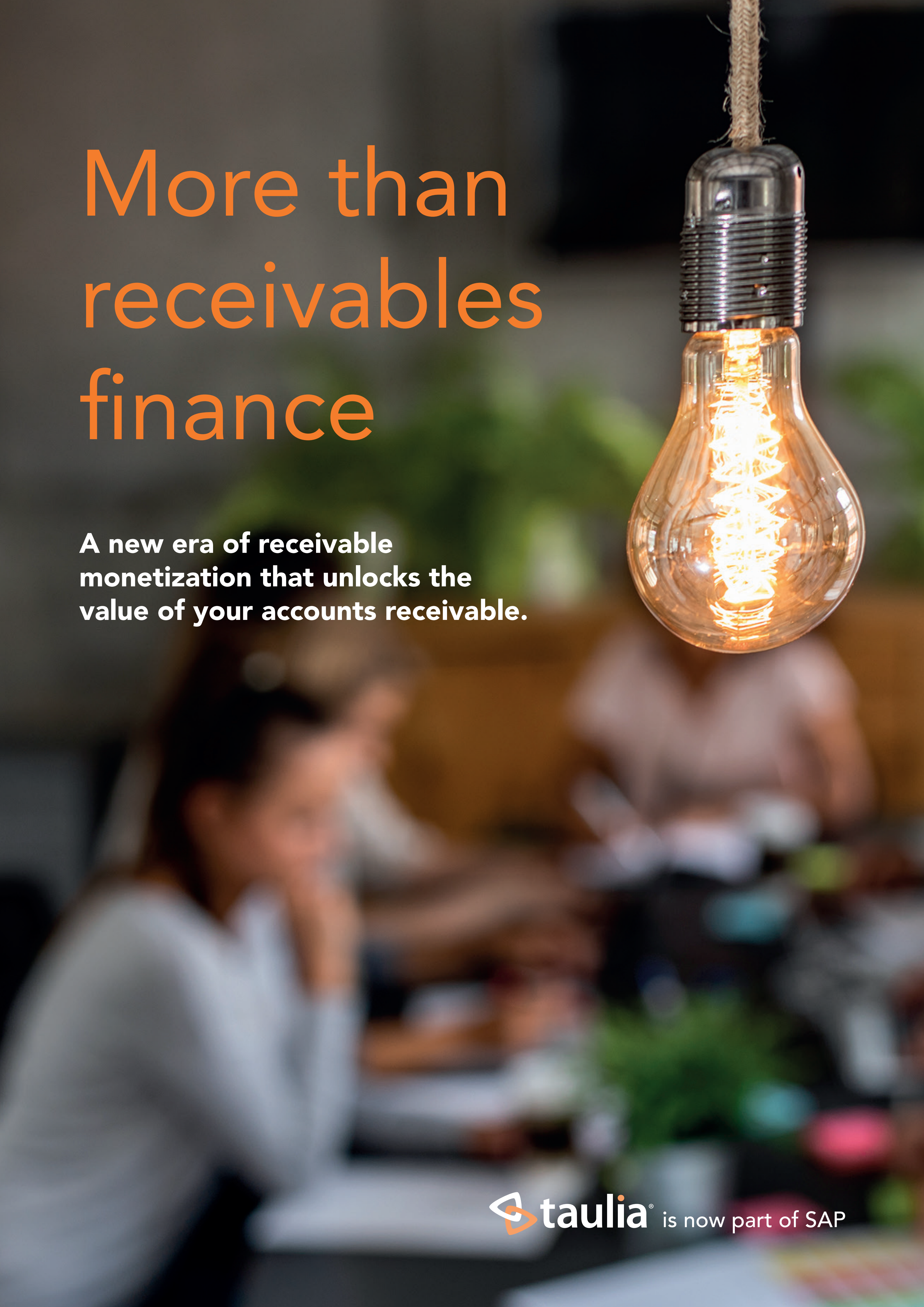
# More than receivables finance

**A new era of receivable monetization that unlocks the value of your accounts receivable.**



taulia® is now part of SAP

# Introduction

In today's environment, supply chain disruptions proliferate, global central bank policies manifest in continued interest rate hikes, geopolitical uncertainty continues – and businesses around the world have been struggling to mitigate the impact of sky-high levels of inflation and the prospect of a global economic downturn.

