

THE EXHIBITOR'S SPEECH

Going Digital presents many challenges, among them: how to negotiate well with the banks. Here, **EFA Partners** offers some timely advice on how to confidently negotiate better financing terms.

Many businesses seek financing in today's banking environment, so you need to show your business in the best possible light. When approaching banks and lessors, it's imperative to be prepared so as to avoid stammering like King George VI. Key drivers for successful negotiations include:

- working with several financiers to gain leverage
- having company, and industry, information readily available, and
- understanding that financiers have room to move on many financing terms.

Theatre operators understanding these strategies should be comfortable delivering an "exhibitor's speech" to financiers, enabling them to obtain favorable loan or lease terms to assist execution of their business plans.

In commencing the financing process, don't put all of your eggs in one basket. Be sure to approach *several* banks to gain negotiating leverage and to ensure financing proposals have competitive terms. Only approaching your trusted local bank may seem an easy route; however, many have lending limits that may be unsuitable for your needs. Instead, take advantage of today's more favorable lending environment by having several financiers vie for your business. Note that most large financiers have several industry-specific groups, so be sure to approach the appropriate division that understands the industry.

A common mistake that exhibitors make is to feel that their "enthusiasm and growth story" will result in favorable financing. However, most financiers are more concerned about historical performance than vision. Financiers initially need to get comfortable with your existing business before considering growth capital. Given that most financiers do not have an understanding of Exhibition, be prepared with company information and industry stats. Most financiers expect to receive two-to-three years of externally-prepared financials, whether tax returns or audited/reviewed financial statements. Often with larger transactions, nothing less than fully-audited financials will do.

One thing that can stall the process quickly is holding back information. You may feel that something in your company's past shouldn't be important to the fut-

ure of your business, but banks prefer to be the judge of that, and will likely uncover any omissions in their due diligence. And though there may be reasonable explanations for issues such as theatre-closures or revenue-downturns, financiers tend to be less forgiving if not offered the entire story upfront. It reflects poorly on management, making financiers wonder whether other items are hidden.

As financing proposals are received, understand that initial terms may vary greatly compared to those ultimately approved. When reviewing proposals, it must first be understood whether the proposal was already discussed with credit personnel or if it reflects only the initial thoughts of your relationship salesperson. Often, when the credit group isn't involved initially, unrealistic terms are proposed that wouldn't be approved. In addition, these proposals may require a significant good faith deposit before the financier commences due diligence. For attractive offers, however, have extensive discussions with the financier's decision-making personnel prior to forwarding a deposit and turning down any other proposals.

Financiers rarely put their best foot forward with initial proposals. They typically leave a cushion for several items that include interest rates, fees and collateral. Financiers are now more open for business and aggressively seeking new opportunities. So, in a competitive bidding scenario, rates and fees may be significantly reduced from those initially offered and, in certain cases, collateral enhancements such as personal guarantees may not be required. In this regard, it's important to have an understanding of the credit market for similar financings in your industry.

In summary, being well-prepared as you commence your financing process allows you to be confident in your discussions with financiers rather than being unsure of yourself and struggling through the conversation, just like King George VI. The current economic environment provides that financiers will compete for your business, so arm yourself with appropriate strategies to negotiate attractive financing. In the next issue, we'll examine the negotiation of specific clauses and terms in credit-closing documentation for loans and leases. **S**

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