

# CATHAY BUSINESS CONNECT

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CATHAYBANK.COM



## A Journey Toward Success

The current success of your business can be measured through financial analysis: its revenue, profitability, operation efficiency, capital solvency and liquidity. Yet its future success may rely on your ability to expand your business. Expansion is often achieved through an effective business loan application convincing a lender of your need for obtaining additional funding.

Cathay Bank can help you on that journey toward success. For example, does your financial plan get rave reviews? If you're unsure, conduct a **financial analysis** that can give you a better understanding on your business performance and ways to help you run a profitable business in long term (read more on this page).

For many businesses, it takes money to make money. A **business loan** can help you get your business up and running. It can also help you expand prudently when business is going well. Turn to page 3 to read five essential details to provide when applying for a business loan.

If business is booming and you are dealing with more overseas customers or suppliers, you'll want to be in tune with foreign currency fluctuations. Read about Cathay Bank's **foreign exchange services** on page 2 that can help you succeed in the global marketplace.

Even with the best financial processes in place, at the end of the day it's your customers who help you successfully stay in business. Treating them right from the first visit and keeping them coming back is crucial. Page 4 provides tips for **earning customer loyalty**.

We greatly appreciate your business relationship with us. At Cathay Bank, we strive to be your premier financial partner to keep your business moving toward success.

Mr. Irwin Wong  
Senior Executive Vice President,  
Chief Operating Officer

## Better Business through Financial Analysis

The significance of small business can't be overstated. In fact, according to a report by the Federal Reserve Bank of Chicago, "Small business growth drives U.S. net new job growth." Savvy business owners who understand financial analysis and its inherent importance often enjoy improved revenue and greater profits. These companies experience greater success than companies not so adept at financial literacy.



### THE KEY TO SUCCESS

Keeping track of your income and expenses is just the beginning of understanding your profitability. You also need to know what needs to change and when and how to make those changes. Financial analysis is the key. Here are five helpful tips on what financial analysis can do to help you run a profitable business.

- 1. Revenue:** Obviously, revenue is a good indicator of financial health, but it has components beyond income vs. expenses that you want to analyze:
  - **Revenue growth.** Review previous revenue divided by current revenue, excluding one-time revenues, which can alter the outcome.
  - **Revenue from a varied client base.** Assess your client base, looking for a balance of revenue from numerous customers. If one client generates the bulk of your revenue, beware. If you lose that client, your business could be in deep trouble.
  - **Revenue from productive employees.** Determine productivity through financial analysis that will demonstrate which employees are efficient and which aren't.

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## Better Business through Financial Analysis // continued from page 1

**2. Profitability:** It's important to compare revenue from sales with operating expenses and other expenses such as interest and taxes. Looking closely at how your business fares when sales are tallied against expenses can help determine future growth.

**3. Efficient operations:** Measure how well you use your business's resources to maintain adequate income. Sales alone are not enough to turn a profit. Use financial analysis to balance how much you sell by how expediently customers pay. Too much inventory indicates not enough sales or overproduction. Inefficient credit management cuts into profits and prohibits growth.

**4. Capital solvency:** Lenders and investors want to know that you not only have a good product to sell, but more important, that you effectively manage your capital. Financial analysis can show how well you are selling, which is of interest to investors. It can also indicate whether you are an adept money manager or are wasting valuable assets.

**5. Liquidity:** Can you generate enough cash to cover expenses? Measure your current assets by current liabilities. Do you have enough liquid resources to cover short-term obligations? What about your ability to pay interest expenses from income?

Financial analysis can offer great insight into your performance. Increasing sales and rising margins are excellent indicators of efficiency and profitability. The information gleaned can help you stay the course or reorganize your efforts to improve your financial status.

### YOU CAN COUNT ON US

When it comes to keeping your business solvent and healthy, Account Officers at Cathay Bank are committed to providing the expertise and business knowledge that will make a difference to your bottom line. To learn how we can help, call **1-800-922-8429** or visit **[www.cathaybank.com](http://www.cathaybank.com)**.



## Dealing Globally? Check Out Our Foreign Exchange Services

As the world becomes more interconnected, many businesses are dealing with overseas customers or suppliers. However, managing receivables and payables in foreign currencies can expose a business to the risks involved in foreign currency fluctuations.

Here's an example. Suppose you sell a product to a German company for the equivalent of €50,000 and request payment in 30 days. On the day of the sale, \$1 equals about 0.75 euro, so you expect to be paid \$66,741. However, during this hypothetical period, the euro drops to the point where \$1 equals 1 euro, in which case you'd be paid only \$50,000 – about \$16,000 less than you were expecting.

Conversely, if you buy a product from a German company that costs €50,000 (and \$1 equals about 0.75 euro) on the day of purchase and in the ensuing 30 days the euro strengthens to the point where 1 euro equals \$0.50, you could end up paying \$75,000 instead of \$66,741.\*

Fortunately, there are several hedging strategies that may help you minimize potential losses or even make a

profit based on foreign currency movements in relation to the U.S. dollar.

- **Forward contracts.** These allow you to purchase or sell a foreign currency for a date in the future at a predetermined rate.
- **Options contracts.** These offer the right, but not the obligation, to buy (a call option) or sell (a put option) a specific amount of foreign currency at a specified price at some date in the future.

