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Hitachi Business Finance

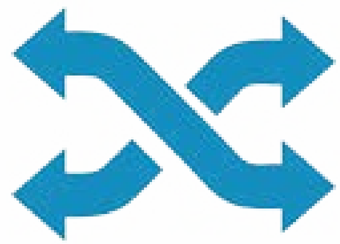
THE CONSISTENT CASH FLOW **E-BOOK**

HOW A/R FINANCING CAN COMPLEMENT YOUR BUSINESS STRATEGY

YOUR BUSINESS NEEDS CONSISTENT CASH FLOW

GROWTH

Your business needs a steady cash flow to secure the funds necessary to improve company processes, expand the company, stay on top of payroll, and fulfill large or unexpected orders. Without steady cash flow, your company could miss out on beneficial opportunities, damage relationships with vendors or partners and experience slow growth.



FLEXIBILITY

Having cash available is imperative for funding new equipment purchases, adding internal resources, and taking on new customers. Simply put, a healthy cash flow allows you to take advantage of opportunities as they arise rather than scrambling to find a way to secure new business with limited cash flow.

STABILITY

Having cash on hand puts you in a stable position with vendors, partners, and clients, allowing you to secure new opportunities and weather storms. The more consistent the cash flow, the more you can absorb business slowdowns and unexpected client requests. Stability is key for building long-term relationships.

THE **CURRENT** FINANCIAL SITUATION

TRADITIONAL FINANCE METHODS WORK, BUT MAY NOT BE IDEAL.

Offering extended payment terms or waiting for late invoice payments can slow down potential growth opportunities and add unwanted stress. A/R financing solutions allow you to use outstanding invoices to fund growth.

BANKS ARE TIGHTENING CREDIT STANDARDS.

Growing companies with limited capital, short operating history, or prior losses are finding traditional bank loans more difficult to obtain, but that doesn't affect their need for funding or the growth potential of the business.

WHAT ABOUT OTHER LENDING SOURCES?

Non-bank lending sources tend to focus more on future opportunities than past challenges.

TRADITIONAL METHODS TO FUND YOUR BUSINESS

CREDIT OR EQUITY

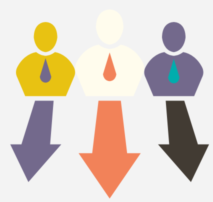
You could use credit cards or home equity loans for immediate cash flow. This results in huge amounts of personal risk and adds additional stress to an already complicated situation.

CUSTOMER INVOICING

You could ask your customers to pay you faster, but at the risk of rocking the boat and creating uncertainty in the business relationship. Payment timing may be bound by contractual agreements.

SUPPLIER SLOW PAY

You could delay payments to your suppliers. However, this may damage your relationship with them and make it difficult to grow your relationship in the future as your needs grow.

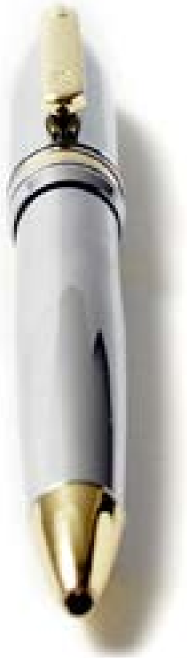


LOANS FROM FRIENDS OR FAMILY

You could secure funding from personal connections like family and friends, but this type of borrowing could lead to tension, broken trust, and awkward Thanksgivings.

WHY CONSIDER **A/R FINANCING**?

A/R financing (also known as factoring) turns your **unpaid invoices into immediate cash**, eliminating long accounts receivable cycles.



This **easy access to capital** gives you the opportunity to grow your business, invest in equipment, fund payroll, or hire additional staff.

A/R financing is based on **your customer's ability to pay**, not yours. It can increase or decrease based on your current needs. It also allows you to **gain administrative support to manage receivables** without additional staff and is a widely accepted method of financing your business.

HOW DOES **A/R FINANCING** WORK?

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1

You sell your product or provide services and issue invoices. Then, submit your invoices to us.

