing networks include:
- eCoast Angels (Focused on high-growth businesses located in coastal NH)
- Impact NH Fund (Focused on women led businesses based in Northern New England)

Venture Capital Investors

For businesses that have demonstrated market traction and want to scale.

- Larger investments in the millions of dollars
- Good options for local NH venture capital investing networks include:
- Borealis Ventures (Hanover based, focused on life sciences and tech)
- 10x Ventures (NH based investors focused on software and tech)