

MAYO BUSINESS CONSULTING

Business Expansion Financing Guide

Planning to grow an established business? This guide highlights information that can help you prepare for a conversation about SBA financing for expansion.

Common Expansion Needs

- Additional working capital to support increased sales or operating needs
- New equipment, machinery, technology, or vehicles
- Leasehold improvements, renovations, or additional business space
- Hiring and training employees as operations grow
- Refinancing eligible business debt when permitted by the applicable program and lender

Questions to Answer Before Seeking Financing

- **Why are you expanding?** Clearly explain the opportunity and business reason for the expansion.
- **How much will it cost?** Prepare a detailed use-of-proceeds budget supported by quotes or estimates.
- **How will the expansion affect revenue and expenses?** Be ready to explain expected changes in cash flow.
- **Can the business support the new debt?** Lenders will evaluate repayment ability based on historical and projected performance.

Financial Information to Prepare

- Recent business tax returns
- Current year-to-date profit and loss statement and balance sheet
- Business debt schedule
- Accounts receivable and accounts payable aging, when applicable
- Financial projections with reasonable assumptions when the expansion materially changes operations

Supporting Expansion Documents

- Equipment quotes, invoices, or purchase estimates
- Lease, proposed lease, or real estate information when additional space is involved
- Construction or renovation estimates, if applicable
- Hiring plan, contracts, purchase orders, or other documentation that helps support expected growth

What Lenders Commonly Evaluate

- Historical business performance and cash flow
- Management and industry experience
- Borrower equity or available funds when required
- Credit history and existing business obligations
- Collateral and guarantees as applicable to the loan and SBA requirements
- Whether the proposed expansion is reasonable and financially supportable

A Strong Expansion Request Tells a Clear Story

- What the business does today
- What is changing and why
- Exactly how much financing is needed and how it will be used
- How the expansion is expected to improve the business
- How the business expects to repay the proposed loan

Preparation tip: Keep the financing request specific. A lender should be able to understand what the expansion will cost, why it makes business sense, and how the resulting cash flow is expected to support repayment.

Mayo Business Consulting | Orange County, California | mayobusiness@icloud.com | 949-624-9015

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