

Financing Strategies for Restaurant Growth

A Comprehensive Playbook for Restaurant Startups, Multi-Unit Expansion, Strategic Acquisitions, and Critical Working Capital Solutions

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IN PARTNERSHIP WITH

Accion Opportunity Fund
Commitment to Main Street
Underwriting



TODAY'S KEY OBJECTIVES



Startups & Scaling

Demystify startup funding ecosystems, master structural SBA criteria, and map out a healthy founder-led initial capital stack.



Expansion & M&A

Identify optimal triggers for multi-unit rollouts, standard unit economics ratios, and structures for acquiring existing assets.



Underwriting Mechanics

Unlock the metrics that professional lenders analyze—understanding the "5 Cs" of credit, cash-flow trends, and debt service coverage.



TYPICAL CAPITAL DEMANDS



Capital Expenditures (CapEx)



Build-Out & Construction: High-risk up-front tenant improvement expenses.



Commercial Kitchen Equipment: Stainless steel, POS, ventilation.



Acquisitions: Purchasing multi-unit franchises or private operations.



Operational Cash Flow



Inventory Lifecycle: Purchasing raw high-cost goods and beverages.



Payroll Infrastructure: Compensating back and front of house teams.



Seasonal Reserves: Offsetting low-volume winter or off-peak seasons.

THE LENDER'S PERSPECTIVE

The 5 C's of Credit Underwriting

To obtain approvals from institutional or CDFI capital sources, operators must demonstrate solid foundations in each pillar of creditworthiness.

- **Character:** Industry experience and operating track record.
- **Capacity:** Cash flow strength (target 1.25x Debt Service Coverage).
- **Capital:** Personal equity injection ("skin in the game").
- **Collateral:** Secondary repayment sources like FFE or real estate.
- **Conditions:** Macro economic trends and unit scalability.

CDFIS VS TRADITIONAL BANKS

Alternative Underwriting

Community Development Financial Institutions (CDFIs) like Accion Opportunity Fund focus heavily on community impact and management resilience, offering alternative flexibility for borrowers who might not meet standard institutional constraints.



STARTUP FINANCING PATHWAYS



Structuring Capital Early

Traditional startup paths often fail due to severe capital structural weakness. Strong founders build mixed stacks with diverse structures:

- ✓ **SBA 7(a) & Microloans:** The gold standard for funding up to \$5M with long-term structures.
- ✓ **Sponsors & Partners:** Leveraging passive equity while maintaining principal operating control.
- ✓ **Equity Reserves:** At least 20-30% owner liquidity required as primary security.



THE STARTUP CAPITAL STACK

Capital Source	Target Allocation	Cost / Requirement
Owner Equity (Cash)	\$150,000 (20%)	Personal Liquidity
SBA / CDFI Debt	\$500,000 (67%)	Prime + 2.50% / collateralized
Strategic Partner	\$100,000 (13%)	Minority Equity Stake
Total Startup Budget	\$750,000 (100%)	Complete Project Cost

Required "Skin In The Game"

Lenders rarely fund 100% of a startup project.

By requiring a minimum of 20% in borrower equity, capital providers align incentives to protect portfolio health.

- Pro-Tip: Home equity lines or specialized retirement rollovers (ROBS) are common non-dilutive equity injections.

FINANCING RESTAURANT EXPANSION

Expansion Triggers

- ✓ **Same-Store Sales:** 2+ consecutive years of climbing organic revenue trends.
- ✓ **Management Scale:** Trained staff capable of stepping out of daily work to lead a new location.
- ✓ **Proven Unit Economics:** Clear targets on margins (Food <30%, Labor <30%).

Expansion Channels

- ✓ **Commercial Bank Loans:** Cheapest debt, requires strict credit underwriting.
- ✓ **SBA Multi-Unit:** Utilizing residual borrowing capacity from past deals.
- ✓ **Equipment Sale Leasebacks:** Unlocking capital trapped in paid-off machinery.

