

Wells Fargo Capital Finance

Flexible financing for mergers and acquisitions

Growth through a merger, acquisition, or buyout can be a good way to expand a company's footprint, and gain new customers and technologies. A company's cash flow needs during a merger or an acquisition need to meet current *and* future needs to be effective.

Knowing the options for financing a merger, acquisition, or buyout can help it progress according to plan; asset-based lending and accounts receivable financing are two viable options for M&A funding.

Asset-based lending

An asset-based loan is a term loan and/or a revolving line of credit secured by assets, such as machinery, equipment, inventory, real estate, and others. This kind of financing can provide a company funds quickly, and bolster its cash flow on an ongoing basis.

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
- **Liquidity.** The loan can alleviate short-term cash-flow challenges
- **Elasticity.** The loan amount can increase as a company's inventory and receivables increase, keeping up with its growth
- **Less costly.** The cost of an asset-based loan is often less 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 you are owed. This kind of financing can be ideal when a business needs cash quickly, or it can be a means to establish a steady flow of working capital.

Benefits of factoring include:

- **Timeliness.** Typically, a company can quickly secure financing quickly 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

Examples

[Expertise helps Bumble Bee acquisition financing](#)

[TriTech Software Systems expands financing base](#)

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