### Inflation erodes the value of credit sales

Sellers are facing the double threat of their customers' procurement teams seeking generous payment terms to win new business, while inflation dilutes the real value of the contract by the time cash is received. If it takes a customer 90 days to pay an invoice, that payment will be worth less to the company than it would have been when the invoice was issued. The longer the delay, the greater the loss of value.

### Receivable financing can help

In this environment, companies have much to gain by freeing up the cash trapped in their accounts receivable. True sale, off-balance sheet accounts receivable (AR) financing solutions provide one way to combat the effects of inflation on receivables and guard against the impact of an economic downturn. By turning their AR into cash, companies can unlock working capital, reduce Days Sales Outstanding (DSO), increase Cash Flow from Operating Activities (CFOA), and effectively manage their customer default risk.

But not all AR financing solutions are equal. Traditional bank-led programs are typically limited in scope, resource-intensive, and time-consuming to implement. And if companies want to work with different banks with different risk appetites, they will need to complete bilateral agreements for each of their funders and navigate each funder's operational processes.

### Today's environment demands modern solutions

Fortunately, AR financing has moved on, and bank-led programs are not the only option available to companies. Powered by technology, Taulia's Receivables Finance solution provides access to multiple funders with different risk appetites, all via a single technology platform and a single agreement.

What's more, companies can use our solution to automate their AR processes, improve their balance sheets, and unlock the cash trapped in their receivables – as well as gaining a clear view of their overall working capital position.

Read on to find out how Taulia's Receivables Finance solution can help you navigate today's inflationary environment and take control of your working capital.

# Counting the cost of inflation

Today's business environment remains fraught with challenges. While the disruption brought by the height of the pandemic may have alleviated, the last year has brought multiple headwinds, including the continuing effects of the Russia-Ukraine conflict, shortages of goods and materials, rising inflation, and the resulting interest rate hikes implemented by central banks.

Inflation, in particular, continues to be a challenge for businesses around the world. While the consumer price index (CPI) in the US may have fallen from its peak of 9.1% in June 2022, CPI inflation was 5% in March, with core inflation at 5.6% – well above the Fed's target rate of 2%. The euro area average inflation rate was 6.9%, while consumer price inflation in the UK remained over 10%[1].

### What does inflation mean for businesses?

Businesses can be affected by inflation in a number of ways, some of which are more obvious than others:

» **Higher costs**
It's no secret that high inflation affects the cost of everything from goods and raw materials to energy and transportation, meaning that businesses have to pay more just to stand still. Businesses have to decide whether to absorb the impact of higher prices or pass them on to customers who are themselves struggling with higher prices.

» **Rising interest rates**
Adding to the challenge, the cost of finance has increased significantly, with central banks repeatedly increasing interest rates in order to keep inflation in check. In addition, the central banking policies have resulted in a slowdown in economic activity and increased the prospects of a global recession.

» **Changes to customer behavior**
In an inflationary environment, some customers may place higher orders in the short term in order to insulate themselves from higher prices in the future – a pattern that can lead to greater sales volatility. Others may seek to renegotiate their payment terms or pricing structures.

» **Higher DSO**
Cash-squeezed customers tend to take longer to pay their invoices in an inflationary environment – as illustrated by the Taulia Supplier Survey 2023, which found that 50% of suppliers are now being paid late by their customers, up from 36% in 2021[2]. This, in turn, leads to a higher risk of delinquencies and the need for more proactive collections activities. As well as hampering the company's working capital, higher DSO can have an adverse effect on a company's valuation.

» **Reduced value of receivables**
Last but not least, with inflation still at higher levels than in recent years, the value of companies' receivables is eroding rapidly. Say that a company issues an invoice for $10,000 with payment terms of 90 days. If inflation is running at 8%, the company only receives the equivalent of $9,800 when that invoice is finally paid.

---

1 UK records western Europe's highest inflation as March fall disappoints | Reuters
2 https://taulia.com/resources/reports/taulia-supplier-survey-2023/

### Agility and control

In this environment, companies need to become more agile – and they also need to gain more control over their AR if they are to adapt successfully to margin pressures and rising costs.

For many companies, AR processes continue to be paper-based, time-consuming and inefficient, meaning that collections and invoice approval times are slower than they should be. Decentralized AR groups, meanwhile, may work with disparate billing processes and a proliferation of different systems. In other words, there's plenty of room for improvement.