STRUCTURING ACQUISITIONS

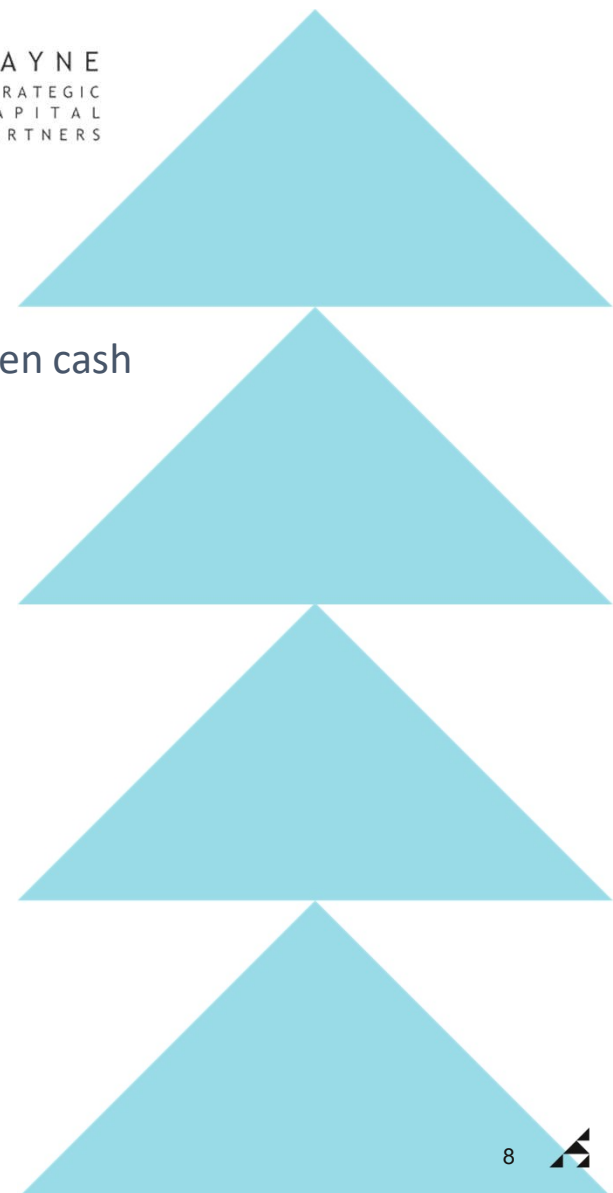
The Three-Tier Acquisition Model

Acquiring an existing restaurant brings lower risk thanks to trained staff and proven cash flows, but it requires creative structures to complete.

\$1.5M

TARGET PURCHASE PRICE

- ❑ **50% - 60% Senior Debt:** Provided by banks or private capital markets.
- ❑ **10% - 20% Seller Note:** Highly prioritized by senior lenders (subordinated structures).
- ❑ **20% Buyer Equity:** Traditional buyer cash injection.



MANAGING CASH FLOW CYCLES



Business Lines of Credit

A highly flexible, revolving credit facility that should be secured before crisis strikes. Perfect for offsetting payroll surges and seasonal inventory needs.

- ✓ Pay interest only on drawn capital
- ✓ Keeps core cash reserves fully untouched



MCAs & Factoring Warning

Merchant Cash Advances (MCAs) trade rapid execution for extremely predatory APRs. Daily sweeps directly drain operating bank accounts.

- ⓘ **Recommendation:** Exhaust all traditional CDFI lines or bank facilities before relying on MCAs.



EQUIPMENT FINANCING MODELS

Preserving Critical Working Capital

Buying heavy commercial appliances and custom tech with liquid funds can severely bottleneck restaurant operations. Financing or leasing matches costs with the productive life of the asset:

- ✓ **Asset Isolation:** The financed equipment itself serves as the underlying collateral, sparing home equity.
- ✓ **Tax Benefits:** Potential direct write-offs via Section 179 depreciation codes.
- ✓ **Rapid Underwriting:** Express programs offer capital up to \$100K with minimal stipulations.



PREPARING YOUR REQUEST



The Basics

Ensure up-to-date business and personal tax returns (2 full years), detailed business plan, and updated balance sheet schedules are complete.



Operating Metrics

Present clearly mapped unit economics, food costs under 30%, and current debt obligations with zero overdue merchant sweep cycles.



Lease & Legal

Fully executed long-term leases (matching or exceeding the length of the loan amortizations) and active franchise documents if applicable.

Questions & Discussion

Let's establish your restaurant capital strategy. Secure funding relationships and structure your requests in good form before capital constraints hit.

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