

## Financing alternatives that support growth

A sound financial plan is the cornerstone of a company's growth strategy. Managing the ebb and flow of working capital in an efficient and effective way can help keep a business running smoothly. Yet, putting together the right financing to help a company grow requires a focused effort.

When a company is looking to grow, it should consider what influences its cash flow: how much funding it will need, when it will need it, when it will be able to secure the funding, and how soon it will be able to repay the capital. Many companies use alternative financing vehicles to achieve their growth objectives; asset-based lending, accounts receivable financing, and purchase order financing are just a few of those vehicles.

### **Asset-based lending**

An asset-based loan is a revolving line of credit and/or term loan that is secured by assets, such as accounts receivable, inventory, machinery, equipment, real estate, and others. If your business has insufficient equity capital to pay for rapid growth, an asset-based loan may be ideal.

Benefits of an asset-based loan include:

- *Fewer covenants.* An asset-based loan often lacks the financial performance covenants imposed by traditional cash flow loans.
- *Elasticity.* The loan amount can increase as a company's inventory and receivables increase, which keeps pace with its growth.
- *Less costly.* The cost of an asset-based loan is often lower than that of raising additional equity.

### **Accounts receivable financing (Factoring)**

A factor, or an accounts receivable financing company, can buy a company's receivables and quickly give the company a percentage of the money it is owed. This type of financing works well when a business quickly needs cash to fulfill a large order.

Benefits of factoring include:

- *Timeliness.* Typically, a company can quickly secure financing for supplies, rent, payroll, and other business needs when it faces fluctuating (or seasonal) sales or a growth spurt.
- *Nothing to pay back.* Because the factor converts a company's accounts receivable to cash, there is nothing to pay back, and the company will not have a loan on its balance sheet.

### **Purchase order finance**

A purchase order financing company pays a manufacturer to produce and ship the goods a company needs to meet the demands of a purchase order. This type of financing can allow a company to grow more quickly by helping it make sales that it could not make otherwise.

Benefits of purchase order financing include:

- *Timeliness.* Because purchase order financing is short-term financing, funding can be approved and provided rapidly.
- *Boost credibility.* You can complete large sales orders with sophisticated buyers and build a strong reputation.
- *Complete funding.* The purchase order financing can cover up to 100% of the financing necessary to complete the transaction.
- *International capability.* Most purchase order financing works for both U.S. and foreign manufacturers.

### **Examples**

[Securing growth for BeyondTrust Software](#)

[Helping to drive forward momentum for The Hertz Corporation](#)

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