INVESTORS
COMMUNITY BANK

8 Ways Your Banker Can Impact Your Business

8 Ways Your Banker Can Impact Your Business

Having a partner who understands your company, takes time to think through your concerns, knows how your business operates, and strategizes with you to meet challenges and pursue opportunities is invaluable. Establishing a relationship with your banker as a trusted advisor can result in exactly this type of partnership. You'll come to appreciate his or her role as much more than just a source for working capital or additional financing.

The complexities of running a business can overwhelm even the most experienced owner or CEO, so having a knowledgeable partner in your corner is critical. When a banker "walks in your shoes," he or she provides a sounding board with valuable ideas that can guide you to new, more effective solutions beyond just the typical banking services. He or she can provide sage business advice, networking opportunities and, of course, financing help.

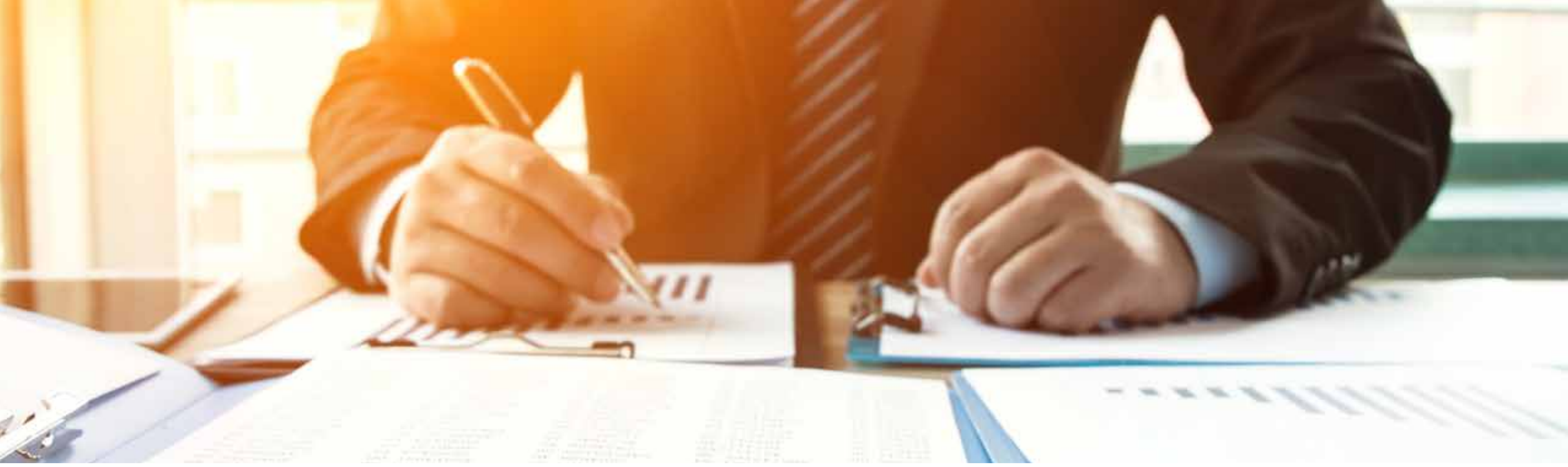
Consider these eight areas in which a commercial banker can help your business thrive.

1. IMPROVING YOUR BALANCE SHEET

A banker who seeks to provide value to your business will ask to review your financial statements regularly. These discussions present opportunities to review not only your balance sheet, but P&L, projections, cash flow and more. Working together to evaluate where you stand gives a banker deeper understanding of your business — and in turn he or she can provide the best insights and uncover opportunities to improve your position.

A banker who's familiar with your operations and with whom you can regularly share your financials will suggest proactive ways to improve your balance sheet, such as:

- Evaluating buy versus lease versus finance options
- Partnering with vendors to improve inventory turns
- Improving A/R-to-cash cycle



2. EVALUATING ASSET RATIOS

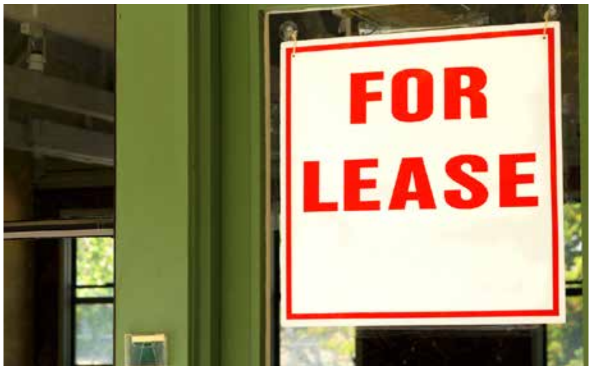
Your debt-to-asset ratio indicates whether or not you're too highly leveraged and affects your ability to get financing (and get it at the lowest possible rate). Talking with your banker helps him or her identify ways to improve the ratio, like leasing equipment rather than buying/financing it, or sweeping cash to periodically pay off a line of credit.