By adopting e-invoicing, for example, companies can make it easier for their customers to pay them, which leads to stronger customer relationships and increases the efficiency of receivables processes. With e-invoicing, it's also easier for companies to track the status of their invoices and analyze customer risk.

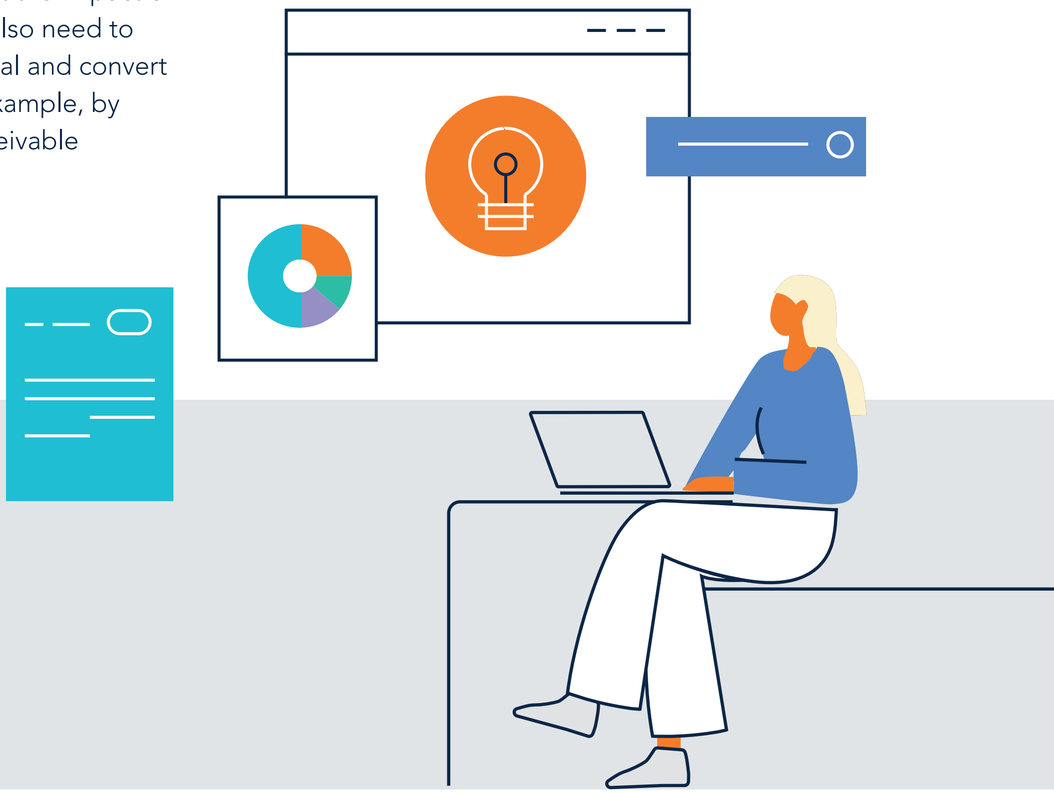
But process improvements are not the only area companies should be looking at. It's estimated that corporates worldwide have over $1.3T trapped in net working capital, predominantly in the form of receivables. So in order to combat the impact of inflation on their AR, companies also need to find ways to free up working capital and convert their receivables into cash – for example, by taking advantage of accounts receivable financing (AR financing).

### What is AR financing?

AR financing is a solution that enables businesses monetize their receivable before they are paid by their customers. This means that companies can receive their cash weeks or even months before their invoices are due for payment. AR financing can be structured in different ways, including as an asset sale or as a loan.

The use of receivables finance continues to grow. In 2022, trade body FCI estimated volumes in the factoring and receivables finance industry to be around $3 trillion[3].

A true sale[4], off-balance sheet AR finance solution can be a powerful way of releasing cash and achieving Key Performance Metrics (KPIs), such as reducing DSO, shortening the cash conversion cycle (CCC), and increasing CFOA. It can also help to mitigate the risk of a customer's financial inability to pay,
due to bankruptcy and insolvency, by transferring the customer default risk to the purchaser of the receivables.

