



Your ultimate guide to  
**INVOICE  
FINANCE**



Everything you need to know about the flexible funding product that's helping businesses to reach their potential



# Invoice Finance

## What is invoice finance?

**Invoice finance is a flexible funding solution which releases cash currently tied up in outstanding customer invoices, allowing businesses to fund growth plans and improve cash flow.**

Whether a business is making record profits each year or struggling to make ends meet, there will invariably be one thing in common. To prosper, they must have a healthy cash flow.

Invoice finance helps businesses to achieve this by releasing funds which are otherwise tied up in the sales ledger.

Up to 90% of an invoice's value is advanced to the company within 24 hours of its issue, with the remainder, less the funder's fees, transferred once payment is received by the customer.

It enables the common cash flow problems which are caused by trading on credit terms to be avoided, and provides the capital that's required to pay suppliers, staff, utility bills, mortgage payments and other running costs.

However, invoice finance facilities can be tailored according to businesses' different requirements.

Here are just a few of the product variations which exist:

### Factoring

In addition to the funding element, factoring facilities see the invoice finance company provide a dedicated sales ledger management service.

This allows businesses to remove the burden of credit control from their workloads, access the funder's expertise in the process and focus their attention on growing the business.

It is therefore more suited to smaller companies which don't have adequate credit control practices in place.

### Invoice discounting

Alternatively, invoice discounting enables businesses to retain control of their sales ledger management, with the funding the primary benefit of the facility.

For this reason facilities are typically provided on a confidential basis – although factoring can be too – and favours larger companies with experienced credit control teams.

### Single invoice finance

In recent years the invoice market has evolved to allow businesses to fund individual invoices, for instance if they are particularly highly valued or provided on longer credit terms.

Also known as spot factoring, it provides a flexible alternative to full-service invoice finance, but only really delivers a short-term cash flow benefit.

### Asset based lending

While invoice finance only releases cash that's tied up in the sales ledger, asset based lending gives businesses the option of unlocking capital from a range of additional assets on the balance sheet.

With an invoice finance facility at its core, extra funding can be secured against the value of plant, machinery, equipment, stock and even property.

## Keeping cash flowing

Securing an invoice discounting facility helped Astringo Commodities Limited to keep their cash flowing, invest in wider products and increase sales by 40%.

After a successful few years, the IT wholesalers, founded in 2008, had begun offering credit terms to their customers and needed to bridge the gap between the issuing of invoices to receiving payment.

Upon speaking to his bank at the time, Managing Director, Simon Powell, was unsure whether they were the correct option for what his business needed.

Simon ultimately contacted the Hilton-Baird Financial Solutions team in search of a suitable funding solution to allow Astringo Commodities Limited to keep growing.

After taking the time to understand what the business needed, Hilton-Baird introduced Simon to a number of funders willing to offer a solution for his cash flow concerns.

Subsequent to weighing up his options, Simon took up an invoice discounting solution from a funder that ticked all the relevant boxes for his business.

"We chose our funder for a number of reasons," he explained.

"Firstly, we were introduced to the decision maker rather than going through any sales pitch. The fact they were both upfront and honest showed they cared about doing right by us.

"Secondly, they understood how a small, up-and-coming business works and showed a refreshingly flexible and commercial attitude that seems to be missing with some banks or lenders."

Since the invoice discounting facility has been in place Astringo has secured ongoing business with some of their larger customers, as well as being able to reinvest the cash into wider products that has resulted in a 40% increase in sales.

"The invoice discounting facility we have has helped us to move forward and removed the cash flow worry, which means we get to move forward as I see fit," said Simon.

"Contacting Hilton-Baird was the catalyst my company needed to grow. Their knowledge of the industry was second to none and helped find the perfect funder for me."

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## A quick comparison of solutions

Invoice finance encompasses a range of cash flow solutions which can be tailored to the needs of an individual business. Here is an outline of the key features of the three main solutions:

	Factoring	Invoice discounting	Asset based lending
Suitable for start-ups?	✓	✗	✗
Suitable for SMEs?	✓	✓	✓
Suitable for corporates?	✗	✓	✓
Minimum annual turnover?	No minimum	£250,000	£1 million
Release funds from debtors?	✓	✓	✓
Release funds from tangible assets?	✗	✗	✓
Cash advance within 24 hours?	Up to 90% of debtor book	Up to 90% of debtor book	Up to 90% of debtor book. Cash against other assets varies
Credit control service?	✓	✗ (You manage your debtors)	✗ (You manage your debtors)
Confidential?	✗	✓	✓
Funding grows in line with sales?	✓	✓	✓
Protection against customer protracted default or insolvency?	✓ (Optional)	✓ (Optional)	✓ (Optional)
Suitable for international trade?	✓	✓	✓



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## The benefits

**We've already touched on a few of the benefits of invoice finance, but there are many more that have prompted so many to choose this flexible form of finance over more traditional options such as overdrafts and bank loans.**

### 1. Quick cash flow boost

Each time your business raises an invoice you can get an advance of up to 90% of its value within 24 hours, providing fast access to the cash well in advance of being paid by your customers. And when they do, the remainder is passed across, less the funder's fee.