2

We verify your invoices with your clients and confirm that the product shipped and/or services were rendered.

3

Next, we advance 80-90% of the value of the invoices to you the same day.

4

Your client sends the invoice payments to a lockbox account owned by Hitachi but payable to you.

5

When payments are received, you receive the remainder of the invoice amount, less the original advance and fee.

SIX REASONS TO CHOOSE A/R FUNDING

SUFFICIENT FUNDING

A/R financing expands and contracts with the needs of your business so your loan matches your current funding needs. It provides the capital resources necessary to grow your business.

FLEXIBILITY

A/R financing relies on the credit strength of your customer and your ability to deliver the product or service. It is less focused on your capital or earnings history. It can be used to replace or complement current bank lines, or used on a seasonal or spot financing basis.

IMPROVED SUPPLIER CREDIT

A/R financing provides steady cash flow, allowing you to pay your bills on time, and to take advantage of early payment discounts from vendors.

CREDIT ASSISTANCE

A/R financing companies will help manage your invoice collection and review the credit of your customers to set appropriate funding limits, saving you time and money.

GROWTH OPPORTUNITY

A/R financing will cost on average 2% of your gross profit margin annually but the benefit typically outweighs the cost. This financing is much cheaper than raising equity, utilizing merchant cash advance programs, or turning down new business.

LOAN TRANSITION

Asset-based lending more closely resembles a traditional bank loan and can include financing of A/R, inventory and equipment. There is more reliance on a business's operating performance and repayment capability.

WHAT TO LOOK FOR IN **AN A/R FUNDING COMPANY**

RESOURCES

Your company is growing and will continue to grow over time. Make sure you select an accounts receivable financing company that has the resources and products to fund you throughout your entire journey.

OPTIONS

It's in your best interest to find a financing company that offers both recourse and non-recourse options. Recourse options are less expensive, and should be used when you are not concerned about your customer's ability to pay invoices.

KNOWLEDGE

You want a company that has experience in your particular industry or at least a vast history with factoring in general across all industries.

CLIENT SERVICE

As a client, you want to ensure you have the best service available. Pick a company that has proven over the years they have unprecedented service. Look for testimonials and case studies that support claims of superior client service.

FREQUENTLY ASKED **QUESTIONS**

What type of businesses benefit most from A/R financing?

B2B service, manufacturing, and distribution companies in the following industries:

- Automotive
- Industrial Services & Supply
- Engineering Services
- Staffing
- IT Consulting
- Transportation Services
- Security Services
- Government Suppliers

Can a start-up business qualify for A/R financing?

Yes! If your business is relatively new and has receivables and purchase orders, a factoring company can help. They look beyond the limited credit history of new businesses and examine the ability to produce the product and/or service and the credit strength of your customer base.

Does A/R financing harm my relationship with my customers?

Absolutely not! A/R financing is used by small, large, even publicly- traded companies to increase cash flow for their business. It has been a standard financing solution amongst growing businesses for many years.

FREQUENTLY ASKED **QUESTIONS**

How is factoring different from bank funding?

Factoring is based on the credit of your customers, not you. Traditional bank financing solutions often focus on cash flow, financial ratios, and personal credit scores. Sometimes one or more of these requirements can hold back solid businesses from obtaining necessary financing.

What is the difference between A/R financing and asset-based lending?

A/R financing provides an additional layer of assistance through credit, collection, and A/R management services. It can be used with specific customers or on an as-needed basis and is focused exclusively on accounts receivable.

Asset-based lending more closely resembles a traditional bank loan and can include financing of inventory and equipment in addition to accounts receivable. There is more reliance on a businesses operating performance and repayment capability.

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Hitachi Business Finance offers comprehensive financing solutions
that can help businesses take advantage of current and future opportunities.

We work with our clients to identify the right financing for their business.
As a non-bank lender, we have the flexibility to be creative in our financial approach.

Learn more or apply for financing at **www.hitachibusinessfinance.com**
or feel free to call us at (248) 658-1100.

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