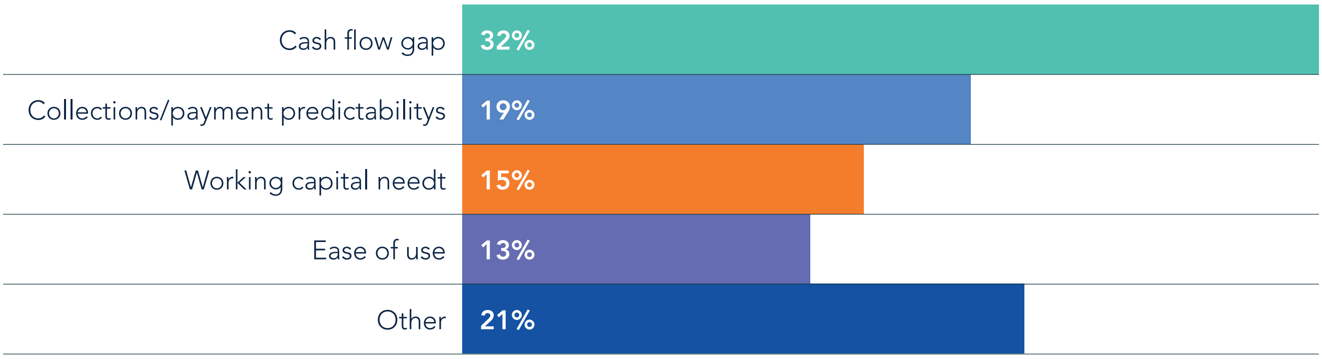


3 Press Release - FCI World Factoring Statistics reports the largest double-digit increase in volume in over two decades | FCI
4 Under both US GAAP and IFRS, in conjunction with a Legal True Sale Opinion, from external counsel, and final determination by a company's accounting/controllership team (in consultation with its external accountants, if necessary).

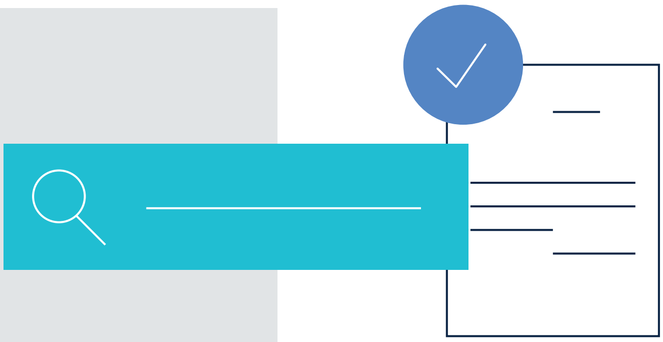
# Harnessing AR financing

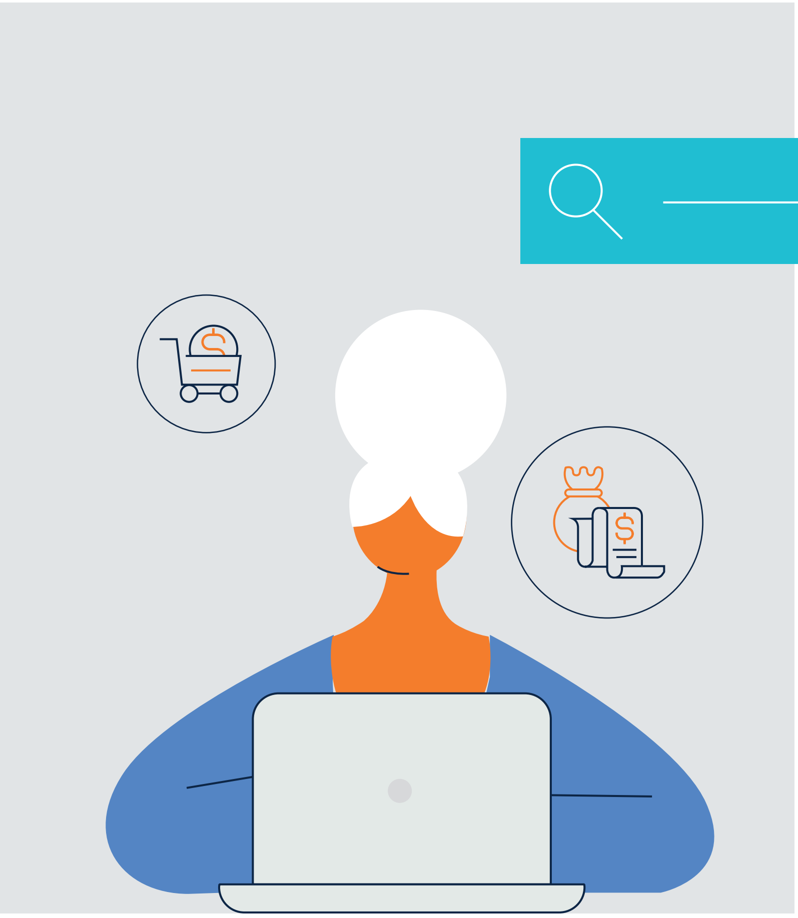
For companies looking to gain more control over their AR and mitigate the impact of today's inflationary environment, solutions that enable them to receive payment of their invoices early can be transformational.

