



# LEVERAGING YOUR BUSINESS ASSETS TO GET WORKING CAPITAL

WE BELIEVE IN **YOUR** BUSINESS

FACTORING • INVOICE DISCOUNTING • ASSET BASED LENDING

**BIBBY**  
FINANCIAL SERVICES



# INVESTING IN YOUR BUSINESS

Whether your business is new or established, it's important for you to be able to access a variety of funding solutions to support your ambitions. Asset Based Financing allows you to take advantage of the assets in your business as a flexible source of financing to grow your business or simply bridge a cash flow gap.

Furthermore, payments are more manageable, making investment more affordable with less impact on cash flow.

Find out how to identify your assets and leverage them to gain the working capital your company requires to overcome rising costs and grow.

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## IDENTIFYING AND VALUATING YOUR ASSETS

### IDENTIFYING YOUR ASSETS

You can use your assets to provide financial stability for your business. To identify such opportunities, look at your balance sheet for any assets that have high value. You might be able to use them as collateral to obtain the funding your business requires.

#### THESE GENERALLY INCLUDE:

- Buildings
- Office equipment
- Machinery
- Vehicles
- Real estate
- Inventory

### VALUING YOUR ASSETS

The true value of an asset is what someone will pay for it. When determining the value of your tangible assets start with the net orderly liquidation value (NOLV), and be sure to take into account economic realities such as:

- Property or other fixed assets which have changed in value
- Old assets or inventory which would have to be sold at a discount
- Bad debts to the business
- Machinery and equipment that has depreciated over time due to wear and tear

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## FOUR ADVANTAGES OF ASSET BASED LENDING

### Improved cash flow

Asset Based Financing provides the business with a source of steady liquidity which is critical when cash flow is tight. Whether your business is rapidly growing, facing seasonal demands or offers long payment terms, ABL can help you bridge the gap between income and expense.

### Easier and quicker to get than loans and lines of credit

Qualifying for an ABL line is easier than qualifying for a bank loan or credit line as the facility is backed by the business's receivables and assets. The business just needs to show a show track record of performance and strong financial controls.

### Flexible and adaptable to your business

The amount of funding can grow and adapt with the sales of your business since accounts receivable tend to be the main asset on which the funding is based. Increases on your facility can happen quickly and you don't have to go through the full credit approval process again.

### Fewer restrictions / covenants than mainstream lines of credit

ABL financing has fewer restrictions than loans and credit lines, which means less worrying about staying in compliance so you can focus on running and developing the business.

### KEY FACTS

- 1 in 2 businesses state rising overheads and costs as their greatest business challenge<sup>1</sup>
- 1 in 5 businesses expect to experience cash flow issues in the next 12 months<sup>1</sup>

### FIND OUT MORE

To find out more about how Asset Based Lending (ABL) can support your business growth, CALL US AT (866) 502-4229

<sup>1</sup>Bibby Financial Services Global Business Monitor 2017, find out more at [www.bibbycanada.ca/global-business-monitor-2017](http://www.bibbycanada.ca/global-business-monitor-2017)

## ABL IS A GOOD FINANCING SOLUTION FOR:

- Businesses trading with other businesses
  - Companies with at least two years in business
  - Businesses that are unable to obtain traditional bank financing
  - Fast growing businesses where a bank loan is not the best solution
  - Financing a business acquisition
  - Financing the purchase of new or used assets
  - Refinancing the assets your business already owns
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## PREPARE FOR ASSET BASED FINANCING

Demonstrating that you know your business inside out (the strategy, the strengths as well as the weaknesses) and that you are in control of your balance sheet can help you negotiate better terms and reduce the covenants on your facility. Important practical steps you can take to strengthen your position at the negotiations table include:

### **Articulate your business financing requirements**

Prepare a detailed monthly financial plan and identify all significant cash needs in the near future when assessing the amount of financing your business requires. Make sure you take into account any seasonal requirements or any foreseeable one off-cash needs in your request for financing. You always have the option to request an increase of your facility limit; however, lenders are more open to negotiating a higher limit up front provided that you have the assets to back it.

### **Get your ducks in a row – clean up the books**

The lender may decrease the advance rate and/or increase the interest rate from the initial proposal if they discover inconsistencies or out of date information in the business's books during the due diligence process. Often proposals are written with highest possible advance rates, so a decrease during the due diligence process is completely normal. There are simple steps that you can take to make the due diligence process go smoothly:

1. Write off any old/stale accounts receivable – if the receivables are old and if you have taken multiple steps to recover your money without success, there is very little chance that the invoices will be paid. In this case, it's best to clean up the books and write it off.
2. Ask customers for payment on overdue but collectable invoices before due diligence – if a customer cannot pay the full overdue amount, see if you can agree on a payment plan.
3. Separate and dispose of any obsolete inventory.

### **Be honest during the negotiations**

When preparing your application for financing, do your own quick due diligence of the business. This will help you identify the strengths and weaknesses as well as help you formulate your business goals and determine how the financing will be used. Don't be afraid to address weaknesses up front with the lender. It can be more costly if the lender finds out about a major issue on their own.

### **Understand the costs**

Asset Based Lending can be more cost effective than other forms of commercial loans; however, the interest rate is often not the only fee. To avoid surprises, ask the lender for a complete breakdown of the types of services and fees associated with your facility and how often they get revised. Typical fees include maintenance fees, audit fees, and up front closing fees.



## ABOUT BIBBY FINANCIAL SERVICES

Bibby Financial Services is a leading independent financial services partner to more than 10,500 businesses worldwide with a total funding capability exceeding \$1.31 billion CAD. With over 40 operations in 14 countries spanning Europe, North America and Asia, we provide Asset Based Lending and factoring solutions to help businesses grow in domestic and international markets.

## EXPERIENCE YOU CAN TRUST

- Contract terms tailored to meet your specific business requirements
- 93% client satisfaction
- SME (SMB) Finance Provider of the Year at the BCR Receivables Finance International Awards 2018

## OUR PRODUCTS AND SERVICES

We help businesses unlock the working capital they require to meet their needs, including cash flow funding, new equipment purchase, growth and expansion, refinancing, corporate restructuring and mergers and acquisitions. Our range of financing options include:

- Factoring
- Transportation Finance
- Invoice Discounting
- Asset Based Lending:
  - Accounts Receivable
  - Inventory
  - Machinery and Equipment
  - Real Estate



To speak with our expert team,  
call us at **(866) 502-4229** or  
visit [www.bibbycanada.ca](http://www.bibbycanada.ca)