ASCEND
PERSONAL M&A ADVISORY

ASPIRING ACQUIRER GUIDE

# ACQUISITION FUNDING
## WHAT LENDERS WANT TO SEE

IMPORTANT - THIS IS MY PERSONAL TAKE

### I am not a commercial lender or financial institution.

This guide reflects my own acquisition, advisory and transaction experience. It is designed to help you understand the commercial logic before you speak to lenders and professional advisers. It is not lending advice, an offer of finance or a guarantee that any lender will support a transaction.

WHY KNOWING THIS EARLY MATTERS

### Your funding lane should influence what you search for.

**SEARCH**

If you know the sort of debt a target can support, your turnover and profit criteria become more realistic.

**COMPLETION**

You can shape the cash, debt, seller support and deferred element before the deal gets emotionally advanced.

**POST-COMPLETION**

You can protect enough cash to run the business instead of using every pound just to get the keys.

**The aim is not to borrow the maximum. It is to complete a deal you can still afford to own afterwards.**

LENDER

### FUNDING

What do they want to see from you?

OPTIONS

### FUNDING

Which funding routes could fit the deal?

SERVICE

### FUNDING

Can the business comfortably repay the debt?

PART 1 - WHAT DOES A LENDER ACTUALLY WANT TO SEE?

# They are underwriting the acquirer as well as the business.

A lender wants confidence that the transaction makes commercial sense and that you can lead it after completion. You do not need to be a finance expert - but you should be able to answer the basics clearly.

1 YOU **Who are you and why are you credible?**

Your experience, CV, track record, personal financial position and credit profile.

2 THE TARGET **Is this a real, profitable business?**

Historic accounts, management information, cash generation, customers, assets and key risks.

3 THE PRICE **Why is the valuation sensible?**

How the price was reached, normalised profit, multiple and any adjustments.

4 THE STRUCTURE **Who is paying what and when?**

Your cash, lender debt, vendor loan note, deferred consideration and any other capital.

5 THE REPAYMENT **How will the debt actually be serviced?**

Cash flow after wages, tax, working capital, capex and the other obligations of the business.

6 THE PLAN **What happens after completion?**

Your operating plan, management structure, seller handover and how the business avoids becoming dependent on you.

## The lender's question is simple:

## 'If something goes wrong, does this deal still survive?'

That is why more debt is not automatically better. A lender may be willing to advance more than you should sensibly want to borrow.

PART 2 - THE MAIN FUNDING OPTIONS

# Different money solves different parts of the deal.

These are broad planning ranges, not promises. Timing depends on the lender, target, information quality, valuation, security and how quickly advisers respond.

### SENIOR TERM / ACQUISITION DEBT

Traditional lender borrowing based mainly on cash flow and the credit case.

BEST FOR

Profitable businesses with clear debt-service capacity.

**Typical planning time: ~6-12 weeks.**

### ASSET-BASED LENDING / INVOICE FINANCE

Funding supported by debtors, stock, plant or other assets.

BEST FOR

Asset-rich or working-capital-heavy targets.

**Typical planning time: ~4-8 weeks.**

### UNSECURED / SHORT-TERM BUSINESS FINANCE

Faster business borrowing, often more expensive and commonly linked to personal guarantees.

BEST FOR

Smaller gaps, fees or limited completion needs - not usually the whole acquisition.

**Typical planning time: days to ~3 weeks.**

### PRIVATE / DIRECT LENDING

Capital from private lenders or investors negotiated deal-by-deal.

BEST FOR

Flexible structures where risk, security and return can be agreed directly.

**Typical planning time: ~2-8 weeks.**

### VENDOR LOAN NOTE

The seller effectively lends you part of the price and you repay it later under a documented debt obligation.

BEST FOR

Reducing day-one cash and aligning seller confidence.

**Timing: negotiated alongside Heads / legal documentation.**

### DEFERRED CONSIDERATION

Part of the purchase price is payable later under the SPA instead of being paid at completion.

BEST FOR

Reducing the day-one cash requirement without necessarily creating a separate seller loan.

**Timing: negotiated as part of the deal.**

MY VIEW

## The best funding stack is usually a blend - not one heroic lender.

The more completion price you can sensibly move into vendor support or deferred payments, the less pressure you place on day-one debt - provided the seller terms remain commercially fair.