Companies choose to access early payment for a number of reasons[5]:




In some cases, companies can achieve their goals by participating in early payment programs offered by their customers, such as supply chain finance and dynamic discounting. Other types of solutions, including AR financing programs, are initiated by sellers as a way of realizing cash from their receivables before they are paid by their customers.





### Use of Proceeds

Unlike other types of AR financing, such as Asset Based Lending (a loan collateralized by assets such as receivables and, in certain cases, inventory), companies can use liquidity obtained from the sale of receivables for whatever purposes they choose. For example, they may decide to invest in funding operations, capital expenditures, and mergers and acquisitions. Or they might opt for paying down or refinancing existing debt, paying regular and/or special dividends, facilitating a share buyback program – or even building a 'fortress' balance sheet.

5 https://taulia.com/resources/reports/taulia-supplier-survey-2023

### The trouble with traditional AR financing

So far, so good – but not all AR financing solutions are the same.

Banks were once seen as the first port of call for AR financing. However, traditional bank-led AR financing programs have a number of shortcomings:The availability of AR financing is often limited by factors like the locations of the relevant banks, the industries they work with, insurance limits, and their risk appetites.

- Bank-led programs tend to be resource-intensive and time-consuming to implement, with a high overall cost of implementation and funding.
- Companies typically depend on their relationship banks for access to such programs.
- If companies want to use more than one bank, they will need to put in place separate bilateral agreements and operational processes for each funder. Completing multiple agreements is a drain on time and resources – and treasury teams also need to keep track of these agreements over time to ensure compliance with covenants, eligibility criteria, and other requirements.
- On another note, operating separate AR financing arrangements with a variety of banks does not give the business a comprehensive view of its overall working capital position.

# A new era of AR financing

The traditional approach to AR financing is a bottleneck to growth. But AR financing has evolved – and companies no longer have to lean on their primary banking providers to access the finance they need.

Taulia's technology-driven Receivables Finance solution is a tailored true sale, off-balance sheet (i.e., non-debt) solution that allows companies to access the capital trapped in their unpaid invoices. Using Taulia's solution, companies can free up the cash they need to fund growth, avoid external borrowing, or even use the proceeds to pay their own suppliers early.

By tapping into Taulia's extensive network of banks and non-bank financial institutions, companies can access funders around the world with different risk appetites and geographic/currency strengths, all via a single legal and technology agreement and one point of integration. The solution is also highly flexible, meaning that companies can choose which receivables they want to sell and when they want to sell them.

What's more, Taulia's AR financing solution forms part of a wider working capital management platform. Using this modern platform, CFOs and treasurers can access a panoramic view of all the working capital levers they can use to manage their working capital position – including accounts receivable.

### Benefits of using Taulia AR Financing

- Access multiple financiers via a single agreement and integration.
- Utilize an ERP agnostic deep integration or a "light touch" data exchange in accordance with your needs.
- Gain real-time visibility and AI-driven transformational insights with a user-friendly technology platform.
- Choose which receivables you want to sell and when you want to sell them.
- Understand all your working capital levers with a panoramic view.
- Leverage multiple working capital levers interactively on a single unified platform. For example, a company can sell receivables at a cost-competitive price and utilize the proceeds to fund its Dynamic Discount program and arbitrage the difference.
- Have confidence that the AR Financing program won't appear as debt on your balance sheet

