

How to Fund & Protect Your Business

Buy Sell Agreement Funding Alternatives

Fireside Chat Insights & Business Climate Intelligence | Moderated by Tonya McPhearson with J. Wesley Barrett, Business Development Officer at Grasshopper Bank.

Executive Summary: Navigating Current Market Pressures

As business owners face an increasingly complex economic environment marked by high growth optimism alongside intense cash flow constraints, securing resilient financing has never been more critical. This briefing synthesizes expert guidance from industry leaders regarding owner sentiment, specialized sector pressures (such as medical and wellness), and the core financial metrics required by lenders today.

1. Owner Sentiment & Inflation

Growth aspirations remain high, but rising borrowing costs leave zero margin for operational inefficiency. Owners must dynamically reprice goods/services to counter ongoing inflationary friction.

2. Medical & Health Sector

Healthcare practices experience heightened operational burdens due to soaring staffing costs, clinician competition, and expensive overseas equipment acquisition.

Key Lender Benchmark: SBA loans function strictly as cash flow loans. Lenders evaluate operational stability using Debt Service Coverage Ratios (DSCR) to ensure sustained long-term business performance.

Lender Requirements & The 1.25x DSCR Benchmark

When seeking business acquisitions, buyouts, or working capital lines, lenders look for distinct underwriting anchors. Understanding their baseline calculations ensures higher approval predictability.

Underwriting Metric	Calculation Formula	Target Benchmark
Debt Service Coverage (DSCR)	$(\text{EBITDA} + \text{Depreciation} + \text{Interest Expense}) \div \text{Annual Loan Payments}$	1.25x or Above (Recent year-end / YTD)
Working Capital Adequacy	Current Operational Cash Flow vs. Projected Loan Amortization	Positive coverage supporting growth
Valuation Anchor	Defensible asset/enterprise valuation & clean transaction structure	Fully underwritten equity/debt alignment

Actionable Takeaways for Business Owners

To successfully navigate capital acquisition in the current lending climate, enterprises must prioritize operational efficiency, maintain meticulous EBITDA documentation, and align their borrowing requests with defensible cash-flow forecasts.

Listen & Subscribe to the Full Podcast Series

Catch full episodes of "How to Fund & Protect Your Business" for expert strategies, lender Q&As, and economic updates. Available on all major podcast platforms.