

THE BENEFITS OF INVOICE FINANCE AND USING PACIFIC WORKING CAPITAL SOLUTIONS

Greg Charlwood, Factoring Expert at Pacific Working Capital Solutions, recently posted a blog on their website, which for the edification of readers is repeated here.

“In my opinion, invoice finance can be used in two basic but highly beneficial ways. Firstly let’s look at growing companies lacking in sufficient capital. These businesses have invested savings, obtained credit from suppliers and probably have an overdraft secured by equity in their property. This cash resource is then invested in stock or a manufacturing process. The goods are then sold on credit and much of the scarce cash resource is tied up in unpaid invoices. The invoices are paid in 45–75 days.

“During this time the business can’t actively grow as they don’t have the cash to fund new stock. With invoice finance we provide 90% against outstanding invoices. There is usually two months’ worth of outstanding invoices in most B2B businesses. So, a business that has annual sales of \$1.2m, they would have approximately \$200k in invoices outstanding, we can make \$180k available immediately, enabling the business to immediately reinvest in stock rather than doing it over the next 60 days. As that stock is sold we make a further 90% available against those invoices: again, rather than waiting 60 days, the money is available upfront. The effect of this kind of finance is that you can turn your scarce cash resource over perhaps 12 times per year rather than six (365 days divided by 60 days of outstanding invoices).

“The second common usage is to condition creditors. The scenario is basically the same as that above with the exception that the business has traded at a loss for a period of time and this loss is effectively financed by overdues to suppliers, the ATO or superannuation. This situation usually creates problems with suppliers which dramatically increases pressure on the business’s owners. By receiving the initial inflow of cash against 60 days of sales, overdues are brought up to date and funding against new invoices keeps suppliers and ATO up to date and happy.

“So why should SME’s use Pacific Working Capital Solutions for their invoice finance needs? Flexibility, speed, engagement and support are the key reasons. We are flexible and will overfund clients if the need arises. We are quick to approve facilities and in our day to day responses – the need for cashflow is always urgent and we react accordingly. We engage deeply with our clients so that we understand their business and the issues that confront them – it’s much easier to help when you understand the issues. Lastly, we support our clients in tough times”.

For more information please visit their website at <http://www.workingcapitalsolutions.com.au> .