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Companies move to secure cashflows

SMEs seek alternatives to traditional bank lending amidst unprecedented financial uncertainty

Companies in Northern Ireland are increasingly turning to invoice finance as a way of securing cashflow in the current financial crisis.

Harry Parkinson, managing director of Close Invoice Finance in Ireland, part of the FTSE 250 merchant bank, Close Brothers plc, believes businesses are reducing their exposure to risk by making the move.



Harry Parkinson
Managing Director – Ireland,
Close Invoice Finance

“The evidence so far is fairly clear in terms of a demonstrable increase in our business here and also anecdotally as companies try and secure their cashflows at a time when the period between the issue and settlement of invoices is definitely growing,” he said.

Based in Belfast and Dublin, Mr Parkinson is watching a growing trend among companies across the island of Ireland as they make sure they get paid for what they sell.

“While all the attention is on the banks it’s easy to forget that businesses are still making things, selling their goods and services, exporting what they manufacture and invoicing accordingly,” he said. “They rightly expect to be paid for doing so but companies large and small are taking longer to settle their debts as they themselves try to manage the flow of cash in and out of their accounts.

Furthermore we are seeing mainstream banks trying to renegotiate overdraft and loan terms with customers and that’s not giving businesses the confidence they need, to do what they want to do in the current economic climate.

So invoice finance is increasingly being taken up and it’s not hard to see why. ►

Simply put invoice finance works when a company sells the total volume of its monthly sales and in return receives immediately a percentage of that value back in cash.

We're servicing that up to a level of 95 per cent and it's all accessible on line for a financial director to draw down as and when needed," said Harry Parkinson. "This means cash is there for a business to use without the worry of waiting for invoices to be paid by other companies who are delaying longer and longer before settling, because of their own cash challenges.

It therefore makes perfect sense from a daily cashflow management point of view to take up invoice financing. Far from being something which Northern Ireland businesses used to view as a desperate measure, invoice finance is a smart decision which puts control of the company's revenue stream back in the hands of the finance department and MD, and not leave it at the mercy of those taking longer to pay."

Close opened in Belfast back in April last year when the region's economic outlook was considered rosy given that a new Executive had been formed and American investment seemed assured.

In the intervening period the company has seen a growing trend towards smart cashflow management as the global economic slowdown finally found its way to Northern Ireland's front door.

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“Despite the level of public sector expenditure here as a proportion of the economy, something we all realise is too high, Northern Ireland will not be totally protected from what is going on,” said Mr Parkinson. “Businesses still need money to keep doing what they want to do and people out there need a place for their savings.

In that regard the current crisis can be said to impact on us all. We are all feeling the pinch, so to speak, and we at Close understand the challenges businesses, especially SMEs, are facing right now. ►

Yet companies in Northern Ireland remain resilient and maybe it's because many of them have survived in tough times before and are innovative when it comes to making a sale in a crisis.

We are seeing that today, as more companies, who already know that cash is king, make sure they have the cash they need by making a commercial decision to move to invoice financing. And it's not just happening here but also in the Republic where our Dublin office is reporting increasing interest in what we and indeed the market has to offer."

As companies across Northern Ireland dig deep to face the challenges of the global economy, finding financial security through their cashflow would appear to be an increasing priority.

For further information on Close Invoice Finance and our portfolio of products, contact us on 0800 220 257 or info@closeinvoice.co.uk. www.closeinvoice.co.uk ●

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