

## How Accounts Receivable Financing Works

Accounts Receivable Financing, also known as Factoring, is a financing arrangement that allows you to convert your accounts receivable immediately into cash. In the most basic of arrangements, AgriCap customizes a program to buy your accounts receivable and performs the necessary credit, collection, and accounting services. Among other things, this service provides you the ability to grow your business and profits.

Your Company wants to expand its business by selling additional product, but doesn't have enough working capital to fuel its desired growth. Its accounts receivable from good customers is worth \$1,000,000.



Your Company contacts AgriCap Financial Corporation and arranges terms for financing its accounts receivable.



AgriCap now guarantees the buyer's credit and provides collection and accounting services on the purchased receivables. AgriCap collects the receivables and pays the balance owed to Your Company (less fees).



AgriCap begins purchasing Your Company's receivables and immediately advances it \$800,000 (80%) in cash.



Your Company uses its improved cash flow to pay suppliers, grow sales, and increase profits.

Factoring allows you to:

- Convert your accounts receivable into cash
- Improve your pay rating with credit agencies
- Improve cash flow
- Increase sales
- Reduce your company's bad debt