



**Commercial Edge**

**COMMERCIAL EDGE**  
**Week 5**  
**Business Plans, Startup & Franchise**

**AFG**  
BUSINESS

# Week 5 Agenda

1. **Week 4 Recap**
2. **Lending to Franchises**  
Presented by ANZ
3. **Cash-Flow and Business Plans**  
Presented by ANZ
4. **Quiz & Wrap Up**

To successfully complete this Commercial Edge training course, and receive your **9 CPD points**, you will need to attend your allocated sessions and complete a short quiz at the end of the 6 weeks.

# Week 4 - Recap



# **LENDING TO FRANCHISES & CASH-FLOW AND BUSINESS PLANS**

March 2020



# LENDING TO FRANCHISES

## What is franchising?

Franchising is a method of growing a business in which a franchise owner (franchisee) is granted, for a fee, the right to offer, sell or distribute goods or services under a business system determined by the founder (franchisor). The franchisor supports the franchised business group by providing leadership, guidance, training and assistance in return for ongoing service fees

*(Source: IBISWorld Industry Report, Franchising in Australia, January 2018).*

## Benefits to onboarding franchise businesses:

- Have a proven successful business model
- Often there is a good understanding of this business model
- They are trading businesses
- All Small Business Bankers are able to write franchise deals



# BENEFITS TO PREFERRED NETWORK FRANCHISE GROUPS

## **Relationship with the preferred network group:**

- This creates a transparent relationship between the franchise group's head office and ANZ

## **Know the business:**

- Through the preferred relationship, ANZ better understands the operation and strategy driving the franchise group.

## **Projected financial performance is better understood:**

- The benefits of having a preferred franchisor network are to streamline the process for prospective franchisee customers by understanding the franchisor's business model and key performance indicators.

## **Important to note:**

- The approval of a franchisor to ANZs preferred franchise network is not a substitute for the prospective franchisee undertaking their due diligence.
- The lending manager/broker should at all times encourage prospective franchisees to seek independent accounting, business and legal advice as an important step in their due diligence process.

## JUST A FEW OF OUR PREFERRED FRANCHISE NETWORK SYSTEMS

- Australian Skin Clinics
- Bakers Delight
- Battery World
- Bridgestone
- Chatime
- Cheese Cake Shop
- Endota Spa
- GYG
- Muffin Break
- Papparich
- Pirtek
- Poolwerx
- Sushi Sushi
- The Coffee Club
- Telstra Shop

ANZ is currently considered the Market Leader in Franchising with over 80+ systems on our panel.

Please contact your local banker in order to confirm whether a particular franchise may be on our preferred list and how we may be able to assist.

***\*Please note the preferred franchise list is subject to change***

## NON-PREFERRED FRANCHISE SYSTEMS

- Non-preferred franchise systems are all other franchise groups that operate within Australia and where ANZ does not have a structured relationship with the franchisor head office.
- ANZ is still able to assist non-preferred franchises with their lending requirements and these models are assessed under ANZ's standard small business credit criteria.

## OTHER FACTORS TO CONSIDER...

### **The loan term will be determined by the lesser of:**

- the franchise agreement term
- the term of the franchise premises lease agreement (including options)
- max 10 years for under secured applications

### **Capacity to Service:**

- Vendor Financials
- CFF
- Evidence of any ongoing income (example PAYG)
- Financial data provided in support of the credit application is used to demonstrate performance of the site. The overall capacity to service tax, debt and lifestyle expenses is to be demonstrated in accordance with our retail credit requirements
- The financial data is also compared against the Franchise Group Key Performance Indicators (KPIs)
- In cases where KPI(s) are not being achieved, we would require a satisfactory justification in order to consider.

# **CASH FLOW FORECASTS AND BUSINESS PLANS**

## CASH FLOW FORECASTS

The ability to use future income as opposed to strictly relying on past income is one of the major factors that separates Commercial lending from Residential.

A cash flow forecast is a powerful tool that can assist business owners to gain a better understanding of their upcoming cash flow and plan for the good times and bad.

It is also a tool that can be used for lending purposes to assist a credit assessor understand the expected cash flow of a new business or the expected change in cash flow for an existing business, and consider this as part of the overall credit decision.

## WHEN A CASH FLOW FORECAST MAY BE REQUIRED?

A cash flow forecast may be required whenever a significant change to the direction of the business is anticipated, which in turn impacts the business.