Return on assets (ROA) is another ratio a banker can offer perspective on relative to your industry. It's a key measure of profitability, particularly for asset-intensive businesses like manufacturers and, as such, a metric to which the bank gives weight. Because it measures the net income produced by total assets, a good ratio will vary greatly depending on your business type and industry.

An equipment manufacturer with millions of dollars invested in machinery, real estate and inventory may have an ROA in the 15-25% range. A service company such as an accounting or consulting firm, however, may have a considerably higher ROA because the value of its assets is often minimal.

A good banker who's knowledgeable about your business and the industry you're in will help you benchmark healthy ratios for your industry and business model and help you understand how the bank views your situation.

3. LEASING VS. BUYING



Whether you need office equipment to run your day-to-day operations or a new building to accommodate expansion, business owners are routinely faced with decisions to lease or buy. And there's more than the initial purchase costs to consider — there is also an impact on your balance sheet and tax liability. Leasing accelerates the tax impact because it's treated as an immediate expense, which reduces your taxable revenue. Purchasing that equipment or real estate would mean more assets on the books but may require you to take on more debt, in which case only the interest is tax deductible. A banker who understands your company operations and financial position can help outline the full impact on your cash flow and/or tax liability and help you determine what's right for your situation.

In the case of real estate, a banker can not only help you determine if taking on long-term debt makes sense based on your financial projections, he or she may have insights into other ways to structure a transaction, like purchasing the space/property under an LLC, with the company leasing from the LLC. In this case, your banker can not only help you purchase the real estate but likely has tools to help you determine an appropriate rent amount based on the capitalization rate.

Your banker can also break down the pros and cons of leasing and buying/financing and help you determine the impact on your working capital, ROA and debt ratios, and overall operating expenses.

LEASING VS. BUYING

Basic factors to take into consideration:

- Current finances
- Upfront costs
- Recurring costs
- Insurance
- Tax consequences
- Return on assets
- Payout structure

