PR PrimeRevenue

Buyer FAQs

What is supply chain finance?

Supply chain finance is a solution that optimizes cash flow by enabling businesses to increase the days it takes to pay their suppliers. Simultaneously it provides the option for suppliers to receive payments as soon as invoices are approved in return for a nominal finance charge.

All of this occurs without negatively impacting the company or its suppliers' balance sheets. Rather, supply chain finance enables companies to materially improve their financial position by improving working capital and operating cash flow. For buyers, significant cash flow gains are achieved without introducing risk to the supply chain, and in fact having positive impacts on suppliers' financial health as well.

How does it work?

After extending payment terms with suppliers, the buyer offers them the option to be paid early by selling approved invoices to funders vetted by the buyer. This option not only offsets the impact to the supplier of longer payment terms, but can improve supplier cash flow beyond what they were experiencing prior to the term extension.

PrimeRevenue provides a cloud-enabled platform that creates a digital ecosystem between buyers, suppliers and funders, enabling both the exchange of information about receivables and the funds flow to pay invoices. We have established relationships with funding sources — both bank and non-bank — around the world to support complex global supply chains.

What are the mechanics of how invoices and payments flow?

Here is a snapshot of how the process and platform operate:

- Supplier sends their invoice to the buyer following their normal protocol.
- Buyer approves the supplier's invoice. Once approved PrimeRevenue's integration to the buyer's ERP system takes over and invoices are uploaded to the PrimeRevenue cloud-enabled platform.
- Supplier has full visibility of approved invoices and is notified when they are eligible for early payment.
- Supplier has the flexibility to trade an invoice immediately for early payment or to choose a later date for payment (still sooner than the due date). Suppliers also have the option to trade all, some or none of their approved invoices at any given time.

- When an invoice is traded for early payment, the funder receives and processes the early payment request and pays the supplier based on the agreed-upon discount rate. The funds are transmitted directly to the supplier’s bank account.

- At invoice maturity, PrimeRevenue uses the buyer’s bank account to pay the funder.

- If the supplier has chosen not to trade the invoice, PrimeRevenue will facilitate payment to the supplier on the due date.

How will supply chain finance benefit our company?

Both buyers and suppliers benefit from supply chain finance. By systematically and materially extending payment terms, buyers will generate significant gains in cash flow. PrimeRevenue’s customers on average reduce working capital by more than $200M.

That substantial increase in cash is typically invested to drive growth, used to reduce debt or returned to shareholders.

This sounds like a lot of work. How would you help get this done?

Effectively driving term extensions throughout a supply chain can seem daunting. Strategic sourcing or procurement teams are sometimes not well equipped to negotiate payment terms. Here are a few ways a competent partner like PrimeRevenue will help.

- Data driven analysis of your entire supply chain to determine optimal payment terms and prioritization of suppliers.

- Collaborative training of procurement teams to develop a joint go-to-market strategy complete with customized supplier messaging.

- Co-presentation support for large and mid-sized suppliers.

- Cloud-enabled on-boarding process for buyers, suppliers and funders.

- Global support across geographies and time zones that extends to funding capabilities.

- The ability to sustain a program beyond just the largest suppliers to standardize terms and cash flow gains across the entire supply chain.

What negative impacts can supply chain finance have on our company?

When executed properly, supply chain finance should have only positive impacts. There should be no effect on your trade payables accounting and your suppliers should not be disadvantaged. If executed poorly, however, by less experienced and less technologically advanced partners, there can be negative accounting, communications, and supplier ramifications.

What are the accounting implications?

When executed properly, supply chain finance should have no impact on your accounting for accounts payable. PrimeRevenue's programs have been scrutinized by most every global accounting firm and have been found to work for both buyers and suppliers. For buyers, trade payables stay as they are – trade payables. For suppliers, receivables are not converted to debt, thus effecting neither their outstanding debt covenants nor balance sheets.

How often do suppliers participate versus resist the term extension?

Suppliers do not generally welcome a payment term increase. But when properly communicated using underlying information about the supplier's situation based on data and experience, most suppliers understand the importance of supporting a buyer's drive to optimize its working capital position. That, coupled with the ability to improve its own working capital position by taking advantage of early payments offered at a favorable rate, cause the vast majority of suppliers to react rationally to both the term extension and to participate in the supply chain finance program.

Our bank offers supply chain finance. Why should I work with PrimeRevenue?

Single-funder supply chain finance programs are risky. That's because funding in supply chain finance is uncommitted. Due to economic conditions and/or regulatory pressures, banks' strategies can change suddenly, causing them to reduce their financing of supply chain programs, increase pricing, exit a specific country or even stop funding programs altogether. PrimeRevenue's multi-funder structure mitigates these risks.

PrimeRevenue also has an extensive track record supporting supply chain finance programs for years that extend deeply into the supply chain. Banks are not adept at helping buyers extend terms and typically only penetrate the top of the supply chain.

What are the benefits of a multi-funder structure?

There are multiple benefits. A multi-funder structure secures more attractive rates due to its competitive nature, resulting in consistently lower pricing than that of other supply chain finance providers. PrimeRevenue maintains relationships with funding sources across multiple geographies, enabling buyers to support suppliers across the globe. Multi-funder structures also mitigate the risks of a single funder reducing its commitments to a program, as described above.

How does this impact our IT infrastructure?

PrimeRevenue is a cloud-enable platform that integrates easily with most major ERP systems. There is very little impact on your IT infrastructure or team.

How long does it take to get a supply chain finance program up and running?

Program implementation typically takes 90 days. PrimeRevenue provides buyers with a detailed implementation plan that clearly outlines tasks, timeframes, team members, milestones and critical success factors.

Who in our organization will need to be involved and trained?

Your procurement team is the most critically important group to be aligned with the program, properly incented and well trained. The treasury and finance team should also be well aligned and fully informed. PrimeRevenue has an extensive training and support program and tools to assure success for both organizations.

Who is responsible for supply chain finance customer service and support?

PrimeRevenue provides customer service and support for your program.

About PrimeRevenue

PrimeRevenue is the leader in supply chain finance solutions, managing and optimizing cash flow for more than 20,000 customers in over 70 countries. Each year, PrimeRevenue processes more than $100 billion in supplier transactions through its cloud-enabled platform, helping companies unlock significant amounts of working capital.

www.primerevenue.com