FINSTEAD

A GUIDE FOR AUSTRALIAN BUSINESS OWNERS

Funding your expansion

How to choose the right business loan and prepare a file lenders will consider.

100+

Lenders on the Finstead panel, compared for you by a broker.

2 routes

Funding secured on assets, or assessed on the cash flow of the business.

1 file

One application taken to the lenders whose criteria fit.

How lenders assess growth finance, from Finstead's experience arranging it. General information only.

BEFORE YOU START

What this guide is

Growing a business usually needs money before it brings money in. This guide explains how to match the funding to the project, how lenders on the Finstead panel look at expansion, what to prepare, and the usual reasons applications stall. It is general information, not financial, credit, tax or legal advice, and it takes no account of your circumstances. It contains no rate or approval promises, because every outcome depends on the lender and the file.

1. THE SHORT ANSWER

The short answer

The best expansion loan is the one **matched to what the money buys and what will repay it**. Equipment can secure itself. Stock and contracts are funded against the sales they create. Premises are funded against the property. A mismatch is the most common reason growth finance costs too much, takes too long or is declined.

1. **Name what you are buying** and what it will earn.
2. **Choose the product built for it.** Do not default to one general loan.
3. **Show the repayment capacity** from cash flow, not hopes.
4. **Compare total cost,** including fees and security, not only the rate.

> **Fund the project, then prove how it pays itself back.**

2. MATCH THE FUNDING TO THE EXPANSION

Match the funding to the expansion

WHAT YOU ARE DOING	FUNDING THAT OFTEN FITS	WHY
Buying vehicles, machinery or equipment	Equipment finance or vehicle finance	The asset itself is the security, so you may not need to put up property.
Buying or upgrading premises	Commercial property finance	Secured on the property, usually with longer terms.
Taking on a bigger contract or buying more stock	Trade finance or working capital	Funds the cost before the customer pays.
Growing faster than cash comes in	Invoice finance (debtor finance)	Releases cash tied up in unpaid invoices as you grow.
Hiring, marketing or general growth spend	Unsecured business loan or working capital	No hard asset behind it, so lenders lean on cash flow.
Buying a competitor or another business	Business acquisition finance	Assessed on the target's earnings as well as security.
Timing gap, such as a purchase before a sale settles	Bridging finance	Short term funding to cover the gap.
Limited documents or an unusual income profile	Low doc business loan	Alternative documentation, with the trade offs lenders price in.

Product availability and terms vary by lender. This table shows where each type usually sits, not what any lender will approve.

3. HOW LENDERS LOOK AT AN EXPANSION

How lenders look at an expansion

Different lenders weigh these differently, which is why the panel matters. Almost all of them look at the same five things.

1. Can the business service it?

Repayments are tested against cash flow from the business as it trades now, not only the extra income you expect.

2. Trading history

How long you have traded and how consistent the revenue has been. Some lenders fund start ups or new directors with relevant industry experience. Many do not.

3. Security

What the lender can fall back on. Secured facilities often cost less or go larger. Unsecured ones are faster and keep your property clear.

4. Use of funds

A clear purchase with a clear payback is easier to assess than a general request.

5. The owners and their record

Credit history, any tax debt or defaults, and how the business has handled obligations before.

> **Lenders fund proof, not promises. Show how the business pays it back today.**

4. SECURED, UNSECURED OR CASH FLOW BASED

Secured, unsecured or cash flow based

Secured

- Backed by property or the asset being bought
- Often larger amounts and longer terms
- Slower, because valuation and legal work are involved
- Puts the security at risk if repayments are missed

Unsecured or cash flow based

- No hard asset required, assessed on trading and cash flow
- Usually faster
- Limits on size, and the pricing reflects the extra risk
- A director guarantee is still common

Neither is better as such. The right choice depends on the amount, the speed you need, what you are willing to put up, and what the lender will offer for your file.

5. BEFORE YOU APPLY

Before you apply

- A one page summary of the project: what it costs, what it earns, the timeline
- Recent BAS lodgements and an up to date ATO account position
- Details of existing debts, with balances, rates and terms
- Quotes or contracts for what you are buying
- Your last two years of financials and current year to date figures
- Three to six months of business bank statements
- Details of any security you could offer, and its likely value
- ID and ownership details for directors and guarantors

A tidy file is considered faster. A missing document is the commonest source of delay, and the easiest to fix.

6. WHY EXPANSION APPLICATIONS STALL

Why expansion applications stall

- **The wrong product for the project.** A short term loan used for a long term asset strains cash flow.
- **Unresolved tax debt.** Overdue ATO debt makes lenders cautious, and a payment plan that is not being kept makes it worse.
- **Thin evidence of cash flow.** Mixed personal and business accounts or late lodgements make a file harder to read.
- **Applying everywhere at once.** Multiple credit enquiries can count against you. Go through one considered process.
- **A short history with no explanation.** New businesses can be funded, but the story needs to show relevant experience and a plan.
- **Asking the bank only.** One lender's policy is one lender's policy. A decline from one is not a decline from all.

A decline is information. Ask what drove it, fix that if you can, then take the file to lenders whose criteria suit it.

7. COMPARING THE REAL COST

Comparing the real cost

Two facilities with the same headline rate can cost very different amounts. Ask for every one of these in writing.

- The interest rate, and whether it is fixed or variable
- Establishment, ongoing and early repayment fees
- The term, and the repayment amount and frequency
- Security required, and any director or third party guarantees
- What happens on a missed payment
- The total you will repay across the whole term

A quick affordability test

1. Work out the extra monthly repayment the new facility adds.

2. Estimate the extra gross profit the expansion should generate each month, and be conservative.
3. Check the business still pays its repayments if the expansion takes six months longer than planned.

If the third check fails, reduce the size, change the structure, or phase the project.

8. RECENT GROWTH FUNDING WE HAVE ARRANGED

Recent growth funding we have arranged

Arranged by Finstead

TRANSPORT · VIC

A$200k-250k

Settled finance for a truck and trailer combination for a start-up transport business with a bank in 12 days.

The owner was starting a new business, and most lenders will not look at start-ups.

LABOUR HIRE · NSW

A$3M-4M

Arranged a debtor finance facility funding 80% of invoice value for a labour hire business.

The client needed to move fast to restructure its funding.

PROPERTY · NSW

A$10M-12M

Arranged non-bank finance at a high LVR, with limited financial information, to fund a client into an industrial property.

The purchase carried a high LVR and the client had limited financial information, which most mainstream lenders are reluctant to accept.

Anonymised, amounts shown as bands. Past results do not guarantee future outcomes. Every case is assessed on its own facts.

9. SOURCES AND BASIS

Sources and basis

Finstead, business finance products
Product descriptions, who each suits and indicative criteria, from Finstead's lender panel.
https://finstead.com.au/finance

Finstead, settled deals
Anonymised recent files arranged by Finstead, with time to settle.
https://finstead.com.au/settled

This guide contains no published statistics. It reflects how lenders on the Finstead panel generally assess applications and the settled files shown, and not any lender's current policy. Finstead Capital Pty Ltd, ABN 51 638 390 182, Australian Credit Licence 530764. Finstead is a broker, not a lender, and does not provide tax, legal or financial advice. Any finance is subject to lender approval, eligibility criteria and the lender's own terms, interest and fees. Nothing in this guide is a recommendation to take out finance or to take any particular course of action. Speak to your accountant before taking on new debt.

TALK TO FINSTEAD

Want to know what your business could qualify for?

A short conversation, no cost and no obligation. We scope your options before anything formal happens.

1300 380 041 | hello@finstead.com.au | finstead.com.au/get-started