



Insights into Dealing with Your Banker – Results of our Business Insights® Pulse Survey

As Vince De Luca, managing director in PwC's Corporate Finance Practice recently shared in his article outlining strategies for dealing with your banker, many private companies are shying away from proactively communicating with their banker for fear that they may be squeezed by the credit crunch.

At a time when private companies should be in constant communication with their banker, according to PwC's latest Pulse Survey, of 116 private companies which currently hold a business loan with a financial institution (*Fig.1*), only 39% have increased communication with their banker in the past quarter (*Fig.2*).

As the markets shift on a daily basis and there are so many unknowns for private businesses, it is important to maintain a close relationship with your banker. While nearly half of respondents indicated that they have open lines of communication with their banker, over one-third only talks with them on an annual or quarterly basis (*Fig.3*). Vince recommends that in the current market, calling or meeting with your banker every few weeks is a much better option to make sure they know how you're doing and have confidence in your plans.

Although respondents have easy access to their banks and say the lines of communication are open, bankers have room to improve as business advisors—only a quarter reported their banks' business guidance was good or excellent (*Fig.4*). Sharing and discussing your plans on a regular basis could give your banker greater understanding of your plans so they can provide more helpful business guidance.

Forecasting and scenario planning are also essential in today's volatile market to make sure you've considered your downside and upside risks. Our data shows over 40% of respondents don't prepare financial forecasts which look at best/worst case scenarios and strategies (*Fig.5*). Perhaps even more worrying is that half have not revisited, refined and/or increased the frequency of forecasting in light of the current economic environment (*Fig.6*).

Of those that do prepare forecasts, 71% do so on an annual basis (*Fig.7*). Private companies should be performing detailed six, 12 and even 24-month forecasts and these should be shared with your banker.



Our survey indicated that 44% do not routinely share forecasts with their banker (Fig.8). Don't be fearful of sharing your forecasts if you have changed them to reflect the times. Bankers expect your business strategy to change during times of economic uncertainty and will have more confidence in your company's future if they see that you are considering your options for a number of scenarios and have plans to address each.

The survey identified two things that may shed some light at the end of the economic tunnel. Somewhat surprisingly, only 22% stated that their business plans for 2009 have been compromised by a lack of access to financing (Fig.9). With so much media focused on the lack of access to financing, it is reassuring to hear that private companies are fairing better than expected under the circumstances.

Another interesting finding was that in addition to the 116 respondents, another 54 respondents did not proceed with answering the full survey because they did not pass the qualifier to answer the survey of having a business loan with a financial institution (Fig.1). With one-third of the total respondents less dependant on financial institution-based financing, private companies may be in a better position than public companies to weather the storm.

By heeding some of the tips above and planning for the future, we hope that the majority of private companies will be well prepared for the upswing when it comes.

Figure 1. Does your business currently have a business loan with a financial institution?

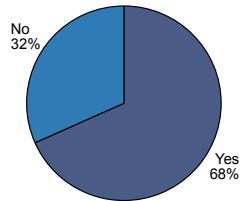


Figure 2. Has communication increased with your banker in the past 3 months?

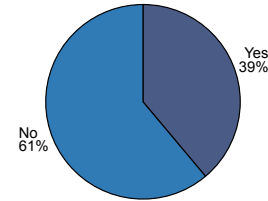


Figure 3. How often do you communicate with your banker?

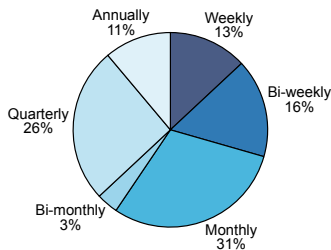




Figure 4. Using a scale of 1 to 5, with 1 being poor and 5 being excellent, how would you classify your relationship with your banker in the following areas?

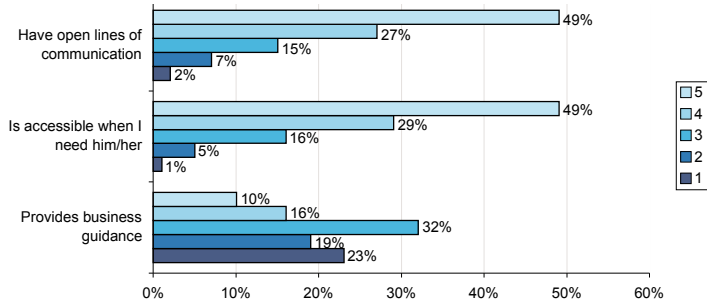


Figure 5. Does your company prepare financial forecasts looking at best and worst case scenarios and strategies for dealing with each one?

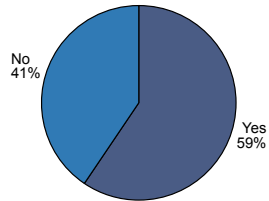


Figure 7. What time frame do you prepare forecasts for?



Figure 9. Have your business plans for 2009 been compromised by a lack of access to financing?

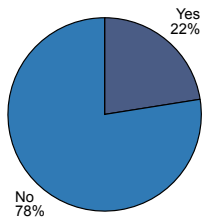


Figure 6. Have you revisited, refined and/or increased the frequency of your forecasting in light of the current economic environment?

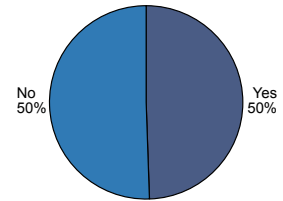


Figure 8. Does your company routinely share your forecasts with your banker?

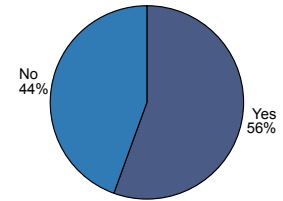
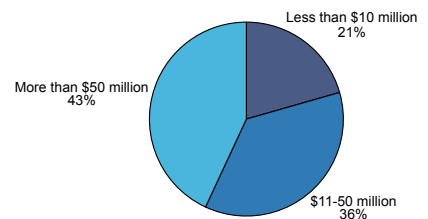


Figure 10. What are your company revenues per year?



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