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Your Webinar will begin shortly

**Coach Financing:
How to Present Your Company to the
Financial Community**



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Discussion Topics

How to Present Your Company to The Financial Community

- Current Market Environment
- The Financial Package
- What Finance Companies Look At
- Cash Flow/Managing Cash Flow

2009 American Recovery and Reinvestment Act

- Bonus Depreciation
- Section 179 Expensing Limits



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Current Lending Market Environment

Much Has Been Publicized About the Challenges
That Exist in the Credit Markets

- Government Bailouts, Forced Sales, Even Liquidations
- Many Lenders Have Exited Markets or Ratcheted Back Their Activity
- Credit Requirements Have Tightened



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So How Did We Get Here?

The Basics of Lending Were Not Followed:

- Credit Requirements Were Relaxed
- Down Payments Were Reduced
- Financing Terms Were Extended
- Overall Breakdown in Accountability

Bottom Line: A Lot of Bad Deals are done in good times!



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The Good News Is:

- Capital Is Still Available
- Fortunate to Have a Group of Strong Lenders That Continue to Support the Motorcoach Industry
- Competitive Deals Available
- Bonus Depreciation is back for 2009

But, You May Need To Work Harder to Qualify ...



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The Financial Package

Be prepared to provide as much information as you can...

- Complete Credit Application
- History of Your Business/Business Focus
- Business Plan to Include Coach Purchase Justification
- Up To Date Business Financial Statements/Tax Returns
- Current Fleet List and Debt Schedule
- Personal Financial Statement and Tax Returns

The More You Share About Your Company and Yourself, the More Comfortable Lenders Will Feel!



Develop a Business Plan

Commit Your Ideas to Paper!

Every Business Needs to Have a Plan

- Where Will Your Revenues Come From
- List All of Your Expenses...Fixed and Variable
- Complete a Pro-Forma Profit and Loss Statement
- How Will You Capitalize Your Business
- Do Plenty of Research...Talk to Others - Best Practices
- Available Resources: www.myownbusiness.org/s2 or www.sba.gov/smallbusinessplanner/index.html

*A Good Business Plan Will Help You Monitor Your Business
and Make Necessary Adjustments*



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Financial Statements

If Your Business Plan Is the Playbook,
Financial Statements are the Scorecard!

- Income Statement - Income, Expenses, Profits or Loss...Moving Picture
- Balance Sheet - Assets, Liabilities, and Equity...Snapshot

*Hire A Good Accountant...Manage Your Business, Don't
Let Your Business Manage You!*



What Finance Companies Look At:

Credit History...

- Time In Business
- The Best Reference is "Like Kind" Credit...Your Current Coach Payments
- Bank Reference...Length of Relationship, Type of Accounts, History
- Trade References...Parts, Fuel, Service Providers
- Personal Credit Reports Will More Than Likely Be Pulled

If Problems Exist, Provide an Explanation in Advance



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What Finance Companies Look At:

Financial Statements...

- Are Your Financials Professionally Prepared?...Audited, Reviewed or Compiled
- How Often Are they Prepared
- Financial Statements vs. Tax Returns



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What Finance Companies Look At:

Financial Review...

- Does Your Company Cash Flow
- Is Your Company Profitable
- Current Debt Level...Managed Growth vs. Rapid Expansion
- Is the Proposed Deal A Replacement Coach or Addition?
- Fleet Size and Make-Up
- Cash Reserves...Rainy Day Fund, Available Lines of Credit
- Transaction Structure...Downpayment, Term



Cash Flow Calculation

Cash Flow Provides an Indication of The Company's
Ability to Service Their Debt

- Cash Flow Is One Of the Most Important Considerations
- Cash Flow Calculation: Net Income plus Depreciation (and any other Non-Cash expenses) minus Gains on Sale Compared to the Current Portion of Long Term Debt

Cash Flow is King!



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Sample Financial Statements

FOR THE YEAR ENDING DECEMBER 31, 4

DECEMBER 31, 4

INCOME	
Sales - Bus #	\$ 63,125
Sales - Bus #	87,210
Sales - Bus #	119,667
Sales - Bus #	77,287
Sales - Bus #	90,882
Sales - Bus #	126,335
Commuter trips & other	<u>179,117</u>
TOTAL INCOME	743,623
COST OF SALES	
Trip Expenses - Bus #	1,225
Trip Expenses - Bus #	3,534
Trip Expenses - Bus #	8,130
Trip Expenses - Bus #	4,251
Trip Expenses - Bus #	4,676
Trip Expenses - Bus #	8,896
Drivers	75,860
Trip Refunds	6,947
Bus Rentals	76,477
Trip Expenses - Other	<u>89,472</u>
TOTAL COST OF GOODS SOLD	228,471
GROSS PROFIT	473,152
Operating Expenses	
Misc. Expenses	1,839
Depreciation	100,030
Advertising/Promotion	3,005
Bank Charges	2,501
Dues & Subscriptions	400
Amortization	300
Interest	30,565
Auto & Truck Expenses	1,693
Contributions	331
Office Expense	3,955
Equipment Rental	4,685
State Income Taxes	201
Taxes - Fuel	1,365
Telephone	11,194
Utilities	4,025
Personal Property Taxes	315
Protection	226
Commission	1,400
Uniforms	350
Real Estate Taxes	<u>4,268</u>
TOTAL OPERATING EXPENSES	479,788
OPERATING PROFIT/LOSS	(6,636)
Fuel Tax Credit	<u>9,268</u>
NET PROFIT	\$ 2,632

