

Managing your cashflow effectively

The financial crisis has forced all treasurers to focus on cash management, and receivables finance (RF) has become an essential tool to manage the balance sheet, fund growth and secure payment. Lenders can play a key part in helping their customers navigate the changing marketplace and trade conditions. As the worst of the financial crisis recedes, companies should be planning now for sensible growth. Companies that maximise their cashflows will not only survive but thrive in the new environment.

THE EVOLUTION OF A PRODUCT For years, RF was seen as a funding vehicle for small businesses needing the expertise of a lender to provide funding and collect the debt. There were many players in the market providing lots of liquidity at very fine margins. Fast forward to the present and the competitive landscape has changed; funding is scarce, margins have widened, credit limits are very tight, and all businesses are seeing the value of maximising their assets. Today, there are more and more corporates seeking solutions that RF can provide; the pull is non-recourse business and they are looking for off balance sheet treatment. Only the banks that have strong balance sheets available for lending will be able to meet the demand in this sector. RF offers a perfect solution for both the borrower and the lender.

Using RF can give companies' growth plans a significant boost by cutting the traditional invoice payment timeline of 30 to 90 days to one day. This provides an advantage in terms of flexibility and enables the business to concentrate on the future rather than worry about collecting payment for sales already made.

Invoices can be seen as the lifeblood of a business, providing a quick, accurate assessment of how well cash is flowing. Lenders can perform due diligence on the quality of the customer debt, performing collection work and credit protection. In terms of international trade, using a bank with a global presence can mean that it is possible for everyone in the supply chain to benefit from the same standard of knowledge and expertise and product options.

It's also a major plus for bank risk managers. RF – and asset-based lending generally – is an attractive option because it consumes less capital than other forms of lending. Banks consider RF a safer lend for the bank and in turn, a more efficient use of capital. The result is

HSBC'S **KIRK BRYANS** EXPLAINS HOW RECEIVABLES FINANCE CAN HELP TREASURERS MANAGE THE BALANCE SHEET, FUND GROWTH AND SECURE PAYMENT.

Executive summary

- Companies looking to survive and thrive in today's marketplace need financial agility in order to compete. A vital part of being nimble is the ability to maintain strong cash management and removing risk from the trade cycle.

passed on to clients in the form of an increased level of funding.

The power of the win-win solution is evident in the growth of the RF market. Invoice financing is now a £1.2 trillion turnover business in Europe, having achieved a growth rate of circa 15% for the years 2006 to 2008. There is still room for further growth. European turnover has dropped by 15-20% in 2009, but this masks the significant reduction in turnover for existing customers being partially offset by the numbers of new customers who are recognising the benefits of RF. Once the global economy recovers, the growth rates for RF will reflect the larger number of companies now using this product.

PEACE OF MIND, DOMESTIC AND ABROAD Every business, whether selling to buyers domestically or overseas, has its own financing needs and is looking for answers to its own unique set of questions.

- Should we focus on working capital?
- Do we need help with credit management?
- Should we look to protect revenues?
- Are we looking for acquisition finance or straightforward, high-level advice on strategic financial management?

Whatever the situation, improved cashflows will help any company and its owners. At a small firm, for example, an owner-manager

Essential Events and Conferences from the ACT

ACT Annual Cash Management Conference Making cash pay

10-11 February 2010, London

Sponsored by Barclays Commercial

This two-day conference is an essential update for anyone involved in the cash and treasury management of their business. Find out how treasurers are making the best use of their cash and what solutions are available to improve cash visibility, enhance accuracy and streamline processes.

With a programme packed full of case studies, you will hear from:

- **Birds Eye Iglo Group** on cash flow forecasting when it really matters
- **Centrica** on investment strategy in a low interest rate environment
- **Etex Group** on cash management priorities for a global business
- **Holcim** on funding and bank relationships in challenging times
- **IMI** on the importance of effective liquidity management
- **Johnson Matthey** on implementing a SWIFT solution
- **Reckitt Benckiser** on optimising your cash flow in an uncertain market
- **Vodafone Procurement Company** on opportunities in supply chain finance

ACT Annual Conference Shaping the future

27-28 April 2010, Manchester

The ACT Annual Conference is our flagship event bringing together treasury, risk and corporate finance professionals from across the UK, Europe and the rest of the world.

The two-day conference and exhibition provides many networking opportunities, essential treasury updates from high level speakers and an exciting exhibition hall which features over 50 leading treasury product and service providers.

This year's conference theme is shaping the future and the programme will reflect the following key topics:

- funding – rebuilding market confidence
- risk management – a new outlook
- working capital – ways to generate risk
- mergers & acquisitions – working in a more challenging environment
- the treasurers' focus – shaping the future

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might be able to remove a mortgage on their private residence taken out to fund operations. A larger business could get better supplier terms if they free up the cash to pay their own invoices earlier.

THE WAY FORWARD The RF product continues to evolve as the market demands. A perfect example of this is HSBC's supply chain finance or reverse factoring product, which was launched in the UK recently. Large companies can offer their suppliers cash, lent by HSBC and backed by approved invoices for goods delivered. This strengthens the supply chain for the buyer, provides the supplier with stronger cashflows and helps to materially reduce risk in the supply chain. Reverse factoring is an example of how as a bank HSBC works hard to spark innovation and allows best practice to flow.

HSBC has also recently completed a large invoice discounting deal for one of its clients that has freed up working capital in five countries across Europe and shifted a significant amount of debt off the balance sheet. The solution gives the client a "pan-European" view of all its invoice activity. While financial professionals such as treasurers have an excellent understanding of financial products and what they can do for their company, it is probably true that there could be greater awareness of the advantages of solutions such as reverse factoring. The current economic situation provides an opportunity for treasurers to reassess the range of modern finance solutions now available and discover which ones best suit their business needs.

The current environment should be viewed as a time to retrench, and refocus all of our funding strategies. The ability to survive is commendable, the ability to thrive is to be admired.

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