



ORACLE
Textura



ENHANCE EARNINGS & DE-RISK PROJECTS WITH EARLY PAY

The benefits of early payments for construction companies



CONSTRUCTION'S WORKING CAPITAL CHALLENGE

Construction companies wait an average of **94 days** to get paid — longer than any other major industry!

And it's getting worse: That's **4% longer** than the previous year.

Construction & Engineering has seen largest depletion of cash reserves of any sector since 2020.

Industry	Average DSO
Construction	94 days
Utilities	50 days
Telecommunications	44 days
Trucking	38 days

WORKING CAPITAL SOLUTIONS IN OTHER INDUSTRIES

Construction is not alone in feeling pressure on working capital. Here's how some other industries manage:

- **Leverage tech-enabled cash management tools**, though technology is not a silver bullet for most
- Collaborate with peers to **standardize terms with customers** – extremely difficult to succeed
- Introduce **late payment fees** to motivate customers to pay more quickly – can work well with smaller customers
- **Improve inventory management** practices to avoid having capital tied up – important in manufacturing & distribution



WORKING CAPITAL SOLUTIONS IN OTHER INDUSTRIES THAT CONSTRUCTION CAN REPLICATE



1. Automotive parts manufacturers: Early payment for suppliers



2. Packaging equipment companies: Flexible early payment for equipment purchases



3. Clothing manufacturers: Early payment on receivables

1. EARLY PAYMENT FOR SUBS IS A WIN-WIN

Early payment for subs creates **significant value for General Contractors (GCs) and for Subcontractors**

GCs that aren't running an early payment program for subs are missing out on opportunities to:

- a. Attract the best and more subcontractors
- b. Reduce subcontractor default risk, by having more financially robust subs
- c. Reduce project schedule risk
- d. Enhance earnings + retain cash



1.a. EARLY PAYMENT FOR SUBS BENEFITS: ATTRACT THE BEST + MORE SUBCONTRACTORS

Problem: “I want to partner with the best subcontractors for my projects and I want more bidders on those subcontracts”.

Solution: Top contractors are in high demand and are selective about which jobs they bid. By offering them early payment, contractors will know that they will **get paid faster** (rapid cash conversion) and, therefore, be more eager to partner with the GC.

Added benefit: easier to get MWBE subs involved

1.b. EARLY PAYMENT FOR SUBS BENEFITS: REDUCE SUBCONTRACTOR DEFAULT RISK

Problem: “I want to ensure that my subcontractors are financially strong and unlikely to default”

Solution: Early payment accelerates payment to subcontractors, improving the strength of their balance sheets and reducing the risk of a default

1.c. EARLY PAYMENT FOR SUBS BENEFITS: **REDUCE SCHEDULE RISK**

Problem: “I am having trouble attracting additional subcontractor resources to my projects, especially when the project schedule is under pressure”

Solution: The rapid cash conversion delivered with early payment encourages contractors to prioritize allocating resources to your projects over others (for which they may have to wait 70+ days to get paid), thus reducing the risk to the project schedule

1.d. EARLY PAYMENT FOR SUBS BENEFITS: ENHANCE EARNINGS / RETAIN CASH

Problem: “My company is looking to improve our margins and conserve cash”

Solution: Early payment for subs helps GC earnings + cash by:

1. Lowering cost from the competition of more bidders
2. Sharing in the economics of the early pay discount
3. Extending payables by 10% to boost cash balances (higher DPO)
4. Putting excess GC cash to work as an arm's length funder of the early pay

EARLY PAYMENT FOR SUBS : IMPLEMENTATION IS EASY

Problem: “Cashflow management tools are complicated, expensive, and difficult for my company to implement”

Solution: Thanks to Raistone and Oracle, early payment tools are **natively embedded within Textura**, making it simple and cost effective to get started leveraging your existing processes

CASE STUDY 1: EARLY PAY FOR SUBCONTRACTORS

Subcontractors working for a large GC got paid faster.

A **large global construction firm** sought to help subcontractors to quickly **convert receivables into cash**.

Early payment advantages:

- **Seamless integration** with major invoicing and accounting systems.
- Quick onboarding with **100% advance rate** and competitive discount rate.
- **400+ subcontractors** opting for accelerated payments.
- Subcontractors having **more cash**, strengthening their balance sheets and allowing them to **submit more competitive bids** and **support more jobs for the GC**.
- More **viable for MWBE subs** to participate in the GC's projects
- **Enhanced profit** for the GC via a share of the Early Pay fee
- Cash balance increased due to **10% increase in DPO**
- Projects **finishing on schedule**



2. EARLY PAYMENT ON EQUIPMENT DOESN'T USE GC OR CLIENT CASH

Problem: Supply chain disruptions put construction project schedules at risk.

Solution: GCs can advance purchase mission-critical hardware needed for a project via a rolling receivables facility that gets the GC repaid promptly (early pay) while the client defers payment until installation (flexible).



CASE STUDY 2: FLEXIBLE PAYMENT FOR GC'S CUSTOMERS



How an innovative flexible finance program gave this leading construction company an advantage.

US construction services firm deployed a **flexible finance solution** to gain competitive advantage when negotiating contract with a **Fortune 100** customer – locking in the supply of key equipment for the project.

Benefits from flexible payment:

- Enabled post-invoice purchase **payment date flexibility** for the customer – option to pay the GC between 30 and 360 days.
- Used to buy equipment (data center servers, in this case) months in advance of planned installation, ensuring surety of supply for the customer
- GC got paid on normal 30 days terms (early pay vs installation).
- Maintained desired off-balance sheet treatment for the construction company and **did not count as debt** on the customer's balance sheet (it's in accounts payable).
- Arranged a **\$200MM rolling receivables facility** for strategic working capital and accounting objectives.
- Launched in **under 2 months**.

3. EARLY PAYMENT FOR CONTRACTORS REDUCES DSO

Problem: Owners want to lengthen payment terms with GCs, but GCs (and subs) don't want to, or can't afford to, wait longer to get paid

Solution: Contractors can accept longer payment terms and/or reduce Days Sales Outstanding on existing terms by employing an Early Pay (factoring) program for their accounts receivable





CASE STUDY 3: EARLY PAY FOR GENERAL CONTRACTOR

Telecoms infrastructure specialist GC went from regional to national player with an early payment program.

GC **required cash** for industry consolidation opportunities. Early Pay for its accounts receivable was the solution.

With early payment on its receivables, the GC:

- Grew its Early Pay program from **\$2 million to \$20 million** in **18 mos.**, freeing up cash to fund acquisitions and growth in its business.
- Experienced a **30% annual revenue increase.**
- **Enhanced relationships** with key telecom partners (which were strong credits, underpinning the success of the Early Pay program)
- Decided whether or not to disclose to owners (optional)
- **Transferred credit risk** on the telecoms to Raistone