Examples are:

- Increasing operating hours / days therefore impacting sales.
- Purchasing new equipment that will generate further revenue.
- Start up Business. How income/sales are substantiated.
- Acquiring a large new contract.
- Changes in costs / expenses or sales / revenue.
- Purchasing an existing business and management changes that will effect historical vendor figures.

# EXAMPLE OF CASH FLOW FORECAST

## The ANZ Small Business cash flow forecast template

Read our handy tips before completing your forecast - you can find them on the first tab.



Select a month to start	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	TOTAL
<b>GROSS REVENUE</b>													
<b>(A) Revenue</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>(B) Direct costs</b>													
Materials/Purchases	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subcontractor payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Freight & Cartage	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total direct costs</b>	<b>\$0</b>												
<b>(C) Gross cash flow (A-B)</b>	<b>\$0</b>												
<b>PAYMENTS/OUTFLOWS</b>													
Accounting	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bank Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cleaning	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Computers and software	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Debt repayments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Equipment hire/lease	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Freight and postage	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Insurance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Legal fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Marketing and advertising	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Motor vehicle expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Power	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Rent and rates	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Repairs and maintenance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Salaries and employee expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Stationery	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subscriptions	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sundries	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Telephone	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Uniforms	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Water	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Web site hosting and maintenance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>(D) Total payments/outflows</b>	<b>\$0</b>												
<b>NET CASH FLOW (C-D)</b>	<b>\$0</b>												
Opening bank balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>CLOSING BANK BALANCE</b>	<b>\$0</b>												

Use these boxes to provide details of any assumptions you've made when calculating your figures:

Revenue	Direct	Payments and Salaries

Outline how you calculated your forecasts and explain the main variances. Examples include average spend per customer and debt as a percentage of revenue.

Detail major costs and any significant variances between months.

Explain your payments in detail and any significant variation from month to month.

This document is intended to provide general information only and should not be relied upon in substitution for professional legal or financial advice. Whilst due care has been taken in preparing the document, no warranty is given as to the accuracy of the information contained in the document. The accuracy of the output from the document is subject to the accuracy of the information you provided. ANZ will not store the information provided in the document. To the extent permitted by law, no member of the ANZ group of companies shall be liable to any person for any error or omission contained in the document or for any loss or damage suffered by any person relying on the information contained in the document.

## USEFUL TIPS FOR COMPLETING A CASH FLOW FORECAST

When a cash flow forecast is required you should consider the following:

- The information should be supplied by the customer or customers accountant.
- Use accurate figures and make detailed notes / assumptions to explain how they have been calculated.
- Rely on solid market research to estimate sales.
- Look for industry benchmarks.
- Involve the customers accountant.
- Allow for seasonality in both income and expenses.

## BUSINESS PLANS

It is a great idea for all business owners to put together a business plan. The process of creating a business plan ensures the owners have given thought to the many aspects of running a business and future planning.

A business plan is simply a document that provides an overview of the business, its operations and strategy.

The benefit the business plan provides a lender, is not only a detailed understanding of the business itself, although comfort that the owners have given thought to the business strategy and have an in-depth understanding of their own business.

## WHEN A BUSINESS PLAN MAY BE REQUIRED?

A Business Plan is useful for any application that involves a trading business in order to provide an in-depth understanding of the business, although there will be applications where a business plan is requested as a mandatory inclusion.

Examples are:

- A significant change to the business or business structure.
- Start up business.
- Purchasing an existing business and management changes.
- Where a Credit assessor requires a deeper understanding of the business itself.

# WHAT IS INCLUDED IN A BUSINESS PLAN

We have a Business Plan template that can be used via the ANZ Small Business Hub. The information covered in our template is listed below:

- **Business overview**
  - Introductory information
  - Business summary
  - Business goals and objectives
  - Current business position
- **Structures and resources**
  - Organisational structure
  - Key staff, advisors and mentors
- **Business operations**
  - Products and services
  - Key suppliers and customers
  - Business assets
  - Organisational resources
  - Risk management
- **Market analysis and strategy**
  - Market research
  - Opportunities in the market
  - Target market and proposition
  - Customer management
  - Competitors
  - SWOT analysis
  - Strategic direction
  - Marketing, advertising and promotion
- **Financial analysis**
  - Funding sources
  - Current financial position and past performance
  - Financial forecast

## ANZ SMALL BUSINESS HUB

There are templates available for both cash flow forecasts and business plans along with many other business tools through the ANZ Business Hub via anz.com.

