



Working Capital Funding Options
For Small Business Government Contractors

www.parabilis.com

Opening Discussion

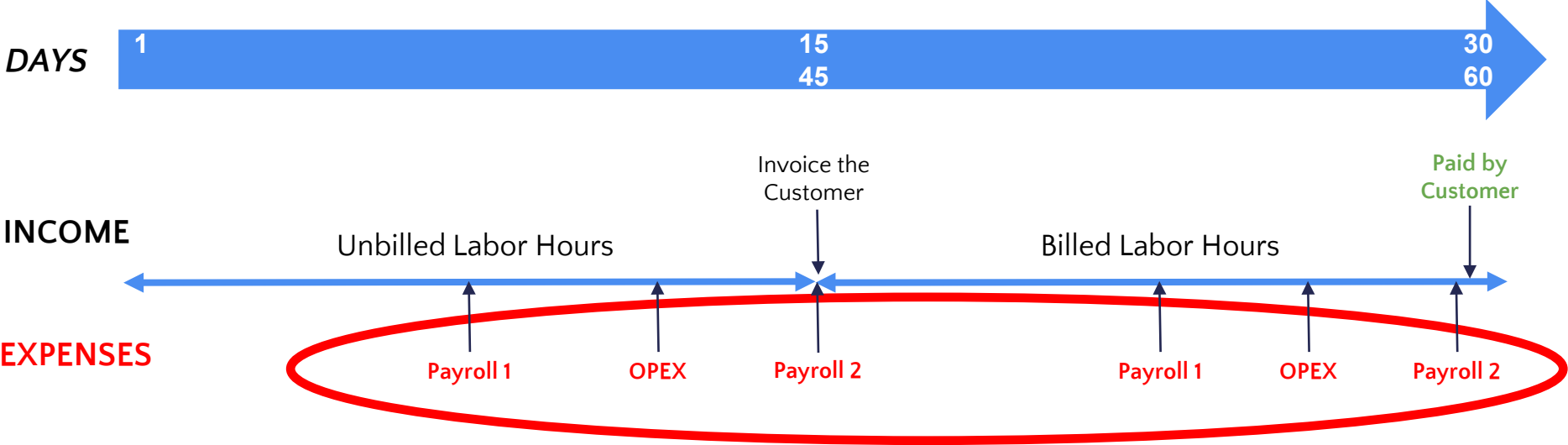


1.) What type of financing tools have you used while operating your company?

2.) How did you use the financing?

3.) Have you ever not bid on a contract because you didn't have the financing for it?

Why You Need It to Scale Your Business



How will you pay these expenses before receiving payment from the government?

Discussion Objectives:

- * Do you have a plan for your business?**
- * Why is it important to find financial partners that know your industry?**
- * Can your partner refer you to other outsourcing resources?
Why is this important?**

Working Capital Funding

Impact to the Balance Sheet



	Before working capital funding	Additional cash to pay contract expenses
Current Assets		
Cash	\$25,000	\$875,000
Accounts Receivable	\$1,000,000	\$1,000,000
	\$1,025,000	\$1,875,000
Current Liabilities		
Payroll	\$650,000	\$650,000
Operating Expenses	\$200,000	\$200,000
Other Current Liabilities	\$0	\$850,000
	\$850,000	\$1,700,000
Working Capital	\$175,000	\$175,000

Impact to My Income Statement



Know your options

Bank Financing Parabilis Financing Invoice Factoring MCA

	Bank Financing	Parabilis Financing	Invoice Factoring	MCA
<u>Revenue</u>	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Direct Billable Expenses	\$800,000	\$800,000	\$800,000	\$800,000
Operating Expenses	\$125,000	\$125,000	\$125,000	\$125,000
Financing Interest/Fees	\$10,000 or less	\$10,000 - \$15,000	\$25,000+	\$50,000+