ASSETS	
CURRENT ASSETS	
Cash	\$ 3,810
Accounts Receivable	21,530
Income Tax Receivable	8,868
Other Receivables	57,432
Prepaid Insurance	<u>8,220</u>
TOTAL CURRENT ASSETS	\$ 99,860
PROPERTY & EQUIPMENT	
Furniture & Fixtures	\$ 7,052
Machinery & Equipment	2,581
Transportation Equipment	475,145
Office Equipment	2,099
Leasehold Improvements	48,021
Accum. Depreciation	<u>(119,318)</u>
NET PROPERTY & EQUIPMENT	215,559
TOTAL OTHER ASSETS	3,297
TOTAL ASSETS	\$ 318,726

LIABILITIES AND STOCKHOLDERS EQUITY

LIABILITIES	
Current Liabilities	
Loan Payable - H	\$ 28,500
Loan Payable - G	27,457
Loan Payable - O	22,801
Payroll Taxes Payable	741
Taxes Payable	<u>2,221</u>
TOTAL CURRENT LIABILITIES	\$ 81,720
Long-Term Liabilities	
Loan Payable-H	\$ 68,849
Loan Payable-G	68,212
Loan Payable-O	80,549
Loans Payable	<u>500</u>
TOTAL LONG-TERM LIABILITIES	220,110
TOTAL LIABILITIES	301,900
STOCKHOLDERS EQUITY	
Common Stock Issued	\$ 100
Additional Paid in Capital	23,732
Retained Earnings	<u>(17,006)</u>
TOTAL STOCKHOLDERS EQUITY	16,826
TOTAL LIABILITIES & STOCKHOLDERS EQUITY	\$ 318,726

[Click here for downloadable PDF file of this sample balance sheet](#)



Managing Cash Flow

- Create a Cash Reserve...A Good Rule of Thumb: Two Months of Operating Expenses
- If You Tap into Your Reserves, Make Sure They Are Replenished
- Establish a Line of Credit...Do It Before you need it!
- Pay Your Bills on Time...Late Charges Are Very Expensive!
- Schedule Seasonal Payments for Your Coach Financing

Plan For the Unplanned!



Quiz Time

An Operator Financed \$300,000 For The Purchase of A Coach. The Coach is Financed over 84 months, At an 8.00% Rate Which Produces a Monthly Payment of \$4675.86. After Making 24 Monthly Payments the Operator Runs into Cash Flow Problems and Asks the Finance Company to Restructure the Debt and Put "2 Months Worth of Payments at the End of the Term"

What is the Cost to the Operator Over the Term of the Loan?

- A. \$62.34
- B. \$3074.76
- C. \$4551.10



Contract Modifications vs. Line of Credit

- One of the Golden Rules of Business Management... " *Never Use Long Term Debt to Finance Short Term Cash Flow Needs*"
- Contract Modifications (Extensions) are by Far the Most Expensive Alternative
 - Interest is Paid on the Outstanding Balance of the Note
 - Slows the Principal Amortization

Vs.

- Line of Credit...You Are Only Paying Interest on What you Borrow!
- Each Bank Handles Lines of Credit a Bit Differently...May be Documentation or Usage Fees...Typically Renewed Annually



