

DEBTOR FINANCE:

So you are interested in Debtor Finance but you're not exactly sure what it is or how it works.

You need Debtor finance so that you can receive cash straight away to fuel your business and promote cash flow

***Debtor finance** is a funding process, based on the value of a business' accounts receivable ledger. Debtor finance is sometimes marketed as invoice discounting, factoring, cash flow finance, asset finance, invoice finance and working capital* (sourced from Wikipedia)*

Why would you need Debtor Finance?

If you're an SME running a business, you need cash flow to stay afloat. Let's say you have just produced work for one of your customers and sent them the invoice, yet like most customers they have credit terms and a time allowance to pay the invoice. In this waiting period you are struggling as you need that cash to run your business (paying wages, buying new stock, group tax etc.) You need Debtor finance so that you can receive cash straight away to fuel your business and ensure cash flow.

Debtor Finance focuses on receivables (invoices) and not on the businesses credit.

What are the benefits?

- It is a no-debt finance solution which funds your business from its own Invoices
- You don't have to go through a bank loan application and the possibility of rejection
- Low red tape – easy to qualify for compared to other finance facilities like bank loans and private equity
- Debtor Finance focuses on receivables (invoices) and not on your businesses credit
- You don't have to put bricks and mortar collateral on the line to secure the loan.
- You can keep working capital aside to look after wages, materials, etc
- You can meet payroll and supplier expenses
- You can receive debtor financing even if you have only 1 or 2 customers
- Your credit standing does not matter; instead, your customer's creditworthiness is more important
- Receive supplier discounts due to on time payments etc
- Lower business costs due to released collection costs

What types of businesses do we finance?

Any type of business supplying other businesses on credit terms.

Who don't we finance to?

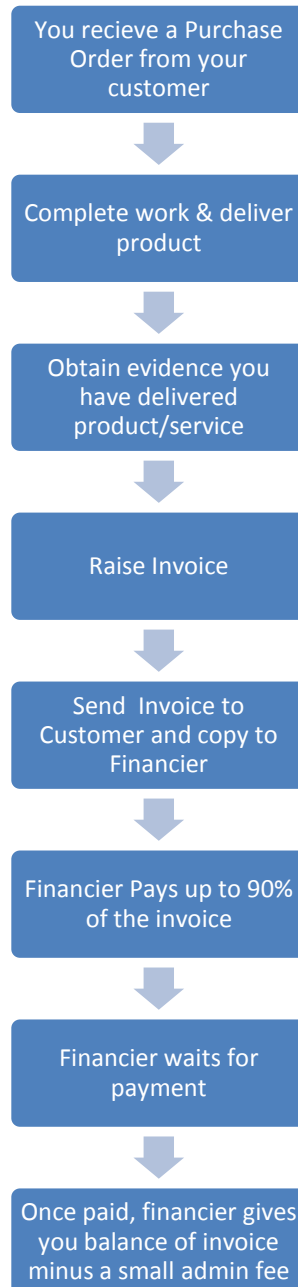
Retailers - who sell direct to consumers or Professional services such as accountants and lawyers.

Can you finance invoices to overseas customers?

Yes. One of the key services we provide is a non recourse invoice finance facility which is primarily targeting Australian businesses who are supplying solid customers in other markets overseas.

How does Debtor Finance work?

Debtor Finance is easy to use. The work flow can be summarised as follows



So what's required of you?

- A registered ABN – You can be trading as a sole trader or company
- Solid, credit worthy customers – must be companies not individuals. E.g. Mums & Dads. This is B2B only
- Good paperwork for evidence of work being done
- An appointment with the financier to run through your business
- Application form must be filled out detailing debtors, annual income etc
- Paper work must accompany the application form. Things like your Personal Asset & Liabilities statements and company financials , identification and bank statements etc
- Once proposal is issued and accepted – a credit check must be run on all your customers

Can you have an un-disclosed facility? (Confidential)

Yes you can.

In most situations though, your customers do know that you're using invoice finance. But there are options available where you can do it on a confidential basis.

In this day and age most businesses large and small use some sort of banking finance or finance facilities to run their operations.

If your customers know that you're using an invoice finance facility or you need funding to run your business, they're probably using it themselves. It will come as no surprise that you need finance too.

The downside with a confidential facility is you need a higher level of paperwork and there may be other collateral requirements in order to qualify for it. The financier may look at you as a business a lot more in depth than if it was a fully disclosed facility.

Debtor Finance vs Bank Overdraft

| | Debtor Finance | Bank Overdraft |
|---------------------------------|-----------------------|-----------------------|
| Simple Application | Y | N |
| Time to settlement | 24 hours | 4 weeks – 6 months |
| Red Tape | N | Y |
| Collateral required | Invoices | Property |
| Profitability History? | N | Y |
| Finance Due Diligence | Y | Y |
| Funding to start ups? | Y | N |
| Funding limited to sales | Y | N |

Debtor Finance Case Study

PRODUCT: \$500K DEBTOR FINANCE FACILITY

Background: Client is a well established recruitment company based in QLD. They recruit laborers for an international food company that supplies food and kitchen equipment to a well known fast food outlet.

Problem: Client was struggling with paying wages to their labourers as at the same time they were waiting to get paid from the food company who had payment terms of 30 days plus. This was causing huge cash flow issues and putting the client under a lot of pressure.

AR SOLUTION: Client was offered Debtor Finance.

Client submits their invoices and time sheets to AR for funding every week. We advance 80% on their invoices to help them with their wages promoting regular cash flow.

Debtor finance check list

So now you know more about Debtor Finance. If you think you want to go ahead with a facility make sure you have the following action items in order?

- Registered ABN**
- Strong debtors**
- Good paperwork**

To talk to a product specialist and book in an appointment please call the office on 1300 652 158.

For more information visit our website and check out our latest video at www.arcashflow.com.au

