

Understand the

BUSINESS CASHFLOW CYCLE

to Finance your Business



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Much of what we do each day in business is determined by the cashflow cycle. Understanding this cycle is key to running an efficient business and avoids days trying to make ends meet, rather than concentrating on generating new business.

Cashflow can be more predictable if you understand how sales, expenses, receivables and credit interrelate. You can ensure that you continue to have enough cash on hand for smooth operations.

Fortunately for businesses there are many ways you can use financing to help support your business cashflow cycle to build a stronger financial position and provide increased avenues for growth.

Here we discuss three popular options being utilised today:

- 1. Line of Credit
- 2. Fintech Short term loans
- 3. Customer Invoice Finance

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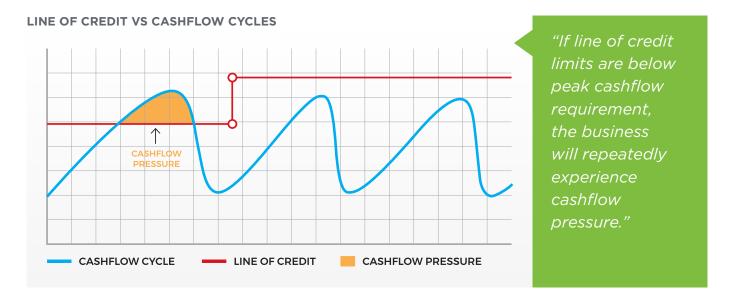
Line of Credit vs Peak Cashflow Cycles

Businesses experience many cash cycles over a month, quarter or even season. Cash requirements peak when more money is going out than what is coming in, and they dip again when cash collections exceed outgoings.

As an example, the blue line below represents the monthly cycle of a business that has regular commitments each week for payroll and suppliers. Cash going out builds up over the better part of three weeks and then the bulk of Customer payments are received within the space of one week.

If the business is funding cashflow using a Line of Credit represented by the red line, and the available limit is below their peak requirement each month, then the business will repeatedly experience cashflow pressure. Should the business be successful in obtaining an increase to their Line of Credit above their peak monthly requirement then managing cashflow is much simpler.

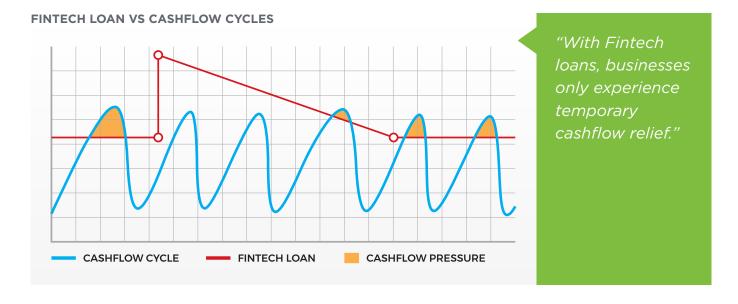
The line of credit is a straight line because limits are fixed and commonly based on the value of equity held in property which does not regularly fluctuate.



Fintech Loan vs Peak Cashflow Cycles

An alternative to a Line of Credit that has become increasingly popular, is a short-term business loan commonly offered by Fintechs. They typically do not require property security, are quick to set up and focus their credit assessment on bank statements rather than financial accounts.

However, they are a one time cash advance that must be repaid over a short period via equal repayments each day, week or month. Consequently, businesses only experience temporary cashflow relief before they find themselves back where they started. Cashflow pressure illustrated below is when the peak of the cash cycle goes above the red line representing a Fintech loan.



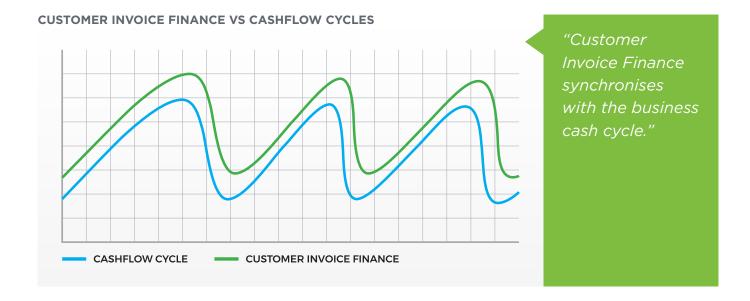


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Customer Invoice Finance vs Peak Cashflow Cycles

A solution to managing cashflow that businesses have been using for many years is Customer Invoice Finance. As a business invoices Customers for product or services they provide, they can access finance at the same time, replenishing the cash they have outlaid generating their sales. As cash payments are received from Customers the finance is automatically repaid.

Customer Invoice Finance synchronises with the business cashflow cycle demonstrated by the green line below. There is sufficient finance to cover each peak of the cashflow cycle because cost plus profit and taxes like the GST are already built into the value of Customer invoices.





Finance to Scale with Business Growth

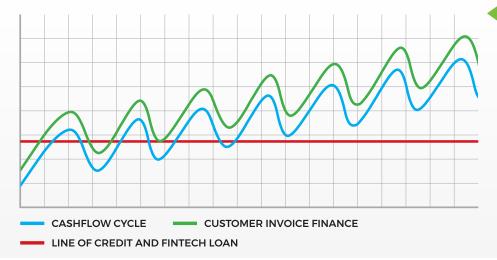
Another key benefit that keeps attracting businesses to Customer Invoice Finance is its ability to automatically scale with business growth.

A Line of Credit is typically fixed by the value of equity held in property and the size of Fintech loans are limited because they are unsecured and must be repaid over a short period of time. These are represented by the red line on the graph on the next page.

As businesses grow and expand over time, so do their cashflow commitments. Customer Invoice Finance illustrated by the green line grows over time in line with increasing cashflow requirements shown by the blue line. Successful businesses are not constrained by property values that have no link to business performance or restricted by smaller Fintech loans.

There are many large businesses that access tens of millions of dollars using Customer Invoice Finance which is well beyond the value of any equity held in property by the business owners.

FUNDING BUSINESS GROWTH



"Successful businesses are not constrained by property values that have no link to business performance or restricted by smaller Fintech loans."

The table below compares the key features of the three alternatives available to finance the business cash cycle.

	LINE OF CREDIT	FINTECH	CUSTOMER INVOICE FINANCE
No property security required	×	✓	∀
Application does not require two years of financial statements	×	✓	∀
Quick approval and setup	×	✓	lacksquare
No regular fixed repayments	∀	×	∀
Finance synchronises with the business cash cycle	×	×	lacksquare
Finance automatically scales with business growth	×	×	∀

By understanding how an effective finance solution can support business cashflow cycles, businesses are better able to manage their cashflow. This makes them more resilient to handle the unexpected. Contact us for further information on how AddCash Customer Invoice Finance can assist you.

AddCash Customer Invoice Finance helps business:



Without taking on additional debt, CIF is suitable for manufacturers, wholesalers, importers and many service industries.

AddCash Finance has been providing businesses cashflow solutions for over 15 years, with services tailored to Small and Medium businesses. We offer a sophisticated service which is affordable to set up, easy to work with and puts you back in control of day-to-day cashflow.