Contract Modification Example

Date	Loan	Payment	Interest Accrued	Interest Paid	Principal Paid	Balance Due			
						Interest	Principal		
Loan 07/01/2007	300,000.00		0.00	0.00	0.00	0.00	300,000.00	3	
1 08/01/2007		4,675.86	2,000.00	2,000.00	2,675.86	0.00	297,324.14	2	
2 09/01/2007		4,675.86	1,982.16	1,982.16	2,693.70	0.00	294,630.44	2	
3 10/01/2007		4,675.86	1,964.20	1,964.20	2,711.66	0.00	291,918.78	2	
4 11/01/2007		4,675.86	1,946.13	1,946.13	2,729.73	0.00	289,189.05	2	
5 12/01/2007		4,675.86	1,927.93	1,927.93	2,747.93	0.00	286,441.12	2	
2007 Totals	300,000.00	23,379.30	8,820.42	8,820.42	13,558.88				
18 01/01/2009		4,675.86	1,880.01	1,880.01	2,995.85	0.00	249,005.65	2	
19 02/01/2009		4,675.86	1,600.04	1,600.04	3,015.82	0.00	245,989.83	2	
20 03/01/2009		4,675.86	1,639.93	1,639.93	3,035.93	0.00	242,953.90	2	
21 04/01/2009		4,675.86	1,619.89	1,619.89	3,056.17	0.00	239,897.73	2	
22 05/01/2009		4,675.86	1,599.32	1,599.32	3,076.54	0.00	236,821.19	2	
23 06/01/2009		4,675.86	1,578.81	1,578.81	3,097.05	0.00	233,724.14	2	
24 07/01/2009		4,675.86	1,558.18	1,558.18	3,117.70	0.00	230,606.44	2	
25 08/01/2009		0.00	1,537.38	0.00	0.00	1,537.38	230,606.44	2	
26 09/01/2009		A 0.00	1,537.38	0.00	0.00	3,074.76	230,606.44	2	
27 10/01/2009		4,675.86	1,537.38	4,612.14	83.72	0.00	230,542.72	2	
28 11/01/2009		4,675.86	1,538.95	1,538.95	3,138.91	0.00	227,403.81	2	
29 12/01/2009		4,675.86	1,516.03	1,516.03	3,159.89	0.00	224,243.98	2	
2009 Totals	0.00	46,758.60	19,001.08	19,001.08	27,757.52				
78 01/01/2014		4,675.86	300.00	300.00	4,375.86	0.00	40,624.66		
79 02/01/2014		4,675.86	270.83	270.83	4,405.03	0.00	36,219.63		
80 03/01/2014		4,675.86	241.46	241.46	4,434.40	0.00	31,785.23		
81 04/01/2014		4,675.86	211.90	211.90	4,463.96	0.00	27,321.27		
82 05/01/2014		4,675.86	182.14	182.14	4,493.72	0.00	22,827.55		
83 06/01/2014		4,675.86	152.18	152.18	4,523.68	0.00	18,303.87		
84 07/01/2014		4,675.86	122.03	122.03	4,553.83	0.00	13,750.04		
85 08/01/2014		4,675.86	91.67	91.67	4,584.19	0.00	9,165.85		
86 09/01/2014		B 9,226.96	61.11	61.11	9,165.85	0.00	0.00		
2014 Totals	0.00	46,633.84	1,633.32	1,633.32	45,000.52				
Grand Totals	300,000.00	397,323.34	97,323.34	97,323.34	100,000.00				

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The Answer is...

An Operator Financed \$300,000 For The Purchase of A Coach. The Coach is Financed over 84 months, At an 8.00% Rate Which Produces a Monthly Payment of \$4,675.86. After Making 24 Monthly Payments the Operator Runs into Cash Flow Problems and Asks the Finance Company to Restructure the Debt and Put "2 Months Worth of Payments at the End of the Term"

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Take Aways...

- Create a Business Plan...Sell Yourself First
- Hire An Accountant...You Can't Afford to Not Know What is Happening In Your Business
- Be Forthcoming With Information
- Plan for the Unplanned
- Just Because You Can, Doesn't Mean You Should!



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Bonus Depreciation - Section 179 Expensing Limits



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2009 Bonus Depreciation

Part of the 2009 American Recovery and Reinvestment Act

- ARRA allows for an additional 50% first year depreciation
- Buyers of New Coach are eligible to receive bonus depreciation...Pre-Owned coaches do not qualify
- Coaches must be purchased and placed into service during calendar year 2009
- Bonus depreciation can also be utilized by a third party lending source with lease financing.

Bonus Depreciation Example

So for the purchase of a new coach, the results could be as follows:

	<u>W/ 2009 Bonus</u>	<u>Standard</u>
Coach Cost	\$450,000	\$450,000
50% 1st year Bonus Depreciation	\$225,000	
Standard MACRS Depreciation (20% 1st year)	<u>45,000</u>	<u>\$90,000</u>
Total 1st Year Depreciation Expense	\$270,000	\$90,000
Increase in Allowable 1st Year Depreciation	\$180,000	

Using the Standard Corporate Tax Rate of 35%,
That's a potential Tax Savings of \$63,000!



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Section 179 Expensing

- Also a part of the American Recovery and Reinvestment Act of 2009
- Up to \$250,000 of coach purchases can be expensed as long as capital expenditures don't exceed \$800,000
- Capital expenditures over \$800,000 are phased out for each dollar spent up to \$1,050,000, after which Section 197 expensing may not be used
- Both new and pre-owned coaches qualify for Section 179 expensing
- Can be combined with Bonus Depreciation



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Questions?

Be sure to check with your accountant or tax professional to see how you can best take advantage of the Bonus Depreciation, Section 179 Expensing as well as other potential tax savings opportunities created by the 2009 American Reinvestment and Recovery

Questions?