# How does Taulia's AR financing solution work?

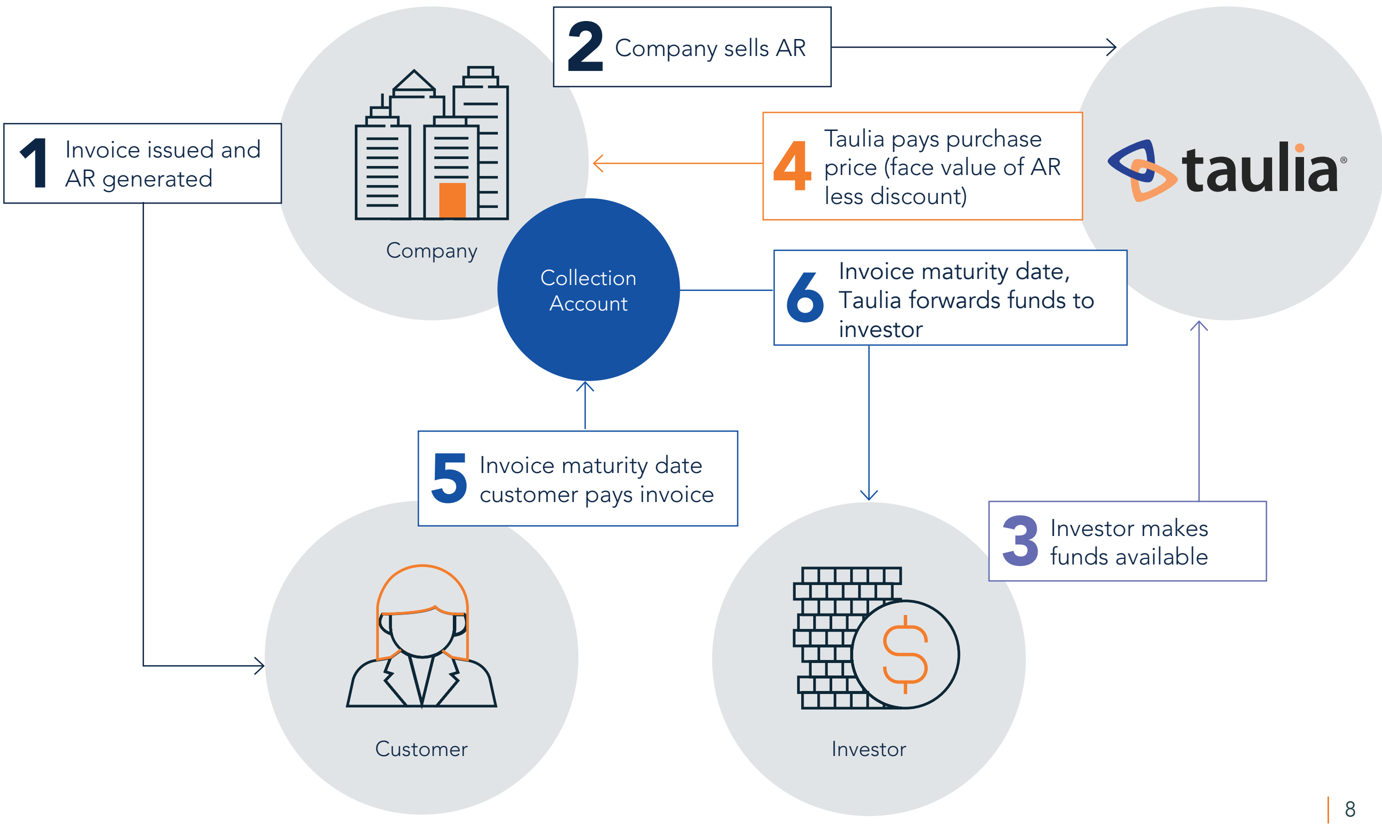
Using API-enabled integration, Taulia extracts the company's invoice data and provides full visibility over the cash that can be released, as well as the terms available. Businesses can request early payment whenever they want with a single click – or they can choose to automate the process across some or all of their receivables.

Taulia's live dashboard provides insightful data about a company's customers and receivables. Businesses can also use a powerful AI-driven scenario planner to benchmark against their industry peer group,  test the outcomes of different cash release strategies, and use the results to inform better decision-making.

### The AR financing process – Taulia-style

Using Taulia AR Financing is straightforward. For one thing, setting up the program only takes a few weeks. Once the program is up and running, the process is as follows:

1. You issue an invoice, recognize revenue, and at the same time create an AR asset.
2. You offer the AR to Taulia (on your pre-determined cadence) for purchase on our simple-to-use platform.
3. Taulia purchases the AR and pays you the purchase price minus a discount that compensates us for the discount period, assumption of customer payment risk, and administration of the receivable. These funds are provided to Taulia by third-party liquidity providers from our extensive global network of banks and non-bank financial institutions.
4. This cash is now available in your collection account and can be utilized however you choose.  At invoice maturity, your customer can either settle their invoice with you or pay us directly, depending on our agreement.