Net Income

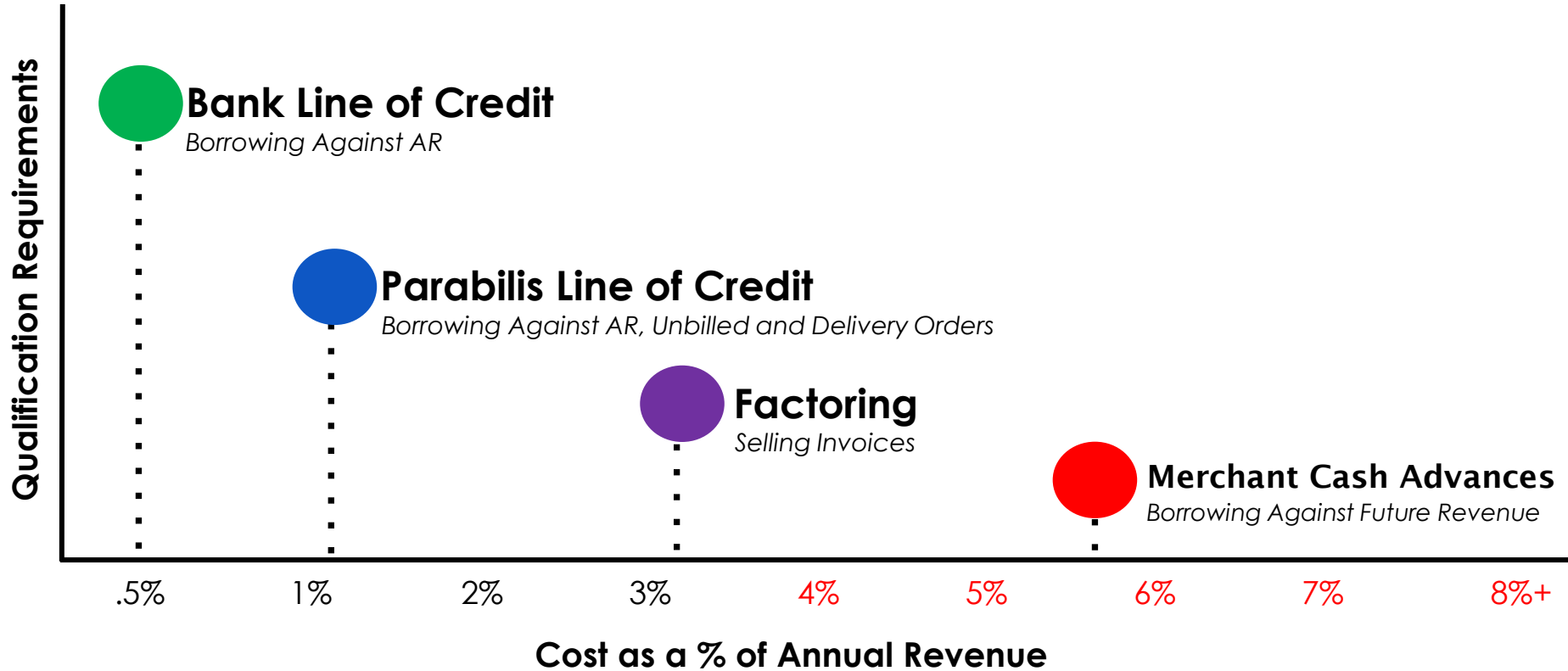
\$65,000+

\$60,000+

<\$50,000

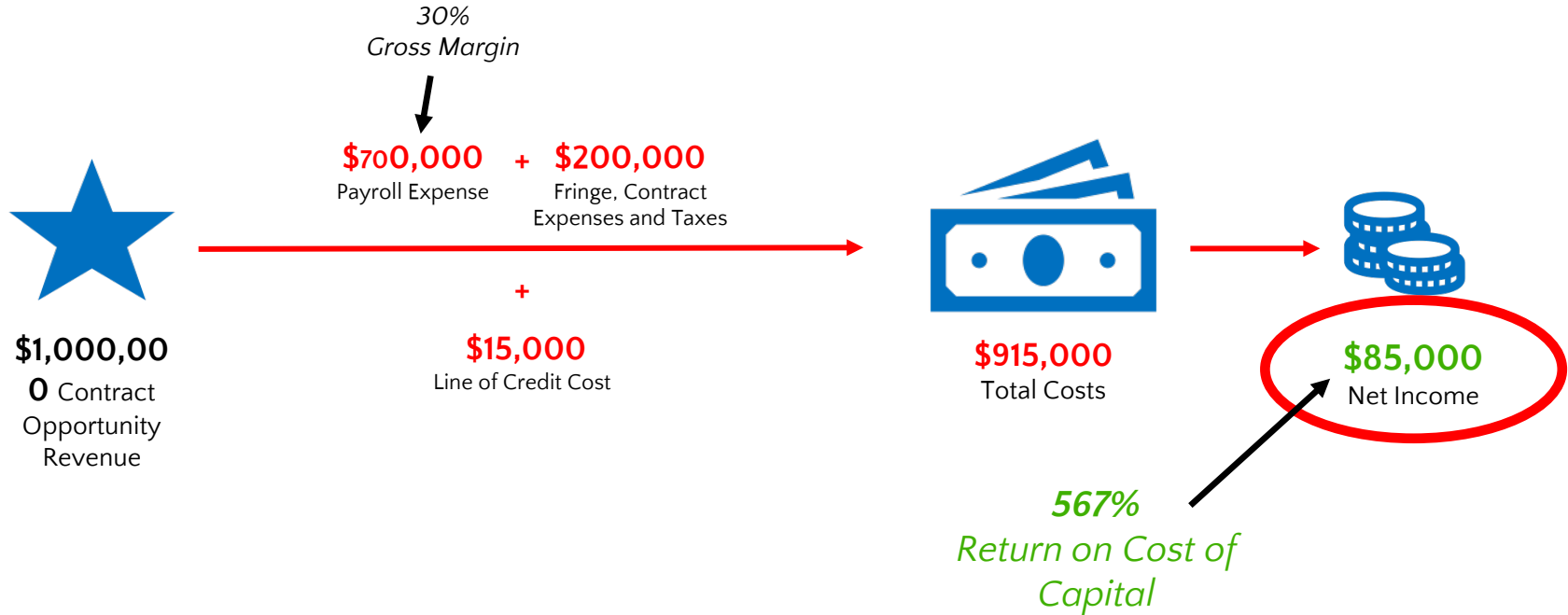
<\$25,000

Funding Solutions



How Working Capital Debt Becomes Strategic Debt

Financing a New Services Contract



Using a Bank Line of Credit for Working Capital



Product	Revolving Line of Credit	Able to borrow 80-90% of AR via monthly borrowing base
Cost	Low	3-8% APR
Access to Capital	Moderate	Based solely on AR less than 90 days old
Ability to Qualify	Difficult	High standards few small contractors will meet: <ul style="list-style-type: none">▪ 2-3 years in business▪ History of profitability▪ Able to meet certain ratios.
Speed of Approval	Slow	1-3 Months
Line Increases	Difficult	Typically not until the end of the year. Not based on contract award.
Flexibility	Low	<ul style="list-style-type: none">▪ Loan agreement will include ratio-based covenants.▪ Limited flexibility if issues arise, ratios tripped, payment delays, T for C, etc.

Using Factoring for Working Capital



Product	AR Purchasing Facility	Sell 80-85% of sub-contract and 85%-90% of prime-contract invoices
Cost	High	20-30%+ APR, costs are variable
Access to Capital	Moderate	<ul style="list-style-type: none">▪ Invoices must be “approved” in WAWF before being purchased and only after an assignment is in place.▪ May elect not to purchase Sub-Contract invoices.
Ability to Qualify	Easy	Based on the quality of receivables, not as much on your company.
Speed of Approval	Moderate	2-4 weeks
Line Increases	Moderate	Based on AR. New contracts must be assigned before you can sell.
Flexibility	None	<ul style="list-style-type: none">▪ Must sell entire invoice.▪ If payments are delayed it will result in more fees or cause the Factor to stop buying invoices which would halt working capital funding.

Using Merchant Cash Advances for Working Capital



Product	Cash Advance	Selling a portion of your future revenue.
Cost	Very High	40%-250%+ APR
Access to Capital	Low	Will only provide a small portion (e.g., one month) of future revenue.
Ability to Qualify	Easy	<ul style="list-style-type: none">▪ Current bank statements.▪ Based on future projections.