The link to the ANZ Business Hub is provided below:

<https://thesbhub.com.au>

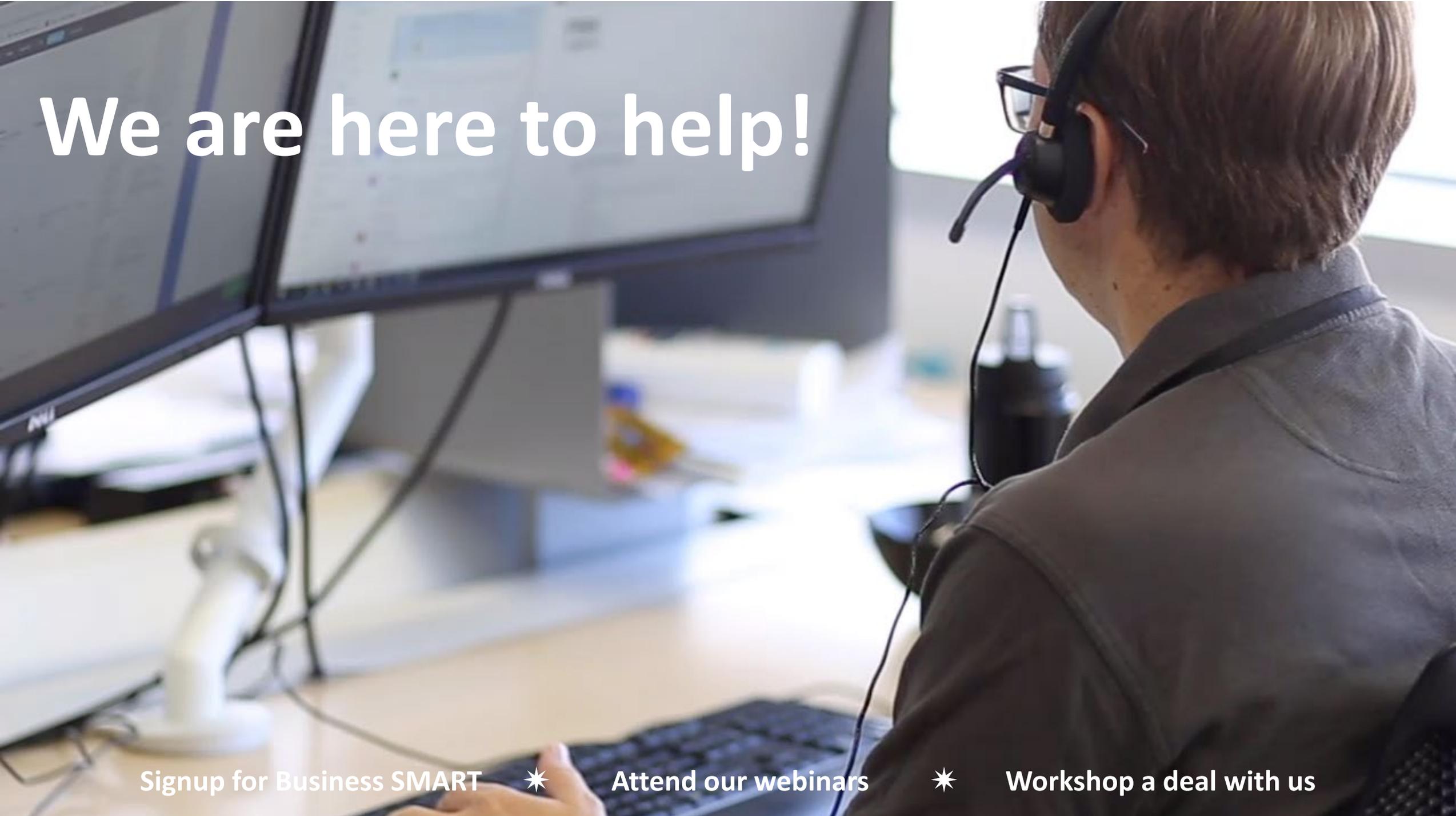


## Your homework...case studies!

❖ Read 5 Case Studies in preparation for Week 6

❖ Review Week 5 material



A person with short brown hair and glasses is seen from the side, wearing a black headset with a microphone. They are sitting at a desk with multiple computer monitors. The background is slightly blurred, showing a typical office environment. The text "We are here to help!" is overlaid in white on the left side of the image.

# We are here to help!

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