### TALK TO AN ACCOUNT OFFICER

If you're thinking of getting into the global marketplace, talk to your Account Officer at Cathay Bank. We offer a number of foreign exchange services, including currency exchange, hedging contracts and letters of credit that can help you stay competitive in the global marketplace.



\* Examples are for illustration only and do not represent the actual fluctuations of the euro versus dollar during any particular time period.

# Business Loan Application Must-Haves

Business is going well and you're ready to expand. It's time for a loan, and you'll want to have solid information to ensure that you secure funding. Your lender will want to know that you understand the products you offer and the market in which you operate. So the first thing you'll need is a business plan that shows projected financial statements, including profit and loss, cash flow and a balance sheet. Beyond that, most applications will require specific additional information.

## FIVE ESSENTIAL DETAILS

Here are five essential details you'll want to be sure to provide.



**1. Personal and business credit report.** Good credit standing is vital. Prior to applying, review business and personal credit reports from major credit rating agencies. The lender will check, so you want to be sure all of the information is accurate and up-to-date. Bankruptcy or liens are red flags and you want to be sure that these do not inadvertently show up on your credit report.



**2. Revenue.** Unless lenders specialize in start-ups, they'll want to see revenue of \$100,000 or more. Because lenders generally only offer loans of 9 percent to 12 percent of your annual revenue, this amount will determine the amount of the loan.



**3. Proof of profitability.** Obviously you will need to show that your business turns a profit, but high sales volume is not enough. You'll also need to show profitability ratios that indicate overall efficiency and performance.



A thorough business loan application shows you are prepared and serious.



**4. Cash flow.** How you manage cash flow is a harbinger of success from the lender's perspective.

You'll want to demonstrate that you have enough cash to pay off your expenses and their loan. Make sure your accounts receivable and accounts payable present a picture of financial health.



**5. Debt.** You'll be asked for a list of current business debts and your payment history. Lenders look closely at debt and tend to avoid being second in the lending line.

If you default or go bankrupt, the first lender is paid, not the second. In this instance, less is more.

Your chances of obtaining a loan are much better if your information is concise and displays business acumen.

## FINANCE WITH US

Visit Cathay Bank to discuss your business loan needs. To learn how we can help, call **1-800-922-8429** or visit **[www.cathaybank.com](http://www.cathaybank.com)**.



# LUCKY DATES

These "lucky dates" are provided for entertainment purposes only. The "lucky dates" were provided to us by a third-party source unrelated to Cathay Bank and derived mainly from the *Bai He Ming Almanac*, and other sources including the Internet and the *Tung Shing*. Cathay Bank does not endorse, sponsor or guarantee the use of this information, and makes no warranty or representation regarding the accuracy, reliability or results that may be obtained from the use of this information.

OPENING A BUSINESS	Days Suitable for ...	Days Unsuitable for ...
August	1,6,8,19,31	2,7,16,17,25,26,28,29,30
September	1,2,3,8,14,19,20,26	5,6,7,13,15,16,17,23,25,27,28,29
October	2,4,9,11,21,27	5,10,15,16,17,18,22,24,28,29,30,31
SIGNING CONTRACTS	Days Suitable for ...	Days Unsuitable for ...
August	1,6,8,9,16,19,21	17,29
September	1,8,14,20,26	(none)
October	2,11,21,27	16,18,29
TRAVEL	Days Suitable for ...	Days Unsuitable for ...
August	1,6,7,10,12,14,20,22,23,24,28	5,8,9,11,13,21,25
September	3,5,8,10,13,18,25,29,30	2,6,14,21,26
October	1,2,4,9,11,13,14,18,24,25,26	3,8,15

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## Customer Loyalty Can Lead to Business Royalty

Is your business your castle? Even if your business is small, it can pay to think of it as a regal empire. As a business owner, you want to provide highly regarded products and/or services to your community. But don't stop there. Earning customer loyalty should also be high on your list.

According to the National Federation of Independent Business, small companies with loyal customers have a better chance of long-term success. Treat your customers like kings and queens, and you may be more likely to reap the rewards of respect and riches.

### THE ROYAL TREATMENT

To help control your business's dynasty:

- **Let your customers know they can count on you.** Start with a friendly "hello" as soon as someone walks in the door, and make sure you are available for questions. Offer to special-order a product if something isn't in stock. Do your best to ensure popular products are in stock or deliver on time.
- **Give customers a reason to come back.** Keep the doors of communication open to build relationships. Ask customers to join your mailing list, and provide an email newsletter with the latest news about your business. Send a thank-you card with a discount coupon for another purchase. Offer a special gift to customers during their birthday month. Invite customers to share discounts with their families and friends.

- **Make sure your employees don't feel like peasants.** Create a business environment that is pleasing for customers and employees alike. Provide top-notch training for employees so they are experts about your products and can answer customer questions with ease. Recognize and reward employees for jobs well done.



### THE GOLDEN RULE

Treat your customers the way you would want to be treated – that's something we follow at Cathay Bank. We're here to help you as your business begins and grows. To learn more about our business products and services, call us today at **1-800-922-8429** or **www.cathaybank.com**.

Keep the doors of communication open to build relationships.