### 2. Flexibility

Whether you're using the money to meet your day-to-day needs or to fund expansion, the amount you can access grows along with your business, giving you greater flexibility.

### 3. Control

Allowing funders to finance the invoice and manage the collections process is optional so you can keep control should you want to. For instance, by using invoice discounting, companies can still raise cash flow finance, manage

collections and maintain control over client relationships.

### 4. Added expertise

The invoice finance company can look after your sales ledger, so you can focus your time and effort on other aspects of managing your business.

### 5. Security

Even when you have a full order book, you could still wait months for payment and persistent late payers can hamper your growth. But with invoice finance the lender can credit check potential customers, meaning you are likely to trade with customers that pay on time, protecting you from the threat of debtor insolvency.

### 6. Competitive edge

Almost every business relies on a good, steady flow of cash and that's exactly what invoice

finance provides, allowing you to concentrate on managing your business and generating new opportunities.

### 7. Tailored to your needs

Invoice finance can be tailored to suit the individual needs of your business. It is also possible to fund single invoices rather than the entire sales ledger – for instance, those of a particularly high value or supplied on longer-than-usual credit terms.

## Bridging the gap

The time delays often associated with trading on credit terms can mean that businesses struggle to meet their own commitments whilst they wait for payment from their customers.

Faced with extended payment terms, Southeast Construction & Recruitment Ltd, a specialist recruiter for the construction industry, needed to quickly secure a funding facility to help them bridge the gap.

When two of our client's key debtors changed the credit terms they impose from 7 to 60 days, the business urgently needed to find a funding solution in order to bridge the cash flow gap and meet their payroll commitments.

Upon contacting our team, the business had just eight days to secure a new facility, given the payroll schedule.

With extensive experience sourcing funding for the recruitment industry, and access to decision makers at a wide range of invoice finance companies, we were able to quickly match the client with three potential funders who we felt would be best suited to the business.

After assessing their options the client opted for a £50,000 recourse factoring facility because they felt confidence in the service that would be provided and the speed in which the facility could be set up.

Equipped with their new factoring facility, our client is now able to access cash against invoices as and when they are raised, allowing them to bridge the cash flow gap between providing a service and getting paid so they can meet their own commitments with ease.

The facility also comes with a dedicated sales ledger management service, leaving the business time and resource to focus on other aspects of their day-to-day activity.

Managing Director, Steve Marney, said: "The team at Hilton-Baird were prompt and efficient. We were really impressed with the speed at which we could get a facility in place – they recognised and related to our situation and worked with speed and efficiency to get us up and running on our new facility.

"We're now able to meet our commitments, without worrying about when our clients will pay."



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# How to find a suitable provider

**With so many invoice finance providers to choose from it can be difficult for businesses to know which company is best for their business. But there are a number of ways you can explore your options to find the most suitable facility.**

### Bank manager

Many businesses turn to their current bank manager for support when seeking a new funding facility.

Whilst this is not surprising, a bank manager will only talk through the services that they could offer your business and not the full range of services available on the market.

Therefore, businesses who fail to do their research could end up missing out on more suitable funding options that would fully meet their business's needs.

### Independent broker

Tapping into specialist commercial finance expertise can help businesses to pin down a robust funding strategy that will work over the long term.

Recognising that every business is different, a good independent broker will work with you closely to fully

understand your business's funding needs and challenges in order to identify the right facility.

### Friends

Although no two businesses are the same, friends or other business owners may provide a good starting point when beginning your search.

Likewise, the use of social media to recommend or review experiences has meant you can get a feel for a provider's service before you commit.

### Search engine

With a wealth of information available at the click of a mouse, many business owners choose to research their funding options online.

This is a great way to gain an idea of what's available, how different types of funding work, as well as an understanding of the different

providers on the market. This can be a valuable tool when comparing different products and lenders, but shouldn't be relied upon exhaustively.

With so many funding options available, researching this way can be extremely time-consuming and potentially confusing.