# More than AR financing

Taulia is more than an AR financing provider – so it should come as no surprise that our solution offers more than other programs in the market:

» **More than visibility**
Taulia's ERP integration does more than simply merge multiple data extracts into a single repository. Companies can also optimize their AR activities and unite their decentralized AR groups with a homogenous strategy to control DSO.

Businesses can also leverage a powerful AI-driven scenario planner to benchmark against their industry peer group, test the outcomes of different cash release strategies, and use the results to inform better decision-making.

With greater visibility over their receivables, companies are quickly alerted to any potential issues around the reliability of their customers and can address any challenges as they arise.

» **More than automation**
In addition to the ERP agnostic nature of Taulia's "Any ERP" integration competency, Taulia (a part of SAP) has developed a certified native end-to-end SAP integration add-on capability. Taulia AR Financing is not only integrated with SAP's ECC and S4/HANA ERP systems but also with the SAP Business Network (SBN), so it's easy for suppliers on the SBN to share their invoices. Past and future invoices can be synchronized automatically across the network, simplifying the reconciliation process.

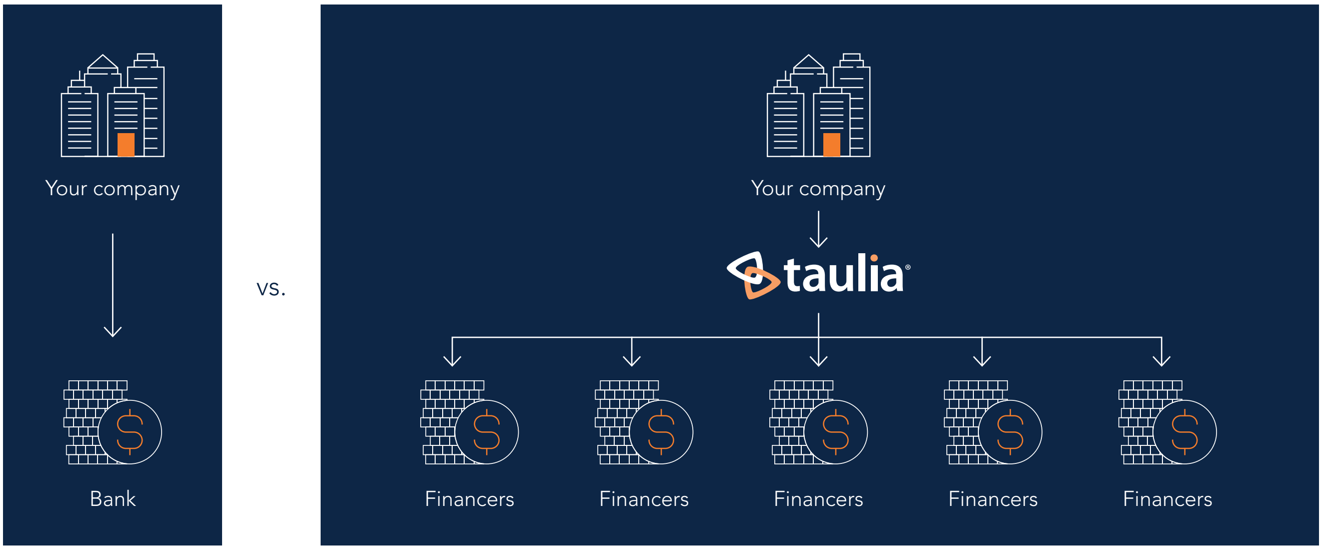
Beyond automation, companies can use the solution to drive further improvements. For example, communicating with customers about AR financing can be difficult when collections are decentralized, run on local rules, or based on circulating paper documents. By thoroughly reviewing their legacy processes, companies can identify opportunities to centralize and standardize their processes.

» **More than analysis**
Taulia's analytics dashboard provides cash analytics and actionable insights, allowing companies to track the performance of their working capital programs and benchmark themselves against industry peers. By combining multiple ERP systems, the solution also brings fractured data sets together into a single place, enabling companies to carry out real-time credit analysis on customer profiles.

» **More than multi-funding**
Using a single agreement, companies can access funding from a vast network of banks and non-bank financial institutions. With access to deep global liquidity reserves, our solution outperforms banks on efficiency and capacity and outperforms other fintechs on scale and flexibility.

