



Equipment & business finance
Financial planning & superannuation
Direct marketing & lead generation
Personal mortgages, loans & insurances

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WHAT IS DEBTOR/INVOICE FINANCE

Debtor Finance (also known as Invoice Finance or Cash Flow Finance) provides a business with the ability to access the cash tied up in invoices. This, in turn, provides a flexible line of credit based on the outstanding invoices.

Debtor Finance provides a business with quick access to up to 85-90 % of the funds owing in outstanding invoices, with the remaining percentage paid when the customer pays the invoice.

HOW DOES DEBTOR/INVOICE FINANCE WORK

As a business delivers goods and services to its clients, the invoices raised are forwarded to the financier. The financier then verifies the invoices and advances up to 85-90 % of the unpaid invoice value within 24 hours.

The business can then access the available funds as required. The remaining percentage of the invoice is paid to the business once the customer invoice is paid in full, less a small fee.

The business can retain control of the accounting and collections functions, or they can opt for the financier to control this function as part of a full service solution. Most Debtor Finance financiers offer online access to reporting, allowing the business to track payment receipts.

BENEFITS OF DEBTOR/INVOICE FINANCE WORK

Debtor Finance offers a range of benefits for a wide range of business types and sizes including:

- **Flexibility** - the Debtor Finance facility limits grow in-line with sales.
- **Improved Cashflow** - sales are quickly converted into available funds - generally within 24 hours.
- **Negotiating power** - businesses can negotiate better trading terms with suppliers, taking advantage of prompt payment discounts and bulk-buying ability.
- **Eliminate payment discounts** - eliminate the need to offer prompt payment discounts to customers. Debtor Finance fees are often less expensive than prompt payment discounts. Additionally, Debtor Finance provides greater certainty of funds being received.
- **Retain business equity** - access funds for business expansion, including equipment purchases, through Debtor Finance rather than selling business equity.

MOST APPROPRIATE INDUSTRIES FOR DEBTOR/INVOICE FINANCE

Businesses that provide trade credit facilities for sales including (but not limited to) –

- ✓ Wholesalers
- ✓ Distributors
- ✓ Printing Industry
- ✓ Manufacturers
- ✓ Transport & Logistics
- ✓ Labour Hire
- ✓ Importers
- ✓ Service Providers

WHO SHOULD LOOK AT DEBTOR/INVOICE FINANCE

Debtor/Invoice finance is best utilized when –

- ✓ A business needs to better fund its working capital requirements
- ✓ A business needs to increase funding against business assets (rather than relying on real estate security)
- ✓ Sales growth is strong and cannot be funded by retained profits alone
- ✓ Where there is a disparity in the working capital cycle (eg creditors terms are much shorter than debtor terms; wages are a major operating expense; significant stock holding required)
- ✓ Working capital subject to seasonal peaks and troughs
- ✓ A business is adding new product lines or otherwise expanding
- ✓ Directors wish to release personal assets from existing lender security or restructure of business security is necessary
- ✓ Directors/shareholders are seeking repayment of loans made to business
- ✓ Business is acquiring a complementary business or buying out a competitor
- ✓ Where access to increased funding would allow a business to take up opportunities to improve profitability (eg supplier discounts, removal of customer rebates/discounts)

DEBTOR/INVOICE FINANCING CAN HELP WITH THESE STATEMENTS

Many clients are unaware of how debtor finance may help them....so they will not mention the product by name.

However, they will understand that they have a problem that needs solving, as evidenced by comments such as –

- ✓ “Trade sales are growing/Debtors aren’t paying/Cash is tight”
- ✓ “Overdraft is too small/overdraft keeps increasing/overdraft needs refinancing”
- ✓ “Need to free up some cash/equity/security”
- ✓ “Tax liability needs to be paid/Suppliers are restricting my credit”
- ✓ “Expanding interstate/Relocating to bigger premises”
- ✓ “Just picked up a new customer/product line”
- ✓ “Have to offer longer trading terms”
- ✓ “Can’t afford to take on extra work/missed an opportunity because of lack of cashflow”
- ✓ “Want to buyout a shareholder/shareholder wants to retire”
- ✓ “Need deposit to buy a property”
- ✓ “Not happy with existing lender arrangements/need to refinance my bank loans”

Typical Product Overview

Product Specifications

Facility Type	Confidential
Facility Limits	\$150,000 to \$3,000,000
Advance Rate	Up to 85% of eligible debt
Facility Term	12 months minimum with 90 days notice period
Security Requirement	Registered All Present and After-acquired Property Security Interest Priority over Debtors Personal guarantees from directors and significant shareholders, where relevant No real estate security is typically required
Equipment Finance	Automatic approval for \$50,000 equipment finance facility
Concentration Limit	30%
Retentions	Released daily
Funding Period	90 days
Operational Features	Same day funding available on day of upload Electronic upload of invoice data Account balances and availability viewable via online portal No month-end reconciliations All collection activity remains the responsibility of the client
Audit Cycles	Quarterly for first 6 months, 6 monthly thereafter
Documentation	Prepared by Classic Funding Group

Qualifying Criteria

Acceptable Industries/ Clients/Trading Terms	Most industries except retail and construction Invoices should be assignable, collectable and unconditional Capable experienced management/directors Suitable debtor management and accounting systems
Profitability	Not necessary if business is in turnaround
Net Assets	Can be negative
ATO Arrears	May be acceptable if under payment arrangement or cleared at settlement
Application Information	Full financials including year to date management accounts Latest debtors and creditors ledgers Sample copies of invoice, related purchase order and proof of delivery Assets and liabilities statements for directors Signed Privacy Act consent and authority Additional information as requested Introducer's standard application acceptable