Speed of Approval	Easy	Same-day approval.
Line Increases	Easy	If you need more, sell more revenue.
Flexibility	None	<ul style="list-style-type: none">▪ Daily or weekly payment schedules.▪ Pulled directly from your bank account until the loan is paid.

Using a Parabilis Line of Credit for Working Capital



Product	Revolving Line of Credit	Borrow 85-90% of AR, 50-65% of unbilled but earned, and 30% of delivery orders via daily borrowing base
Cost	Moderate	8%-15% APR
Access to Capital	High	Able to pull maximum cash forward to fund: <ul style="list-style-type: none">▪ Contract startup costs▪ Headcount increases▪ Payments to suppliers.
Ability to Qualify	Likely	<ul style="list-style-type: none">▪ Based heavily on the leadership and contracts in hand.▪ There are no automatic rejection criteria.
Speed of Approval	Moderate	Typically within 2 weeks
Line Increases	Easy	Based on client's needs. Can be increased within a week.
Flexibility	High	<ul style="list-style-type: none">▪ Not federally regulated. Agreement does not include onerous, ratio-based covenants allowing flexibility to help when issues arise.▪ We don't "work-out" clients, we help them succeed.

Working Capital Solutions Comparison



	Bank Line of Credit	Parabilis Line of Credit	Factoring	Merchant Cash Advance
Product	Asset Based Line of Credit	Asset Based Line of Credit	AR Purchasing Facility	Cash Advance
Cost	3-8% APR	8%-15% APR	20-30%+ APR	40%-250%+ APR
Access to Capital	Moderate	High	Moderate	Low
Ability to Qualify	Difficult	Likely	Easy	Easy
Speed of Approval	Slow	Moderate	Moderate	Easy
Lines Increases	Difficult	Easy	Moderate	Easy
Flexibility	Low	High	None	None



It is important to develop a plan for your contractor-start to sale/merge/acquisition.

- * what are your options available through each stage of growth?
- * What is the purpose for the loan?
- * Does your option make good financial sense towards your plan?
- * How do you gauge your success and failure from a financial perspective?



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Questions?

Please feel free to reach out to me any time!!