



Strategically Managing Cash Flow & Risk: Tips from a National Franchise Lender

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Managing risk is an important component to any business. The ability to match revenues to expenses is the key to long-term profitability and success in the highly competitive quick-service industry. Whether you are planning for a new store, re-model, or equipment upgrade, proper funding is a key component to making the project happen. It is important for franchisees to explore the options available and to see what program is best for their specific situation.

Lease financing can be a strategic way to conserve capital and reduce risk. Many franchisees across all QSR concepts continue to rely heavily on franchise lending programs to help mitigate the risk of large scale growth and store re-imaging projects. Traditional loans and SBA lending tie up personal and business assets through blanket liens, which can sometimes be viewed as having hidden risks. With lease financing, the equipment or project is used as the collateral. Let's take a look at the top 5 reasons QSR franchisees finance to reduce risk:

5 Quick Tips to Managing Cash Flow & Risk

1 – Invest cash in assets that appreciate, finance assets that depreciate. Know which investments will yield you profit, and finance those purchases. This will help you match revenue to expenses month over month, allowing you to gain tighter control over your profit.

2 – Choose a finance partner specialized in franchise lending. Structuring a program for franchisees is a very involved process. Oftentimes, timelines are tight and financing is needed quickly, it's crucial you work with a finance company experienced in QSR lending.

3 – The more you finance, the more tax dollars you can save*. In 2006, you may be eligible to reduce your taxable income by up to \$105,000 through financing.

4 – Finance now and lock in low fixed payments. The Fed has increased rates 12 times since June 2004. Mitigate this risk by locking in fixed monthly payments.

5 – Accurately budget future expenses and profits generated by the purchase. Don't tie up your cash. Keep some cash liquid for immediate use in the event of an emergency.

* Please contact your tax advisor for eligibility and to discuss your specific situation.

Various factors have fueled an increase in business buying, making 2006 a favorable year to secure financing for franchise projects, including new stores, re-imaging and expansions.

- **Nearly 70% of U.S. businesses plan to make capital investments** to support growth.
- **Capital Investing is Up** -A monthly leasing index performed by the ELA (Equipment Leasing Association) shows that leasing volume was up 18% and continues to grow! The combination of an increase in capital investing by small business owners and fewer firms experiencing cash flow issues is proving to be a winning combination that is positioning many businesses for growth in 2006. Finance Managers believe this aggressive investing is due, in part, to attractive tax incentives available to businesses. In 2006, franchisees may be able to reduce their tax liabilities by up to \$105,000 when purchases are lease financed. The sample below is an example on how these provisions could put extra dollars in your pocket this year.

Cost of Qualifying Property	\$210,000	\$50,000
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Estimated 2006 Tax Write-Offs

Section 179 Deduction Yr. 1	\$105,000	\$50,000
1st Year Depreciation (20% based on 5 yr life)	\$21,000	\$0
Estimated 2006 Tax Savings (assumes a 35% tax bracket)	\$44,100	\$17,500

- **Optimism among business owners has sharply risen this year** - 85% of owners report seeing growth opportunities for their companies over the next 6 months, which has created a new demand for quick access to capital to finance equipment and technology purchases in anticipation of growth. Many businesses rely on their pre-qualified credit lines to finance capital purchases quickly, without a lot of paperwork or hassles.

Robyn Gault is the Director of Marketing for Direct Capital Corporation, a finance firm specializing in franchise lending. DCC is focused on delivering simple finance solutions to all types of franchisees nationwide for new stores, relocations, expansions, remodels and upgrades. For information or to discuss options for your franchise, call the 800-999-994, email info@directcapital.com or visit www.directcapital.com/