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Cash flow finance key to rapid growth

By **Rob Lamers**, CEO, Oxford Funding

When you have wages to pay, good cash flow management is imperative.

“We’d built a reputation through our can-do approach. But as the word spread, the increase in our business was putting acute pressure on cash flow.”

In the world of labour hire, your staff are your most demanding creditors. You can’t string them out. Not only is it important to treat them well, but the law requires that they be paid within 14 days.

Unfortunately, says Peter Kyriopoulos, CEO of ACG Security, debtors don’t follow the same 14 day rule. And if you’re a fast growing business, any gap between your incomings and outgoings can present a potential disaster.

This was the challenge facing ACG Security when demand for their services skyrocketed. In nine years the company has gone from a small, events-based player to one of Australia’s most prominent security specialists, with over 2,500 guards serving clients from Coca-Cola Amatil and Visy, to the Opera House, Etihad Stadium and Federation Square.

“We’d built a reputation through our can-do approach,” recalls Kyriopoulos. “But as the word spread, the increase in our business was putting acute pressure on cash flow.”

Not interested in selling part of the business to fund their cash needs, the ACG team needed a different strategy – ideally, one that would allow them to pay their staff even when the clients they were working for were yet to pay.

The solution was debtor financing.

Through a financing partner, debtor financing allows businesses to receive, in cash, up to 90% of the face value of their invoices within 24 hours of issue. No real estate or asset security is required and businesses can choose which debtors to apply their facilities to.

“As a strategic approach to cash flow management that curbed our ‘growing pains’, debtor finance was the right tool for our arsenal”, says Kyriopoulos.

In a world where late payments between businesses is rife (averaging 54.1 days in the first quarter of 2010, according to Dun & Bradstreet) ACG Security is able to “factor” the invoices they generate, receiving up to 90% of their value overnight. It’s as if the company can call on their customers to pay instantly.

“Debtor finance means that we’re able to avoid situations where our cash reserves might otherwise fall short of the funds we need to pay our staff”, says Kyriopoulos. “In labour hire that kind of flexibility is vital. Debtor finance gives us the confidence we need to grow.”

Kyriopoulos says that it’s important for labour hire companies to team up with finance providers who understand the nature of the industry – both its seasonal swings, and the fact that major events will often mean that single debtors owe large amounts

of money.

Kyriopoulos says that this decision proved a smart choice.

“When the global financial crisis hit, many banks began to withdraw their debtor finance offerings, but we had selected a specialist provider, Oxford Funding, for whom debtor finance was ‘their bread and butter’ – so ACG wasn’t in danger of being left in the lurch.”

ACG has also taken advantage of Oxford’s advice and experience when setting their cash flow strategies. “They’ve taken the time to understand our business and the circumstances of our industry”, Kyriopoulos says. “They function as part of the team, which is invaluable, especially when they deal directly with our customers.” ■

Oxford Funding provides Australian businesses with the cash flow solutions and facilities. Established in 1994, the business became a subsidiary of Bendigo and Adelaide Bank Ltd in 2005 and now has a staff of over fifty. Headquartered in Melbourne with regional offices in most states and dedicated representatives Australian wide, Oxford Funding has established a reputation as an innovative finance provider with a strong customer focus. We are a member of Factors Chain International (FCI) and the Institute for Factors and Discounters (IFD).