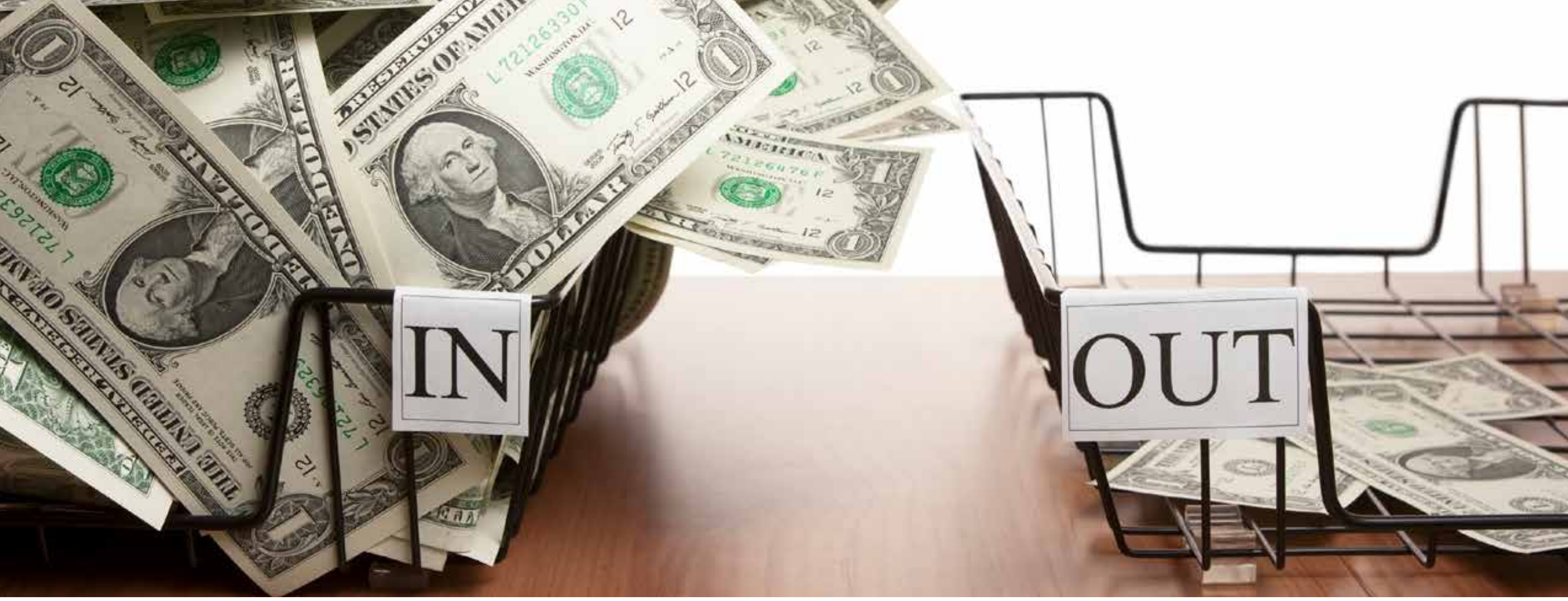
4. TURNING INVOICES INTO CASH

Most businesses experience a lag time between order fulfillment and receipt of payment. When a customer's timeline for paying bills doesn't align with your cash requirements, it can strain your cash flow.

When cash flow is suffering, some companies turn to factoring; selling their account receivables to a collection agency for a percentage of its value (e.g., 95 cents on the $1). This was a popular option during the recession because customers extended payment cycles, so companies were left scrambling to meet their own cash needs.

Securing a business line of credit is often a better option, as the cost of borrowing is usually much less than typical factoring fees. A banker can look at your balance sheet and cash flow projections to help you determine an adequate line of credit based on your A/R-to-cash cycle.

Your banker likely also has insight into how similar companies have expedited their A/R cycle, turning A/R into cash faster and saving interest on the line of credit in the process.



5. LIQUIDITY — MANAGING WORKING CAPITAL

It's important for any business to have cash on hand to pay for short-term obligations, routine expenses and unexpected operational costs. If a company has too much money tied up in inventory or real estate, or has several large payments due in a short period of time, it can create a working capital crisis and threaten solvency.

Sit down with your banker to devise a plan for managing working capital, and get an accurate picture of how much you actually need to run your business. Restructuring debt can help even out payments over time; or establishing a line of credit or liquidating some inventory might be in order. The key is to focus on areas that will improve the financial stability of your company.

6. PLANNING

Planning and strategizing for any successful business doesn't stop when it becomes operational. No matter the age or maturity of your business, continual assessment and review of your company's financial health can help avoid stumbles and mean the difference between success and failure.

Periodically meet with your banker to review your business plan, factoring in today's economy, market outlook and metrics. At some point you'll want to discuss succession planning and how to smoothly navigate the transition of your company's ownership. Keep your banker informed of changes in your business and the industry, as well as how it may affect your operations and finances.

7. BUILDING A RELATIONSHIP

Establish a relationship with a bank (and banker) that walks alongside you through your business highs and lows. Let them know about new contracts, milestones and successes, as well as challenges and setbacks. If the only time you seek advice is when you're in crisis mode, your banker won't have the understanding needed to be truly helpful. On the other hand, when your banker has a more intimate and well-rounded knowledge of your business, he or she can serve as both an advocate and sounding board at all times, not just when you desperately need support.