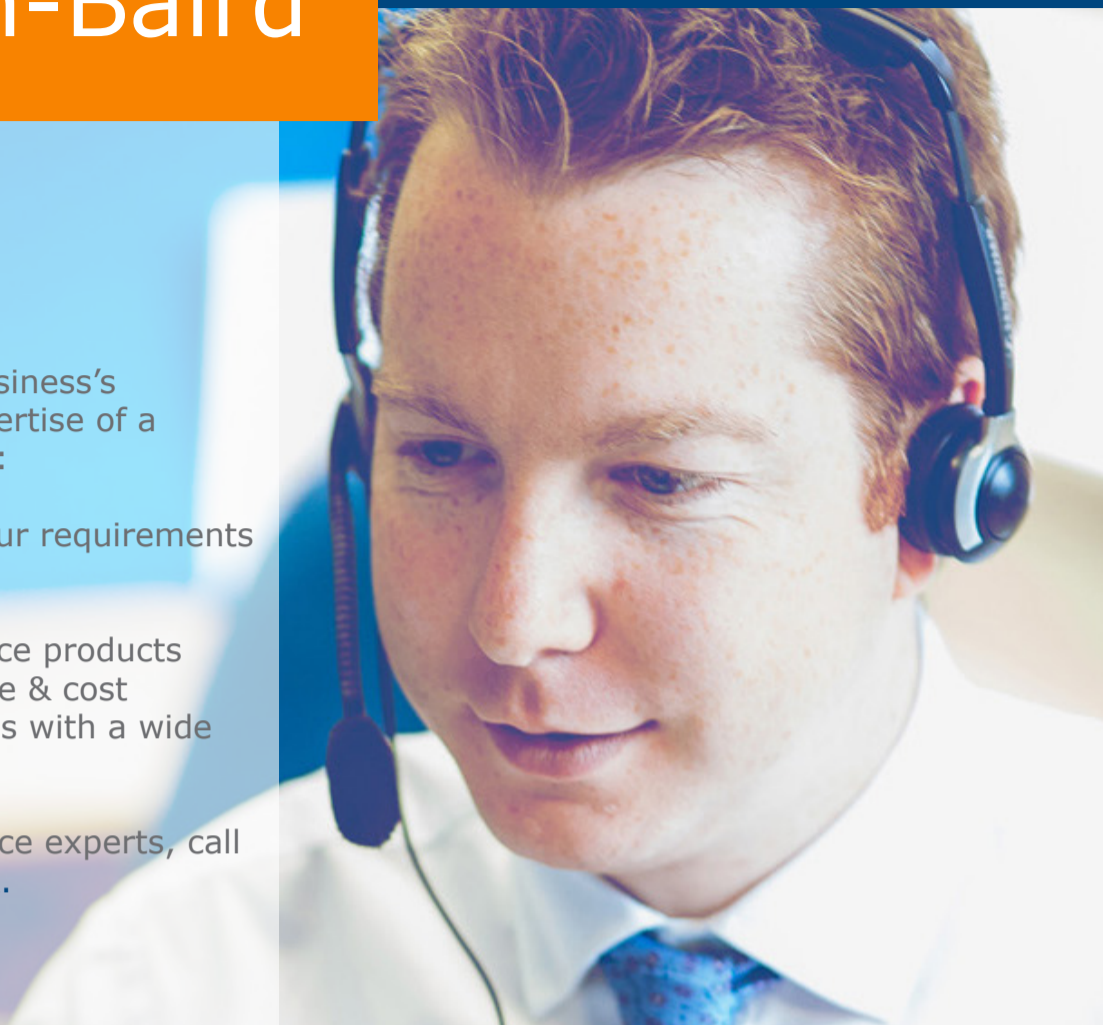
# About Hilton-Baird

## How we can help

Finding the right invoice finance solution for your business's particular needs can be challenging, making the expertise of a commercial finance broker invaluable in this process:

- Access the most suitable lenders & facilities for your requirements
- Save valuable time in your search
- Fast access to decision makers
- Expertise across a wide range of commercial finance products
- Find the right fit in funding, level of service, culture & cost
- Over 25 years' experience of supporting businesses with a wide range of funding requirements

To explore your options with one of our invoice finance experts, call us on **0800 9774833** or email [info@hiltonbaird.co.uk](mailto:info@hiltonbaird.co.uk).



## The UK's trusted independent invoice finance broker

**Established in 1997, Hilton-Baird Financial Solutions has helped thousands of businesses to conquer their cash flow challenges by introducing the most suitable funding solutions on the market.**

Totally independent, and with expertise across the commercial finance market and specialist knowledge of the invoice finance sector, our access to a multitude of banks, independent funders and invoice finance companies means we can objectively find your business the solution that fits, giving it the foundations to grow and reach its full potential.

We recognise that every business is different. As such, we work closely with you to fully understand your business's unique funding needs and challenges so that we can identify the most appropriate facility.

Our affiliations to the leading industrial bodies – UK Finance, the National Association of Commercial Finance Brokers (NACFB) and the Finance and Leasing Association (FLA) – ensure we maintain the highest level of standards, making us the ideal partner to work with in order to realise your business's objectives.



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