



A guide to **Asset Based Finance**

Asset Based Finance is a form of corporate funding. It is the umbrella term used to encompass the full range of financial services on offer from ABFA members.

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Asset Based Finance is a generic term used to describe products including Factoring, Invoice Discounting and Asset Based Lending (ABL). These facilities involve funding against a range of corporate assets including invoices, stock, property, plant and machinery and sometimes even intellectual property and brand.

Asset Based Finance can be counter cyclical by nature. It tends to be able to lend more, as other forms of lending are contracted. This is because Asset Based Finance is not highly leveraged, highly structured and opaque; it is transparent, secured and senior.



The table below provides an outline of Asset Based Finance products and their applications:

	Factoring	Invoice Discounting	Asset Based Lending
Product	<ul style="list-style-type: none"> Funding against invoices Full credit control service, with or without bad debt protection Management information 	<ul style="list-style-type: none"> Funding against invoices With or without bad debt protection Management information Can be disclosed or undisclosed 	<ul style="list-style-type: none"> Funding against a range of corporate assets including invoices, stock, plant and machinery, property and cashflow loans Management information Can be disclosed or undisclosed
Users	<ul style="list-style-type: none"> Start-ups, SMEs, small companies including sole traders and partnerships 	<ul style="list-style-type: none"> SMEs and larger organisations with a more mature collections process in place 	<ul style="list-style-type: none"> Financially mature, multi-national, sometimes global, corporations
Applications	<ul style="list-style-type: none"> To improve cashflow To provide outsourced credit control To have a flexible financial solution that grows and diminishes in line with the business 	<ul style="list-style-type: none"> To improve cashflow To have a flexible financial solution that grows and diminishes in line with the business 	<ul style="list-style-type: none"> To provide a cashflow solution for strategic purposes, such as an MBO/MBI, refinancing or rapid expansion To have a flexible financial solution that grows and diminishes in line with the business

Sometimes there is confusion between Asset Based Finance and Asset Finance or Asset Backed Finance.

The ABFA represents organisations who provide Asset Based Lending (in addition to Factoring and Invoice Discounting products), but do not necessarily represent organisations that provide Asset Backed Finance.

Asset Based Finance provides flexible funding solutions based upon a range of corporate assets where the amount of funding available fluctuates with the value of the asset concerned. Asset Based Finance solutions against current assets (invoices and stock) are revolving facilities with no fixed period. Specifically Asset Based Lending packages that include advances against fixed assets may include an element of fixed term loans.

Asset Finance or Asset Backed Finance, such as leasing and HP, would normally be used to fund fixed assets. Loans for a set amount, determined by the value of the funded asset, are amortised over a fixed period through a series of regular installments.

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