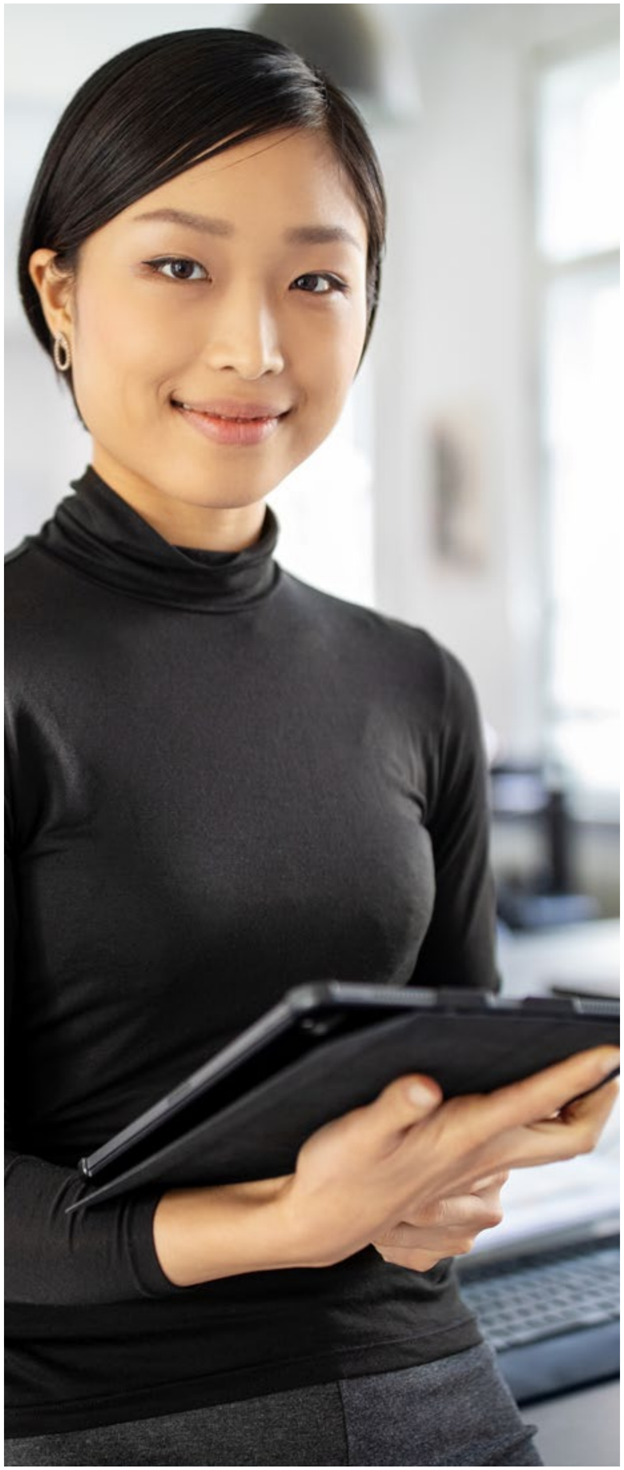
UNLOCK THE POWER OF YOUR INVOICES

ACCOUNTS RECEIVABLE FINANCE FROM RAISTONE

RAISTONE



There are around $4 trillion worth of invoices locked up in US financial system at any one time, bills submitted by millions of suppliers for work done in good faith which they know will not be settled for many months.

For the small and medium businesses (SMBs) that are the backbone of the nation's economy, it is an added stress they do not need and do not deserve. That is why they are turning to innovative ways of unlocking that cash early so it can be put to productive use.

The impact of late payment cannot be overstated. Companies that secure 30-day payment terms enjoy a 66% increase in their cashflow, according to European research[1], while those forced to wait 60 days see only a 10% improvement.

For seven-out-of-ten[2] US SMBs, year-end is crucial for annual profits but also a roller coaster for cashflow. When these firms need money fast – maybe a customer changes payment terms or their own raw materials cost more – the process of obtaining credit will be slow, often uncertain and always expensive.

Accounts Receivable Finance turns the burden of unpaid invoices into an asset that companies can use to pay daily running costs or fund expansion.

"This is a market that is beginning to grow very strongly, partly because of factors like Covid and economic uncertainty, but mainly because it just makes great business sense," says David Huber, national sales director of Raistone. *"Companies that have completed their work on budget and on time should not have to wait months to get paid."*

"Nobody in a regular job would be prepared to wait more than 100 days to get paid for work they did that week but that's what business owners and entrepreneurs have to put up with."

Raistone's Accounts Receivable Finance programs are ideally suited to companies that want to maintain strong cash positions as economic downturn looms and the supply chain disruption caused by Covid lockdowns looks set to cast a long shadow well into 2023. The great thing about these solutions is that they are not debt — they are simply converting an asset to cash and getting paid faster.

