

For funds, factoring is the most stable and least costly financing solution available

To continue performing well in a strained economic climate, private equity funds will need to keep coming up with ingenious ways to both free up the financing they require for new investments and optimise their existing portfolios. Factoring is one such solution, and also the least costly, simplest and relatively under-used. It is thriving as a means of freeing up unused cash rapidly. Read our interview with Thibaut Robet and Maxime Bertin from Fibus (formerly Chateaudun Crédit).



Interview with
THIBAUT ROBOT
Partner and co-founder, FIBUS



and
MAXIME BERTIN
Factoring Director, FIBUS

About the interviewees

Thibaut Robet founded Fibus (formerly Chateaudun Crédit) back in 2005 alongside Gaëtan du Hergouët. They made accounts receivable financing a speciality, going so far as to become the leading factoring brokerage in Europe and a leading credit-insurance brokerage. Fibus advises all types of entities and works primarily on private equity deals for fast-growing medium-sized entities. Maxime Bertin is Fibus' Director for Factoring.

DÉCIDEURS. Could you please remind us what makes factoring so specific?

Thibaut Robet. Factoring transforms almost all a company's accounts receivables into immediately-available cash. Financial decision-makers are not always familiar with this financing tool. Yet it is a strategic alternative for BtoB entities, which operate on 60-day payment terms on average, whereas factoring can reduce this to just 48 hours. For such entities, factoring is the largest form of short-term credit line available, and an extremely powerful cashflow lever. One in two BtoB entities in France currently uses factoring as a solution.

Maxime Bertin. Factoring is the quickest way for companies to shore up their growth, particularly for medium-sized companies. This should draw the attention of chief financial officers as well as investment fund directors. Few people are aware of this, but factoring is now the leading inter-company credit tool used in France and also in most European countries.

T. R. It is also the least costly short-term financing solution, especially when compared to bank loans or debt facilities. With interest rates on the increase and companies currently struggling to gain access to cash, factoring is an essential tool and ought to be prioritised. From SMEs to large groups, companies are all on board, and we are already seeing this in the number of cases handled in the first half of 2023.

What happened in your market in 2022 and what are the trends for 2023?

T. R. Last December, the monthly total factoring volume finally moved back above the symbolic bar of 40 billion euros in France, the historic peak dating back to December 2019. Overall, it took the sector some 3 years to bounce back, recording 15.5% growth and 421.6 billion euros in financed receivables for the French market alone in 2022. In this context, Fibus recorded 30% growth in its last financial year, with close to 10% of all trade receivables financed through factoring in France in 2022 handled by Fibus. In 2023, the sector is expected to continue in this vein, both domestically and internationally. International growth was also the market's main growth driver last year, with 18.8% growth, and this trend is continuing in 2023.

M. B. It is worth noting that the biggest factoring companies are French. This makes it possible to set up multinational programmes with a foot in each country while remaining centralised in France. Today we generate close to half of our turnover internationally and operate in 32 countries. In two years' time, we will be able to offer support to our clients across 50 countries. This is a major advantage for the investment funds with which we work as we can advise them regardless of where their investments are located geographically.

KEY POINTS

- In 2022, Fibus (formerly Chateaudun Crédit) rebranded in order to promote the complementary nature of its three areas of expertise: the Fibus Factoring, Fibus Trade and Fibus Digital brands were created;
- Fibus recorded 30% growth over the last financial year;
- 48% of its turnover is generated internationally;
- Fibus' teams handled 50 new cases for medium-sized entities and large entities in 2022;
- Fibus has 49 employees spread across Paris, Poitiers, Lyon and London;
- Fibus launched ARI in 2023, a range of IT solutions for coordinating and optimising factoring and credit-insurance programmes that is unrivalled on the market.

How do you work with private equity funds?

T. R. Most of our clients are LBO entities and, consequently, we work as much with their financial management teams as with their investment funds, and we are well aware of their respective expectations. Private equity funds call upon our services either to make new acquisitions or to optimise their existing portfolios. On this issue, we have noted an increase in demand from funds which want to be sure that their factoring programmes are fully optimal given the current strained economic climate.

M. B. Factoring is not a tool for financing acquisitions per se, but it can contribute indirectly in a variety of manners. We have developed an offer dedicated to private equity funds and phased according to the various stages involved in such deals: pre-acquisition; from signing to closing; and then post-closing. If our services are commissioned sufficiently in advance, as part of a new investment for instance, we can help the fund to secure financing for its acquisition and maintain its financial autonomy thanks to factoring.

T. R. Once it has been signed, the factoring contract is then used to shore up the acquisition's external or organic growth. It is always interesting to have a short-term source of financing that is more reliable than a RCF. Factoring can also be used for other equally crucial mechanisms for funds, such as dividend payments or debt refinancing. On this latter point, it is worth reiterating that factoring contracts adhere to debt covenants.

Finally, withdrawing from an investment is a decisive step, so we also help funds to prepare for divestments. Our consultancy offer is specifically designed to support the investment cycle from start to finish, whether in whole or in part.

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M. B. The economic context in which we currently find ourselves is expected to last until 2024, so private equity funds will have to be all the more vigilant in the way they manage their portfolios day-to-day. In actual fact, financing WCR through accounts receivable factoring is much less costly than using debt or equity financing. Managing WCR and any cashflow strains lies at the very heart of our profession, and we have acquired indisputable expertise in international medium-sized entities with which we have been working for over fifteen years now.

And in 2023, exactly how can you help medium-sized companies navigate an economic situation that is further compounded by a number of aggravating factors?

T. R. The ethos of Fibus is to both facilitate and simplify the process of arranging factoring and credit-insurance programmes for medium-sized entities so that they can always reach the pinnacle of their financing capability. It is for this reason that, this year, we launched

ARI Trade, an IT solution which allows financial management teams to ensure that none of their programmes are ever underfinanced. We have brought together in a single interface all those involved in accounts receivable: the CFO and Credit Managers from the group and from each subsidiary, their factoring partners and their credit insurers. There is no such equivalent on the marketplace today.

M. B. Thanks to ARI Trade, we have managed to eliminate the "technical layer" usually imposed on accounting teams when seeking to optimise their cashflow. It is no longer necessary to reconcile files manually, adjust to factoring requirements or request credit limits for each individual contract, etc. All communication with factoring partners and credit insurers is handled automatically and data are updated constantly on a shared dashboard, regardless of the number of countries, currencies and contracts you are dealing with. This saves a considerable amount of time, whilst also offering the certainty of never missing out on a financing opportunity. Today we can see that financial management teams have made ARI Trade a prerequisite whenever it comes to implementing, optimising or extending a factoring or credit-insurance programme. Thanks to digitalisation, they are finally able to tap into 100% of the investment potential offered by factoring as we can advise them regardless of where their investments are located geographically.