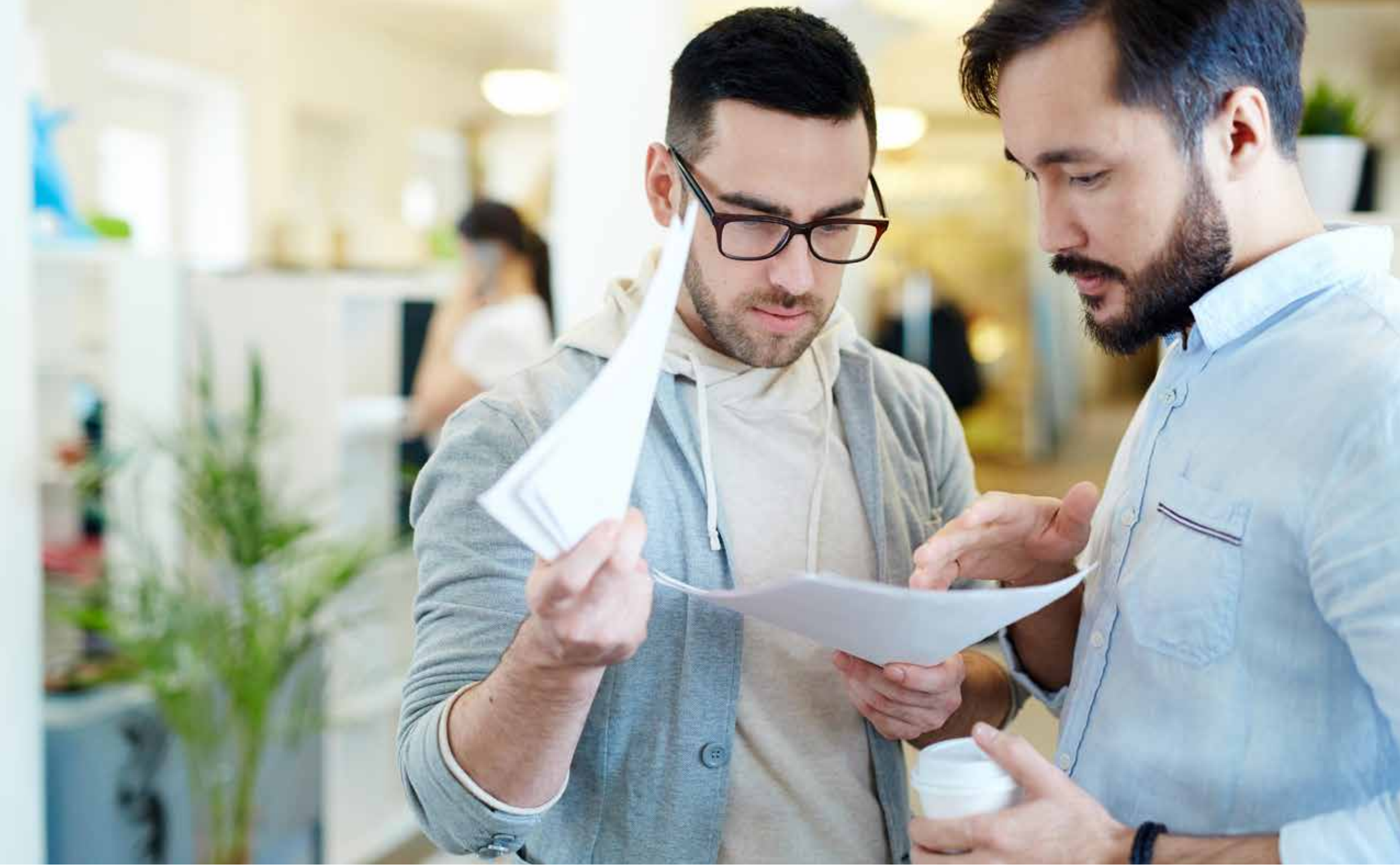
Likewise, don't be shy about asking in return how your community bank is doing, its growth plans, performance and what they're doing to make themselves a better partner. Communication is a two-way street.

8. NETWORKING

It's often said that it's not what you know but who you know that is the best predictor of success. Most bankers have great professional networks, and their connections can serve as extended resources for your business. Whether you're looking for an experienced attorney, broker, accountant, service provider or additional customers, chances are a community banker can provide referrals or put you in touch with people who can.

Likewise, if you're looking to make some capital improvements like a new parking lot or building remodel, a community banker may be able to recommend reputable contractors or companies in the area to do the work — often companies and people they know personally (and trust).

Staying in touch is important because your banker will also be in the position to recommend you and your company and hopes you'll return the favor, too.



Visit our website today to learn more about our business bankers and start the conversation. Maintaining a trusted relationship with your banker may be one of the best things you ever do for your business.

Appleton: (920) 739-2660
Green Bay: (920) 884-1166
Manitowoc: (920) 686-9998
Stevens Point: (715) 254-3400
Sheboygan (Loan Production Office): (920)-451-0200
Call Toll Free: (888) 686-9998
Email: contact@investorscommunitybank.com
Website: investorscommunitybank.com

INVESTORS
COMMUNITY BANK