And through partners like SAP and Oracle, Raistone is natively embedded within the platforms companies already use, making it easy to tap into the power of Accounts Receivable Finance.

In a recent update on its working capital survey from NASDAQ-listed consultancy[3], The Hackett Group, director István Bodó said: *"This is not the time for companies to take their foot off the gas when it comes to working capital and cash flow management.*

Smart business leaders will double down on capabilities for managing working capital health – increasing their visibility into key indicators, sharing information better across functions and automating processes – to enable agility amid continuing change."

However, adapting to changing circumstances is baked into Raistone's programs which are designed to be flexible within a mutually agreed set of parameters.

Raistone and Accounts Receivable Finance at a Glance

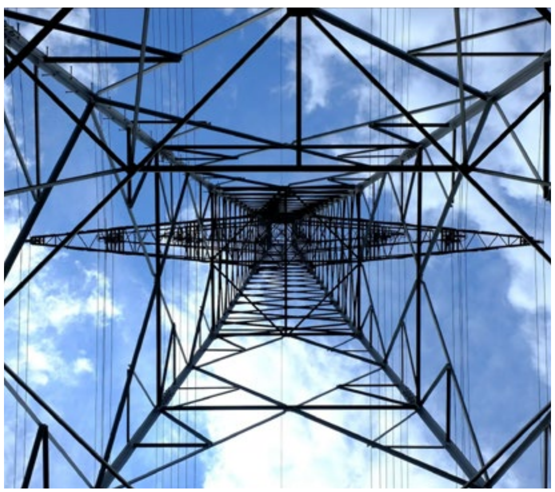
Raistone is one of the fastest growing players in Accounts Receivable Finance

- It provides $1 billion of working capital per quarter
- It serves SMBs, mid-market, and enterprises
- The Raistone team have purchased more than $500 billion of receivable assets
- Raistone offers facility sizes of $50,000 to $500 million

Raistone's Accounts Receivable Finance programs are suitable for business of all sizes. They are especially useful in sectors that require significant investment up front with a long pay-back period, such as:

Utilities

The utilities industry is very capital-intensive and requires firms to manage their working capital carefully. Raw materials are expensive and their buyers demand longer payment terms. These firms find ARF helps them to effectively balance challenging working capital demands.



Construction

Work on a new office complex, shopping center or residential district might take two years to complete and start generating cash for the developer. During this time, various tradespeople on site will struggle to get their invoices settled even when they have fulfilled all parts of their contracts. ARF ensures these tradespeople are paid in a reasonable timeframe for their critical work.

Business Services

Companies providing outsourced services, such as training, consultancy, HR and marketing, often need to scale up to deliver specific contracts. They often need cash quickly to hire staff and source materials but may not collect their fees for several months after the work is done.

Other verticals that benefit considerably from Accounts Receivable Finance include:

Manufacturing

Supply chain disruption has increased shipping costs and forced manufacturers to investigate relocating production from Asia. They also need to hold more inventory, all of which adds to the cost base. Even strong companies need more flexible arrangements for funding working capital.

Retail

Suppliers in automotive after-market, clothing, baby wear, cosmetics and pet supplies all face a common problem. The products they make are often sold, used and thrown away weeks or months before the companies making them get paid. It is not uncommon for invoice payment terms to stretch to more than 300 days.

Accounts Receivable Finance benefits for businesses of all types:

- Reduce risk exposure with non-debt capital
- Sell more products
- Improve cash conversion cycle and shorten Days Sales Outstanding (DSO)
- Lower debt and improve leverage, with less reliance on traditional loans
- Native integration with invoicing platforms companies already use

CASE STUDY

Line Works Construction:

Fast-growing telecoms supplier

Line Works Construction wanted to take the step from regional to national player in the quickly evolving telecoms sector.

It had a sound plan, based on solid fundamentals that the Raistone industry specialists understood, and needed cash to secure some “low hanging fruit.”

An initial Accounts Receivable Financing facility of $2 million was put in place. But the company and Raistone knew that, if all went to plan, that amount would have to be ramped up quickly.

Line Works Construction’s anticipated tie-up with telecoms company Frontier duly materialized and Raistone was there to efficiently scale with the business. Line Works moved into new territories where it had never been before while simultaneously buying up the prize assets of a competitor which had collapsed.

The plan not only worked — it has been in overdrive. The fast strategic moves it made have been rewarded with a 30% uplift in annual revenue and the accolade from Frontier of non-vendor of the quarter on three consecutive occasions.

All of it achieved with an Accounts Receivable program with Raistone, which expanded from $2 million to $20 million in 18 months.

Accounts Receivable Finance is straightforward and much more flexible for SMBs than the main alternative, factoring.