PART 3 - STRUCTURE THE DEAL, DO NOT JUST MAX OUT THE DEBT

# Completion is one day. Debt service is every month afterwards.

Getting the keys is not the objective. Owning a business that can comfortably service its obligations and still invest, pay people and absorb a bad month is the objective.

VENDOR LOAN NOTE

## Seller becomes a lender.

Part of the price is documented as a debt you owe the seller. It may carry interest, have a repayment schedule and can be subordinated to senior lender debt.

THINK: 'I owe the seller a loan balance.'

Useful for: lowering day-one cash and sharing financing risk.

DEFERRED CONSIDERATION

## Part of the price is paid later.

The SPA says that an agreed portion of the purchase price is due at a future date or in future instalments. It is usually part of the price mechanics rather than a separate seller loan.

THINK: 'I still owe part of the agreed price.'

Useful for: reducing the amount needed at completion.

DEBT SERVICE COVER RATIO (DSCR) - WHY I CARE ABOUT IT

## Can the business pay the debt and still breathe?

In simple terms: DSCR compares the cash available to service debt with the annual interest + principal repayments due.

### DSCR = CASH AVAILABLE FOR DEBT SERVICE / ANNUAL DEBT SERVICE

**1.0x** £200k / £200k

No cushion. One problem and debt becomes painful.

**1.25x** £250k / £200k

Some headroom, but still stress-test it.

**1.50x** £300k / £200k

More breathing room for volatility and reinvestment.

My approach: I would rather leave sensible headroom than maximise debt simply because a lender will allow it.

KNOW YOUR BORROWING LANE BEFORE YOU SEARCH

## It makes the whole acquisition plan cleaner.

SEARCH

You stop chasing businesses the likely capital structure cannot support.

OFFER

You can shape completion cash, vendor note and deferred consideration from the start.

POST-COMPLETION

You keep enough cash and debt headroom to operate, integrate and survive surprises.

THE ADVANTAGE OF HAVING SOMEBODY IN YOUR CORNER

# Funding is one part of the transaction - not a separate event.

The funding route affects the buy box, offer, seller negotiation, completion payment and the amount of pressure the business carries after you acquire it.

### FIGURING IT OUT ALONE

- Contact random lenders after Heads of Terms.
- Receive different answers without knowing how to compare them.
- Optimise for the biggest completion cheque rather than the safest structure.
- Have nobody independent challenging whether the debt is actually sensible.

### PARTNERING WITH ASCEND

- Understand your likely funding lane before the search becomes expensive.
- Challenge debt service, vendor support and deferred structure around the real deal.
- Get introductions to a small number of relevant commercial lenders when appropriate.
- Compare options from an independent transaction perspective - not a commission perspective.

TOTAL TRANSPARENCY

## I do not take lender kickbacks or introduction fees.

If I introduce you to a commercial lender, it is because I believe they may be relevant to the transaction - not because I am being paid to send you there. My role is to help you understand and compare the commercial picture so you can pursue the structure that best fits the deal.

ASCEND EARNS FROM THE ADVISORY PARTNERSHIP - NOT FROM STEERING YOU TOWARDS A PARTICULAR LENDER.

WHY WORK DIRECTLY WITH CHARLIE TANNER?

## I look at funding through the eyes of the transaction.

I have acquired, exited and advised across real M&A transactions. That gives me the ability to challenge the funding question alongside valuation, seller terms, structure and post-completion reality - rather than looking at borrowing in isolation.

| 6 | 5 | £20m | £9m | 38 | £75m+ |
|---|---|---|---|---|---|
| PERSONAL ACQUISITIONS | PERSONAL EXITS | ACQUIRED EV | EXITED EV | TRANSACTIONS | ADVISED VALUE |

WHAT THE PARTNERSHIP GIVES YOU

## A clearer search. Better deal structure. Independent challenge when the numbers get real.

No promise of funding - just direct experience, transparent introductions and a more informed route through the transaction.

ACQUISITION LAUNCH - £500/MONTH - 3-MONTH INITIAL COMMITMENT

## Know the funding lane before you commit to the road.

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