**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:**

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| **Invoice Factoring**  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. | **Accounts Receivable Line of Credit**  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. |
| **AR Assist**  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. | **Debtor in Possession (DIP) Financing**  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. |
| **Ask about White Label/ Private Label Factoring** | |
| **AS AN ACCOMMODATION TO EXISTING CLIENTS, WE CAN OFFER THE FOLLOWING:** | |
| **Inventory Financing**  Carrying large product inventory to service customers can create a cash flow problem. As an accommodation to our existing clients, we can finance that inventory – along with the accounts receivable factoring – to reduce strain on daily cash flow. | **Purchase Order Financing**  If a client experiences a significant delay between an order and its completion, their cash flow is affected. As an accommodation to our existing clients, 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. |

**TRANSFAC’S PREFERRED INDUSTRIES:**

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| **Manufacturing & Distribution**  80% - 85% advance | **Transportation and Freight Brokers** Up to 95% advance | **Cable & Telecom Services**  Up to 90% advance |
| **Oil and Gas/Energy Services**  80% - 90% advance depending on services provided | **Staffing**  Up to 90% advance | **We will review any transaction that fits our criteria.** |

## **DIFFICULT TRANSACTIONS**

Certain industries pose a larger risk. Here is a list of difficult transactions and their minimum guidelines:

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| **Medical**  **\*\*Possible if:**   * the majority of their debtors are not insurance companies and/or Medicare/Medicaid | **Computer**  **Software** |
| **Construction**  **\*\*Possible if:**   * 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, judgments or progress payments   \*\* **NOTE**: We do like cell towers, people who lay foundations, and painters. | **Businesses**  **with Retail Debtors**  **\*\*Possible if:**   * No consignment |
| **Produce/Edible products: No** Produce, fish, anything that spoils or can be recalled. | |

**TRANSFAC SWEET SPOT**

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| * **Our Fund My Freight group is for trucking for trucking companies of 2-10 trucks; everything else is Transfac Capital.** * **Our sweet spot is $50,000 to $500,000.** * **Deals $40,000 to $200,000 are eligible for fast funding in 72 hours or less if everything is clean and all needed information is provided timely.** * **We will do transactions from a startup to $5 million.** |

**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:

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|  | **Concentration:** any customer having a single debtor with more than **30%** of its sales will be heavily scrutinized |
|  | **Aging:** While standard recourse will be at 90 days, client debtors will be excluded from eligible AR if said debtor has more than **25%** of the balanced owed after **60 days past date of invoice (Cross Aged)** |
|  | **Size of Invoice:** Larger invoices are easier for operations to manage. Most invoices will have a minimum fee charged; meaning smaller invoices could be charged a larger percentage |
|  | **Submission of Invoice:** Consider the potential client’s ability to submit invoices by mail, fax, or electronically, rather than having us create the invoice for an additional fee |

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| **SIMPLE YIELD CALCULATIONS:**  |  |  | | --- | --- | | **How to calculate flat rate yield**  (Fee x AR Turn\*)/Advance Rate | **How to calculate NFE Yield**  ((Fee x AR Turn\*)/Advance Rate) + NFE Rate | | **How to calculate Days Sales Outstanding** **(DSO)**  divide AR of any period by daily sales of same period | **How to calculate \*AR Turn**  365/DSO | |