Essentially, a company submits a package of invoices on its normal payments handling platform, which Raistone's technology identifies as being part of the accounts receivable program. The company has the flexibility to pick one, some or all invoices for early payment. They are not forced to accelerate all invoices. They selectively unlock the cash in invoices only when they need it. It is not debt, and it can be used in tandem with more traditional bank loans to improve a company's cash conversion cycle.

There is a small fee for this flexibility in the form of a small discount on the total value of invoices submitted. However, it is a fraction of the fees involved in factoring, which might be as high as 5% of the invoice total. Because Raistone is natively embedded in standard financial enterprise resource planning (ERP) and e-invoicing platforms, it is able to provide easier and lower-cost access to capital, backed by its curated network of investors.

For other SMBs, bank loans are often seen as the only realistic option. Yet, in most cases, this does not materialize.

Loan approval percentages from small banks were **just 21.2%** in December 2022

“We are giving power back to small businesses. CEOs on our programs have the comfort of knowing they set it up and forget it, allowing them to **concentrate on driving the business forward** without worrying about how to keep the lights on.”

David Huber – Raistone National Sales Director

Loan approval percentages from small banks were just 21.2% in December 2022, according to online finance platform Biz2Credit, while big banks are even worse, at 14.5%. Additionally, with interest rates high now but expected to decline in the next 12-18 months, companies funded by banks could find themselves locked into expensive loans.

Another important advantage is that when banks and investors are looking at balance sheet strength, Accounts Receivable Finance is not considered to be debt, so is not a drag on the balance sheet.

Nevertheless, California, Utah and New York are among the states demanding full disclosure of accounts receivable programs. Transparency from Raistone is important here, as it provides clients with extensive paperwork to demonstrate compliance in each jurisdiction.

However, Accounts Receivable Finance is not solely a defensive play by companies.

Uncertain economic times also present opportunities for financially robust companies, and Raistone has helped many of its clients hire experienced, available talent, develop new products and move into new markets.

In its Working Capital Index Report, 2022, JP Morgan stressed that efficient working capital could unlock significant value and free up cash for investing in strategic areas, However, it stated: “*Digitization and data are going to be crucial levers for treasurers to leverage as they look for most optimized outcomes for the businesses both in terms of working capital…and improvement in supply chain resiliency*.”

Raistone estimates that 25% of its current Accounts Receivable Financing is now for expansion. This compares to only 10% around five years ago.

In the aforementioned Line Works Construction case study, the ARF program enabled the company to increase its funding over 10x in just a year and a half.

The company had a major blue-chip client and highly visible forward earnings and was already poised to take advantage of consolidation in the industry when it started a dialogue with Raistone. It had previously used factoring but found Accounts Receivable Financing much more flexible, as it often needed large sums of cash quickly to take advantage of expansion opportunities.

Raistone's intention is to indentify accounts receivable which give clients the most money, at the lowest cost. For example, it might fund a specific stream of work in order to allow its team to understand the dynamics of the new client's business and how its order book, staffing levels and working capital needs change over time.

In another example, Raistone recently increased the facility it set up with a baby products supplier, growing from $250,000 to $1.5 million.

This client was very clear on how it wanted to expand and which key customers it was targeting, so the initial facility helped fund specific parts of its strategy.

"**Liquidity risk management is key** to successfully leading a small- to mid-size company in the current economic environment. Not only are administrative work and errors reduced by being embedded in a company's normal payments platform, but the automated system identifies opportunities as invoices are submitted for acceleration."

Lisa Sunderman – Raistone Director of Enterprise Risk Management

When it landed the large national chains it had been courting, including Walmart and Target, it met all the risk management criteria Raistone required and the expanded program was confirmed with one short email.

One of the main reasons Raistone can advance higher percentages so quickly is because its technology offers deep insight into the pinch points facing a company in its sales process, manufacturing operations and cash conversion cycles.

Raistone's innovative technology plugs into the ERP systems commonly installed by companies, and constantly monitors key metrics that impact on working capital levels.

This ensures the business always has enough working capital to fund its needs and provides breathing room should problems arise.

Raistone's enhanced portfolio management identifies and irons out cashflow pinch points. For example, the platform can change payment dates or increase the amount of money advanced in periods when its algorithms predict working capital will be especially needed.

The technology becomes even more sophisticated with the evolution of Artificial Intelligence (AI) enabling unprecedented levels of due diligence, risk management and payment sign-off.

While Raistone is at the cutting edge of this rapid technological evolution, it will still be down to experienced human beings to make the key decisions.

To make those judgements, Raistone managers tap into deep wells of real-life industry experience and strong relationships they have built with leadership teams they support. The outcome is pragmatic decisions based on a range of factors which many lenders do not have access to, or simply ignore.

In a few short years, and accelerated by Covid, Accounts Receivable Financing has proved itself to be a life line and a flexible solution for companies of all sizes facing all business situations – from cash protection to expansion.

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