

# Transfac Target Transactions

TRANSFAC CAPITAL





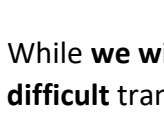
In an effort to streamline our underwriting process and become both effective and efficient with our resources of capital, time, and labor, these guidelines will help you review a potential transaction and likelihood of closing based on the prospect's volume, industry, yield, accounts receivable quality, and ability to secure our position.








## TRANSFAC PRODUCTS:

<p><b>Invoice Factoring</b></p> <p>Most businesses could make more money if they had more available to utilize. Funds could be used to hire people, purchase better machinery, secure supplies in bulk at a discounted rate, or increase marketing efforts. However, many businesses have sales tied up in slow-paying accounts receivable. Factoring solves that problem by advancing cash on invoices immediately instead of having to wait thirty days or more to collect.</p>	<p><b>Accounts Receivable Line of Credit</b></p> <p>Cash flow in a business is not as fluid as some would like. Many companies have sporadic cash needs at different times in their business cycle. A line of credit using accounts receivable as collateral can resolve cash flow dilemmas and allow the business to be most efficient with its financial resources.</p>
<p><b>AR Assist</b></p> <p>Some businesses do not need funding, but do require professional help with managing their accounts receivable. With over six decades of experience, Transfac Capital sets the standard for AR assistance and can provide back-office support and collections to client companies.</p>	<p><b>Debtor in Possession (DIP) Financing</b></p> <p>Companies receiving DIP financing have a shorter reorganization period and are more likely to emerge from the Chapter 11 process quicker. Transfac Capital's experienced staff and legal team have provided DIP financing to several companies in various industries, with financing up to \$5 million.</p>
<p><b>Inventory Financing</b></p> <p>Carrying large product inventory to service customers can create a cash flow problem. We can finance that inventory – along with the accounts receivable factoring – to reduce strain on daily cash flow.</p>	<p><b>Purchase Order Financing</b></p> <p>If a client experiences a significant delay between an order and its completion, their cash flow is affected. We can advance funds on a purchase order, and, when the invoice is created, finance the account receivable. The client will be able to pay the expenses and service their customer.</p>
<p><b>Trucking Deals: Fund My Freight or Transfac Capital?</b></p> <p>We will do transactions with up to \$5 million in outstanding accounts receivable, but generally do not exceed \$2.5 million in AR per transaction. Prospects use a quick application and underwriting process for deals up</p> <p><b>Sweet Spot: Transportation:</b></p> <ul style="list-style-type: none"> <li>a) Transfac Capital – 3+ Trucks</li> <li>b) Fund My Freight: – &lt; 3 Trucks</li> </ul> <p><b>Commercial:</b></p> <ul style="list-style-type: none"> <li>a) \$50k-\$250k at 30+%</li> <li>b) \$250k-\$750k at 24+%</li> <li>c) Will do \$30k if company can grow and no concentration</li> </ul>	

## Transfac's Preferred Industries:

	<b>Manufacturing &amp; Distribution:</b> 80% - 85% advance with yields ranging from 12% - 30% depending on company status
	<b>Transportation and Freight Brokers:</b> Up to 98% advance with yields ranging from 10% - 20% depending on size of company
	<b>Cable &amp; Telecom:</b> Up to 90% advance
	<b>Oil and Gas:</b> 80% - 90% advance depending on services provided
	<b>Staffing:</b> 90% advance or 100% of payroll offered. Yields range from 12% - 30%

While **we will review any transaction that fits our criteria**, certain industries pose a larger risk. Here is a list of **difficult** transactions we rarely fund unless minimum guidelines are met:

	<b>Medical:</b> Any applicant where the majority of their debtors are insurance companies and/or Medicare/Medicaid
	<b>Construction:</b> Any applicant that doesn't meet the following: Minimum of \$200,000 per month in sales Profitable for the last 24 months Accounts receivable exceed accounts payable Concentration of largest debtor is less than 25% No liens or judgments
	<b>Customers with Retail Debtors:</b> Look for the following traits for all potential transactions where the majority of debtors are retailers: Minimum of six months of sales history to retail debtors Documented offsets (marketing, slotting, return policy) No scan based trading (retailer pays customer as product is sold) <b>Require one complete sales cycle (determined by U/W)</b>
	<b>Computer Software</b>
	<b>Produce</b>



## Financial

## YIELD:

As of March 2016, look for the following yields on transactions that meet Transfac's criteria:

Line Size	Expected Yield
\$50,001 - \$100,000	40%+
\$100,001 - \$200,000	35%+
\$200,001 - \$500,000	30%+
\$500,001 - \$1,000,000	25%+
\$1,000,001+	22%+

**How to calculate flat rate yield:**  $(\text{Fee} \times \text{AR Turn}^*) / \text{Advance Rate}$





**How to calculate NFE Yield:**  $((\text{Fee} \times \text{AR Turn}^*) / \text{Advance Rate}) + \text{NFE Rate}$

**How to calculate \*AR Turn** =  $365 / \text{DSO}$

**How to calculate Days Sales Outstanding (DSO):** divide AR of any period by daily sales of same period

## Accounts Receivable Quality:

As this is Transfac's primary source of repayment on any transaction, underwriting will spend the majority of its time reviewing the quality of a transaction's accounts receivable. Consider the following when looking the AR:

	<b>Concentration:</b> any customer having a single debtor with more than <b>30%</b> of its sales will be heavily scrutinized
	<b>Aging:</b> While standard recourse will be at 90 days, client debtors will be excluded from eligible AR if said debtor has more than <b>25%</b> of the balanced owed after <b>60 days past date of invoice (Cross Aged)</b>
	<b>Size of Invoice:</b> Larger invoices are easier for operations to manage. All invoices will have a minimum fee of \$10.00 (initial fee plus incremental) charged; meaning smaller invoices will be charged a larger percentage if minimum not met
	<b>Submission of Invoice:</b> Consider the potential client's ability to submit invoices by mail, fax, or electronically