It's not just about tapping into different funders: a receivables financing program that has been built up with multiple banks won't provide a comprehensive view of the company's cash-to-cash cycle. Taulia also gives customers an integrated view of their payments, inventory, and receivables across the business, supporting more informed decision-making.

# Connect with funders around the globe




# Why work with Taulia?

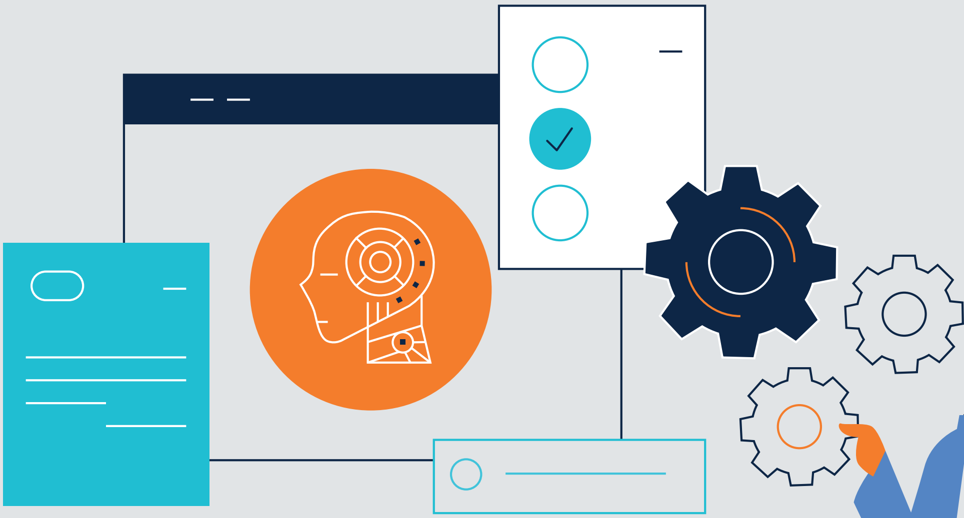
**Taulia helps businesses maximize their working capital throughout the cash conversion cycle.** With over two million suppliers on our network, we've processed more than a billion invoices, amounting to over $2.3T. That's why we're trusted by the world's largest companies, including Airbus, AstraZeneca, and Nissan.

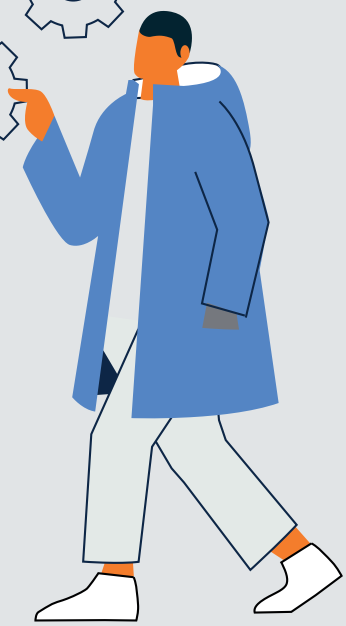
Leveraging Taulia's working capital platform, our products help companies unlock the power of cash across their payables, receivables, and inventory:

» **Payables** – free up cash using supply chain finance and dynamic discounting.

» **Receivables** – unlock the cash trapped in your invoices by selling your receivables to global funders.

» **Inventory** – protect your sales from the impact of supply chain disruptions, long lead times, and stock outages.





**With Taulia's AR Financing program, you can...**

- Work with the funders and financing structure of your choice.
- Access a single platform for all your working capital needs.
- Make use of our full suite of working capital optimization solutions.
- Tap into our industry-leading experience and expertise.

# Conclusion

With inflationary pressures continuing, the value of AR financing has never been clearer. But this is not only a solution for difficult market conditions. At every point in the economic cycle, companies can benefit from optimizing their working capital, speeding up cash flow, and improving DSO.

In the past, these opportunities have been hampered by the limitations of individual funders or the need to adopt multiple bilateral agreements. But while legacy bank-led AR financing solutions have their limits, a new generation of AR financing is making it easier than ever for companies to unlock the value of their receivables.

Harnessing technology, and tapping into a deep global funding pool, Taulia's AR financing solution can free companies up from relying on rigid bilateral banking relationships. At the same time, businesses can tap into the benefits of our wider working capital management platform to gain a clear overview of all their working capital levers.

Talk to Taulia today to start releasing cash from your accounts receivable.

taulia® is now part of SAP



taulia.com